



**Institute for Energy and Finance**

# **Roadmap Russia-EU Energy Cooperation until 2050:**

## **What will be the future role of Russian GAS?**

**Alexey GROMOV**

**Director of Energy Department  
Institute for Energy and Finance**

[www.fief.ru](http://www.fief.ru)

**Board member of Institute for Energy Strategy  
Russia, Moscow**

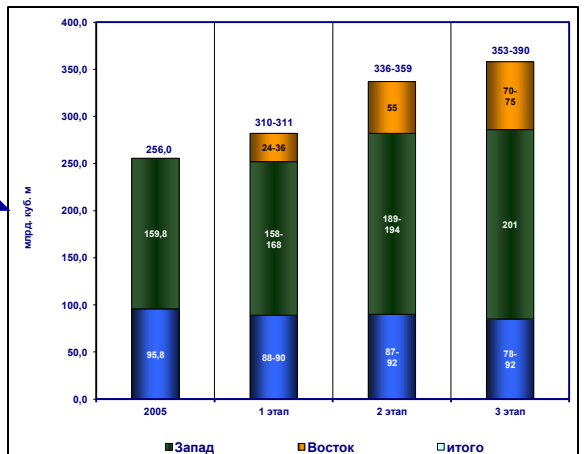
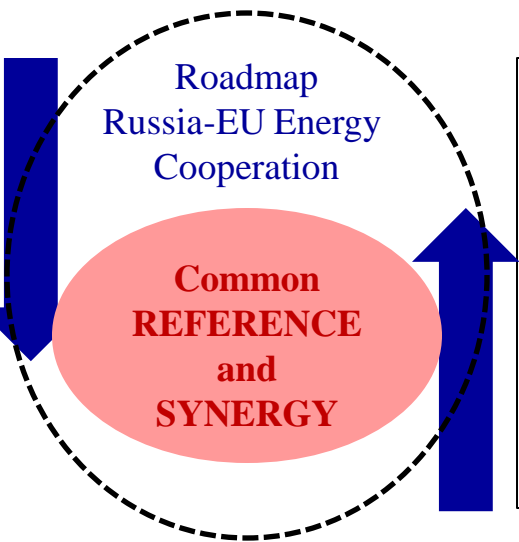
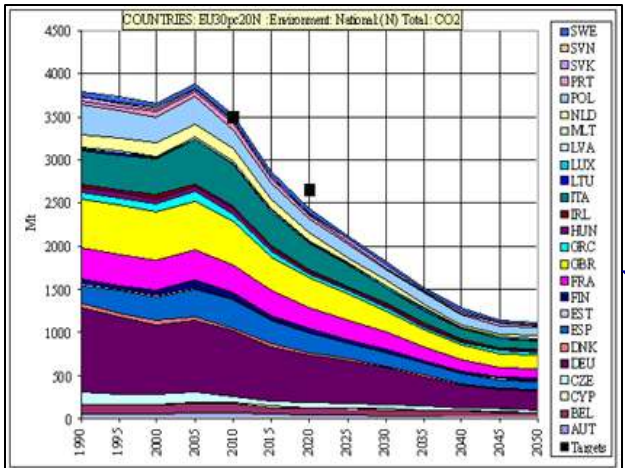
Russia-EU Energy Dialogue

[www.energystrategy.ru](http://www.energystrategy.ru)

