



Institute for Energy and Finance

**Roadmap
Russia-EU Energy Cooperation until 2050:
What will be the future role of Russian GAS?**

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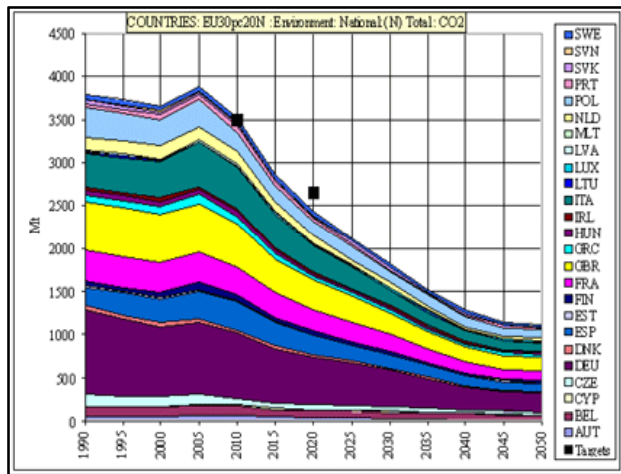
Russia-EU Energy Dialogue

Brussels, 30th May 2013

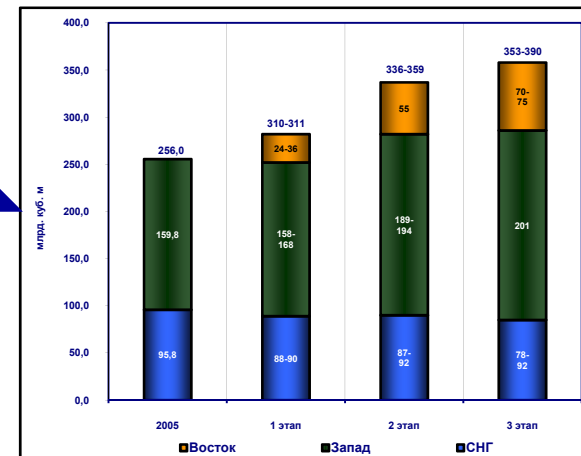
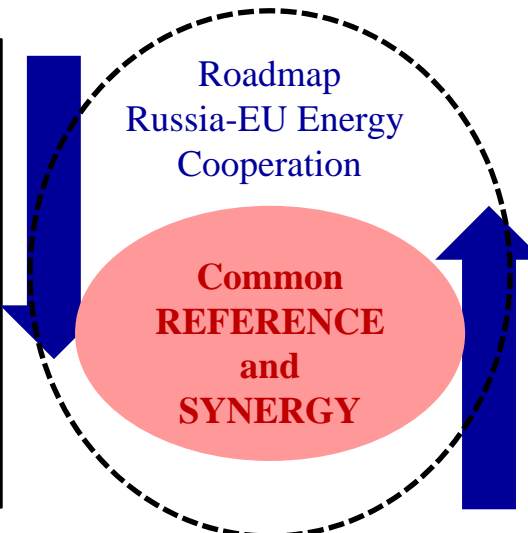
www.energystrategy.ru

Objectives of the Roadmap

- Analysis of different energy scenarios for the future and their impact on Russia-EU energy relations in the different sectors (oil, gas, electricity)
- Elaborate long-term opportunities and risks of the overall energy supply and demand situation
- Investigate the potential for long-term cooperation in the field of energy



