



IFIEC Energy Forum 2014

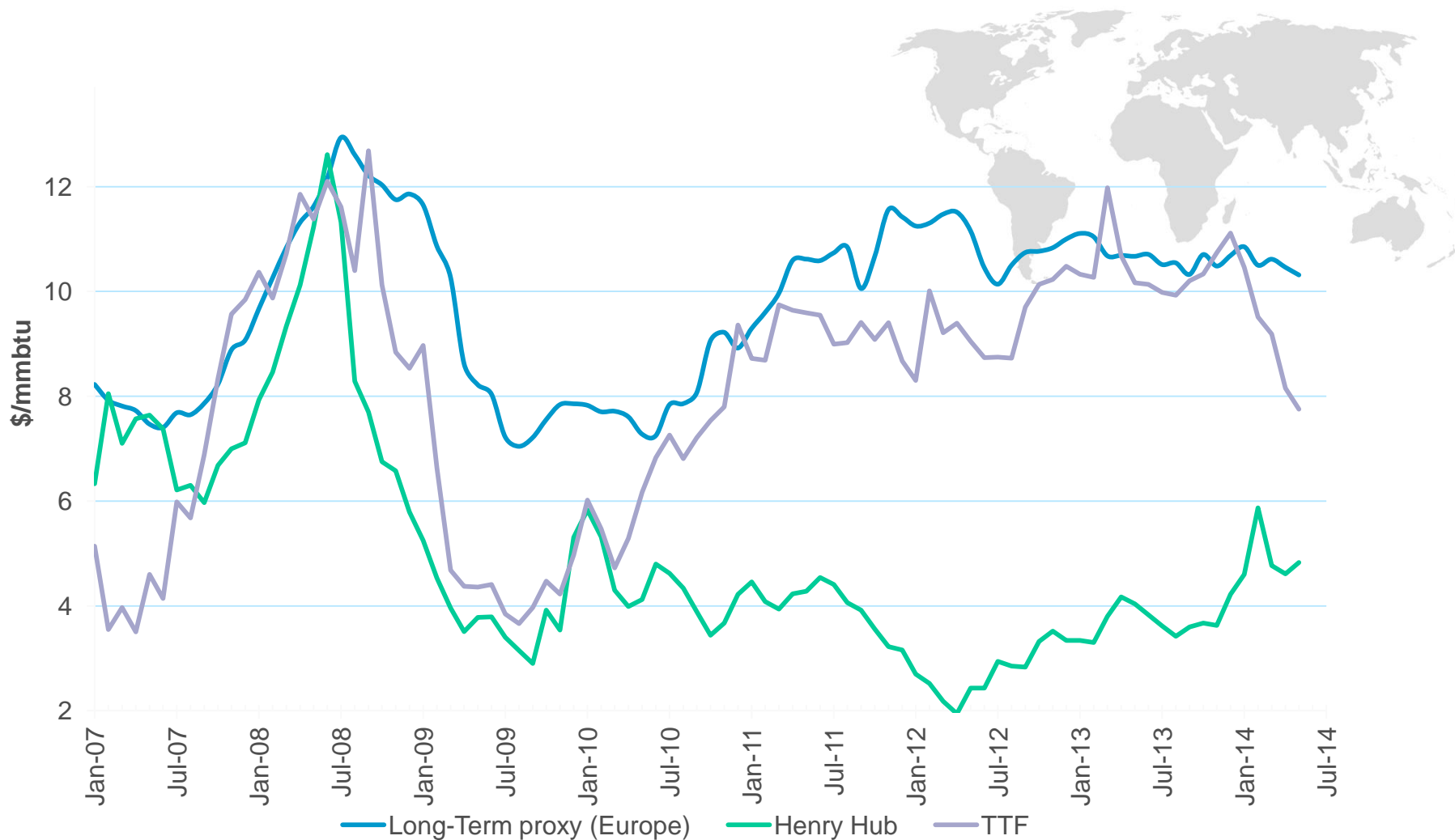
“European Industrial Renaissance requires Competitive Energy”