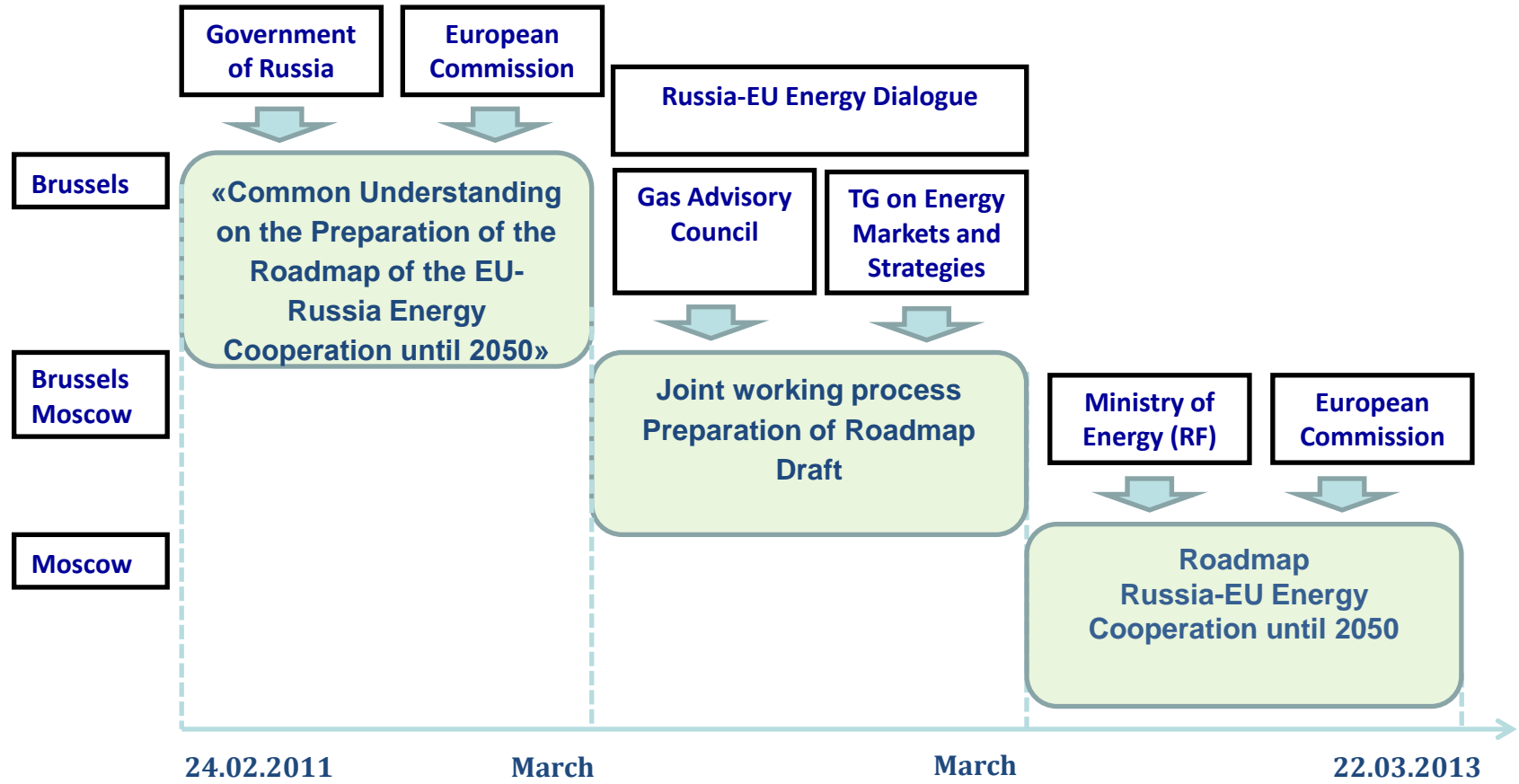
Brussels, 30<sup>th</sup> May 2013

# Objectives of the Roadmap

- Analysis of different energy scenarios for the future and their impact on Russia-EU energy relations in the different sectors (oil, gas, electricity)
- Elaborate long-term opportunities and risks of the overall energy supply and demand situation
- Investigate the potential for long-term cooperation in the field of energy



# Milestones and status of the ROADMAP



Roadmap Russia-EU Energy Cooperation until 2050 is **NOT a mandatory document** **BUT a common reference** for both sides



# Inputs and Features of the ROADMAP

## Key Inputs

- Expert reports from July 2011;
- Russian 2030 Energy Strategy;
- EU Energy Roadmap 2050;
- Other scenarios such as the IEA World Energy Outlook;
- **Reports/outcomes of the Gas Advisory Council;**
- Activity and reports of various Thematic Groups of the EU-Russia Energy Dialogue