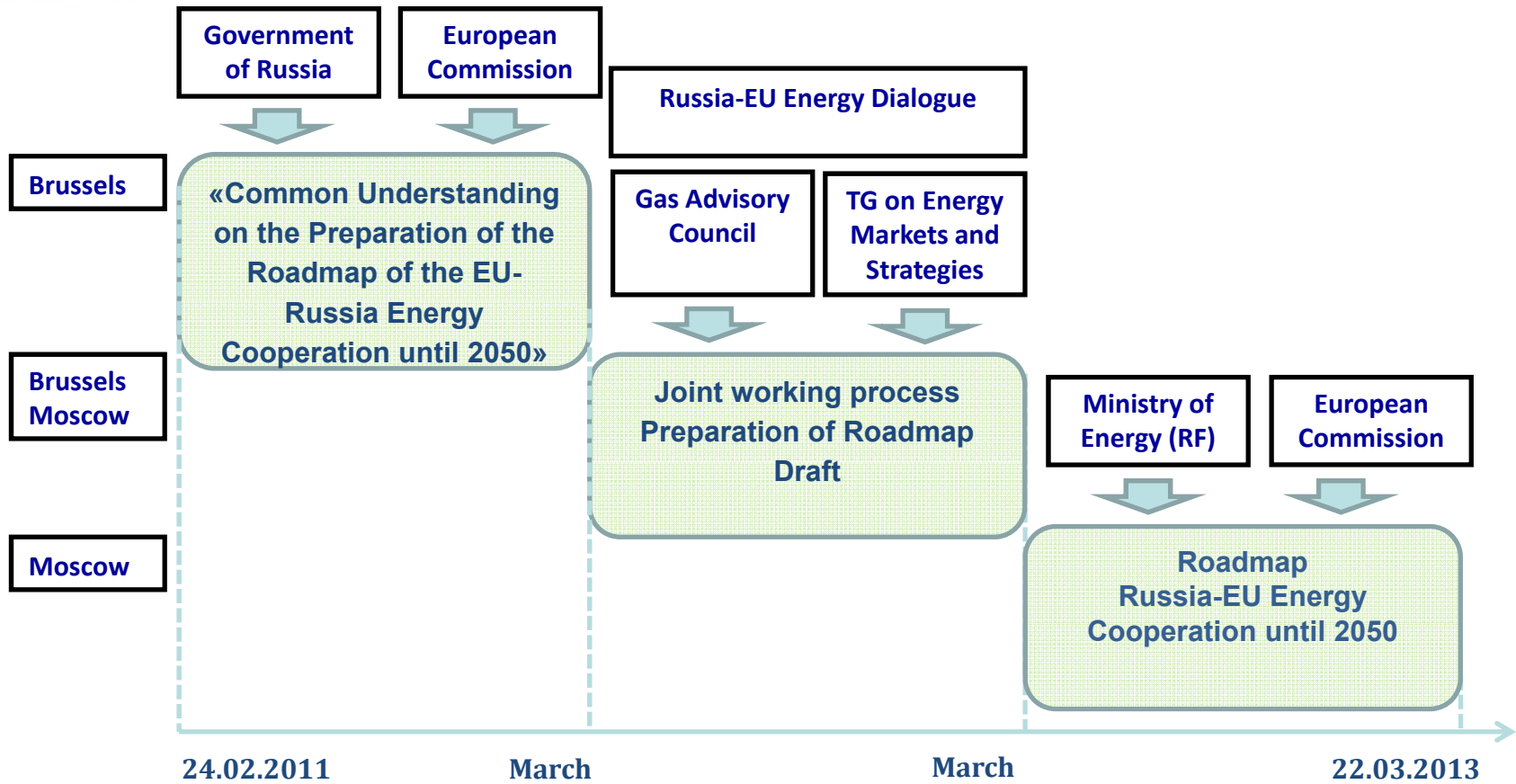
EU Low Carbon Energy Policy up to 2050



Russian Gas Export Expectations up to 2030



Milestones and status of the ROADMAP



Roadmap Russia-EU Energy Cooperation until 2050 is **NOT** a mandatory document **BUT** a common reference for both sides



Inputs and Features of the ROADMAP

Key Inputs

- Expert reports from July 2011;
- Russian 2030 Energy Strategy;
- EU Energy Roadmap 2050;
- Other scenarios such as the IEA World Energy Outlook;
- **Reports/outcomes of the Gas Advisory Council;**
- Activity and reports of various Thematic Groups of the EU-Russia Energy Dialogue

