IFIEC Energy Forum
“Competitiveness of European EII in a Globalised Economy”

“Liberalisation of the European Gas Market “
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Steinar Solheim
Chairman Working Party Gas
Vice President Yara International
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
• 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.