

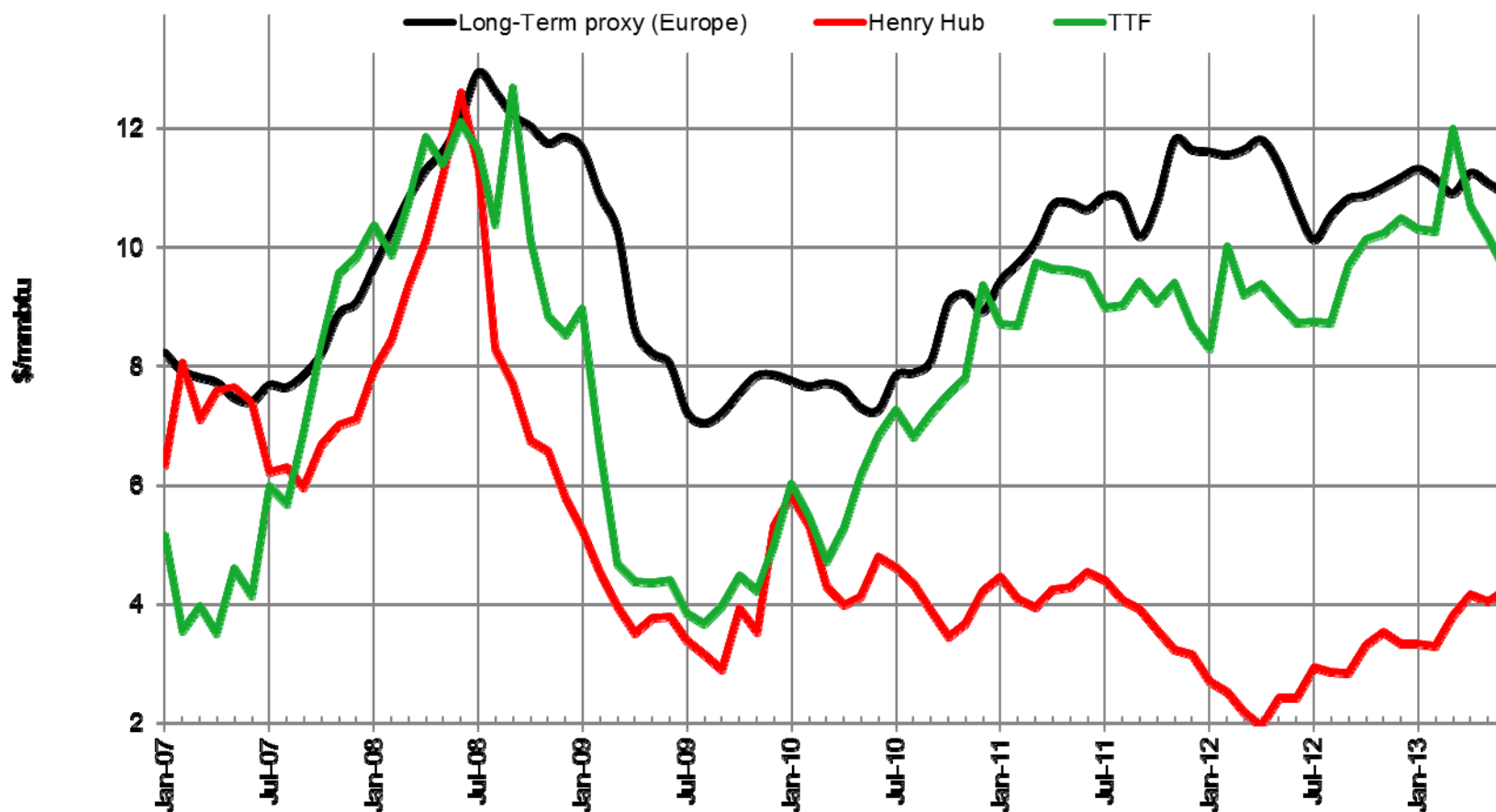
TWENTY-FOURTH MEETING OF THE EUROPEAN GAS REGULATORY FORUM

IFIEC position

Developments of contracts in the EU gas sector
'Oil-indexation'

