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EU Introduction to the 9th EEG meeting

Brussels, 25 February 2009

Mr Jean-Arnold Vinois

Intervention I - For 10 minutes

DEAR DR AL MONEEF, DEAR MEMBERS OF THE GCC ENERGY GROUP, DEAR FRIENDS,

Welcome to this 9th EU-GCC EEG, taking place at a crucial turn point of the global energy scene. Let me explain why I think that the period we are now crossing is crucial:

First, following several geopolitical developments, including the tight oil and gas markets over the past years, as from the end of 2007 we lived a period of excessively high oil prices and then a period of very low prices still running today. The reasons for these extreme oil prices, harmful for both producers and consumers, were examined in two global high level conferences, the first in Jeddah, convened by the Saudi King Abdullah Bin Abdul Aziz and the second in London, convened by the PM of the UK Gordon Brown. During these conferences, Ministers and CEOs from both NOCs and IOCs made several proposals for coping with this grave situation. All of these proposals were pointing towards the necessity for closer dialogue and cooperation between producers and consumers. Oil markets, although global and powerful, remain fragile and non transparent. Increasing transparency, as well as improving security of demand for producers and security of supply for consumers, will weaken the effects on prices of all exogenous factors as geopolitics and financial markets.

In addition, the threat of global warming requires the strengthening of cooperation between all market players, oil and gas producers and consumers in our case.

More specifically, at the bilateral level, several developments regarding the long lasting issues with the GCC are now progressing. Let me mention a few:

- The EC delegation in Riyadh is continuously reinforced in personnel and activities in all GCC countries.
- Several EU Commissioners have visited last two years several GCC states, including the energy Commissioner Mr Andris Piebalgs.

- EU and GCC are important partners. Beyond the strong commercial ties, we have mutual interests in a large number of areas. Furthermore, we share the desire for peace and stability in our common neighbourhood that is home to some of the most urging crises in today's world.
- Focus of our relations, in recent years, shifted somewhat to the FTA negotiations which the GCC has now – regrettably – suspended. The agreement could have been a good pillar for strengthening the relations between our regions. Commission still thinks conclusion is within reach if political will is there, and there is flexibility on both sides to settle the remaining issues (political clauses, prohibition of export duties).
- However, FTA far from being the only prism through which to view our relations. EU holds a great interest in its wider relations with the GCC and in its bilateral relations with the GCC countries. We must move towards an ambitious common agenda. We have to avoid that the FTA stalemate takes hostage our major interests, amongst them, energy.
- Cooperation between the EU and OPEC, initiated in 2005 is now in full development. Yearly meetings between the respective "Troikas" (Presidency – next Presidency and Commission / OPEC Secretariat respectively) are setting the framework while expert groups examine specific issues. Let me state:
 - The R/T on Carbon Capture and Storage held in Brussels last October and the site visits of a large OPEC delegation in two important CCS sites: the offshore Sleipner field in the Norwegian sector of the North Sea and the Oxy Fuel pilot power plant in Schwarze Pumpe, in Germany. During the discussions, a number of very concrete actions for cooperation were defined, including joint RTD, and I would propose to share this experience in the framework of our cooperation.
 - An international R/T for examining the conclusions of a study on the impact of oil refining on oil markets was organised January 2008 in Brussels. One of the conclusions of that study, endorsed by the Ministerial meeting in June 2008, was the issue of the impact of bio fuels on refining and fuels specifications. The Terms of Reference for a study are now in preparation.
 - Following the study and the work shop on the impact of financial markets on oil prices and volatility, held in Vienna December 4 & 5 2006, a second phase study is now in its final phase of development. An international workshop is scheduled for April 30 2009.

The next EU-OPEC Ministerial meeting will take place in Vienna, 23 June 2009.

During this meeting of the Energy Experts Group, we would like to better understand how you perceive the situation in the Gulf under the current financial and economic crises, and what this may mean in terms of oil and gas exploration and production. One has to consider that according to several analysts, including the IEA, the incremental production of oil from now to the 2020's will come mostly from the Gulf.

The main aim of this 9th EU-GCC meeting is to explore possible ways and means to enhance and enrich our dialogue. I think that the following objectives can be mentioned:

- (1) Technology Cooperation. In the framework of the Industrialised Countries Programme, a study for defining the ToR for establishing an e-network linking EU

with GCC RTD institutions is now in progress. Later today a representative from the competent DG RELEX will offer more details on this issue.

- (2) Inspired by our cooperation with OPEC, I propose that we examine the creation of sub-groups for tackling well defined priority issues. Several examples have been raised these last years, as for example the potential for increased gas trade between the two regions. We have jointly launched and financed a study on this issue, not fully exploited by our Group. You may have other ideas for joint examination by EEG sub-groups.
- (3) A pending issue from the previous EEG is a proposal to examine the opportunity for our group to propose raising the level of the meetings at Ministerial level.

I trust that you can support these objectives. I think that they will help us to hold more fruitful discussions and contribute to a more productive co-operation.

Drafted by: Ioannis Samouilidis