

# GAC – reflections on way forward

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## Our challenges

### *EU*

***Declining domestic production***

***Completion internal (gas) market***

***Investment - infrastructure***

***Diversification of imports***

***Decarbonisation policy and "Energiewende"***

### *Russian Federation*

***Huge resources, but...***

***Integrated gas market, export monopolies***

***(Foreign) Investment - production***

***Diversification of exports***

***Modernisation of the economy***

**...and a weak legal basis for EU-Russia energy relations**

# The Russian gas sector

## 1) Russian upstream sector

- Significant potential, but at rising costs (off-shore)
- Treatment of foreign investors (Strategic sectors law, Subsoil law)
- Taxation

## 2) Russian mid- and downstream sector

- Development of Russian domestic market
- Development of Russian domestic gas prices
- Access to transmission network

# Key developments on both markets

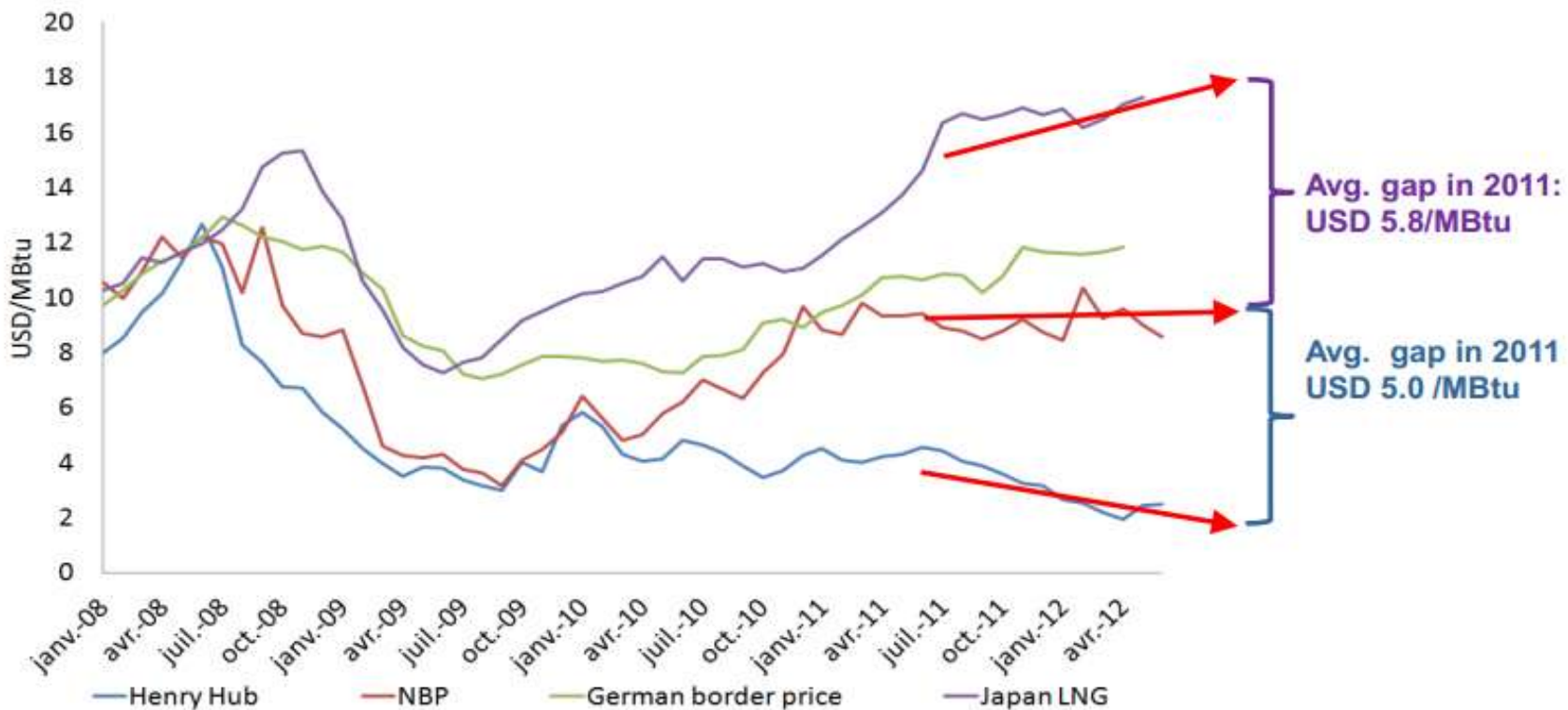
## 1) EU internal market

- Broad and improving access to EU markets and customers/work to further integrate gas markets underway – benefits for all players
- RU companies welcome in EU: are key beneficiaries of Third Energy Package BUT all players have to abide by EU rules (energy sector, competition, etc.)
- But ongoing discussions about pricing with many EU players in light of the changing market dynamics

## 2) Russian market

- Some signs of opening [*President Putin: "other energy companies should be allowed to transport gas through the network of export pipelines" (Moscow Times, 3 Oct. 2012)*]
- Broader market access and competition can be the basis for "gas partnership 2.0"

# Regional Gas Prices US / Europe / Japan



Source: ICE, EIA, IEA, German Customs, Japanese Customs, McCloskey

## Implication for EU-Russia relations

**Will EU players on Russian gas market enjoy equal treatment?**

**Will Russian gas be price-competitive on EU market?**

**What infrastructure is necessary and how will it be used?**





<http://ec.europa.eu/energy>

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