



GIE Response to the EC's Public Consultation Document: "The External Dimension of EU Energy Policy"

Introduction

Late 2010 the European Commission issued a public consultation document "The External Dimension of EU Energy Policy". GIE welcomes the opportunity to present the views of infrastructure operators on this document.

What is GIE?

Gas Infrastructure Europe (GIE) is an association representing the sole interest of the infrastructure industry in the natural gas business such as Transmission System Operators, Storage System Operators and LNG Terminal Operators. GIE has currently 66 members in 26 European countries.

One of the objectives of GIE is to voice the views of its members vis-à-vis the European Commission, the regulators and other stakeholders. Its mission is to actively contribute to the construction of a single, sustainable and competitive gas market in Europe underpinned by a stable and predictable regulatory framework as well as by a sound investment climate.

The External Dimension of EU Energy Policy

Question 1: Should the EU promote further energy market integration and regulatory convergence? Is there a need for a differentiated approach between the Eastern and Southern neighbours or between countries?

GIE believes that the harmonised implementation of existing EU measures should be the number one priority. The ongoing initiation of new policies on energy, even before existing policies have been fully implemented, creates a large uncertainty on future developments. This has a significant impact on the confidence of investors. As such it may limit or delay new – but necessary – investments in energy infrastructure.

More emphasis on the implementation of existing EU measures, will lead to a more sound investment climate. This is required as the development of the right gas infrastructures in a timely manner is critical to ensure liquid, competitive and secure EU gas market. GIE would like to emphasise that infrastructures in gas are "market facilitators" which enable the completion of the internal market. A real internal gas market is the key to a more sustainable future with lower CO₂ emissions.

A sound investment climate together with a stable and predictable regulatory framework providing the appropriate incentives for investment constitute the prerequisite for the development of new gas infrastructure which will trigger further market integration and enhance security of supply. A proper regulatory framework will help to respond to many infrastructure challenges by setting the right investments signals and a proper risk sharing between infrastructure owners and users. GIE would like to reiterate that investments in gas infrastructure entail long-lead times and thus requires long-term visibility. Regulatory frameworks should therefore be clear, in-keeping with the longer-



term policy perspectives and consistent across borders. This should be recognized as a prevailing principle spanning to all infrastructure projects.

More generally, GIE encourages the Commission to ensure a consistent approach across its energy-related activities, for example, when implementing the Infrastructure Package and drafting new elements of the European energy policy.

The European Commission is proposing regulation in the following areas and all interrelate in some way:

- Regulation on Energy Market Integrity and Transparency (REMIT)
- European Market Infrastructure Regulation (EMIR)
- Markets in Financial Instruments Directive (MiFID)
- Market Abuse Directive (MAD)
- Capital Requirements Directive (CRD)

All are at different stages of development but in parts have similar and overlapping aims so the dangers of duplication and unintended consequences are obvious. An example is the potential for onerous transaction and data reporting requirements to more than one regulator. A sufficiently co-ordinated approach to the development of new regulations, would minimise the impact.

Question 2: Should the EU take concrete actions to foster greater investment in renewable energy sources in its neighbouring countries? What actions?

Whether inside EU borders or outside, the EU should focus on concrete actions that offer the best near-term value for money decarbonisation routes, such as gas and biofuels. Other renewables, in particular wind and solar electricity generation are highly intermittent. Therefore, these renewables require back-up generation capacity using other fuels. The low carbon footprint and flexibility of natural gas make it the ideal back-up fuel for intermittent renewables.

The future of renewable energy and gas infrastructure is intertwined: even if the share of natural gas in the EU energy mix would decrease, the development of renewable energy will trigger the development of new gas infrastructure. Even if the gas demand shows a stable growth pattern for the next years, the gas peak demand is expected to increase considerably. Significant gas infrastructure development will be required to cover the peak gas demand and provide the flexibility which is required.