12 June 2014

Steinar Solheim
Chairman Working Party Oil and Gas
Vice President Yara International

Security of Gas Supplies into Europe

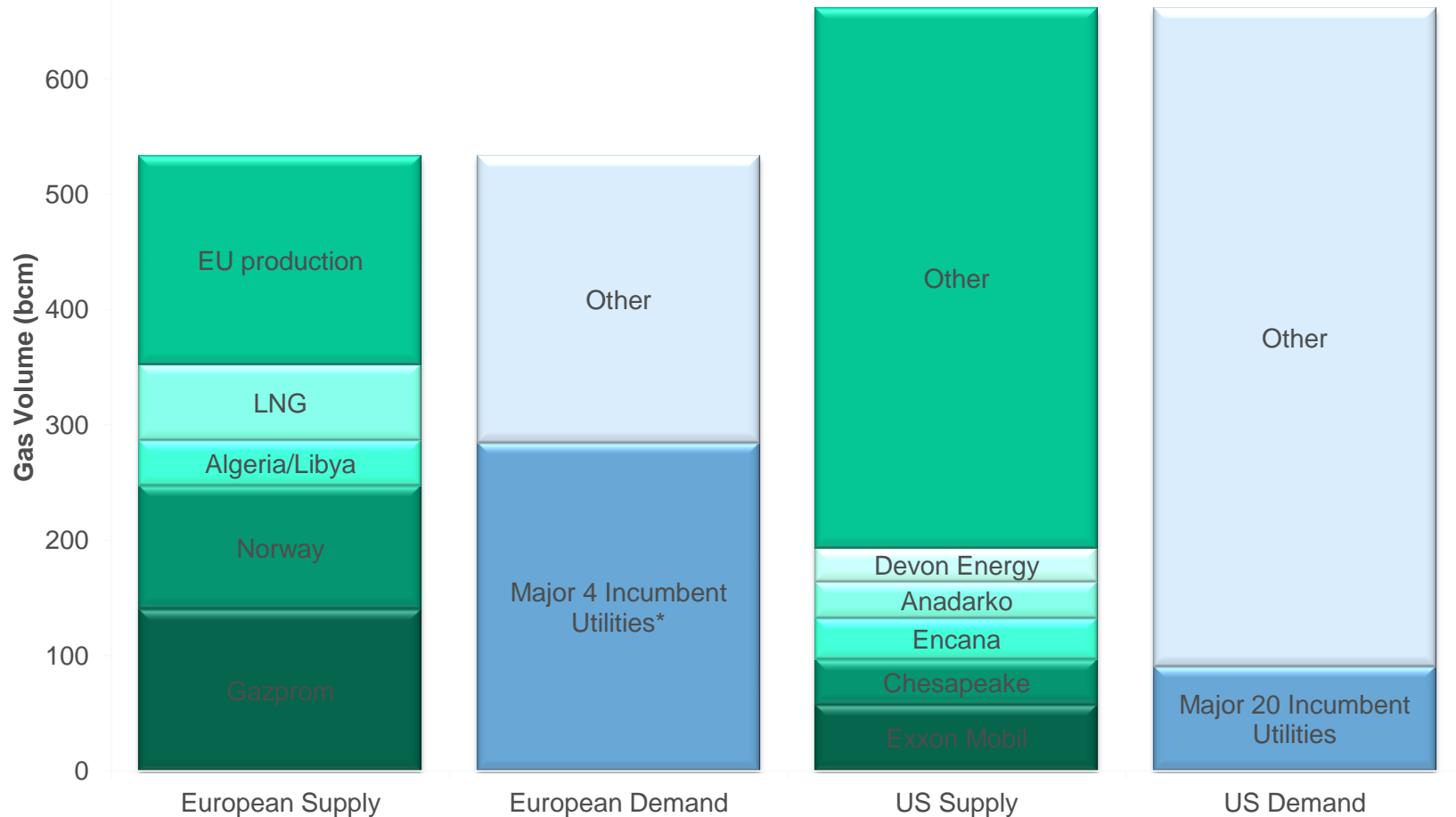
Global Natural Gas Prices



Source: IHS CERA

Different Structure in US and European gas market

US competitive gas market results in higher security of supplies.



