The EU gas security: some issues

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European gas supply security in question

Two main aspects are to take into account:

- The gas demand uncertainties for the producer
  linked with the liberalisation of the European gas market and the consequences of the climate policy

- The gas supply uncertainties for the consumer
  For example, what will be the growth of the Russian gas production?
The new context

The question of the EU gas security is emerging in a new context:

- The European gas market liberalisation

- A new international environment => a new energy paradigm

What type of relationship between producer and consumer on the EU gas market?
Liberalisation of the EU gas market: some consequences for producers

• The liberalisation is modifying the contractual relations between producers and consumers.

• In particular, the long term contracts, the Take or Pay contracts are an important element of the debate.
The long term contracts and the EU gas security

• The long term contracts share the « volume risk » and the « price risk » between the producer and the consumer:

=> They facilitate investments and development of an adequate capacity of production: cf. position of producers,
=> They may prevent abuse of dominance on spot markets

• But DG competition since the early 2000’s has repeatedly voiced strong concerns over the risks anti–competitive effects of the long term contracts.
Management of the gas security in a liberalised context

Some tools to manage the gas security:

- Diversification of the gas suppliers
- Development of the spot markets
- Access to hydrocarbon reserves
- Development of the gas storage
- Interconnection of the gas markets in EU
The framework of the EU gas security

• Two main tools must be taken in consideration:

1. Access to the hydrocarbon resources
2. The diversification of the gas suppliers and the question of the gas transit

• For EU, the framework to implement these tools is: « Acquis communautaire »
Export of « acquis communautaire »

• **EU’s preference**: for EU, harmonization of EU legislation with legal systems of third states means basically application of EU legislation within these third states => « exports of acquis »

• Eu tries to expand geographical area of implementation of acquis in energy: for example, **EU Neighborhood Policy**

• **For the hydrocarbon producers**: A different approach
  Two examples:
  the access of the hydrocarbon resources,
  the question of the gas transit
**Access to the hydrocarbon ressources**

- For the European gas companies, access to the gas reserves in some key countries is one of the main gas security strategies,

- The main tool: the *Rule of Law* and multilateral treaties for investments: example of the Energy Charter.

- This approach is in contradiction with the come back of the « Oil nationalism » and a more strict State control of the oil and gas development.

=> cf. Evolution of the Russian « oil and gas model »
Securisation of the transit in question

- Diversification of the gas suppliers and the problem of gas transit in different institutional contexts

- One main hypothesis: the « quality » of the institutional environment defines:
  - Degree of credibility of the State commitment
  - Degree of credibility of the firm commitment
  - And so the credibility and efficiency of the contractual relationship.