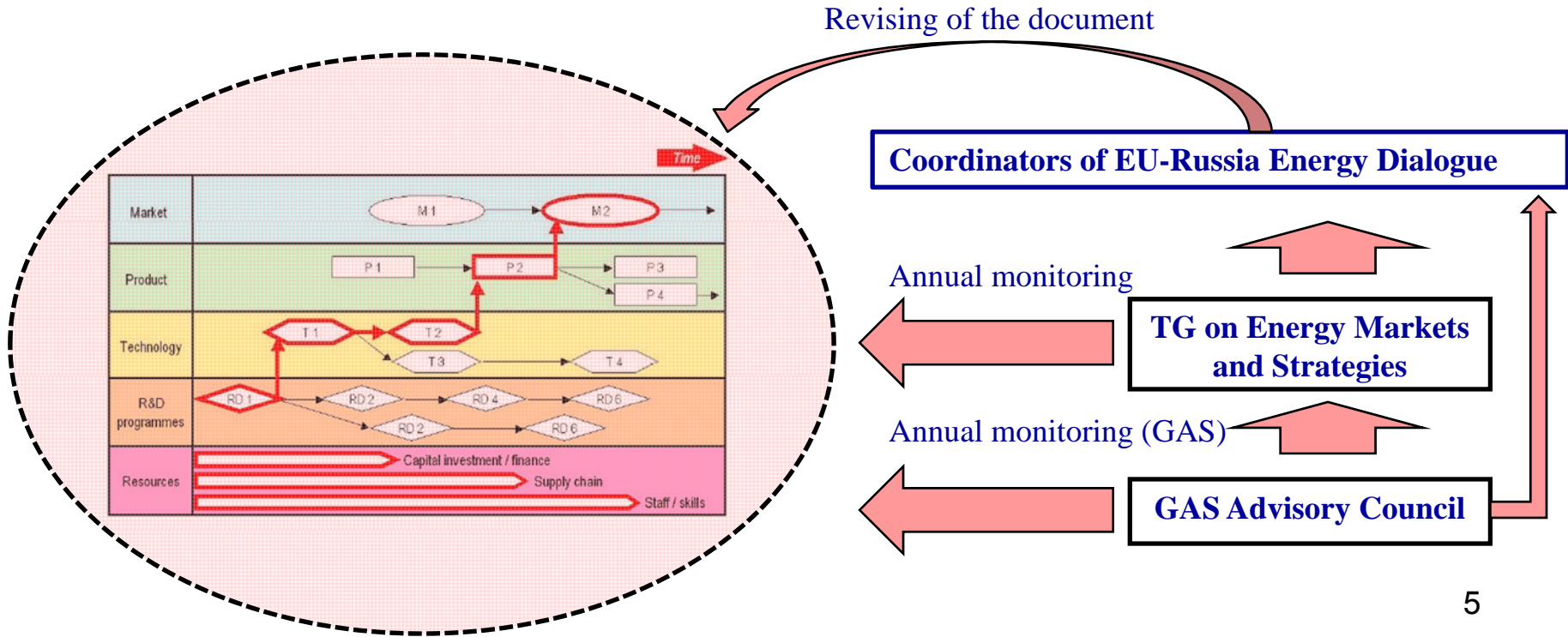
Key Features

- **respect sovereign energy policy** decisions in EU/Member States and the Russian Federation;
- Identify risk aiming to achieve a **tolerable level of uncertainty** in long-term EU-Russia relations;
- **agree on the main drivers**, common themes, challenges and "no-regrets" options;
- **propose areas of cooperation** and shared recommendations for the 2020, 2030 2050 horizon

ROADMAP is...

Not ONLY the IDEOLOGY of cooperation but the concrete WAYS of cooperation

Not ONLY the DECLARATION but the LIVE DOCUMENT





What about gas?

EU ENERGY ROADMAP 2050 SCENARIOS

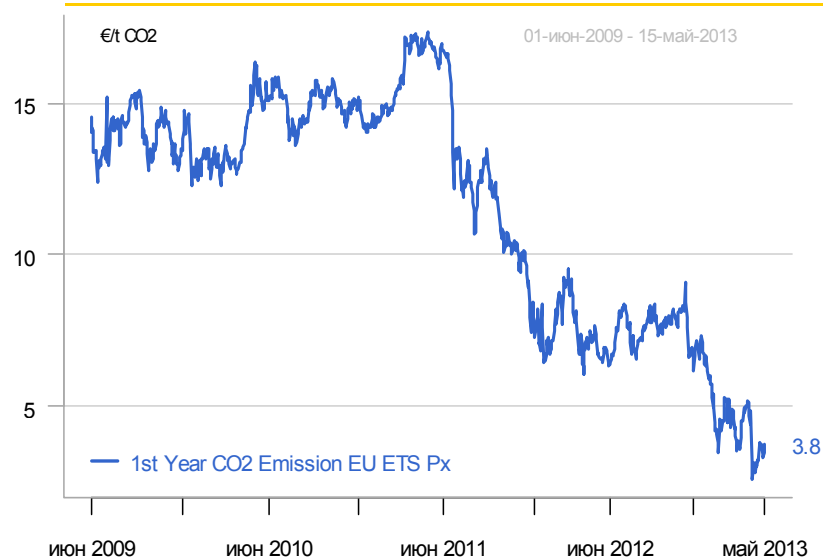
Mtoe		2000	2010	2020	2030	2040	2050
CPI	GIC	1723	1752	1700	1629	1618	1615
	Gas	393	443	372	369	364	354
EE	GIC	1723	1753	1644	1452	1269	1084
	Gas	393	443	365	348	315	257
HR	GIC	1723	1752	1679	1510	1317	1134
	Gas	393	443	382	354	286	210

Gas is not the priority of European long-term Energy Policy...