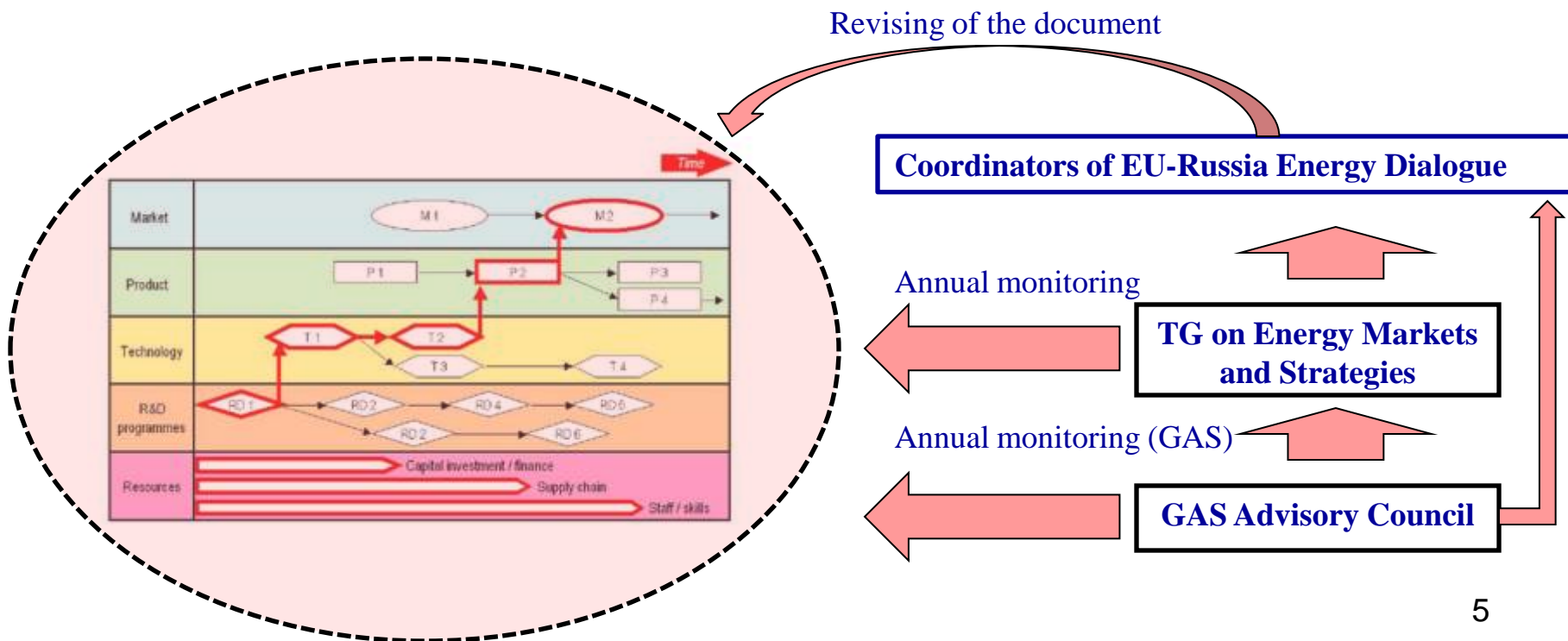
## Key Features

- **respect sovereign energy policy** decisions in EU/Member States and the Russian Federation;
- Identify risk aiming to achieve a **tolerable level of uncertainty** in long-term EU-Russia relations;
- **agree on the main drivers**, common themes, challenges and "no-regrets" options;
- **propose areas of cooperation** and shared recommendations for the 2020, 2030 2050 horizon

# ROADMAP is...

Not ONLY the IDEOLOGY of cooperation but the concrete WAYS of cooperation

Not ONLY the DECLARATION but the LIVE DOCUMENT



## What about gas?

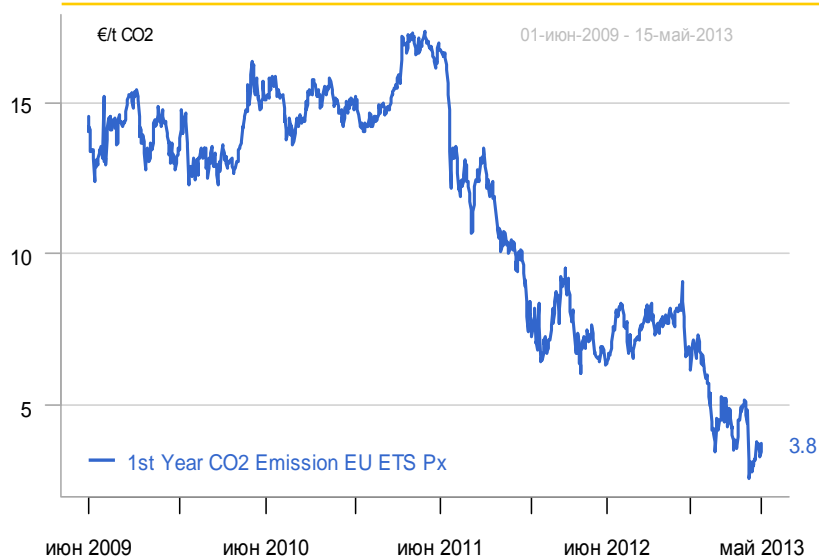
### EU ENERGY ROADMAP 2050 SCENARIOS

Mtoe		2000	2010	2020	2030	2040	2050
<b>CPI</b>	GIC	1723	1752	1700	1629	1618	1615
	Gas	393	<b>443</b>	372	369	364	<b>354</b>
<b>EE</b>	GIC	1723	1753	1644	1452	1269	1084
	Gas	393	<b>443</b>	365	348	315	<b>257</b>
<b>HR</b>	GIC	1723	1752	1679	1510	1317	1134
	Gas	393	<b>443</b>	382	354	286	<b>210</b>

