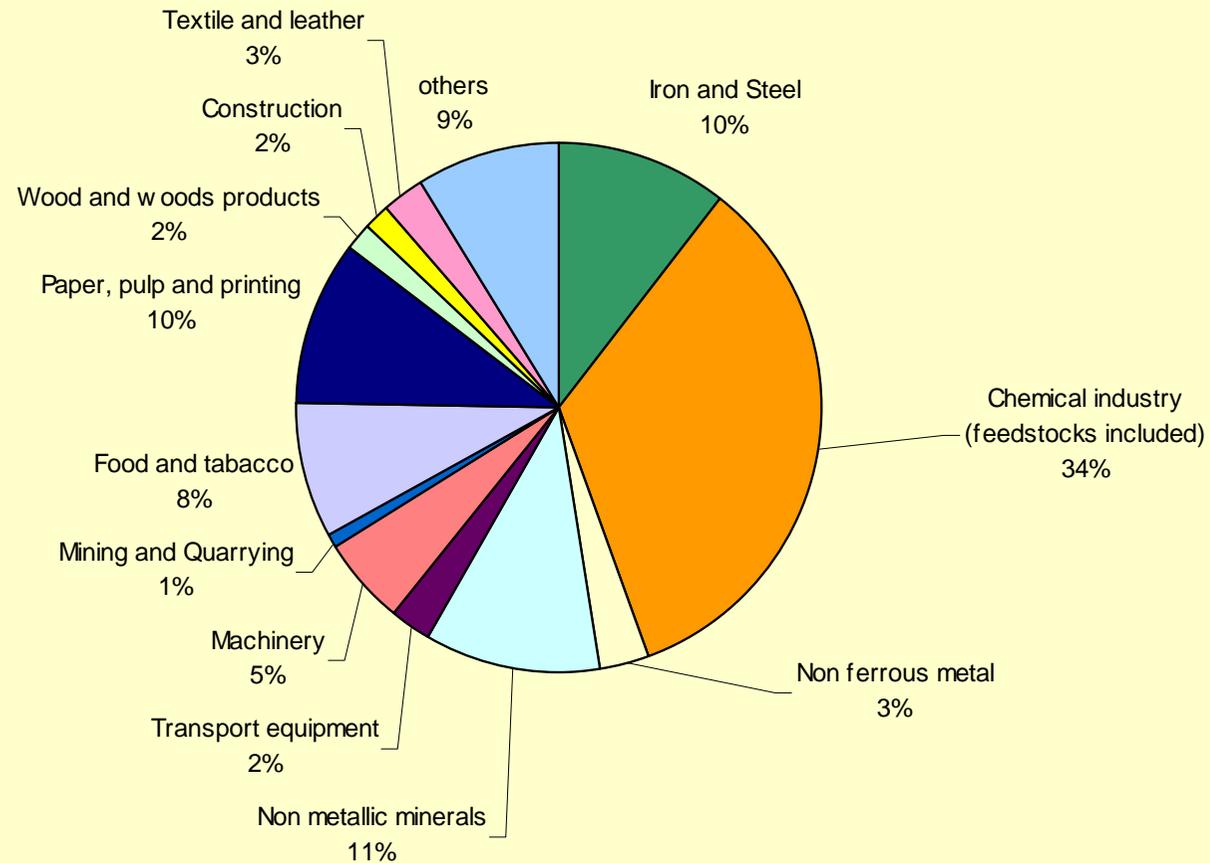


Sustainable and competitive access to Natural Gas for the Chemical Industry

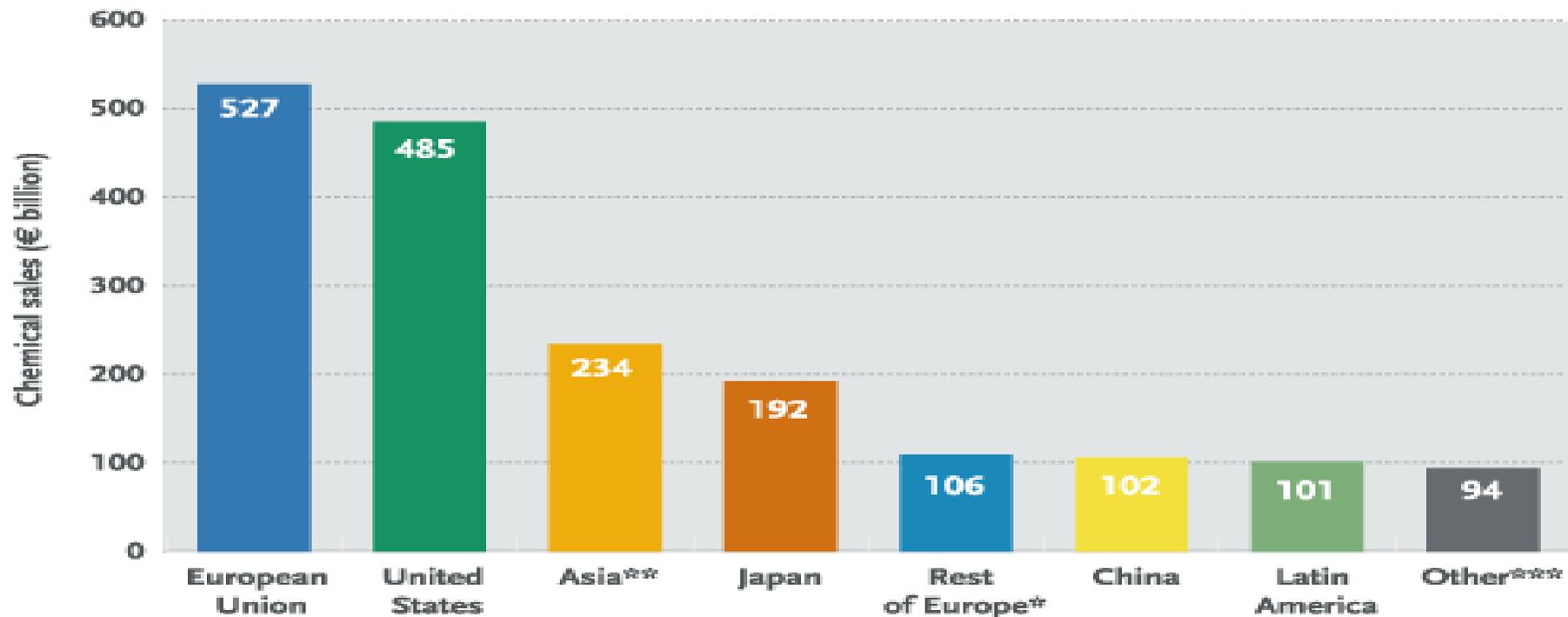
Contribution to the Madrid Forum Sep. 2005

The Chemical Industry needs Energy

Industry Energy consumption per sector 2002



Source: IEA



World chemicals production in 2002 is estimated at € 1841 billion.
The EU accounts for 28.6% of the total

Source: Cefic

Definition: Rest of Europe* = Switzerland, Norway, Central & Eastern Europe, and Turkey

Asia** excluding Japan & China.

