

**New European Energy Security Strategy:
key non-EU producer's vision
(preliminary comments)**

*New potential/ hidden risks and uncertainties of the proposed
EESS Communication for Russia-EU gas value chain*

New European Energy Security Strategy – main guidelines and open questions

1. Immediate actions aimed at increasing the EU's capacity to overcome a major disruption during the winter 2014/2015

2. Strengthening emergency/ solidarity mechanisms incl. coordination of risks assessments and contingency plans; and protecting strategic infrastructure;

3. Moderating energy demand

4. Building a well-functioning and fully integrated internal market

- How it is going to secure at least the existing level of security of demand?

- How it is going to make visible and controlled in the long-run the consistent resilience of available infrastructure facilities: average life time, density?

5. Increasing energy production in the EU

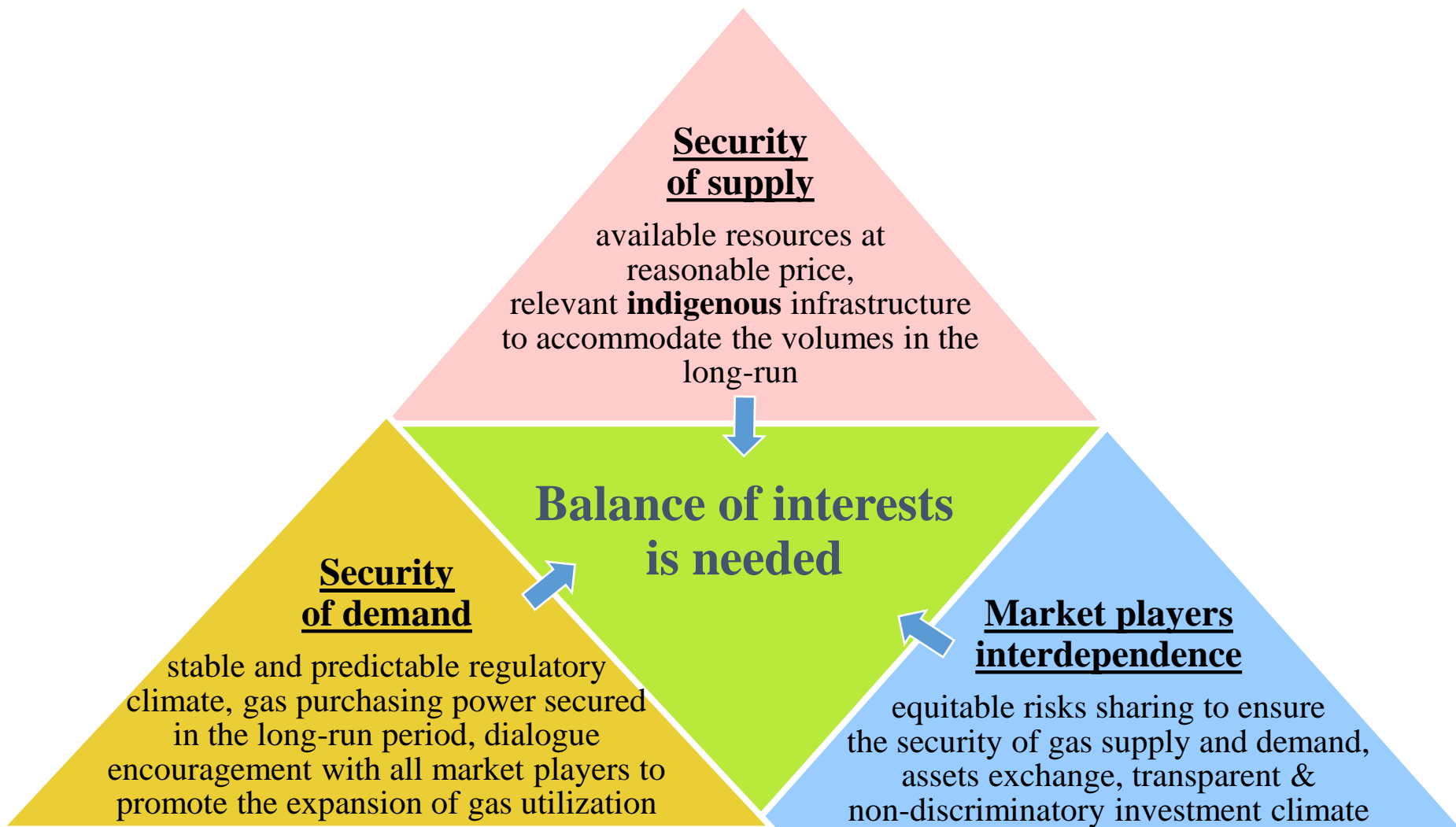
6. Further developing energy technologies

7. Diversifying external supplies and related infrastructure

8. Improving coordination of national energy policies and speaking with one voice in external energy policy

Source: COM (2014) 330 final, p. 3

As we see the key elements to maintain gas part of energy security



Some selected worries of new Energy Security Strategy Communication to look at and think about

Quotations from Communication dated 28.05.2014 COM (2014) 330 final:

The EC and/ or MS should/ will ...:

(1) “Further cooperate with gas suppliers and TSO to identify possible sources for **short-term additional supplies, notably LNG**” (p. 4)

- What suppliers and at what price?
- Are there any concrete actions have already been done, how much gas volumes (planned to) are allocated in terms of daily rate?

