

Brussels, December 2015

## **IOGP contribution to the European Council Regarding Energy**

Dear XXXXX,

Ahead of the upcoming European Council meeting, the International Association of Oil & Gas Producers (IOGP) would like to share some views on the future of European energy policy. We hope that the following points will be helpful to the discussion.

**The EU should continue to place the utmost emphasis on two key policy approaches: the current and future role for natural gas in the European energy mix, and the primacy of a market-based approach to infrastructure and policy.**

IOGP strongly supports the objective of completing Europe's internal energy market, as well as other Energy Union goals with regard to developing gas trading hubs in the EU, supplied by European indigenous production, LNG, storage, and pipeline imports.

Gas will be crucial in helping the EU to meet its climate targets – particularly following COP21 – as the switch from coal to gas in power generation must be a key part of any decarbonisation strategy. Gas is also well placed to partner renewables in the shift to a lower carbon energy mix, as it provides the ability to help meet variations in supply and demand.

In further developing the Energy Union framework, policymakers must continue to allow the market to invest in infrastructure when it is commercially justified to do so, in full compliance with EU law. Over 50% of Europe's gas consumption comes from supplies within the EU and Norway, providing jobs, growth and tax revenues. Complementing these supplies and adding to supply security are abundant resources remaining in and around Europe: the North Sea, Norwegian and Barents Seas, the Black Sea, the Caspian, the Mediterranean, and the Adriatic. Also, LNG supplies further afield could supply Europe under certain market conditions, including those from Africa, Asia and the US.

To ensure that new investment and security of supply continue, it will be vital to maintain a stable and market-based investment framework both for gas production and transportation infrastructure. Over the past decade or more, the market has enhanced gas supply diversity through incremental pipeline and LNG import capacity, gas infrastructure development and local exploration and production. Policies that seek to determine an outcome which may not be in line with the preferences of the relevant market participants in Europe are not likely to be cost efficient. PCIs and the Connecting Europe Facility provide mechanisms to further enhance security of supply in parts of Europe where infrastructure improvements are needed.

Market players should continue to have full responsibility and the commercial freedom to make the necessary contractual and infrastructure arrangements to provide their customers with gas on a commercial basis. Freedom of contract is a basic principle underpinning trade and it should continue to be safeguarded by EU legislation and legal and regulatory certainty.

IOGP recognises that a lack of interconnectivity and diversified supply does exist in certain Member States. Here actions should be primarily aimed at increasing internal energy market interconnectivity, removing barriers to cross-border trade and opening up markets to diversified supply, where possible through the use of market mechanisms. This should include efficient use of existing interconnections through effective implementation of the Third Energy Package and the Regulation on Security of Gas Supply.

IOGP looks forward to working with all stakeholders to ensure the successful completion of the internal energy market, as well as on delivering security of gas supply to Europe.

Yours sincerely,



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IOGP