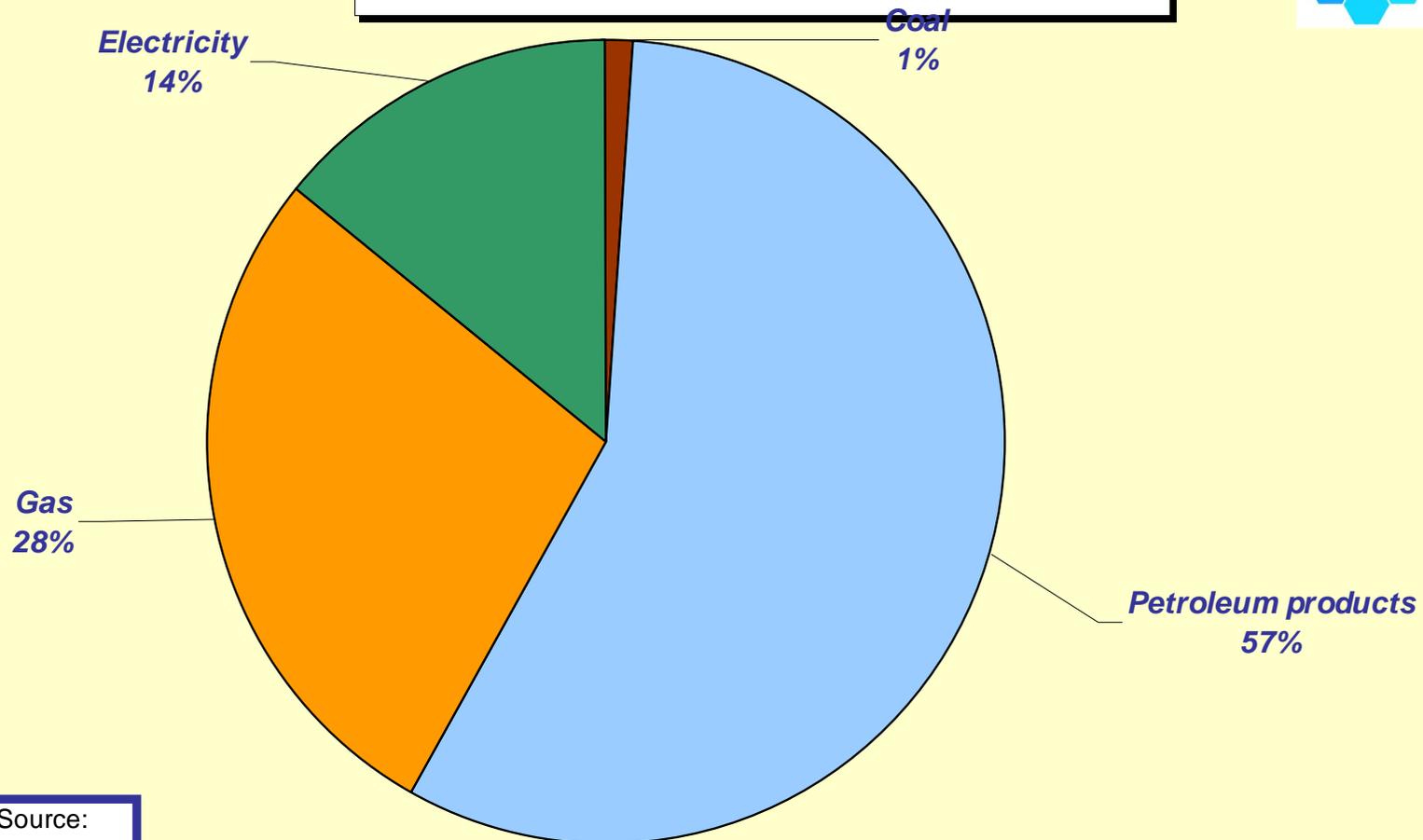
Other*** including Canada, Mexico, Africa, & Oceania

EU chemical industry is a global player



Energy sources

Sources of Energy of the chemical industry 2002
(Feedstocks included)



Source:
IEA

Liberalisation and harmonisation of the European gas market: Insufficient performance...

- **Slowness of progress towards a liberalized market as routinely demonstrated in EC benchmarking reports is unacceptable:**
 - **A competitive gas market is a key issue for the international competitiveness of the European Chemical Industry!**
- **Over 6 years EU Directives and Guidelines did not produce any substantial progress with respect to practical access of industrial end-users in most EU countries!**

WHY ?

Access to Natural Gas Grids for industrial end consumers:

The “No GO’s”:

- **Refusal of access based on lack of “contractual capacity”**
 - **No efficient anti-hoarding mechanisms in place**
 - **No transparency - with the excuse of protection of “commercially sensitive information”**
- **Discrimination:**
 - **Short balancing periods, narrow tolerance levels, high costs of flexibility service, insufficient flexibility in access to storage produce high financial risks in case of small portfolios.**
 - **Requirement for additional nomination procedures and metering - only in case of independent grid access.**

Liberalisation and harmonisation of the European gas market: Lessons learnt ...

- **Compromises on transparency have proven to reliably prevent effective third party access.**
- **Lengthy discussions on guidelines with the aim of compromising have proven to be a waste of time: Even if “unanimously agreed upon” no full implementation due to “non-binding” character.**
- **Placebos don't help: Further discussions should strictly and exclusively aim at a more rapid market opening through**
 - **efficient, non-discriminating grid access and**
 - **reduction of dominant market positions.**

Liberalisation and harmonisation of the European gas market -

The way forward:

- **ERGEG's first draft of a road map is highly appreciated; recommendations based on practical experiences are vital.**
- **Sector inquiry of DG COMP is most welcome and should be carried out thoroughly:**
 - **Besides insufficient grid access dominant market positions of incumbents are the most serious hurdles for a competitive gas market.**
- **'Cultural change' required:
Enforcement by Commission and national authorities instead of just monitoring!**

***Any further delays will
additionally damage the
international
competitiveness of the
European Chemical
Industry !***