(2) “Protection of critical infrastructure... (p. 6) This debate should address the control the strategic infrastructure by non-EU entities, notably by state companies, national banks or sovereign funds from key supplier countries, **which aim at penetrating the EU energy market or hampering diversification rather than the development of the EU network and infrastructure**”

- Protection against what kind of threats, hazards?
- What is meant under “critical” and “strategic” infrastructure?
- Are all EU market players under the risk of property rights infringement?

(2) (p. 6) “...the recent experience of certain non – EU operators seeking to avoid compliance with EU legislation on EU territory **might require a stricter application and a possible reinforcement of the applicable rules at EU and Member State level**”

- Please give us a concrete example of such non-EU operators.
- Whether current applications of EU rules are not efficient?

Negotiate is always better – it should be a room for compromise solution if common interest exists

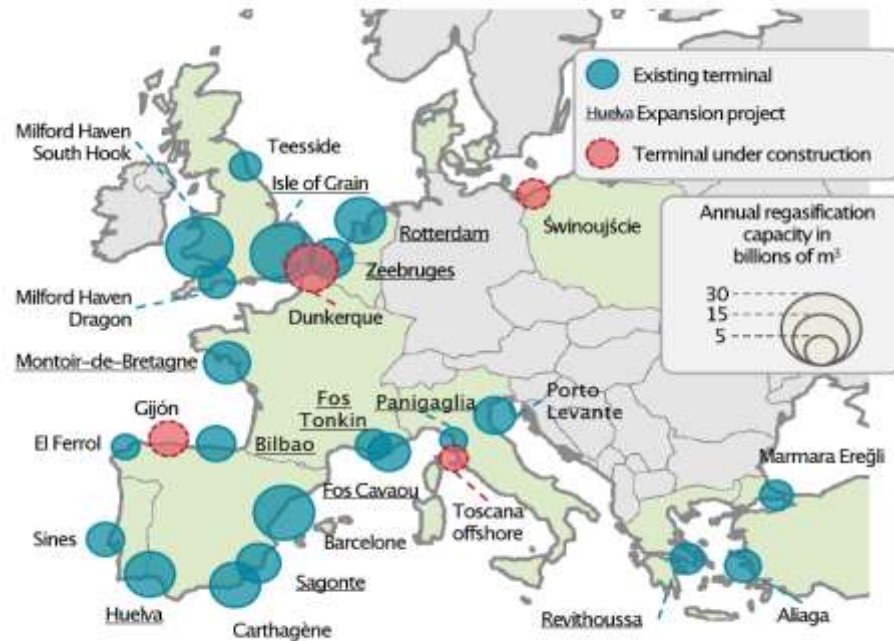
DIRECTIVE 2009/73/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC states

Security of supply should therefore be assessed in the light of the factual circumstances of each case as well as the rights and obligations arising under international law, in particular the international agreements between the Community and the third country concerned. Where appropriate the Commission is encouraged to submit recommendations to negotiate relevant agreements with third countries addressing the security of supply of energy to the Community or to include the necessary issues in other negotiations with those third countries.

Could it be legally possible, that further legislative Acts, subordinate/ secondary documents are more strict/ narrow than the key umbrella document – DIRECTIVE 2009/73/EC?

Gas infrastructure issues - could LNG terminals solve the problem of energy security in short- and mid-term perspective?

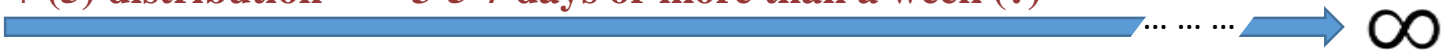
EU Pipeline gas infrastructure and LNG terminals



Source : GLE, AIE (2013)

Regardless of EU internal infrastructure bottlenecks (daily rates) – how quickly it would be possible to deliver the required gas volumes from LNG terminals to the main centers of EU consumption?

(1) Tanker re-direction + (2) LNG off load + (3) regasification + (4) transportation + (5) distribution = 3-5-7 days or more than a week (?)

