



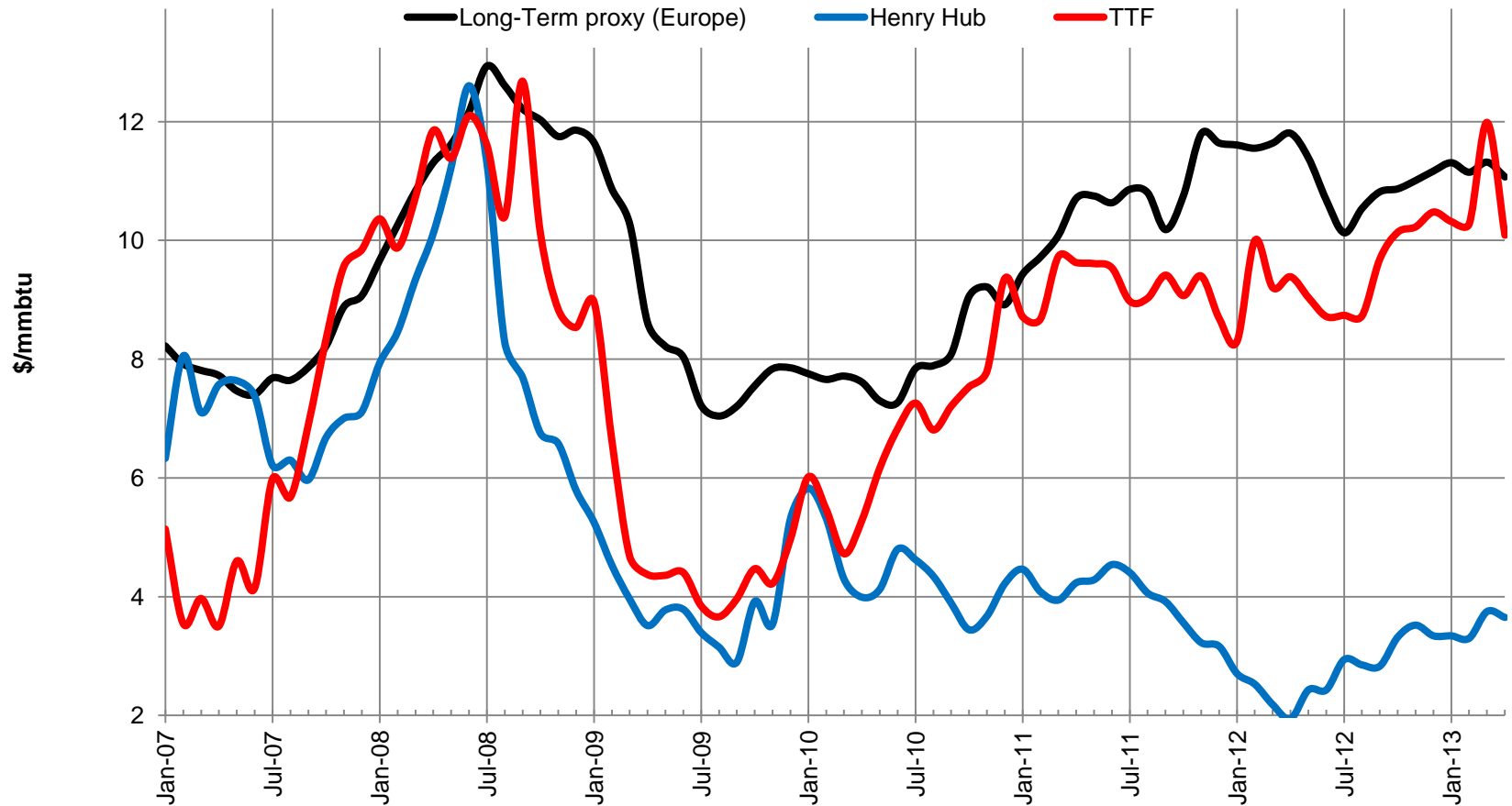
# **IFIEC Energy Forum**

## **“Competitiveness of European EII in a Globalised Economy”**

**“Liberalisation of the European Gas Market “**  
**5 June 2013**

**Steinar Solheim**  
**Chairman Working Party Gas**  
**Vice President Yara International**

# Gas prices development



Source: IHS Cera

# CHALLENGE FOR ENERGY INTENSIVE INDUSTRY IN EUROPE

- European industrial consumers pay 3-4 times more for the gas than in US.
- Massive investments in US by energy intensive industries (petchem, ammonia). No new greenfield projects in Europe.
- Development of a real competitive gas market is essential in order to have a sustainable industrial activity.

