

WEAF 5th Annual Energy Conference
central Asia/Caspian Sea
– the new hydrocarbons gateway for
Europe

**European values and the future of the European natural gas
industry**

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What are European Values?

Key words in the value chain

Upstream

- Human rights
- Freedom
- Democracy
- Equality and the rule of law

Downstream

- Economic integration
- Social progress
- Sustainable development
- Environmental protection
- Reinforced cohesion

One size does not fit all

These apparent absolutes are tempered by among other considerations:

- Subsidiarity
- Proportionality

leading to compromise in the development of legislation and negotiation in interpretations

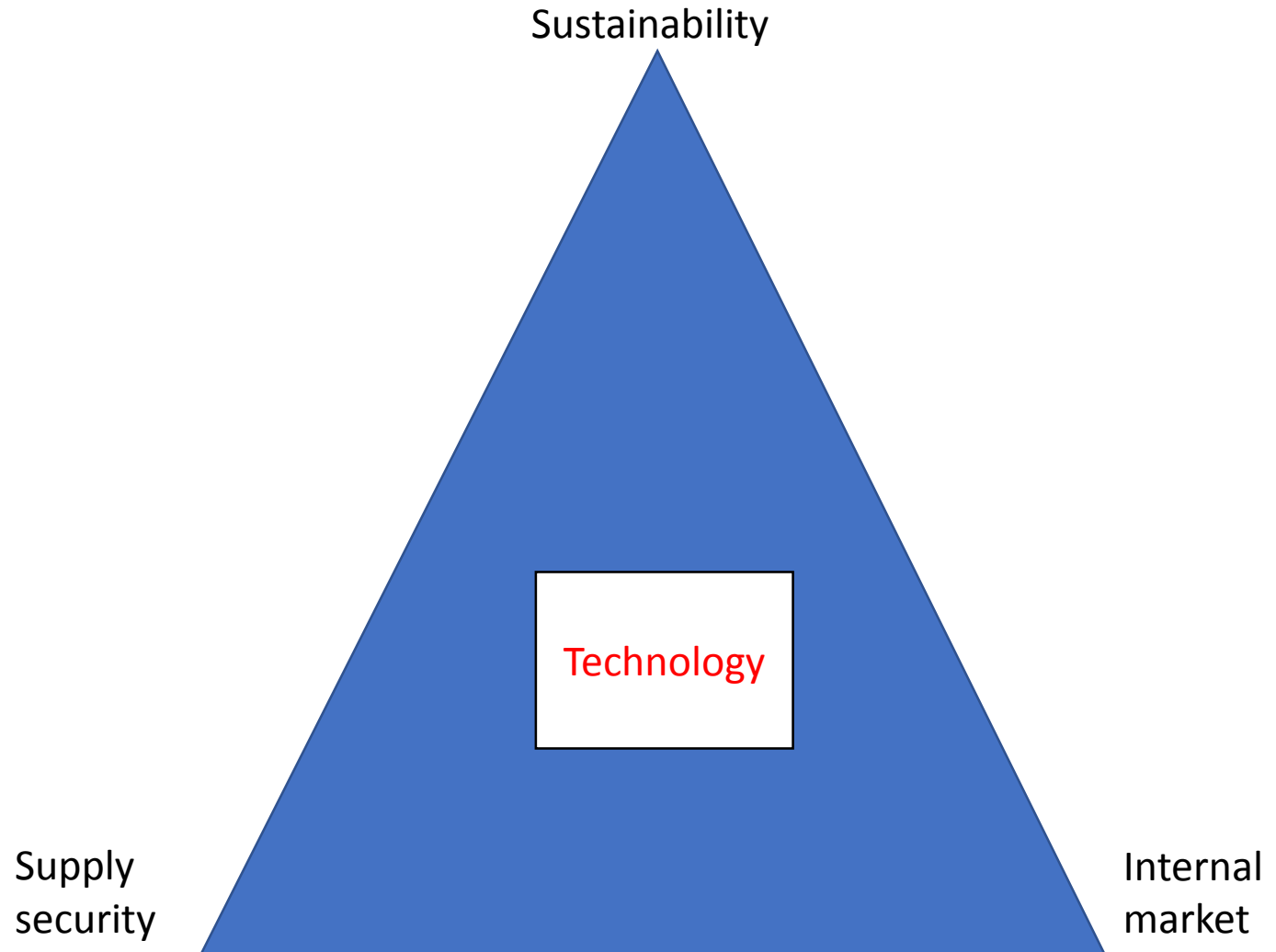
Energy considerations

Energy, intrinsic to the economy of Europe, is touched by these values through legislation, policy making, and international relations

