Impact of Regulation on the Investment Climate for Gas in Europe

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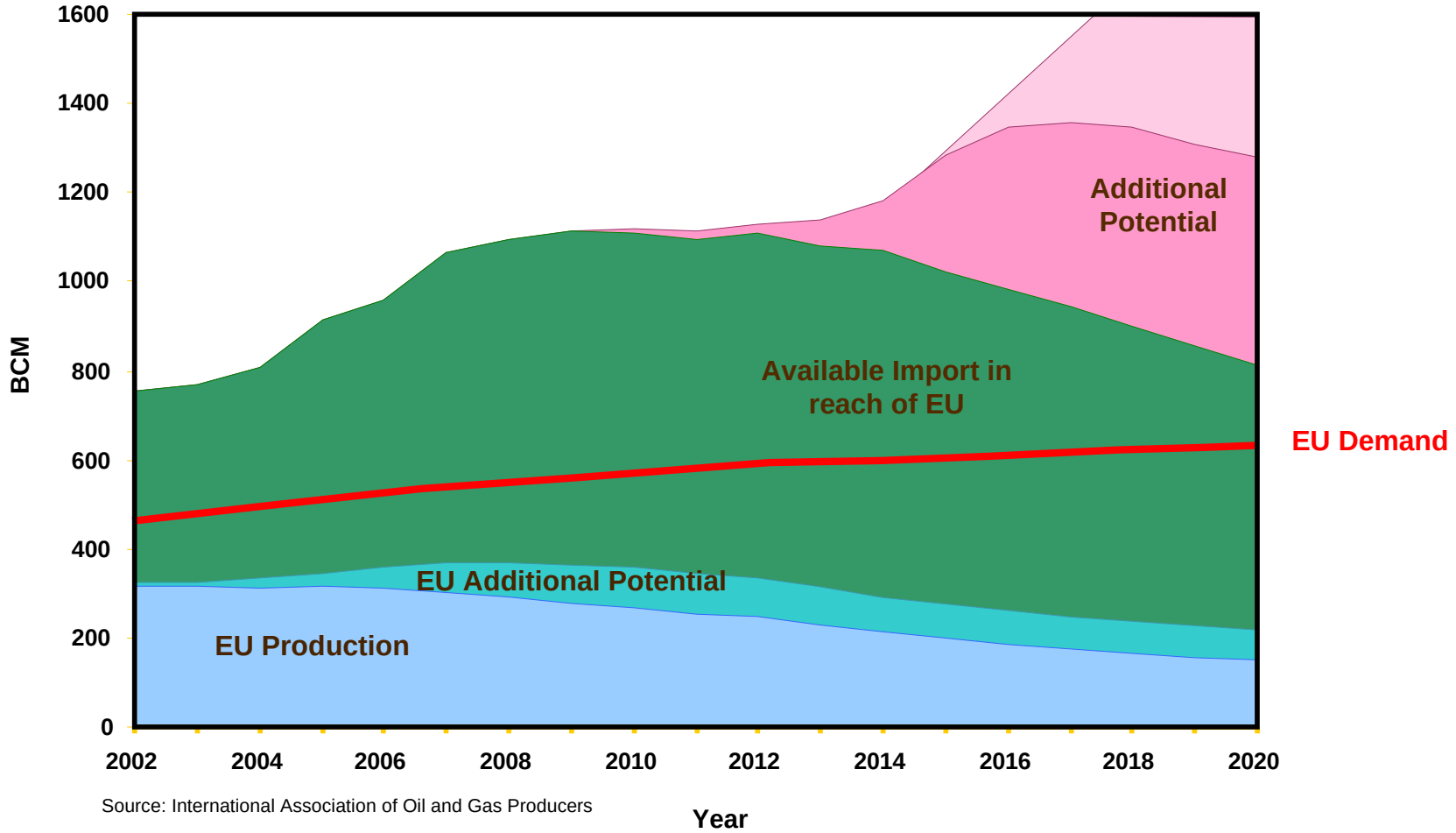