**Gas is not the priority of European long-term Energy Policy...**

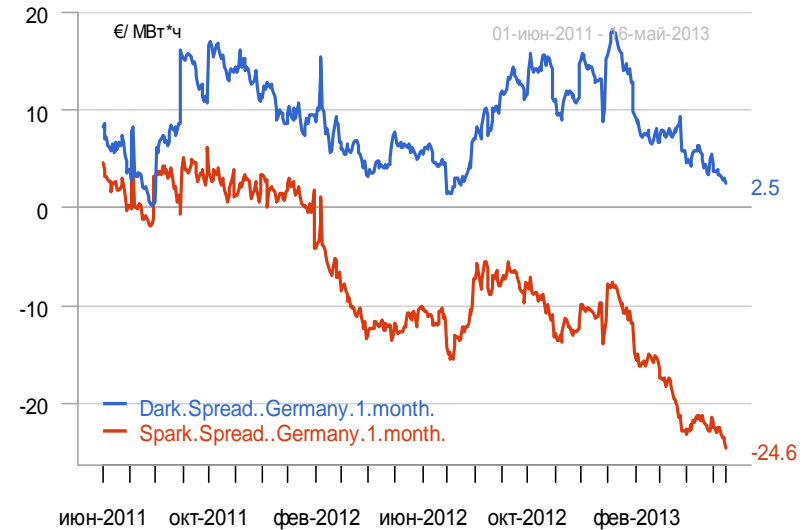
# EU Energy Policy's paradoxes: return of coal

Carbon price (EU ETS Px) fell by 5 times during the period of 2009-2013...



