

European Energy Supply Security

Do we have to worry about natural gas supply security?

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Conclusions of the CESSA project

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Main Messages

- Natural gas supply security is an important issue, with very **specific regional aspects** (e.g. Central and Eastern Europe, Baltic States)
 - **Reforms have to continue** (a functioning internal market and non-discriminatory access to infrastructures are essential)
 - A **decentralized approach** to supply security should be pursued focusing on regional supply security indicators, risk assessments and evaluation of supply security measures
- We do not need unique EU-wide security standards as defined within the new Regulation concerning measures safeguarding security of natural gas supply

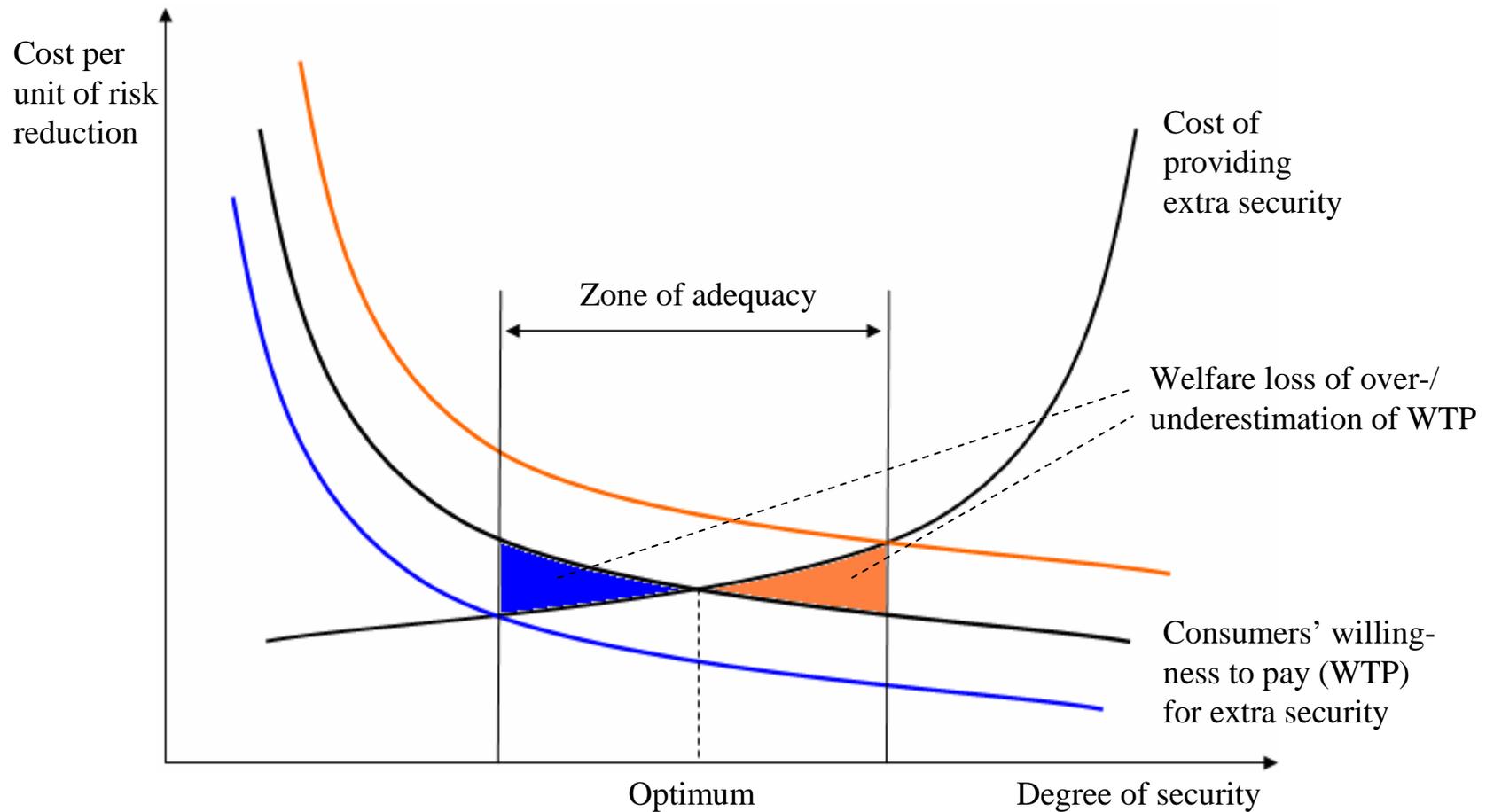
Supply security is intensively discussed

- Reasons are varied:
 - Increased reliance on imports from third countries
 - Occurrence of regional supply disruptions due to conflicts between Russia and transit countries
 - Ongoing discussions of major suppliers to cooperate within a 'Gas-OPEC' in the globalizing natural gas market
- Reaction of EU policy during last decade:
 - Directive 2004/67/EC concerning measures safeguarding security of natural gas supply (2004)
 - Green Paper (2006)
 - 3rd Package (2009)
 - **New Regulation concerning measures safeguarding security of natural gas supply (2010)**

Approaches to supply security

- Natural gas security is an issue where regulation meets geology, and both meet geopolitics...
... and climate change
- Perspectives of supply security:
 - Short-term reliability (operational security) versus
 - Long-term adequacy of supply and infrastructure (strategic security)
- Optimal level of supply security:
 - Such 'that never constrains operation'?