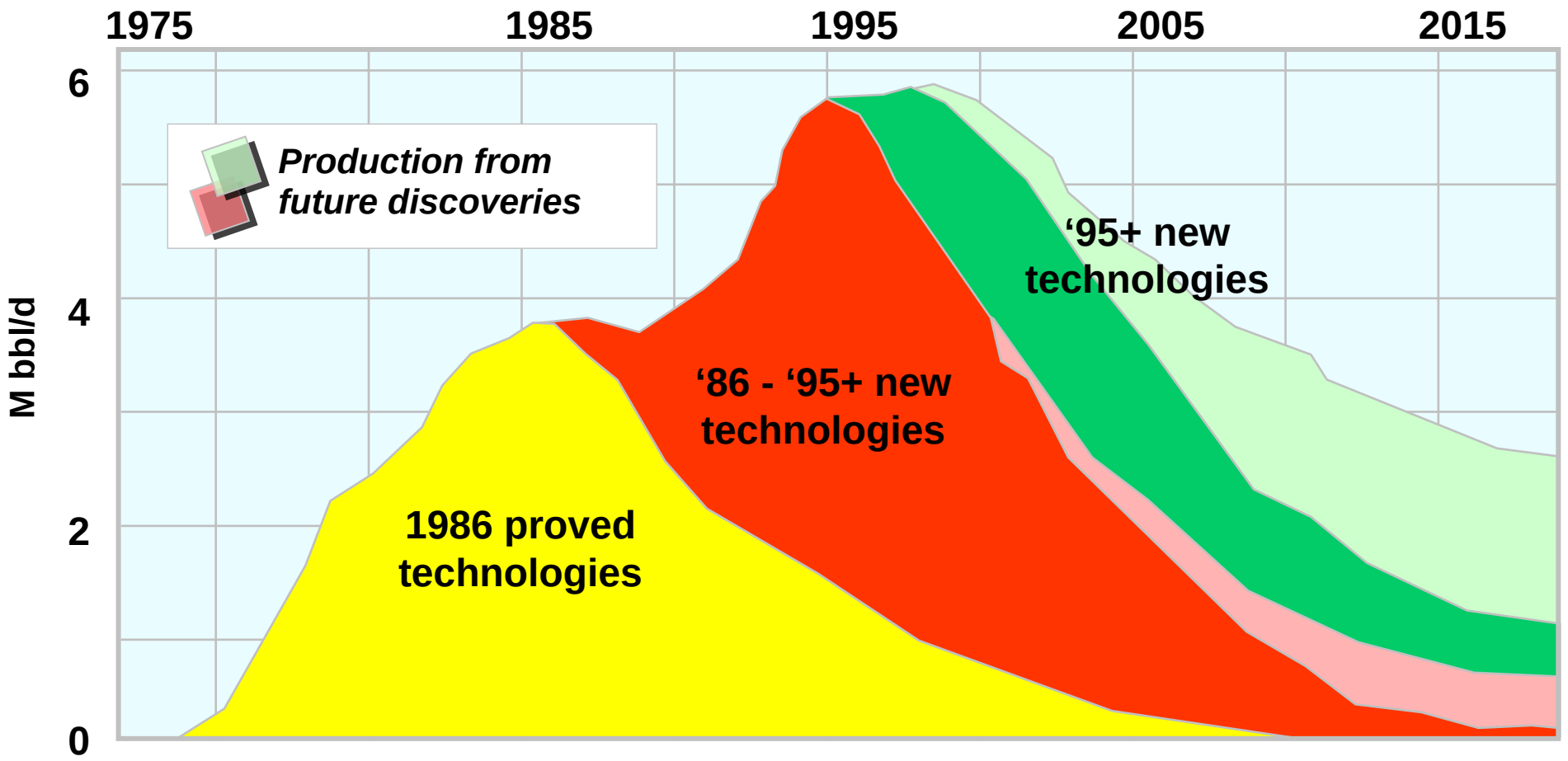
Supply-demand Balance in Europe: Diversity of Supply creates security of supply and competitive markets



