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Norway's answer to the consultation on an EU strategy for liquefied natural gas and gas storage

The Norwegian Ministry of Petroleum and Energy welcomes the opportunity to share views on an EU strategy for liquefied natural gas and gas storage.

Norway supports the EU goal of improved supply security and diversified gas supply sources. A well-functioning, integrated and competitive gas market with a variety of suppliers and buyers is key to enhance gas security and maintain the attraction of natural gas.

1. Natural gas is today an important and valuable source of energy for Europe, accounting for almost 25 percent of primary energy demand. It is for instance crucial for maintaining residential heating, for electricity security and as feedstock for industry. Natural gas is cost-efficient and easy to transport in pipelines.

Furthermore, increased access to natural gas, including LNG, could help the EU reach its ambitious CO₂ emission targets. In terms of CO₂ emissions, gas is much cleaner than other fossil fuels. By replacing more CO₂ intensive energy sources, gas can deliver emission reductions quickly. Natural gas can also provide much needed flexibility in a power system with intermittent energy sources. Thus, gas supports a cleaner energy system: by displacing coal and by increasing the integration of renewable energy. If CCS on gas fired power plants is made commercially available, the argument for natural gas will be even further strengthened.

2. Secure supplies of energy are a priority for all countries. For Norway as a gas producing

country, secure and stable gas supplies to all gas users are important to underpin future use of natural gas.

By linking Europe to the international gas markets, LNG contributes to diversification, flexibility and security of supply. LNG plays a twofold role as import location and short-term flexibility through LNG storage facilities. Thus, a diverse supply structure entails benefits for gas consumers as well as gas producers.

Over the last decade LNG facilities, storage capacities and pipeline inter-connections have been constructed, enhancing security of supply. Continuous efforts to strengthen gas infrastructure are important to address security of supply concerns in those parts of Europe that are still to a large degree dependent on a single source of supply.

3. As regards the proposal for voluntary demand aggregation for joint gas or LNG purchasing, we do not see the need for nor the benefit of such arrangements. It will tend to reduce competition in the gas market and runs contrary to the liberalisation of the energy markets that has taken place over the last decade.

Increasingly diversified supply sources and access to liquid markets are more adequate measure to improve the bargaining position of companies still dependent on single source imports. The European gas market will not benefit from having less buyers.

4. With regard to the outlook for Norwegian gas exports, the annex to the consultation paper states that *“[as] regards pipeline corridors, supplies from Norway (unless new Barents Sea production is connected to the existing pipeline network) are projected to decline up to 2030 as diminishing reserves limit export potential”*. Norway deems this description to be inaccurate. Norway attaches great importance to ensuring long-term secure supplies of Norwegian natural gas to Europe and aim to be a secure supplier of gas for the long term.

The Norwegian reserve situation is strong, only one third of estimated gas resources have been produced. Norway has a large pool of remaining gas resources and both the technology and the resources to be a significant supplier of gas for many years to come. Our gas production is expected to remain stable in the years ahead.

About one third of our untapped gas resources is located in the High North, beyond the Arctic Circle; in the Norwegian Sea or in the Barents Sea. Norway already produces petroleum in this region with the LNG plant on Melkøya and two large fields under development, Goliat and Aasta Hansteen. Our gas pipeline system to Europe is extended beyond the Arctic Circle. Sustained exploration activity in our High North is ensured through awards of acreage both in mature and frontier areas. Norway strongly believes in successful development of the Barents Sea. This province might help European security of supply for decades to come.

An important issue over the next years is to decide on a possible expansion of gas export capacity out of the Barents Sea. It can be done by pipeline to Europe, or by expanding the

LNG export capacity. The decision will to a large degree hinge on whether the involved companies feel comfort about future security of demand in Europe.

New investment in infrastructure will be undertaken by private investors through different commercial companies. These companies will evaluate the risk and reward of the different alternatives. Their assessment of the political risks associated with the alternative solutions might be decisive. Thus, clear signals from both the market and relevant policymakers on the role of natural gas in the future energy mix, as well as a clear and coherent regulatory framework, are crucial to ensure that the necessary future investments in the gas sector are undertaken, upstream as well as downstream. This is also valid when it comes to the decision on a possible expansion of gas export capacity out of Norway's High North.

However, in Europe investment signals are unclear. As a result of EU policy and lack of expressed role of gas in these policies, there is an additional political risk concerning future European gas demand. This will tend to dampen the gas industry's willingness to invest in new gas projects – whether production or infrastructure. In turn this could decrease access to LNG and other supply sources, weaken long term energy security and reduce effective cuts in greenhouse gas emissions.

Norway is prepared to share with all stakeholders further details on the longer term gas production outlook. Norway has already contacted the Commission in order to cater for a meeting which should take place during October 2015.

Yours sincerely,

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This document has been electronically signed.