Steinar Solheim – chair of the IFIEC WP Gas

GAS PRICES DEVELOPMENT



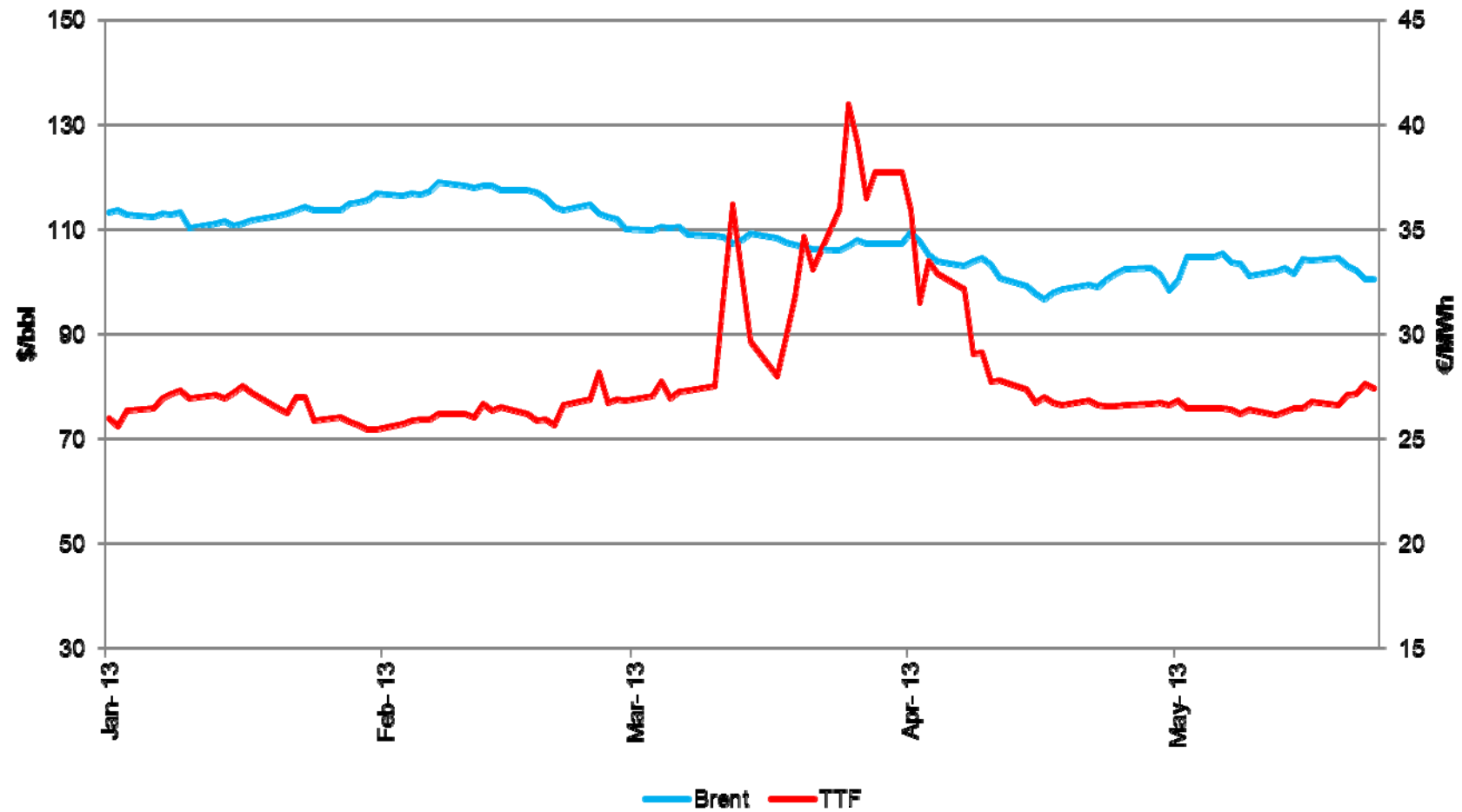
CHALLENGE FOR ENERGY INTENSIVE INDUSTRY IN EUROPE

- European industrial consumers pay 3-4 times more for the gas than in US.
- Massive investments in US by energy intensive industries (petchem, ammonia). No new greenfield projects in Europe.
- Development of a real competitive gas market is essential in order to have a sustainable industrial activity.

GAS TO GAS COMPETITION

- Oil indexation was introduced 50 years ago when gas was a real substitute for oil. This is not the case anymore.
- Gas price should be defined by the supply/demand balance and not by the price of another commodity.
- The oil price is partially controlled by a cartel (OPEC).
- With some few exceptions, the gas price at the hubs in NWEurope has been lower than oil indexed prices in the period 2007 – 2013.
- Gas price at hubs gives the right commercial signals to buyers and sellers in order to make the right decisions.

BRENT DOES NOT REACT TO GAS FUNDAMENTALS



THE GAS PRICE IN EUROPE SHOULD BE DEFINED BY THE SUPPLY/DEMAND BALANCE AND NOT BY OIL