Beside its benefits supply security has a cost

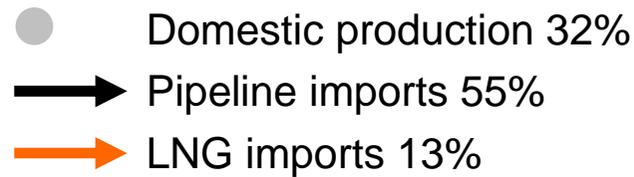


The optimal level of supply security should be evaluated on a disaggregated level

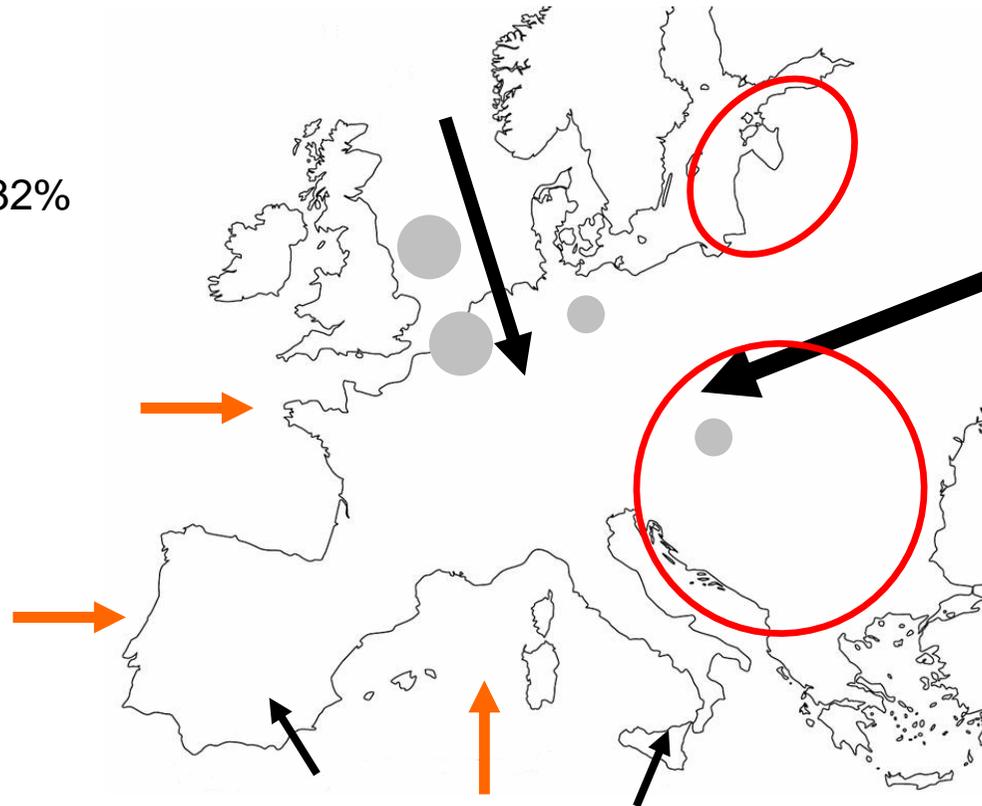
- The new Regulation on supply security contains both
 - Unique EU-wide standards
 - Individual risk assessments
- Actual level of SoS, the cost of providing extra security as well as the willingness to pay for security differ between Member States ... hence, unique standards bear the risk of excess-security
- Local and/or regional risk assessments provide a suitable base for the evaluation of
 - (i) risks with respect to short- and mid-term security of supply,
 - (ii) necessity to enhance the security level based on the consideration of social benefits, and
 - (iii) the costs of potential measures providing extra security

Do we have to worry about gas supply security?

- Favorable situation EU:



[2009 values]



- Diversification indexes indicate a satisfactory level of supply security for the EU (even though differences among MS)
- ... but reforms have to continue

Policy recommendations

Supply security and regulation

- Interconnectedness between markets need to be improved, including use-it-or-lose-it
 - A functioning internal market is conducive to supply security, but still substantial infrastructure bottlenecks
- Ownership unbundling of production and trading activities from transmission infrastructure should be implemented
 - US as an example of good practice
- Where adequate, access to storage should be regulated and a secondary market be established
 - More commercial use of storage is conducive to supply security

Policy recommendations

Supply security and geopolitics as well as climate change

- Energy dialog with Russia should be pursued, but placing too much emphasis on Russia does not seem to be justified
 - Its share in European gas imports unlikely to exceed 35-40%
- Diversification of supply should be treated with particular attention especially in eastern and south-eastern MS
- Future of gas depends on its ability to establish as a ,clean‘ energy source
 - Emission of 350g of CO₂ per kWh electricity produced

Thank you very much for your attention

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