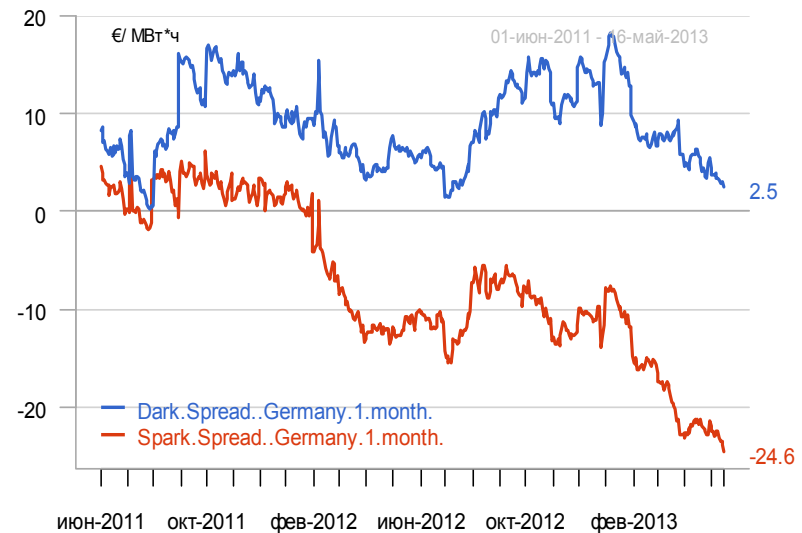
EU Energy Policy's paradoxes: return of coal

Carbon price (EU ETS Px) fell by 5 times during the period of 2009-2013...



