

11 July 2016

Dear Minister,

In view of the upcoming informal Energy Council, I would like to share with you some points that, I hope, will contribute to a fruitful discussion.

IOGP represents companies that produce about one third of the world's oil and gas, including a significant share of Europe's natural gas. We believe that our industry can contribute to building a more competitive economy in Europe. Gas can help the EU deliver on its Energy Union priorities, and specifically help tackle energy poverty.

Recent European Commission data show that on average, for the same output, **electricity is three times more expensive than gas for EU consumers**<sup>1</sup>. This underlines three important points, which any EU policy initiative should reflect.

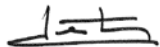
First, EU policy makers should evaluate the impact of any initiative on vulnerable consumers and fuel poverty. The EU Survey on Income and Living Conditions (EU SILC) estimates that 54 million European citizens (10.8% of the EU population) were unable to keep their home adequately warm in 2012, with similar numbers being reported with regard to the late payment of utility bills or presence of poor housing conditions.<sup>2</sup> The recent EU "Gas Package" is a good basis for further work, but the Heating and Cooling Strategy is creating concerns. It seems to ignore the need for consumers to access energy at an affordable price. We would suggest on that specific issue a greater recognition of the role of gas. **It is also recommended to phase out**, unless they are supporting R&D and innovation, **all forms of subsidies**. This will also allow to deliver cheaper energy to consumers.

Second, gas should be recognized for the role that it can play in the future energy mix, not only in securing energy supply but also in delivering on climate targets in a cost-effective way. A switch from coal to gas can be done easily, contributing to deliver immediate CO2 emissions reduction (up to 50%) and to improve air quality by reducing emissions of NOx, SOx and particulate matters.<sup>3</sup> The recent startup of the new Bouchain power plant in France is a good illustration. Replacing an old coal plant, it is equipped with a gas turbine manufactured in Europe, delivering a world-record efficiency.<sup>4</sup>

Third, the completion of the internal gas energy market is key to creating the conditions for squeezing carbon emissions out where it costs the least, and the improve access to affordable energy.

I hope these points will help promote a constructive debate at your meeting. Please feel free to contact me, should you like to discuss any point: my team and I would be happy to share further information.

Yours sincerely,



Roland Festor, Director EU Affairs

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<sup>1</sup> Eurostat, May 2016 <http://ec.europa.eu/eurostat/documents/2995521/7405554/8-27052016-AP-EN.pdf/b5652235-2df1-47ed-84c6-701614849b3a>

<sup>2</sup> 'Energy poverty and vulnerable consumers in the energy sector across the EU: analysis of policies and measures', INSIGHT\_E, May 2015.

<sup>3</sup> World Energy Outlook Special Report 2016: Energy and Air Pollution.

<sup>4</sup> The Bouchain plant, formerly a 500 MW coal-fired plant, was retired in 2015. GE said the new plant's footprint is a fourth of the original plant's, but its output is higher.