* Major 4 European incumbent utilities based on financial accounts of EON, ENI, RWE and GDF

Source: Shell, May 2014

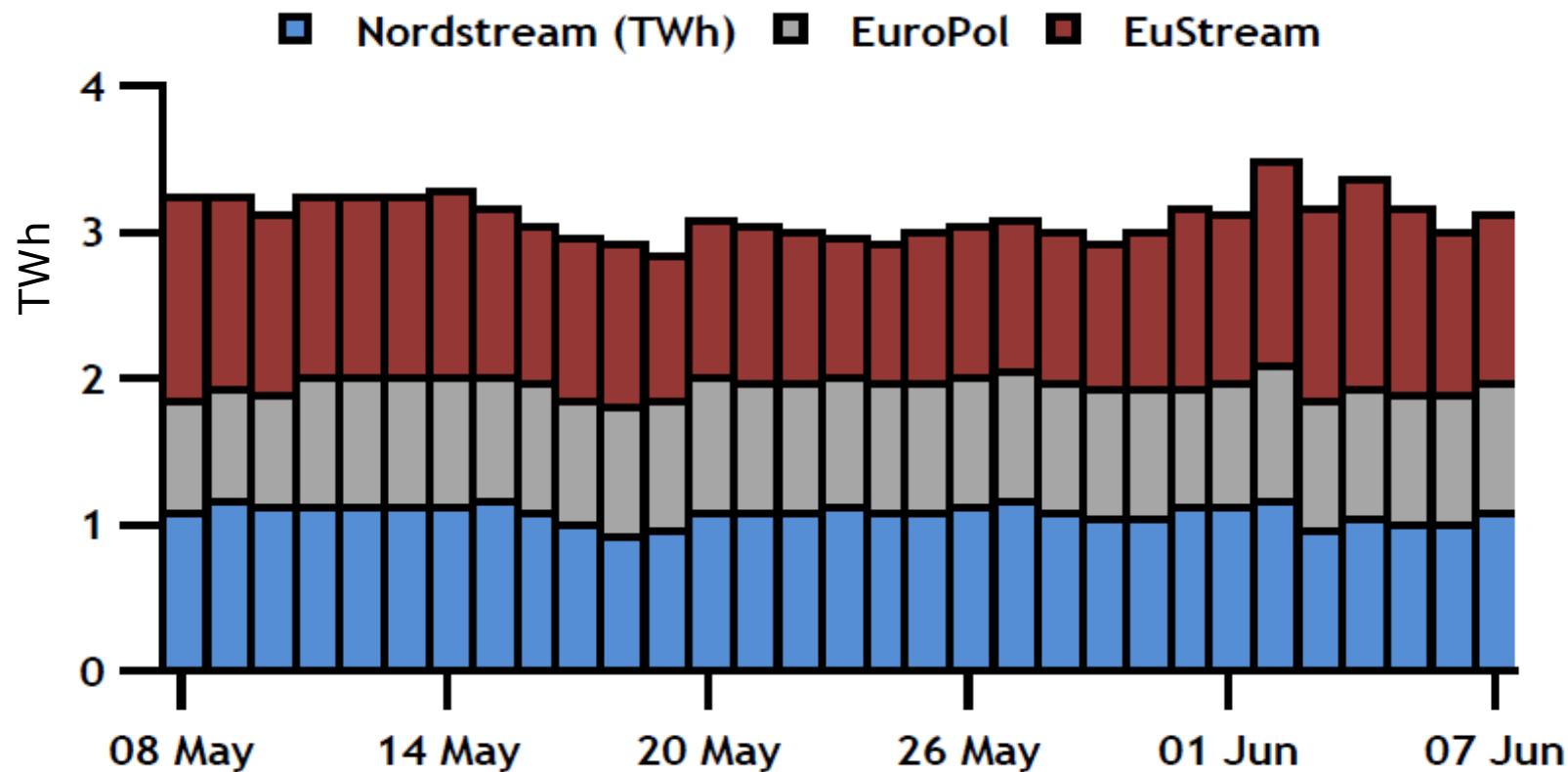
Russia/Ukraine a big uncertainty

- If Gazprom stops supplies to Ukraine and continue to supply to EU, will then Ukraine accept or will they 'steal' the gas?