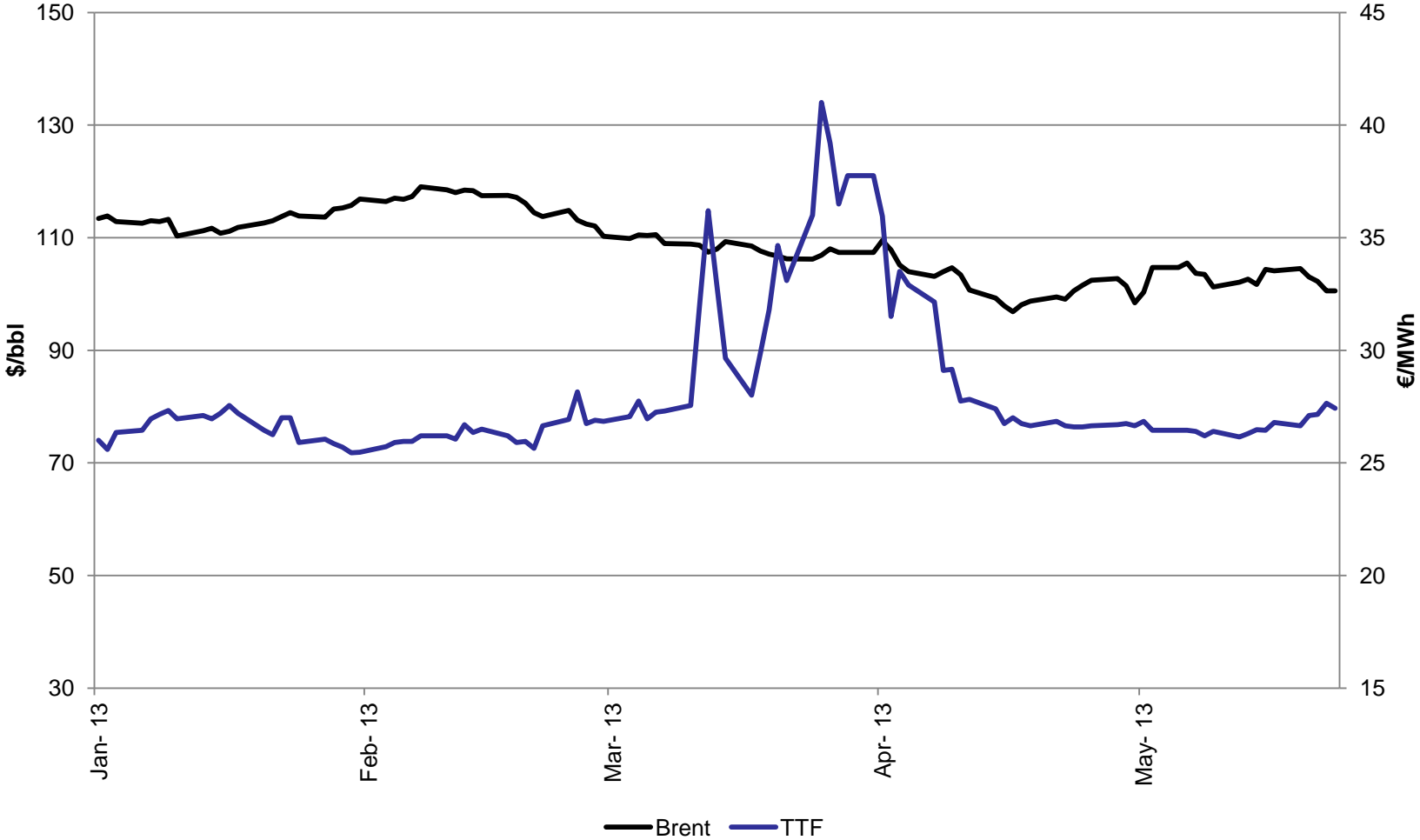
# How can End Consumers obtain more competitive gas prices ?

- Short term
  - Fast implementation of the 3rd Energy Package.
    - Target of implementation by 2014 should not be postponed
  - Implementation should take place in all Member States. Needs close follow up by ACER and NRA's.
  - There is no logic anymore that gas price should be linked to oil. Gas price should be defined by supply/demand balance and not by oil.
- Long Term
  - Encourage exploration and production of shale gas in Europe
  - Construction of more pipelines and LNG terminals in order to secure gas from new sources. This increase competition and security of supplies.

# GAS TO GAS COMPETITION

- Oil indexation was introduced 50 years ago when gas was a real substitute for oil. This is not the case anymore.
- Gas price should be defined by the supply/demand balance and not by the price of another commodity.
- The oil price is to large extent controlled by a cartel (OPEC).
- With some few exceptions, the gas price at the hubs in NWEurope has been lower than oil indexed prices in the period 2007 – 2013.
- Gas price at hubs gives the right commercial signals to buyers and sellers in order to make the right decisions.

# Brent does not react to gas fundamentals



Source: Argus, Platts



# SHALE GAS IN EUROPE

- Huge resources of shale gas
- Shale gas exploration in Poland. Exxon pulled out from Poland recently.
- Strong opposition from the green politicians. Concerned about pollution of drinking water. Is this justified?
- IEA estimates production of 35 BCM in Europe by 2030 (total consumption in EU 27 was 445 BCM in 2011).
- EU should encourage exploration and production of shale gas in Europe as long this takes place in an environmental acceptable way.