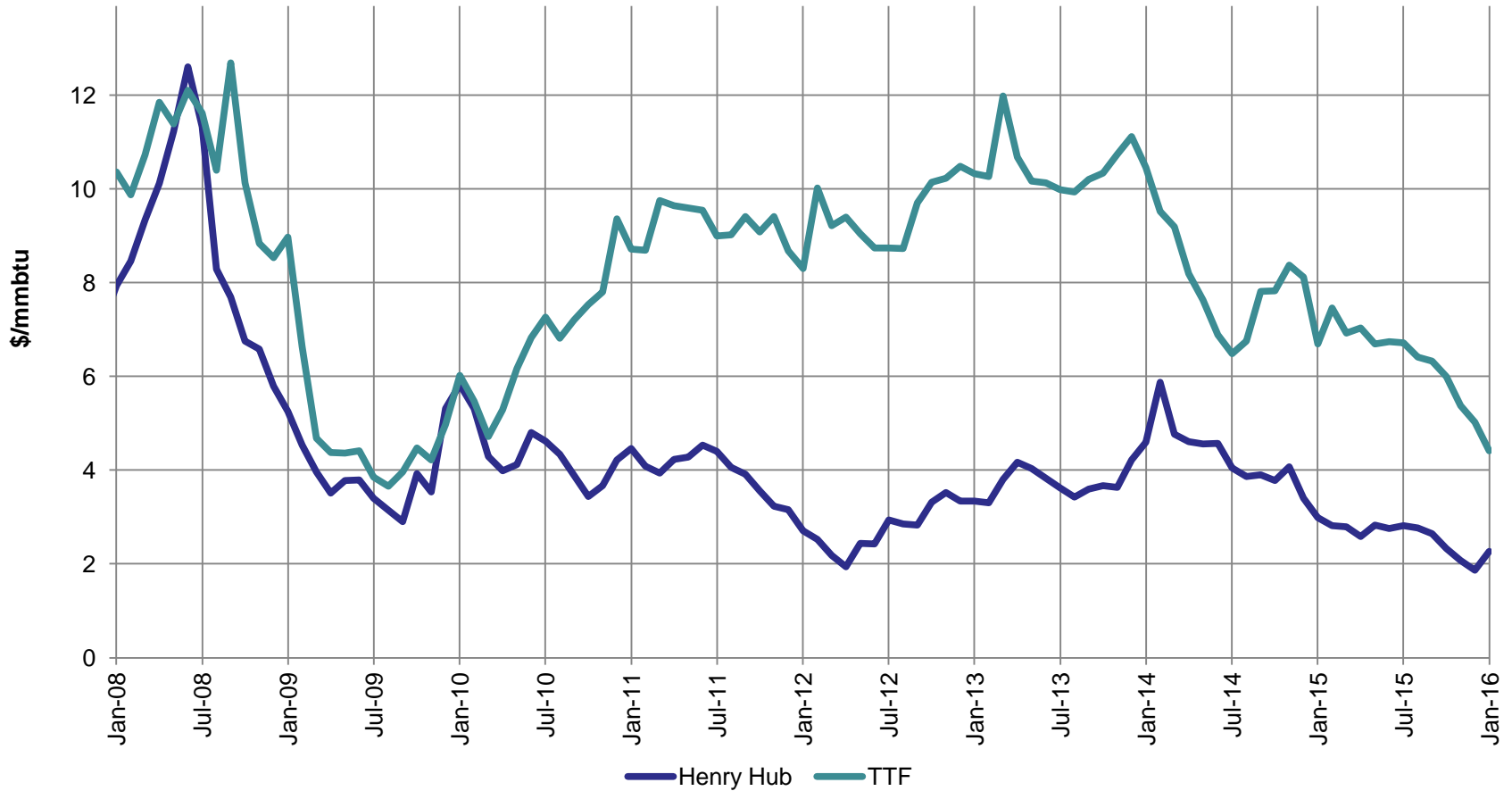


Challenges for the Energy Intensive Industry in Europe

Steinar Solheim
Chair WP Gas

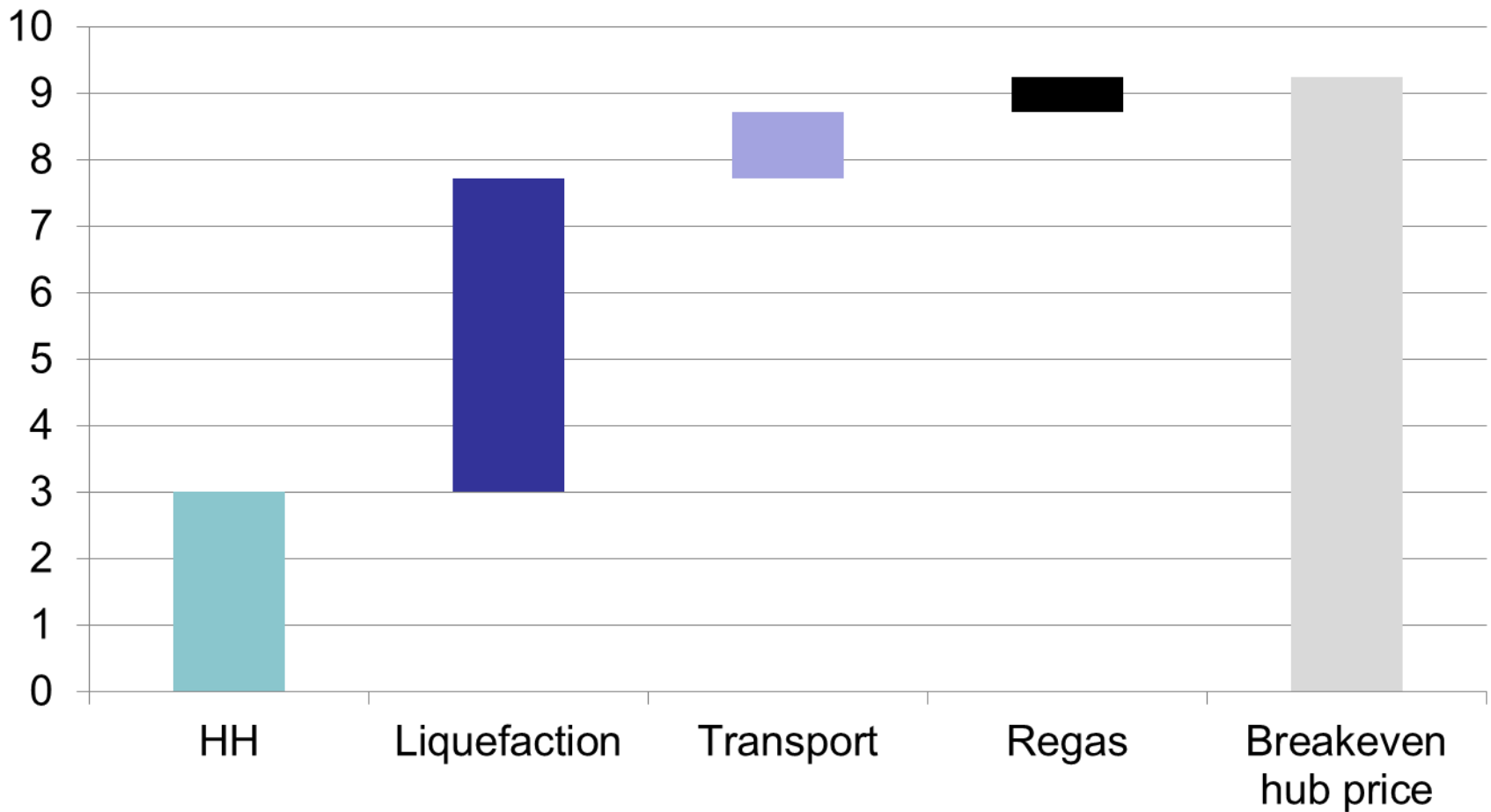
Energy Forum – 21 April 2016

Global natural gas prices

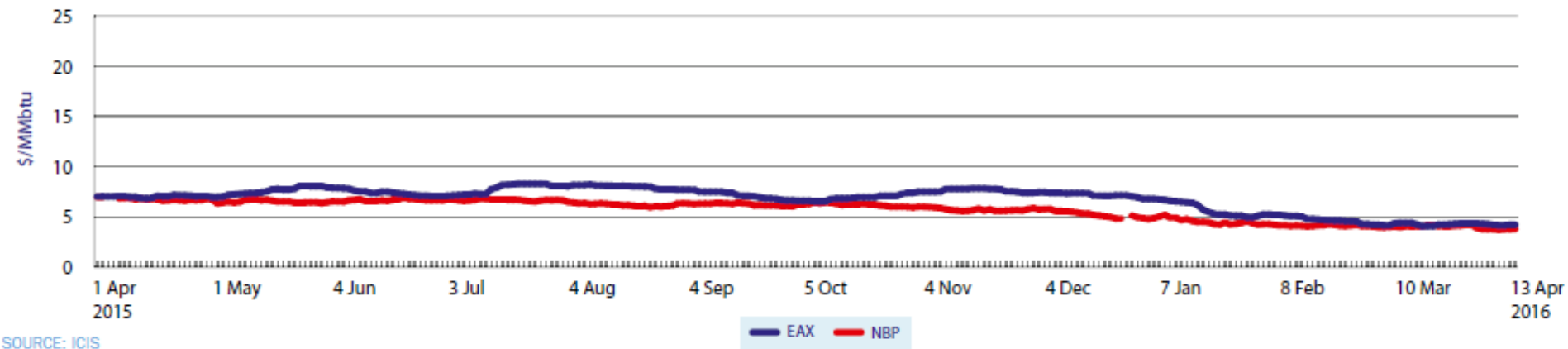


Source: IHS Energy

Can we attract US LNG below 7 USD/MMBTU?



East Asia vs NBP front-month



REGULATION OF SECURITY OF GAS SUPPLY

- New Regulation published by EU Commission in Feb 2016
- Replaces Regulation from 2010.
- Expected to start implementation early 2017.
- IFIEC has taken an active role in the process:
 - Responded to consultations
 - Bi – lateral meetings with the EU Commission

WHAT IS NEW IN THE REGULATION?

- Better regional cooperation and coordination.
- Solidarity between member States in a defined Region.
- Mandatory regional preventive action plans and emergency plans and regional risk assessments to be prepared jointly.
- All interconnection points must be equipped with permanent reverse flow capacity unless they are granted an exemption. A cost-benefit analysis will take place before an investment decision has been taken.
- Demand side measures will be considered as a tool in order to increase security of supply.

Regional cooperation approach



Source: European Commission

CONSEQUENCES FOR ENERGY INTENSIVE INDUSTRY

- Demand side measures is defined to be an option in order to increase security of supply. IFIEC strongly believes that the energy intensive industry will participate in such option if the financial incentives are attractive.
- Market based measures are the most effective way to increase security of supply.
- IFIEC supports investments in order to increase reverse flow capacity. However, a detailed cost-benefit analysis should be done to avoid over investments.
- IFIEC supports mandatory regional cooperation. In case of emergency, a cooperation between the different regions should also be encouraged.
- Are the regions defined in an optimal way?