Source: International Association of Oil and Gas Producers

To meet demand significant investments in development, infrastructure and capacity instruments are required

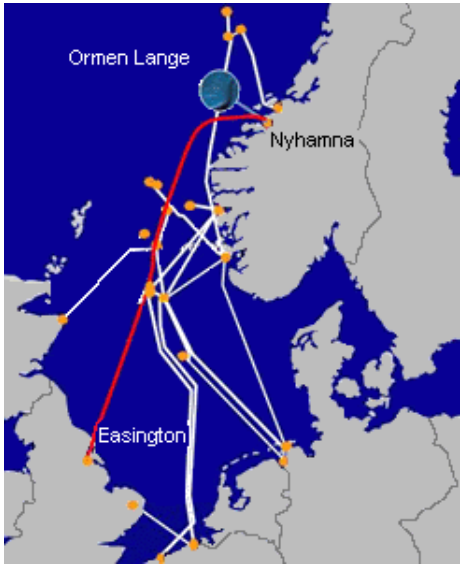
Potential for Indigenous Production Driven by Technology



Ref: ENeRG (European Network for Research in Geo-Energy

Projects are technically and financially demanding and require a stable investment climate

Long-haul supply projects to import gas

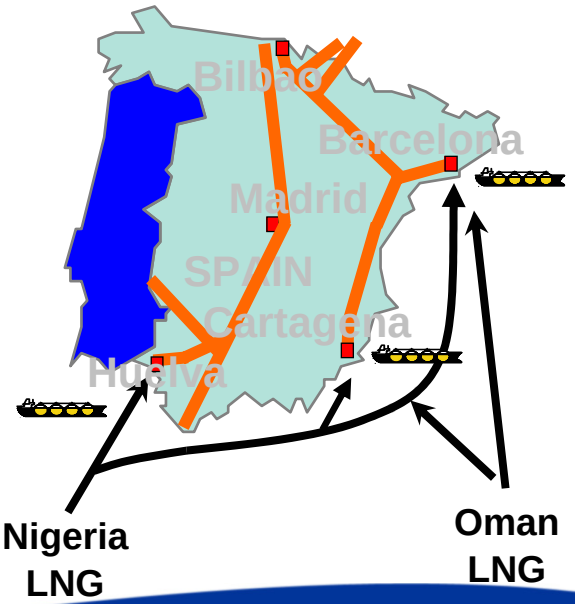


The Ormen Lange gas field

- Discovered in 1997 - first deliveries expected in 2007
- Total cost for field development and transportation infrastructure is ca. 10 Billion US$
- The production will increase Norway's gas exports by 25% - this equates to about 1/5th of UK demand

