



## Energy policy must facilitate sustained oil and gas investment, industry urges EU

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Having recognised that oil and gas are essential for meeting Europe's requirements for a secure, sustainable and competitive energy market, the European Union should do all it can to stimulate investment in exploration and production. This includes facilitating access to promising producing areas and promoting reliable business conditions in Europe and beyond. With those efforts under way, the industry will have the confidence to make the investment that is necessary for oil and gas to fulfil their vital role within Europe's energy policy. This investment climate should also maintain the development of low carbon technology by the oil and gas industry that could contribute to cost-effective carbon dioxide management.

These are some of the headline messages in the response by the International Association of Oil & Gas Producers (OGP) to the European Commission's Strategic EU Energy Review (SEER).

According to SEER forecasts, oil and gas will continue to meet over half of the EU's energy needs, even if targets on energy efficiency and renewables are achieved. Fortunately, the OGP response says, 'There is no shortage of oil and gas resources.'

### Oil and gas production in Europe and the world

Europe itself remains the fourth largest producer in the world, the response points out. However, as areas such as the North Sea become more mature, producing the oil and gas that remains there (estimated to be the equivalent of 100 billion barrels of oil or 27 years at current production rates) becomes technically more difficult and therefore more costly. Getting the most out of these resources 'requires an enduringly competitive regulatory regime, both at EU and national levels.' This includes access to promising areas and cost-effective operational requirements, as well as balanced fiscal regimes.

Europe is also fortunate in its geography, the OGP response says. For example, '70% of proven global gas reserves lie within economically transportable distance.'



According to OGP, the frequently cited long-term energy self-sufficiency for Europe is neither attainable nor necessary. 'Most countries, including those that produce oil and gas, require energy imports.' Increasing oil and gas imports into Europe would create interdependence that carries not only risks but also opportunities, such as improved trade relations with energy producing and transit countries. OGP 'commends the Commission's proposals in this area. External energy policy should build stable political, legal and economic conditions that encourage long-term investment in energy supplies, backed by the rule of law and the sanctity of contracts.'

### **Gas issues**

On the subject of strategic gas stocks to bolster supply security, OGP recommends that Member States evaluate the effectiveness of current and proposed measures, taking into account new LNG and pipeline imports, commercial storage and arrangements, and existing solidarity mechanisms. If, after such assessment, strategic stocks are considered, 'the rules for triggering their release must be clearly defined. Stocks must not be used to influence the price and considerable funds must be made available for development.' Moreover, 'OGP agrees with the Commission that Member States will have to balance a higher degree of security from gas stocks against the costs for consumers.'

Nothing should be done that might put at risk an interoperable, effectively functioning and competitive EU internal gas market, the OGP response says. Such a market should be based on a stable and predictable regulatory framework that allows for long-term as well as short-term contracts freely negotiated between buyers and sellers. OGP seeks Members States' firm commitment to full and consistent implementation of the 2<sup>nd</sup> Gas Directive in a timely manner.

To that end, the OGP response 'welcomes SEER's recognition of the necessity of long-term contracts between upstream oil and gas producers and downstream suppliers. To secure investment the Commission must leave no doubt about their legality and any guidelines must be sufficiently flexible so that they do not jeopardize security of supply.' On the issue of unbundling, OGP recommends, as a first step, a study of all appropriate and proportionate options for market structures that facilitate third-party access and investments.



## **Other positive points in the SEER**

The OGP response also supports other SEER proposals, including:

- Promotion of investment in new gas infrastructure
- Acceleration of permitting procedures
- Increasing coordination between market participants
- Global action to combat climate change and an enabling regulatory framework for carbon dioxide capture and storage
- Encouragement for technical innovation

As for SEER's proposals for an 'Energy Observatory' that would monitor and report on upstream activities, the OGP response is cautionary. 'Care must be taken not to interfere with market dynamics or add any additional layers of procedures or bureaucracy' to an already highly-regulated industry.

'The upstream industry is an integral part of EU industry. It operates in a globally competitive energy sphere and its continued competitiveness and contribution to security of supply in Europe depend on appropriate policy frameworks that recognise this,' the OGP reply says.

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### ***Note to editors:***

*OGP's membership produces more than half of the world's oil and about one third of its gas. On a global level, OGP represents the industry before international organisations such as the UN and the World Bank. From its London office it fosters cooperation in the areas of health, safety, the environment, operations and engineering. OGP Europe in Brussels operates on behalf of those OGP member companies that are active in Europe, representing their collective views to the European Union.*