Source: EEX

Spark Spread and Dark Spread in Germany

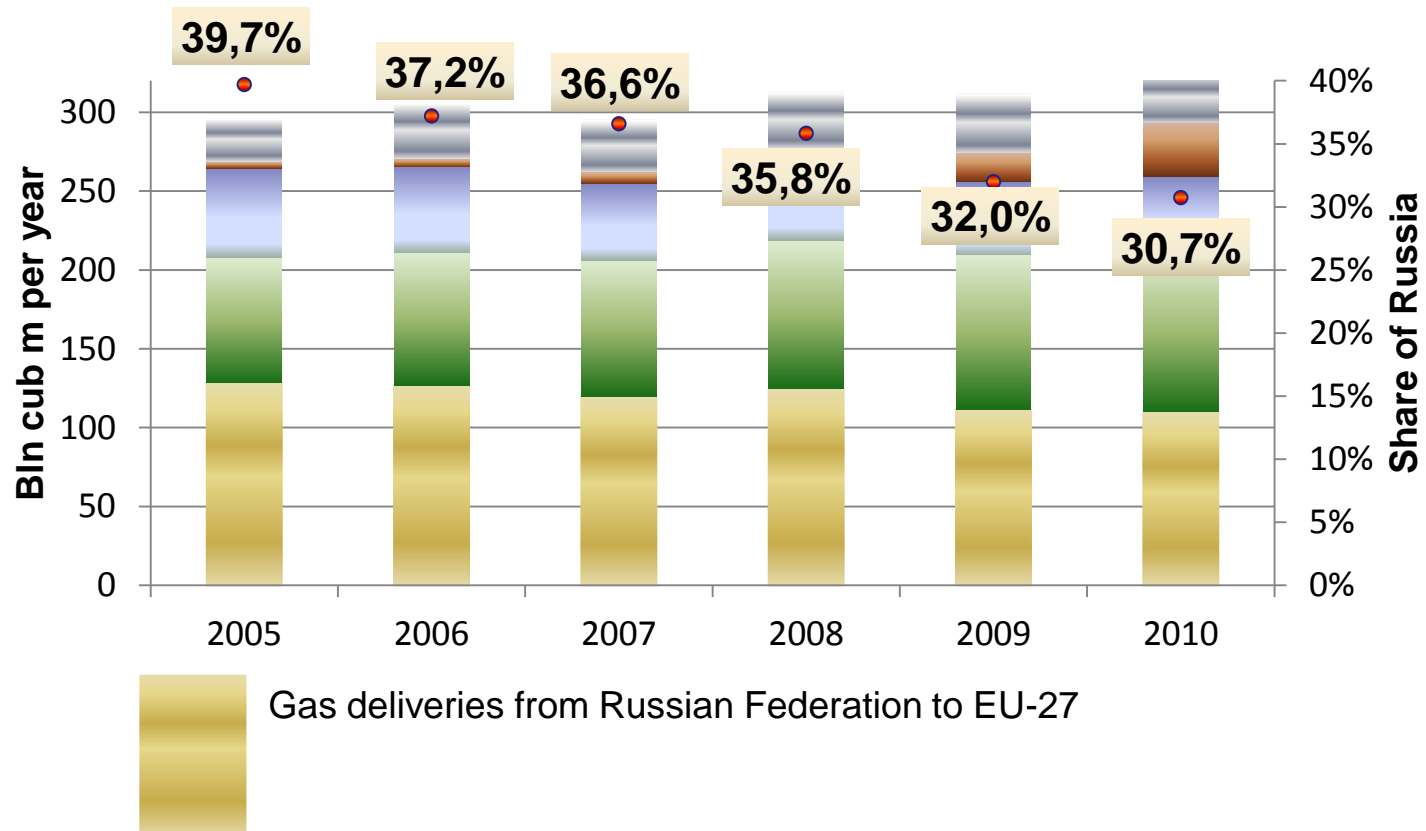


Source: Bloomberg, IEF

- In 2012 gas consumption in EU decreased by 6%
- At the same time coal consumption grew by 1,6%...
- Since February 2012 gas electricity production is unprofitable and loses the competition to coal generation
- Coal and RES (due to subsidies) are the “winners”



## Russian gas is going out...







# Whether we can change together the situation?

## Cooperation pathway

- Developing a Pan-European gas infrastructure
- Building open, transparent, efficient and competitive gas markets
- Removing any artificial trade barriers and discriminating rules both for producers (including Russia) and consumers of gas, at any delivery point (entry) at a fair price

## Main drivers of cooperation

- compliance with international law obligations
- improvement of international law base for energy cooperation on the grounds of the principle of mutual benefit
- ensuring the short- and long term reliability of gas supply and demand
- secure and non-discriminatory investments on both sides
- economically viable and safe gas production, treatment, transportation and consumption



### Common areas of cooperation

- exchange of information and **support for infrastructure projects of mutual interest (PMI)**
- **approximation of market rules influencing EU-Russia gas trade**
- **coordinated and secure functioning of gas infrastructure**



# Recommendations, actions and milestones

up to 2020

- **Mitigate the infrastructure and regulatory risks** in the EU-Russia gas relations
- **Enhanced flexibility of gas markets**, including general gas pricing models; policy measures regarding subsidies and fair inter-fuel competition
- **Creation of a joint pan-European operational platform** for European, Russian and other TSO, supporting integrated gas market(s) and the functioning of gas infrastructures
- **Further cooperation** within the EU-Russia Energy Dialogue **on specific gas infrastructure projects**



### Recommendations, actions and milestones

up to 2030

- **Implementation and effective use of a joint pan-European operational platform** for European, Russian and other TSO
- **Approximation of market rules and standards** to smoothen the trade of natural gas and the reciprocal investments in production infrastructure

up to 2050

- **Removal of all barriers** for the integrated functioning and coordinated development of gas infrastructures and markets



## Next Tasks for Russia-EU Energy Dialogue

### Key Infrastructure and Regulatory Risks

- **Lack of opportunities for Russian side to deliver gas to EU customers due to the external limitations on the current terms and conditions**
- **Transportation of Russian gas under existing contracts will cost more** under a new regulatory framework than under the current one
- **Environment for large scale investments in gas infrastructure will remain too uncertain**, and that some infrastructure investments may become “stranded”
- **Possible new EU imports needs could not be accommodated by existing infrastructures** but sufficient new infrastructure is not built

### Tasks for Russia-EU Energy Dialogue

- **External limitations on non-EU supplies due to changing architecture of EU internal gas market, BUT not internal incapability of Russian side to invest & to produce gas**
- **Registration in both zones, tariffs, mandatory reservation of 20% of capacity for short-term, etc...**
- **Joint development of procedure based on Art.13.2 and EU-wide coordinated “open season”** (market demand for the capacity) which will exclude the risk for TSO to face “stranded assets”



# What's next?

## Roadmap as a BRIDGE of Cooperation between EU and Russian Energy Policies