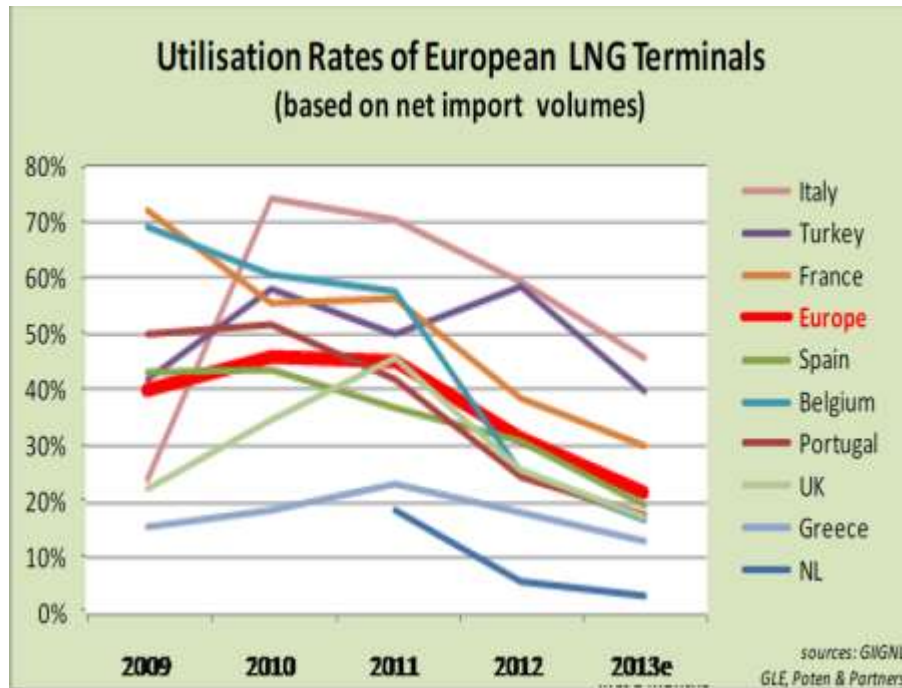


Would LNG serve as the best for energy security purpose?

Reality of the nowadays does not prove it



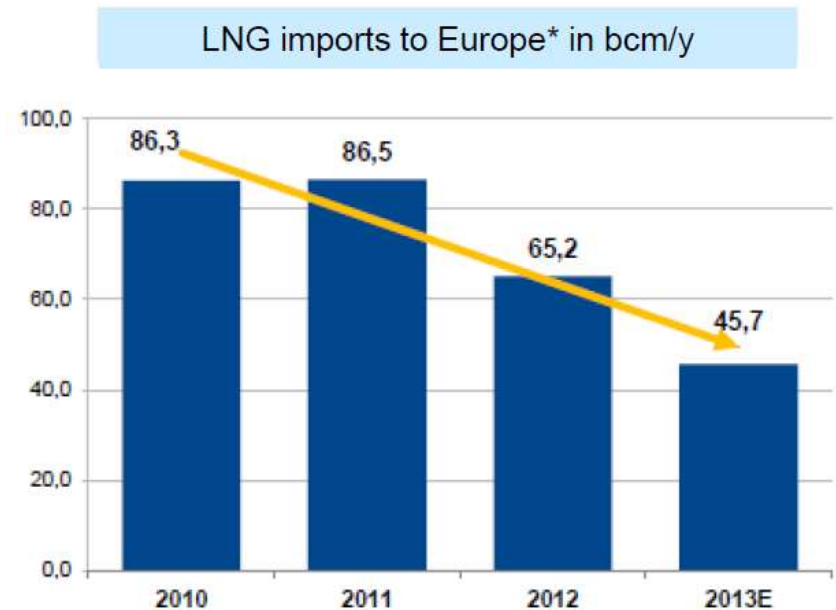
Level of utilization rates is falling down



Now and in the long-run Europe have to compete for LNG suppliers



LNG cargos are looking for the better price signals all around the world



Source: presentation of GIE Executive Secretary "LNG import potential to Europe", 29 April 2014, Brussels



By the way - where we are going?

As we understand the Communication is politically-driven document, which will serve as a basis for review and adoption of new SoS Regulation by the end of the year.

- We believe the dialogue between all gas market players and stakeholders should be facilitated and promoted to create a transparent and non-discriminatory investment and regulatory climate in order to maintain and reinforce energy security

Diversifying external supplies and related infrastructure – we are concerned, that certain unilaterally implemented measures by the EU would negatively affect gas market stability

Unfortunately very often **only** the world of perceptions generates a long-term vision/strategy which is further implemented into legislation and market rules & conditions. Without common sense of gas industry economics it is impossible to build-up gas market sustainable and secured in the long-run perspective.

- Gas decisions are capital-intensive, long lead-times, high inertia as well as redirection of such decisions
- Who will pay for this? To find more proper cooperative solutions instead of moving away from?

 **Security of supply, security of demand and balance of interests are required to be equally taken into account while energy security strategy development!**

Thank you for your attention!
