FECER
Fédération Européenne des Cadres de l'Energie et de la Recherche

The Gas Industry in the Single Market

Perspectives of Forward-Looking Energy Supplies

1. FECER states that natural gas has established itself as an attractive source of energy in Europe. In 1996, natural gas consumption in western Europe amounted to about 345 billion m³. With approximately 73 million residential users and a market share of 35 %, natural gas is the most important energy in the residential sector. Natural gas holds second place in the industrial sector with a share of 26 %. Its share in the electrical generating market is 10 %. According to forecasts, natural gas will continue to develop successfully. By 2010, natural gas consumption is expected to have risen by 70 to 90 billion m³; the power generating market is expected to account for more than half of the increase. The share of natural gas in EU primary energy con-sumption will increase from 21 % today to 25 %.

2. FECER once again brings to attention that the European gas industry is characterised by substantial differences between the member states. This is true not only with regard to geographic, regional and market sector conditions but also with regard to structures, energies and orientations in energy policy. Of particular importance in this connection is the extent to which individual member states depend on imports. Southern European states depend more heavily on imports from risk areas than Northern European states.

3. FECER underlines the importance of the natural gas sector to employment. More than 150,000 jobs alone are provided by transmission and distribution companies in western Europe. To be added are business areas associated with natural gas. Further, many jobs are created at the end-consumer level.

4. FECER points out that natural gas makes a positive contribution to diversify and to secure overall energy supplies. Natural gas has firmly established itself in a balanced energy mix.

5. FECER emphasises the significance of security of supply in the gas sector. Secure supplies for the European Union are of particular importance for the economy. At the same time, supply security is an important industrial location factor to ensure competitiveness at international level. The decisive factor is rather that the reserves can be mobilised and directed to the European Union. The European Union depends on imports, also from unstable regions. In 1996, about 40 % of EU natural gas supplies came from Algeria (12 %), Norway (11 %) and Russia (18 %). In 2010, such imports will amount to approximately 60 %. These centrally organised suppliers will become increasingly important.

6. FECER acknowledges that gas supply companies accept their primary responsibility for secure supplies and have developed efficient tools for crisis situations. Additional measures by governments may be required, for example, if political problems in external relations must be overcome.

7. FECER welcomes the development of gas infrastructure, in particular investments in an efficient transmission system to cover demand. With its length of 25,000 km and more than 1 million km national pipelines, the European pipeline grid ensures that the natural gas fields are linked with the consumers. Against the backdrop of growing demand for natural gas, the requirement for capital outlay will continue to be high. Infrastructure development alone currently absorbs about ECU 10 billion in the European Union annually.

   These investments are not an end in themselves. They are an important prerequisite for secure supplies to consumers; already today more than 50 % of western European natural gas supplies are traded across borders. Moreover, they contribute to growth and employment in the economy as a whole.

8. FECER considers it necessary that the tax conditions in the member states favour research with regard to both new fields and research technologies and utilization.

9. FECER points out that today the gas industry is increasingly confronted with changes on the markets. The European natural gas market is in a process of dynamic change. With the gas industries in eastern and central Europe, additional players emerge. To a limited extent, also new suppliers and new forms of contract are to be expected. Managers face the new challenges. It is essential to always remain aware of the fact that natural gas is a finite energy. Energy conservation and the efficient use of natural gas are therefore primary tasks.

10. FECER closely follows the consultations on the single market for natural gas and the regulatory framework for the gas industry downstream of production operations. The expectation is that solutions will be found accounting for the diversity existing within the Union and leaving room for subsidiarity. The significant differences between natural gas and electricity must be accepted. Further, it is important to respect the fundamental requirements of the European natural gas industry in order to ensure secure supplies at adequate prices on a long-term basis. Negotiated access to the grid must be the result of discussions on a commercial basis, in which the parties involved and not third parties agree the terms and conditions of the contract. At the same time, it must be ensured in the member states that dominant market positions are not abused. Long-term agreements with offtake commitments (take-or-pay obligations) must be maintained. They do not only form the basis for the capital outlay required in natural gas production but create, at the same time, the balance of power in the relationship between the importing companies and the exporters. Such a balance serves to reconcile conflicting interests. It also helps to ensure that the Community benefits from the value added and thus from employment, income and taxes.

    In order to ensure that the single market develops into a level playing field, further efforts are required, in particular harmonisation of taxes and environmental standards.

11. FECER further notes with concern that liberalisation is accompanied by intensive regulation. For more than 15 years, the United Kingdom has seen a transformation process with manifold regulatory interventions and activities. The natural gas directive is designed to end in state intervention not only with regard to indicative prices.

12. FECER is already today directing its attention towards the future development of the gas industry in central and eastern Europe. Technical and economic cooperation between the companies, development of the trans-European grids as well as cooperation at management level are examples of how previously centrally organised industries and their employees can be supported in their efforts towards diversification, market orientation and integration into the European Union.

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