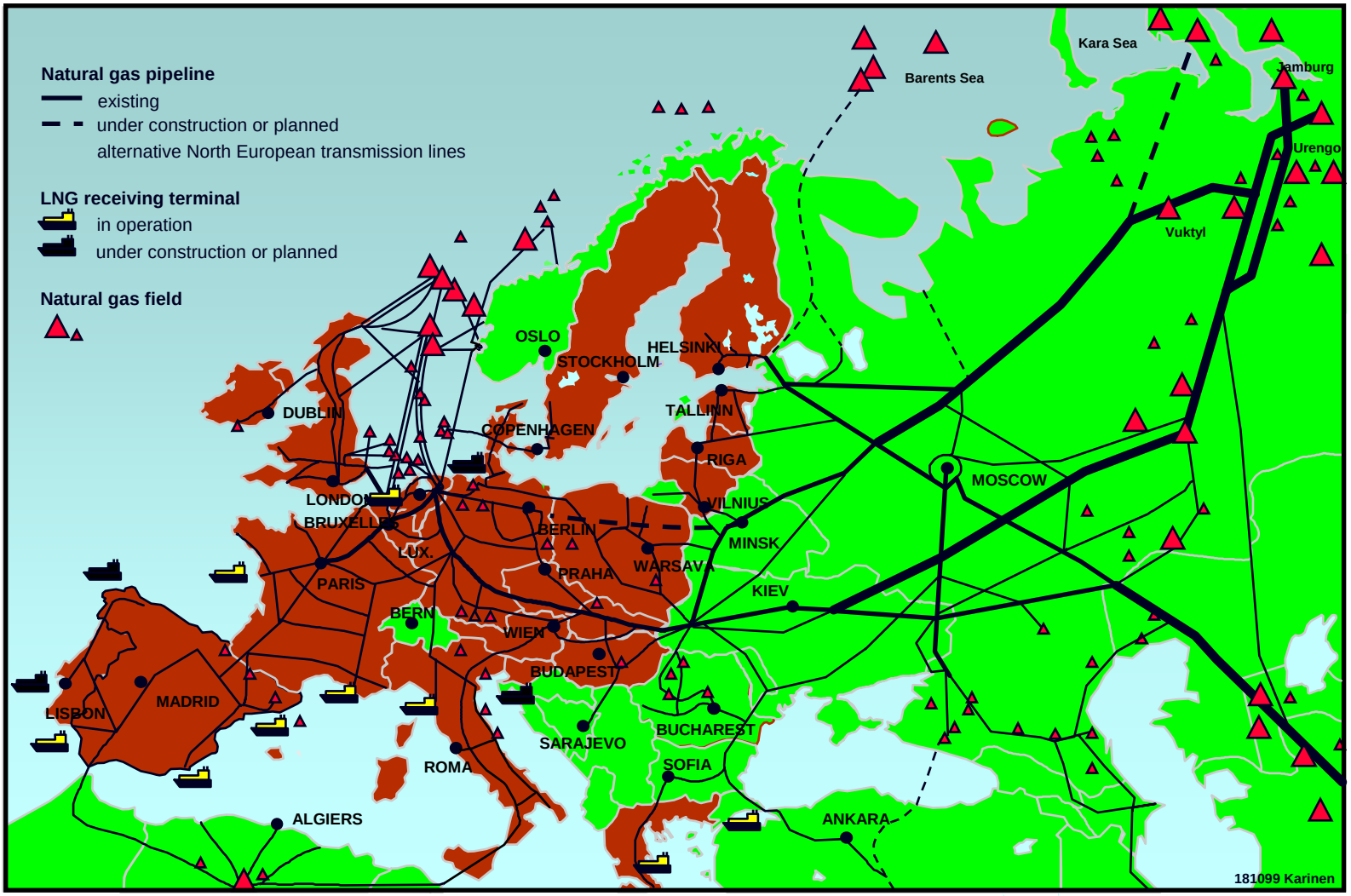
LNG is an important part of supply diversity

Spain (12.3 bcm) and France(11.5bcm) are in the top 5 of LNG importing Countries (2002)