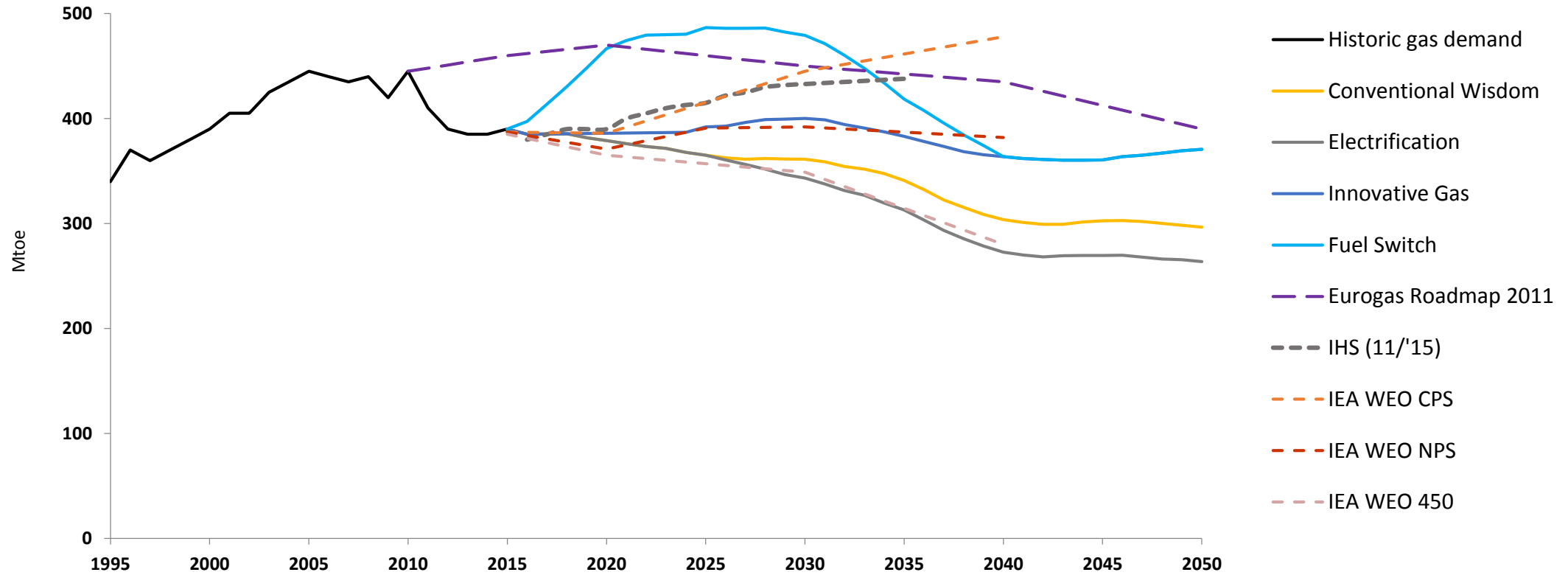
Values are indirectly promulgated in neighbourhood policy

