

Seizing the opportunity presented by the gas crisis!

The supply crisis that ushered in the year 2005 only appears to have been overcome. UPEI welcomes the fact that the European Commission now regards the issue of security of energy supplies as a priority policy objective.

Both politicians and the energy sector must take advantage of this readiness to think about the security of gas supplies and hence about energy supplies in general, in order to develop concepts for the European Member States that are viable in the long-term.

The following facts should be established as key elements for the foundations of a new policy:

Europe is, and will continue to be, heavily dependent on energy imports. The efforts to promote domestic bio energy will not significantly ease the situation.

Security in energy policy depends on an energy mix in which all energy sources have equal opportunities to contribute. Giving preference to individual energy sources in order to increase security of supplies falls short of the mark.

Security of energy supplies depends not only on diversification of energy types, but also on increasing the variety of sources from which they are obtained.

Energy stocks are a political tool of the exporting countries. The argument that economic considerations will discourage exporters from using their energy stocks as strategic weapons has been exposed as no longer credible.

In addition to these key aspects which – at least at present – are generally accepted, UPEI, which has for many years been stressing the need for a debate on the security of gas supplies, wishes to draw attention to the following points:

For many years efforts to place European gas supplies on a broader footing have been undermined by Gazprom by its refusal to grant transit rights through its network to third-party suppliers from Central Asia. This not only reduces the variety of suppliers, but also ensures a considerable “profit” for Russia – at the expense of the producing countries and consumers.

Another aspect that has to be considered in this context is the efforts by Gazprom to gain influence over third-country pipeline systems. The EU would be well advised to take appropriate political measures to counter these monopolistic aspirations. It is an amazing fact that Gazprom already controls border stations where neither the incoming nor the outgoing pipeline are under the control of Gazprom – for example at the border between Ukraine and Slovakia. This is a form of control of important infrastructures that restricts supply diversity, and UPEI recommends the competent EU bodies to investigate this aspect.

Prices are made where supply and demand meet. This elementary tenet of economic theory applies not only to a liberal energy market, but also to political use of the asset “energy” as an instrument of foreign policy. This means that political pressure can be exerted not only by a total shut-off, but also by a slight reduction in the available supply. This is particularly true of energy demand, with its lack of price elasticity.

The cost of an energy crisis for the national economy is greater than the operational cost to domestic energy suppliers. Accordingly, precautionary and diversification measures can only be taken with the aid of state assistance or national regulations. As we know from many years experience in the oil sector, one cannot rely on market forces alone – crisis precautions call for more.

The emergency stocks situation for gas is not transparent. Unlike oil as an energy source, there are no national regulations for gas stockpiling. UPEI appeals to the European Commission to address this issue and solve it by means of international agreements, and suggests that the IEA model could at least serve as a starting point.

In addition to diversity of the energy mix and of supply sources, UPEI also recommends devoting greater attention to promoting larger numbers of market players. From a political point of view, the independent gas trade has in the past been sold short in the EU.

Exclusive reliance on pipeline-based supply routes should be supplemented by promoting an LNG infrastructure that is open to all.

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