International Association of Oil & Gas Producers

Brussels, 28th April 2014

European Commission
DG Energy - ENER.C.3
Energy Efficiency
Rue De Mot 24-26
B-1049 Bruxelles
Belgium

OGP Transparency Register number: 3954187491-70

Re: Public consultation on the review of progress towards the 2020 energy efficiency objective and a 2030 energy efficiency policy framework

Dear Mr Hodson,

The International Association of Oil and Gas Producers (OGP) represents the views of the global upstream industry. Our members are drawn from major international oil and gas companies, national oil and gas companies, national and regional oil and gas associations, and the industry's services sector.

We welcome the opportunity to provide input to this public consultation overseen by your Unit and have submitted an on-line response. However, we would like to draw your attention to a set of issues that, in our view, ought to be taken into consideration as part of the review of the energy efficiency policy framework for 2020 and 2030:

1. **OGP supports and works on the improvement of energy efficiency**

OGP welcomes the EU's efforts to encourage energy efficiency across Europe, particularly in end-use. Efficient use of energy will be crucial in meeting the world's growing energy demand. Therefore there is a need to optimise use of resources and to reduce greenhouse gas (GHG) emissions. Energy efficiency is also an important way of improving the international competitiveness of EU industry.

The oil and gas industry is committed to improving energy efficiency in its own operations and working with end-users to support them to maximise efficiency in the use of its products[1]. This includes the offshore service industry - for example drilling contractors who are continually improving the energy efficiency of their mobile offshore drilling units, thereby reducing emissions.

[1] For example: Some of OGP members are involved in a pan-European consumer awareness campaign on the efficient use of transport fuels called "SAVE MORE THAN FUEL".

We have a strong financial incentive to save energy as it reduces costs along the whole supply chain and makes energy more affordable to consumers.

Throughout the 1990s, oil and gas production came to increasingly rely on techniques that were more energy intensive, including deeper drilling, pioneering secondary and enhanced oil and gas recovery techniques, exploiting heavier oil deposits and developing mature reservoirs. Despite these new challenges, the overall energy intensity of the upstream industry has actually fallen significantly since 2007 and is now below the level of the late 1990s, thanks to significant investments by the industry in developing energy-saving technologies.

2. OGP does not support an energy efficiency target, but recommends setting standards for non-ETS sectors

With regards to the 2030 climate and policy framework, OGP is in favour of setting a single realistic GHG emission reduction target, which would take into account progress in international climate negotiations. Having a single GHG target will provide a technology neutral framework and drive emission reductions in the most cost-effective way, thereby supporting cost-efficient energy savings measures.

Therefore to avoid overlapping regulation, OGP does not support setting a binding target for energy efficiency, for energy intensity improvements or for absolute energy savings (or any hybrid of the aforementioned options). We believe that setting a binding target for energy efficiency, including the ETS sector, would constitute double regulation as energy efficiency is already being deployed by traded-sectors as a means of achieving savings at lowest cost under ETS.

OGP supports a technology-neutral and market-based approach. Regulating in the area of energy efficiency is justified only in sectors not already covered by ETS, or where significant market barriers exist. In this context, alternative policy instruments, including standards for buildings and consumer products, may be considered for non-ETS sectors.

3. OGP emphasises that avoiding multiple regulations is key

We believe that in order to prevent regulatory overlap, the Energy Efficiency Directive should clearly exempt ETS installations from its scope in order to avoid distortion of the EU ETS. For the upstream industry, compliance with EED will lead to additional administrative requirements, additional costs, regulatory complexity and new demands on human resources, including within government. Additionally, we are subject to the Industrial Emissions Directive (IED) which regulates energy efficiency performance. Overlapping regulations increase cost for all stakeholders: government, industry and consumers.