The energy trilemma

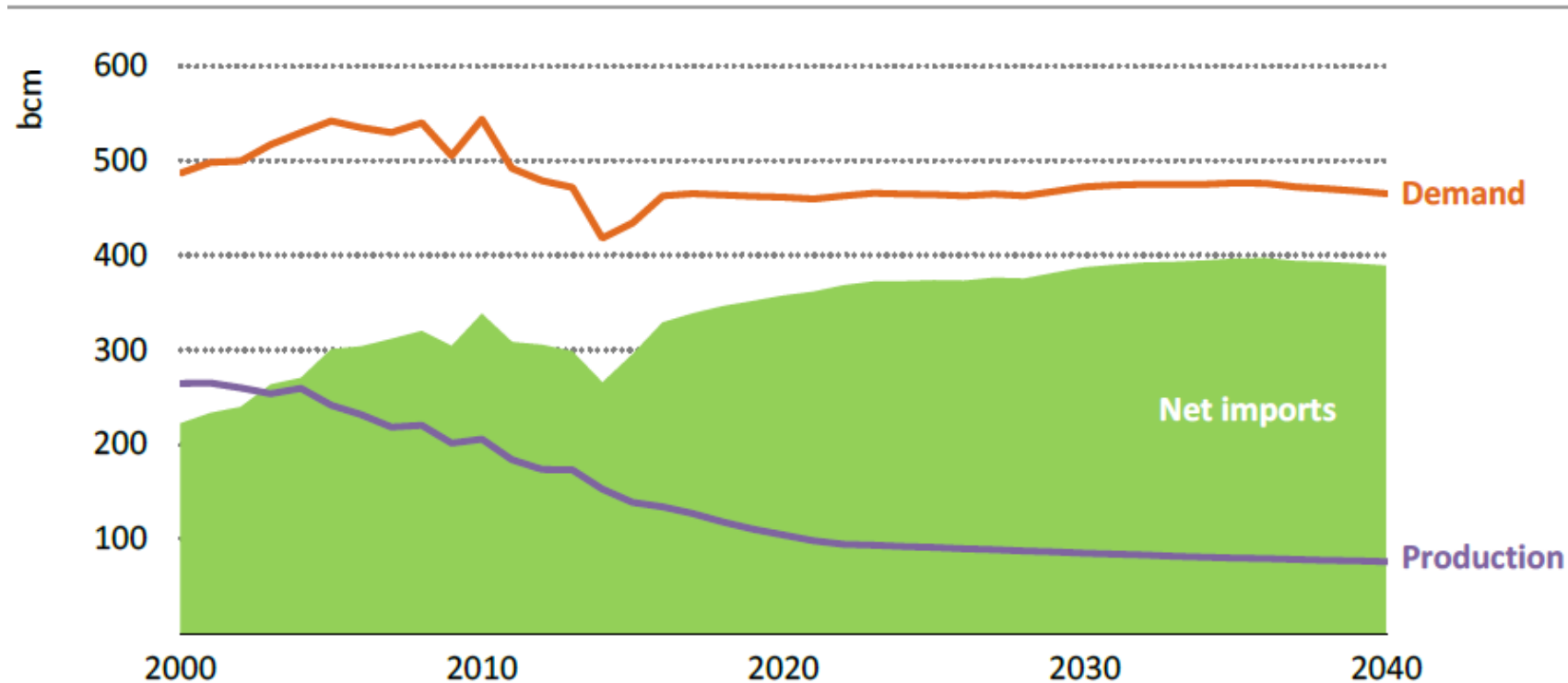
The energy triangle or trilemma involves a meeting of economics, policy, and crucially very often politics/geopolitics. Accustomed to think about how the trilemma impacts on gas, we must now address the issues in a wider context.