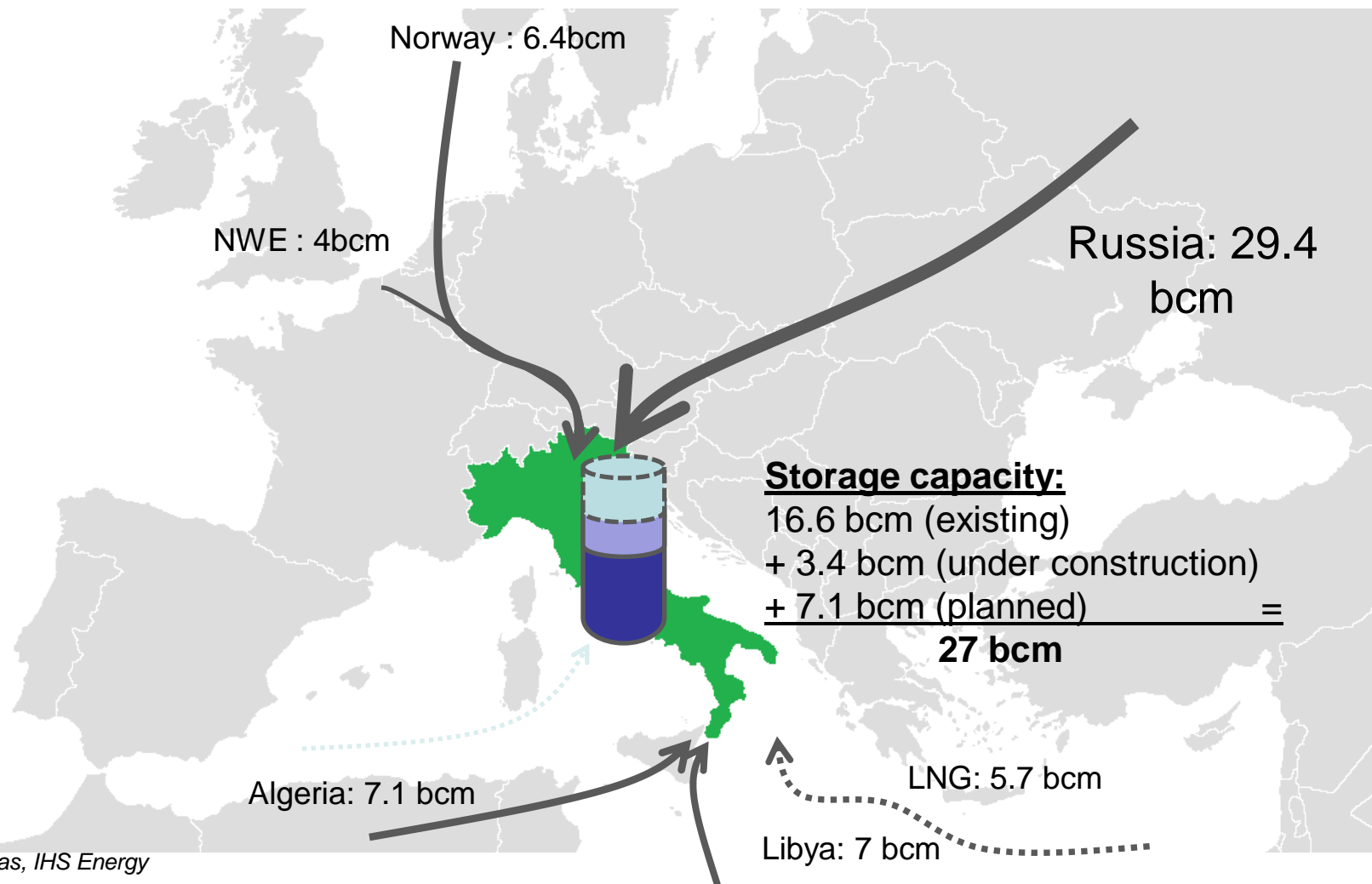
EU STRATEGY FOR LIQUIFIED NATURAL GAS AND STORAGE

- To exploit the full potential of access to the international LNG market, Eu needs to:
 - Ensure that the necessary infrastructure is in place to complete the internal market.
 - Complete the internal market so that it sends the right price signals
 - Step up its efforts to cooperate closely with international partners to promote free, liquid and transparent global LNG market.
- To make sure all MS have access to LNG as an additional gas source and to sufficient storage capacity, in particular in vulnerable MSs, either directly or through other countries.
- Ensure that storage can play a full role in security of supply.