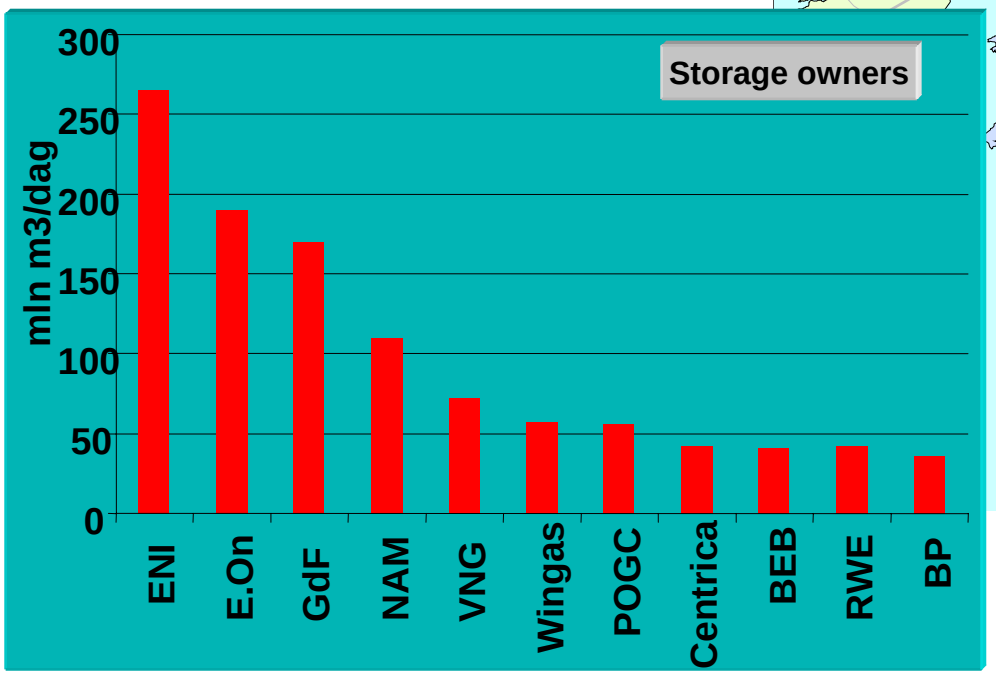


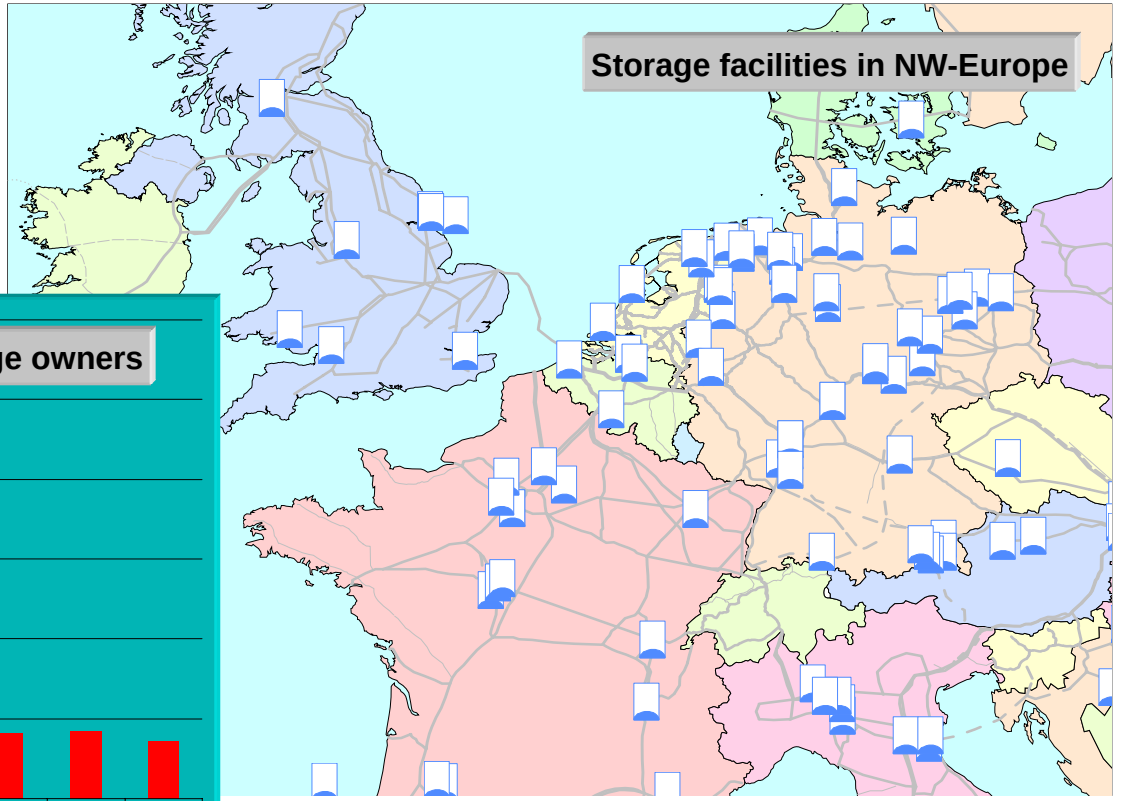
Projects characterized by high investments, long lead times and multiple national regulatory regimes

