



International Association of Oil & Gas Producers

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### **The EU Energy Policy: Engaging with Partners beyond Our Borders**

OGP welcomes this Communication and agrees that secure, sustainable and competitive energy is of fundamental importance to the EU's economy, industry and citizens. OGP recognizes that the EU needs adequate instruments to act within the EU internal energy market and to promote its interests in relation to third countries. OGP welcomes the creation of links between the completion of the internal energy market and external energy relations.

For all of this to succeed, however, there must be a level playing field, with clear rules and technical assistance for energy producers from all neighbouring and producing countries wishing to enter the EU market.

Whilst it is legitimate and important for the EU to continue implementing its *acquis* and to present its advantages to non-EU countries, the EU should seek to understand and should carefully respect the differences in circumstances and political opinion elsewhere. The Commission should strive to be cooperative in its dealings with producing and transit countries in order to build long-term partnerships.

An additional area to be taken into account is the impact of EU external energy policies on third countries. OGP believes this should be considered as a matter of course within Impact Assessments. Examples of areas where the implications may not have been fully considered include project by project reporting requirements in the proposed revisions to the Accounting and Transparency Directives, and the proposed implementation measures for Article 7a of the Fuel Quality Directive (where carbon intensity figures for selected sources of fossil fuels have not taken due consideration of equitable treatment for producing countries).

Given IEA forecasts showing continued demand for fossil fuels to 2050 and beyond, it will be necessary for the Commission to acknowledge the continued role for both oil and gas in the EU energy mix. This is important because the energy producers the Commission identifies as key partners are as concerned over security of demand as European energy consumers are over security of supply. Producers need confidence in the stability of the EU regulatory environment and the future EU energy mix so that long-term demand and volumes will be sustained and remunerate large-scale investment in new projects. Establishing long-term contracts is a key element of this. Given that lead times for major oil and gas projects are around ten years or more, investment decisions have to be made now in order to secure

supply in the next decade. Major gas suppliers would prefer to have long-term contracts, particularly while there is uncertainty with regard to the role of fossil fuels in the future EU energy mix.

An effective EU energy strategy should provide clear and positive demand signals. Many producer countries are confused by the EU's climate change policy. It is important to reiterate to producers that the EU goal of moving to a low-carbon energy mix does not mean a "no carbon" energy mix. Furthermore, within the context of EU climate change policy, partnerships with key hydrocarbons suppliers should recognise the legitimate desire of these countries to ensure exploitation of their natural resources.

It is also important to maintain a long-term dialogue with producers. This will not just encourage investment in the EU but will also help ensure long-term investments from outside the EU throughout the energy supply chain.

OGP agrees that good energy governance, including the principles of Extractive Industries' Transparency Initiative (EITI) and gradual phasing out of inefficient fossil fuel subsidies that encourage wasteful consumption should be at the core of these efforts. EITI sets a global standard for transparency in oil, gas and mining and plays an important role in making an effort to make natural resources benefit all.

Likewise, sustainable production practices, including the reduction of gas flaring through processes such as the Global Gas Flaring Reduction Initiative (GGFR) should be further supported by the EU.

Although the explanation for routine flaring is fairly simple, the solutions to flaring are highly complex. Creating local markets, pipeline networks or liquefaction facilities and being granted access to international gas markets require strong policy support from the governments of producing and/or transit countries. These countries need to put in place the right economic framework to allow national or international oil and gas companies to make the necessary investments.

The EU, as a GGFR donor, is encouraged to stress the importance of the initiative in its bilateral relations with oil-producing countries. As part of this effort, the EU can work with important producers such as Russia (for example, through the Partnership and Cooperation Agreement) to encourage the development of new processing and transportation facilities to create a wider international market for gas in all its commercially viable forms.

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