CHALLENGES RELATED TO LNG – STORAGE STRATEGY

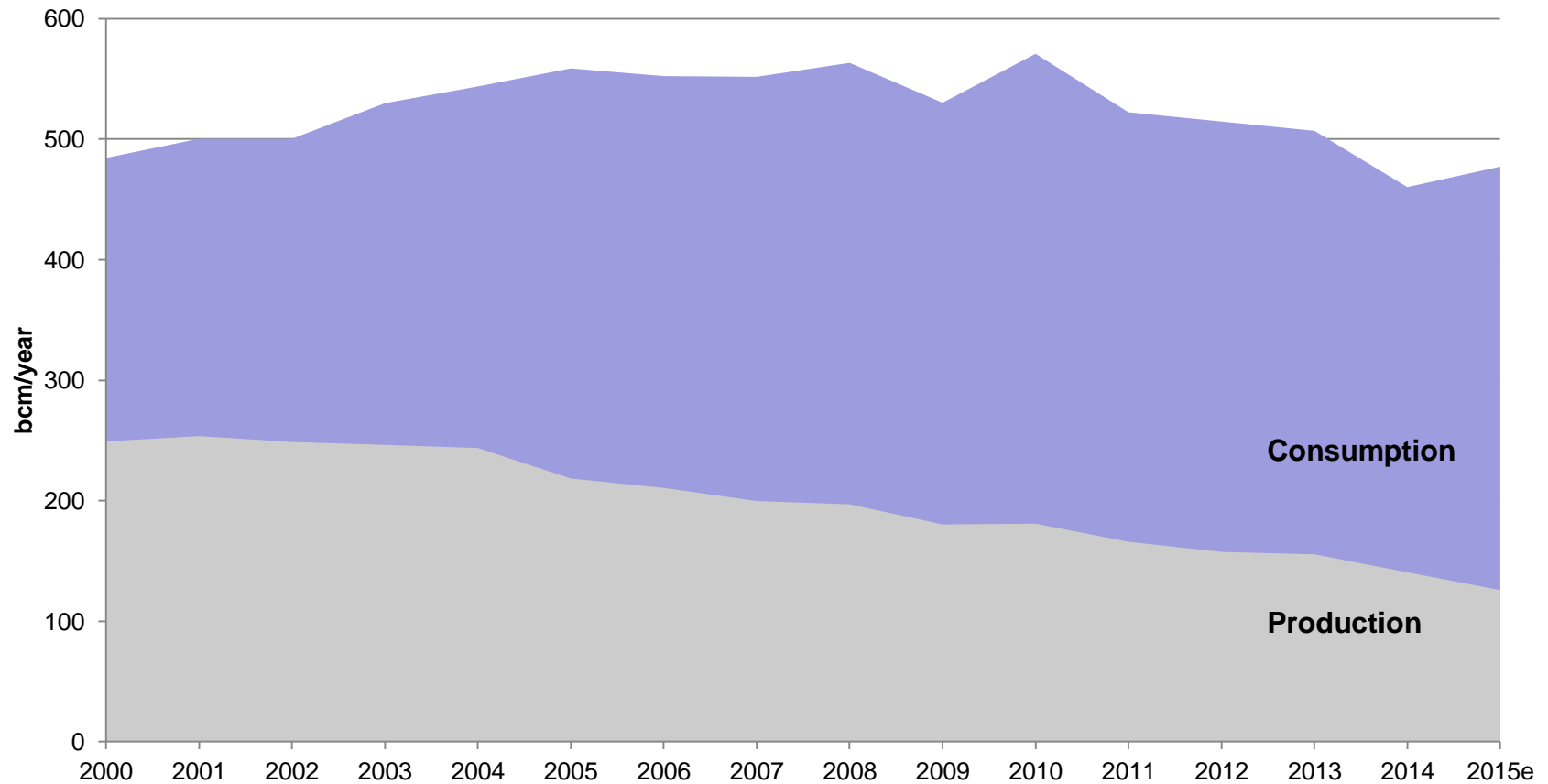
- The utilization rate for existing LNG terminals is around 20%. Limited incentives for new investments.
- Is it important that MSs has access to LNG «either directly or through other countries» if they have a diversified supply through pipelines?
- Should avoid overinvestments in storage capacity, eg with the planned investments in storage in Italy, the capacity will be nearly 50% of the consumption in the country. Is this necessary? The consumer pays the bill.
- The current summer/winter spread is not sufficient to justify new investments.
- The consumption of gas in Europe is declining. This means less needs for storage

Italian gas imports 2015: 59.6 bcm



Sources:
Snam Rete Gas, IHS Energy

European Natural Gas Balance



Source: IHS Energy