Importance of capacity/flexibility instruments for long-haul gas imports



Gas Storage Market in Europe

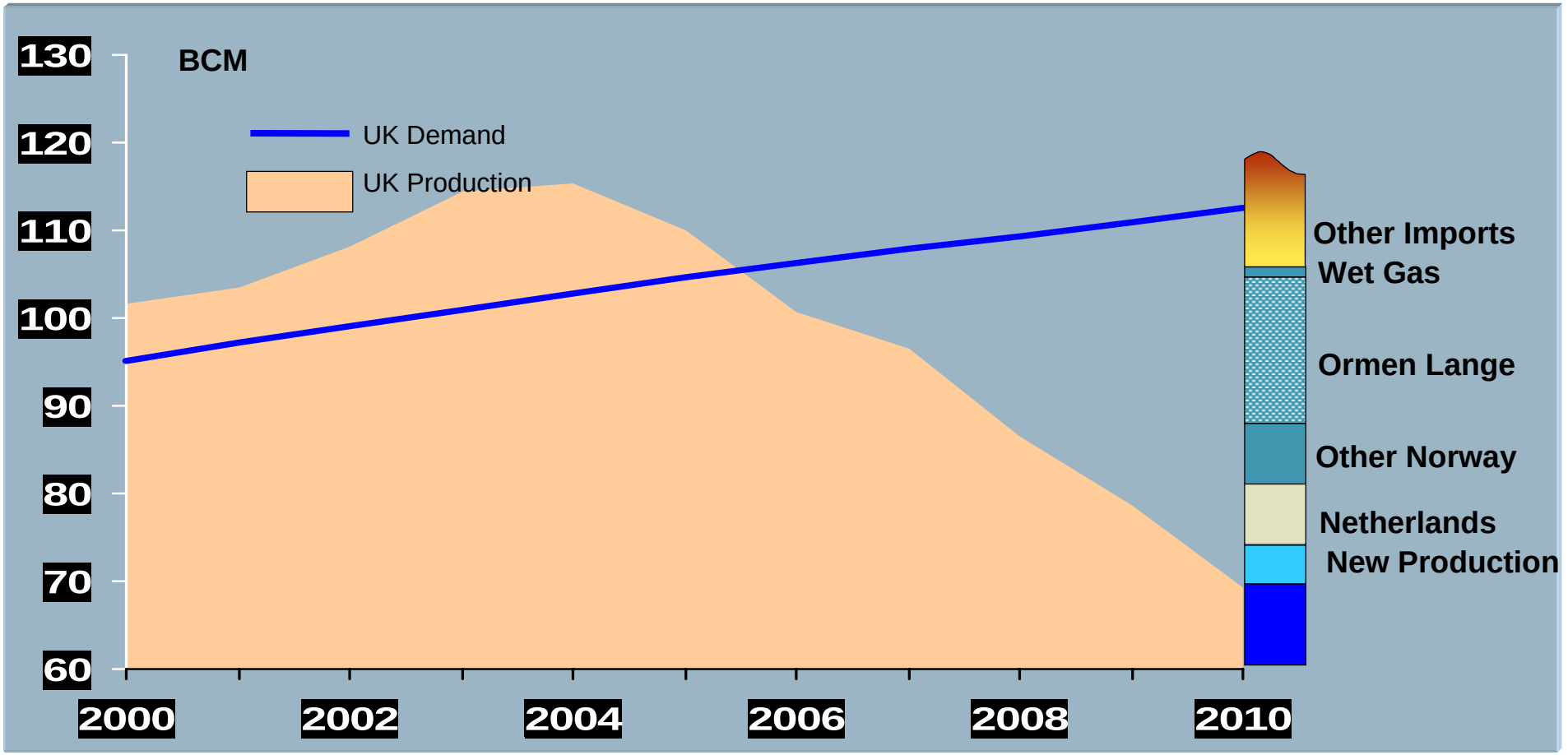




Source: Gasunie Trade & Supply

A competitive market has already been established; Further growth is expected

The UK illustrates how markets can respond



Under a regulatory framework that supports the investment climate, the gas industry in Europe has a 40 year track record of secure and affordable supply

Required market conditions

- Level playing field
- Reasonable returns on investment
- Long term contracts as basis for these investments
- Predictable/stable regulatory regime
- Improved lead times by reduced bureaucracy

Consequences for the regulatory framework

- Stimulate investment climate: tailored regulation to achieve specific policy goals regarding energy security or internal market
- Negotiated access to infrastructure
- Stop moving the goal posts
- Exemptions for major infrastructure projects: enabler for new investments
- Efficient permitting system

EU can facilitate secure energy supplies by encouraging a stable and predictable framework

Conclusions

- To meet demand significant investments in development, infrastructure and capacity instruments are required
- Projects are technically and financially demanding and require a stable investment climate
- Diversity of supply provides security of supply and competitive markets
- Under a regulatory framework that supports the investment climate, the gas industry in Europe has a 40 year track record of secure and affordable supply
- EU can facilitate secure energy supplies by encouraging a stable and predictable framework