In this context the potential of green gas should also be underlined, making gas not only crucial in the transitional period but also in a low carbon society. Gas infrastructure development does therefore not only enable the integration of renewable energy production but can also contribute to a low carbon economy in the future. Moreover the competitiveness of Europe would be preserved during the long path towards this goal.

Question 3: What measures should the EU take to reinforce and focus its partnerships with key suppliers (of hydrocarbons) and transit countries? What should be the focus of such enhanced partnerships? (What countries? What topics?)

Hydrocarbons will continue to play a major role within the European energy mix and Europe will continue to be dependent on imports. GIE believes a coherent external energy policy is highly



important to Europe's future energy supply and can help improve Europe's access to global hydrocarbon resources.

Successful relationships with external supplier countries require recognition of both security of supply and demand considerations. Constructive relationships can be built on reciprocal measures that increase mutual dependencies along the energy value chain. A sound, stable and predictable investment climate for gas infrastructure will facilitate security of demand considerations, and send a clear message to supplier countries enabling them to invest in the production facilities needed to supply Europe.

Furthermore, LNG will enhance security of supply by allowing for a high degree of supply diversification and reducing the level of dependency from Europe's oligopoly of supply. Its increasing role will therefore need the establishment of good relations with supplier countries and entities.

In addition, it is important to remember the importance of the EU's indigenous energy resources, both conventional and non-conventional. Europe still has significant gas reserves that will remain crucial for security of supply in Europe for a long period of time. Since the new gas will increasingly come from smaller and remote accumulations and more technologically challenging environments, an Energy Policy for Europe should promote a framework to stimulate investments in Europe necessary to ensure that the EU's future demand for oil and gas can be met.

Question 4: How can the EU best support complex infrastructure projects outside the EU? Should the EU seek to coordinate or be party to intergovernmental agreements which concern projects of European interest?

During the past years much effort has been devoted to the completion of the internal energy market. Any development that would negatively impact the competitiveness of the internal market should be avoided.

Europe is within economic reach of 70% of global gas reserves through an extensive and growing infrastructure. With an efficient market, this gas will flow to Europe. Necessary conditions are the continued development of a stable regulatory framework to support long-term investments in gas infrastructure and interconnectors.

Future supply can come from many sources, both as LNG and long haul pipelines. In principle these sources compete. One potential supply source should not be given a preferential treatment and/or subsidy above other sources.

The role of the EU should be aimed at developing good relationships with all countries that can contribute to the security and diversity of supply. Infrastructure projects outside the EU can be supported by several measures, bi-lateral or multi-lateral, with the support of the concerned countries and the European Union at the appropriate level. The right framework should be developed on a case-by-case basis in the balanced interests of all concerned parties. A successful framework will lead to the realisation of the required investments for the future supply of Europe.

Question 5: What focus should the EU give to its energy cooperation with major consuming countries? In what topics and countries could the EU action bring most added- value?

No answer.



Question 6: Should the EU take action to increase its collective weight in global energy discussions and in international organisations and initiatives dealing with energy? How?

The Commission should ensure that its involvement in global energy discussions is at a high policy direction level. The EU should avoid the creation of unnecessary obstacles that could possibly have a negative impact on the competitiveness of the internal market.

GIE encourages the Commission to maintain strong working relationships with the IEA in order to access robust data and modelling regarding future global energy demand and supply and to assess the possible impact of the proposed energy policies.

Question 7: What initiatives could help the EU promote nuclear safety, security and non-proliferation standards globally?

No answer.

Question 8: How could the EU and its Member States gain together greater impact on international energy issues? What concrete actions should be taken to ensure synergies and coordination between Member States' initiatives and EU initiatives?

No answer.

Question 9: Do you consider that the compliance with EU internal market rules and the EU energy security objectives of Member States' bilateral agreements with third countries can be an issue? Should the EU take action to ensure compliance? How?

Please see answer to question 1

Question 10: How could the European industry and civil society best contribute to the EU external energy policy objectives?

GIE would encourage the Commission to hold regular meetings with the industry and the civil society regarding external energy relations.