



Summary of GCC-EU Energy Experts Group meeting 20 September 2016, Brussels

The EU-GCC Energy Expert Group, operates within the framework of the Cooperation Agreement between the Gulf Co-operation Council and European Union, and meets on yearly basis, alternately in Brussels and in GCC Head Quarter in Riyadh or a GCC country. The latest meeting of the Group took place in Brussels on 20 September 2016.

The two delegations, led by Mr. Fareed AlAsaly, (Chairman of the GCC Energy Committee, WTO and FTAs) and Mr. Hans van Steen, (Head of Unit International Relations and Enlargement, Directorate-General for Energy European Commission) exchanged views on common energy issues and policies (agenda annexed).

In his introduction, Mr van Steen presented the latest developments of EU energy policies in the framework of the Energy Union Strategy. He then outlined the various initiatives already adopted in 2016 as well upcoming initiatives such as the energy efficiency and the market design package foreseen for the second part of 2016.

In the introductory speech, Mr. AlAsaly highlighted the importance of the Group given the continuous changes in the global energy markets. He underlined that the GCC region has been for decades a reliable supplier of oil to the EU and the global market. The importance of technology in oil and gas production and the potential of Carbon Capture & Storage and Carbon Capture Storage & Utilization were emphasized. He also emphasized the importance of energy security from all its aspects (demand, supply and investments) due to policies potential impacts on the overall energy demand.

Both parties agreed that energy excessive price volatility have negative effects on all.

Global economic growth and energy outlook

The GCC presented an outlook of the world economy & energy markets and provided a short term forecast for the world's supply and demand. The outlook foresees for 2017 an economic growth of 3.1% and an increase in oil demand of 1.15 million barrels per day (MBPD) resulting in an overall demand of 95.4 MBPD. It was stressed that despite low oil prices production levels in GCC countries have been maintained. Concerns were however expressed for the long term in consideration of the continuous cut in global spending in the areas of oil and gas exploration and production which decreased from 650 billion \$ in 2014 to 521 in 2015.

Natural Gas

The EU side recalled that security of supply was a key element of its energy policies. To reinforce EU gas security, in February 2016, the Commission made a number of proposals in a so called "security package".

The main features of the Communication on LNG and gas storage strategy, which was included in the package, were presented. Due to its flexibility, LNG is a critical component of EU security of gas supply and this requires a specific strategy to be put in place in this sector. Since February 2016, the implementation of the proposed strategy is well underway focusing on the most vulnerable regions as South-East Europe, the Baltic region and the Iberian Peninsula.

An additional initiative in the Package was a revision of the Regulation on security of gas supply adopted in 2010 in the aftermath of the gas supply disruption of winter 2009. Although the existing Regulation provided a good

tool to address security of supply issues a number of challenges still exist. In order to address such challenges, the revised regulation emphasizes the role of regional cooperation to ensure consistency and increase effectiveness of security of supply measures adopted by Member States to the benefit of the whole EU. It also includes provisions for the application of a solidarity principle among Member States to ensure that no household is left without gas during a severe gas crisis. While security of supply is a concern for the EU, GCC emphasized the importance of security of demand as well as investments for achieving sustainable energy security due to potential impacts of policies.

Energy Efficiency

The EU side underlined that the EU imports more than 80% of its oil and two third of its gas requirements. Due to the progressive depletion of the indigenous resources of the EU this is set to increase. In this situation energy should be used as efficiently as possible, and this is why energy efficiency is at the core of EU policies.

The latest developments in EU policies on energy efficiency were presented including the Energy Efficiency Package which is due for adoption in October 2016. The package will consist of two legislative proposals, the amendments to the Energy Efficiency Directive and of the Energy Performance of Buildings Directive. One of the objectives of the package is to align the energy efficiency legislative framework with the 2030 perspective and allow the EU to set and reach the optimal energy efficiency target for the EU 2030 strategy .

The GCC side presented energy efficiency initiatives carried out in Saudi Arabia by the Saudi Energy Efficiency Centre (SEEC) in the framework of the Saudi Energy Efficiency Program (SEEP). The mission, key objectives and various initiatives carried out by SEEC were presented.

It was noted that the program has a bottom-up approach and focus on three key sectors; industry, transportation and buildings covering more than 90% of the energy use in Saudi Arabia. An overview of the state of implementation of the different energy efficiency initiatives, which include 82 sub-programs, was provided. The SEEP guiding principles focus on, demand side energy efficiency, subprograms ensuring no negative impact on end users (5-6 years payback period) and do not include price reforms. It was acknowledged however that although the energy efficiency programs do not include price reforms, some prices for energy have been recently increased in the Kingdom of Saudi Arabia.

It was mentioned that SEEC and DG ENER have an informal cooperation based on exchange of information, best practices discussion on various initiatives in energy efficiency.

Outcomes and way-forward

Both parties highlighted the importance of having regular yearly meetings of the Energy Expert Group with the objectives of a continuous exchange on respective energy policies and agreed to meet again in GCC HQ in Riyadh or a GCC country in the second part of 2017.

The Energy Expert Group meeting was followed, in the afternoon, by a meeting of the EU-GCC Clean Energy Network. The network is an EU funded initiative launched to promote cooperation with the countries of the GCC in areas aiming at a more sustainable use of energy such as: energy efficiency, renewables, markets integration, clean use of natural gas and carbon capture, utilization and storage.

On 21 September the EU-GCC Clean Energy Network organized a workshop focused on issues related to standards, certification and labelling for equipment and appliances. The workshop allowed for a fruitful discussion and exchange of views and explored opportunities for enhanced cooperation between the EU and GCC in these areas.