Source: EEX

Spark Spread and Dark Spread in Germany

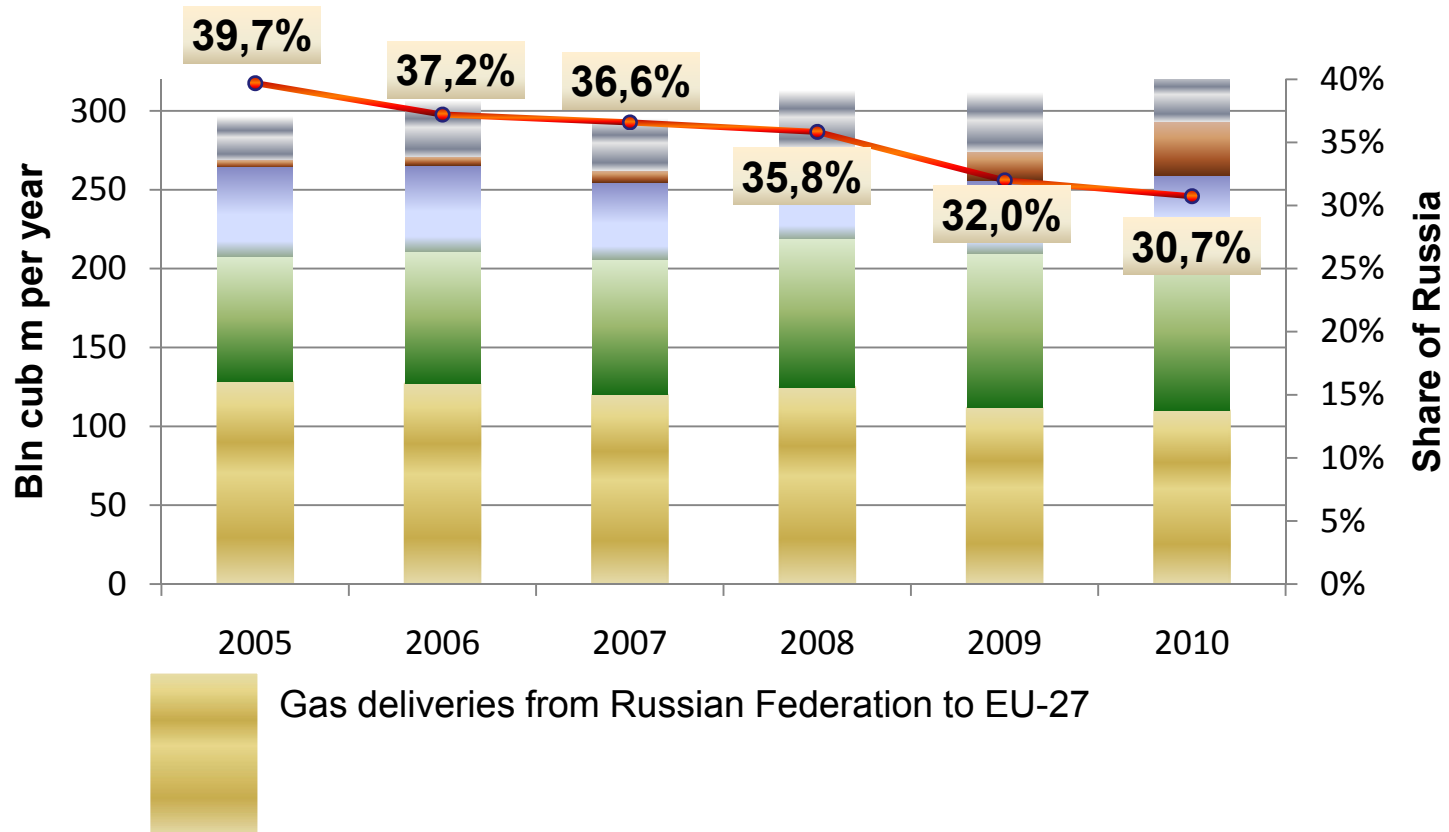


Source: Bloomberg, IEF

- In 2012 gas consumption in EU decreased by 6%
- At the same time coal consumption grew by 1,6%...
- Since February 2012 gas electricity production is unprofitable and loses the competition to coal generation
- Coal and RES (due to subsidies) are the “winners”



Russian gas is going out...





Whether we can change together the situation?

Cooperation pathway

- Developing a Pan-European gas infrastructure
- Building open, transparent, efficient and competitive gas markets
- Removing any artificial trade barriers and discriminating rules both for producers (including Russia) and consumers of gas, at any delivery point (entry) at a fair price

Main drivers of cooperation

- compliance with international law obligations
- improvement of international law base for energy cooperation on the grounds of the principle of mutual benefit
- ensuring the short- and long term reliability of gas supply and demand
- secure and non-discriminatory investments on both sides
- economically viable and safe gas production, treatment, transportation and consumption



Common areas of cooperation

- exchange of information and **support for infrastructure projects of mutual interest (PMI)**
- **approximation of market rules influencing EU-Russia gas trade**
- **coordinated and secure functioning of gas infrastructure**



Recommendations, actions and milestones

up to 2020

- **Mitigate the infrastructure and regulatory risks** in the EU-Russia gas relations
- **Enhanced flexibility of gas markets**, including general gas pricing models; policy measures regarding subsidies and fair inter-fuel competition
- **Creation of a joint pan-European operational platform** for European, Russian and other TSO, supporting integrated gas market(s) and the functioning of gas infrastructures
- **Further cooperation** within the EU-Russia Energy Dialogue on **specific gas infrastructure projects**



Recommendations, actions and milestones

up to 2030

- **Implementation** and effective use of a **joint pan-European operational platform** for European, Russian and other TSO
- **Approximation of market rules and standards** to smoothen the trade of natural gas and the reciprocal investments in production infrastructure

up to 2050

- **Removal of all barriers** for the integrated functioning and coordinated development of gas infrastructures and markets



Next Tasks for Russia-EU Energy Dialogue

Key Infrastructure and Regulatory Risks

- Lack of opportunities for Russian side to deliver gas to EU customers due to the external limitations on the current terms and conditions
- Transportation of Russian gas under existing contracts will cost more under a new regulatory framework than under the current one
- Environment for large scale investments in gas infrastructure will remain too uncertain, and that some infrastructure investments may become “stranded”
- Possible new EU imports needs could not be accommodated by existing infrastructures but sufficient new infrastructure is not built

Tasks for Russia-EU Energy Dialogue

- External limitations on non-EU supplies due to changing architecture of EU internal gas market, BUT not internal incapability of Russian side to invest & to produce gas
- Registration in both zones, tariffs, mandatory reservation of 20% of capacity for short-term, etc...
- Joint development of procedure based on Art.13.2 and EU-wide coordinated “open season” (market demand for the capacity) which will exclude the risk for TSO to face “stranded assets”



What's next?

Roadmap as a BRIDGE of Cooperation between EU and Russian Energy Policies