4. OGP stresses that offshore operating conditions must be taken into account

The upstream (exploration and production (E&P)) offshore installations need to be considered in a different context, one reflecting their unique operating conditions and limitations. Offshore gas turbine equipment is selected on the basis of reliability - not just absolute thermal efficiency - as in the vast majority of cases there is no connection between these turbines and a power grid. It

should also be noted that the cost of carrying out remedial works or energy audits is significantly higher in an offshore environment than in any other industrial installation. Moreover, production profiles and energy loading vary significantly (downwards) over time and the peak levels are typically only for a few years, followed by many years of decline.

5. OGP's ideas on how to improve energy efficiency

Finally, we would like to highlight some examples contributing to the increase of energy efficiency:

- Natural gas used as a fuel for heating has proven strong energy efficiency potential: in 2011, in the EU over 40% of heat was delivered by gases[2], while heating and hot water generation in buildings are the biggest energy sector in Europe, accounting for just over a third of all of Europe's energy demands.[3] By replacing an older gas boiler with a modern, high efficiency boiler in a home, gas consumption can be reduced by up to 20%[4] for the same heat output. The Netherlands has so far been the only country in Europe that has fully equipped almost all of its heating stock with condensing boilers over the last 30 years. As a result, the average use of gas per home declined from 3250 m^3 per year in the mid-1980s to 1630 m^3 today.

- Moreover, replacing coal plants with gas plants such as **combined cycle gas turbine (CCGT) and combined heat and power (CHP)** can halve EU emissions in the power sector and increase energy efficiency significantly. Further, CCGT plants can achieve conversion efficiencies in the order of 60%, with the prospect of even higher efficiencies in future plants[5], compared with thermal efficiencies of 25 to 45% for coal[6]. When used in CHP systems they can achieve efficiencies of over 80%.[7] Investing in high-efficiency gas-fired power plants today can bring immediate efficiency gains and significant carbon reductions. A switch from coal-fired to modern gas-fired power plants could alone meet the 2020 CO_2 emissions reduction target and make significant progress towards the 2050 objectives.

- Advancements in internal combustion engines and hybrid electric vehicles, combined with high-energy density fuels, provide the most cost-effective solutions for reducing GHG emissions and increasing energy efficiency (hybridisation, combustion efficiencies, light-weight materials etc.) in transport.

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[2] Gases cover fossil natural gas and derived gases, coke oven gas, blast furnace gas, gas work gas, and oxygen steel furnace gas. Gases the sum of natural gas and derived gases.
Source: http://ec.europa.eu/energy/publications/doc/2013_pocketbook.pdf

[3] http://www.marcogaz.org/documents/session1def%20120907/MARIOTTINI%20A.%20presentation.pdf

[4] Sustainable Energy Authority of Ireland, High efficiency boilers, Source: http://www.seai.ie/Grants/Better_energy_homes/homeowner/Step_1_Decide_on_work_to_be_done/High_Efficiency_Boiler_Information.pdf

[5] European Environment Agency: EN19 Efficiency of conventional thermal electricity production, Source: http://www.eea.europa.eu/data-and-maps/indicators/en19-efficiency-of-conventional-thermal/en19-efficiency-of-conventional-thermal

[6] Energy Technology Perspectives (2012), p.66.

[7] Source: http://chp.decc.gov.uk/cms/chp-benefits/; http://www1.eere.energy.gov/manufacturing/distributedenergy/pdfs/bbest_chp.pdf

We trust you will take these points into consideration as part of the public consultation.

OGP remains at your disposal should you have any further questions or wish to discuss the contents of this letter in detail. Please do not hesitate to contact us.

We look forward to hearing from you soon.

Kind regards,

Roland Festor
Director EU Affairs
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About OGP: *Our membership spans the globe and accounts for more than half of the world's oil output and about one third of global gas production. We foster cooperation in the area of health, safety and the environment, operations and engineering, and represent the industry before international organisations, such as the UN, IMO and the World Bank, as well as regional seas conventions, such as OSPAR, where we have observer status. OGP Europe in Brussels represents OGP members who are active in Europe at EU level.*

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