Views on gas demand

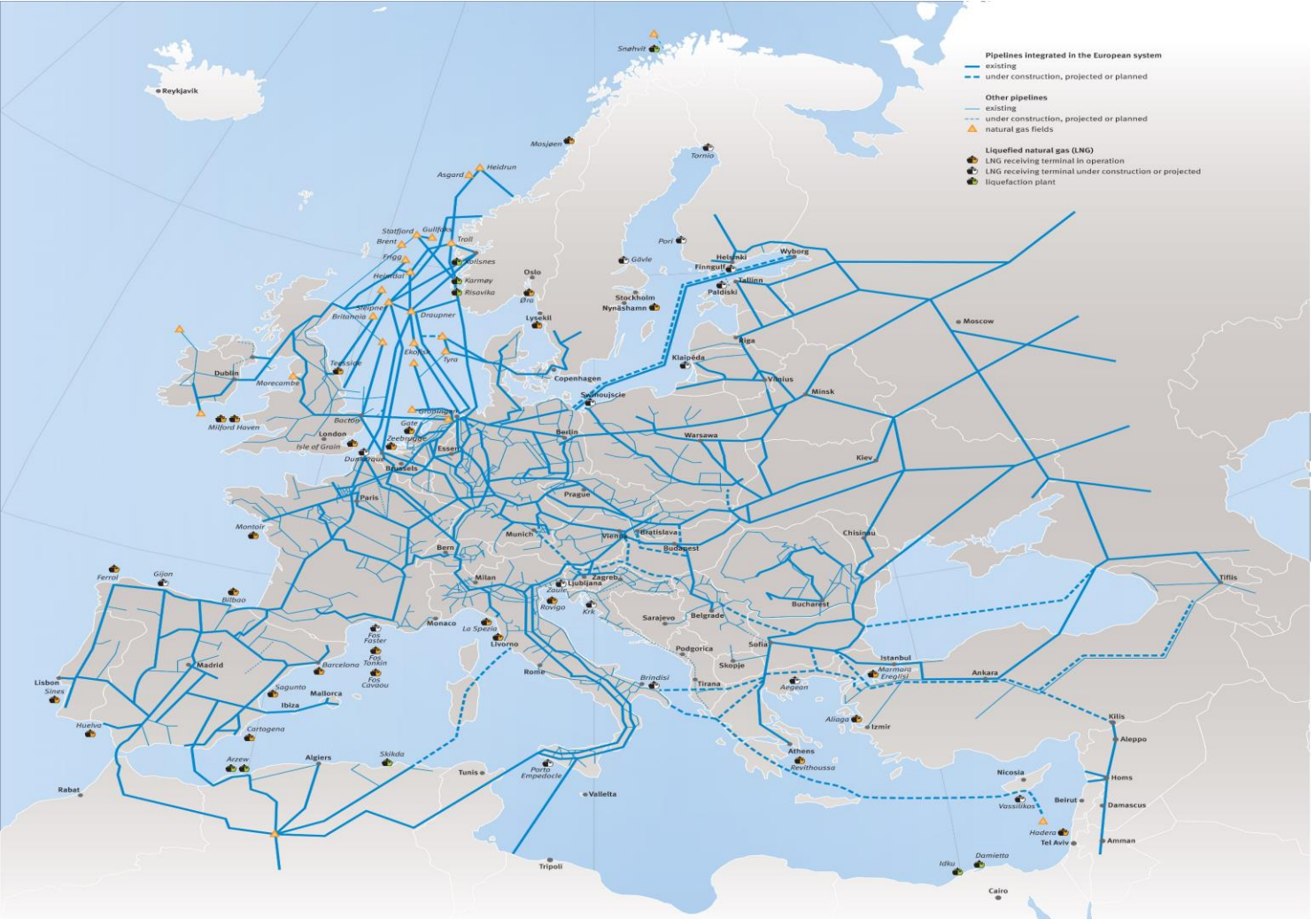


Natural gas balance of the EU in the IEA's New Policy Scenario



Even with a flat demand outlook, the European Union's gas imports increase to 2040 as domestic output continues to decline

Supply options for Europe



The future of the market

The gas market is facing the challenges of transition-what are the implications?

Carbon reduction → restraints on fossil fuel use
→ switching opportunities but for how long?
→ CCS/CCU?

Shift from fossil gas/innovation including RES and synthetic gases

Electrification in traditional markets

?? current market design and future supply patterns??

Timescales matter

To around 2030

- Affordable roadmap to reduce CO2 emissions
- Imports compensating for a decline in indigenous production
- Diversification enhancing security of supply

Beyond 2030

- Case for using current assets in an integrated energy market approach
 - Lower demand for fossil gas, coupled with rigorous methane emission control and CCS
 - Customer empowerment-no one can be left behind
 - More decentralisation of energy supply/democratisation of supply decisions
- Implications for upstream assets and investment decisions

Broad conclusions

- Sustainability and supply security merge in decentralised innovative gas solutions
- External supplies may underestimate EU commitment to energy transition and its implications for gas at their own risk
- Sustainability values will be main policy drivers
- Economic case for gas E and P affected, also in a global context

Fossil gas offers innovative solutions but will need to compete with advancing technologies and innovation in electrification. Alternative gas may support some assets but raises questions about others.