- Gazprom could route more gas through Nord Stream. This will help NW Europe, but not Central Europe (Baltic states & Bulgaria is 100% dependent on Russian supplies)



Source: GDF-Suez

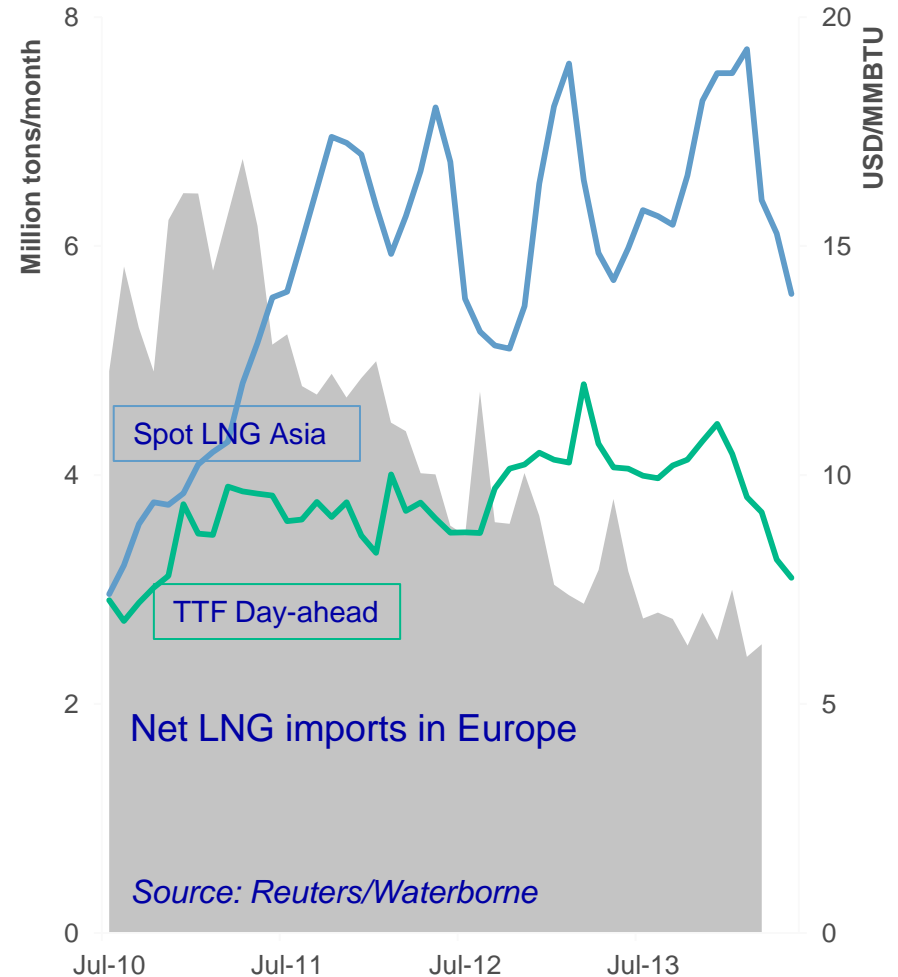
Russian deliveries to Europe



Source: Argus European Natural Gas

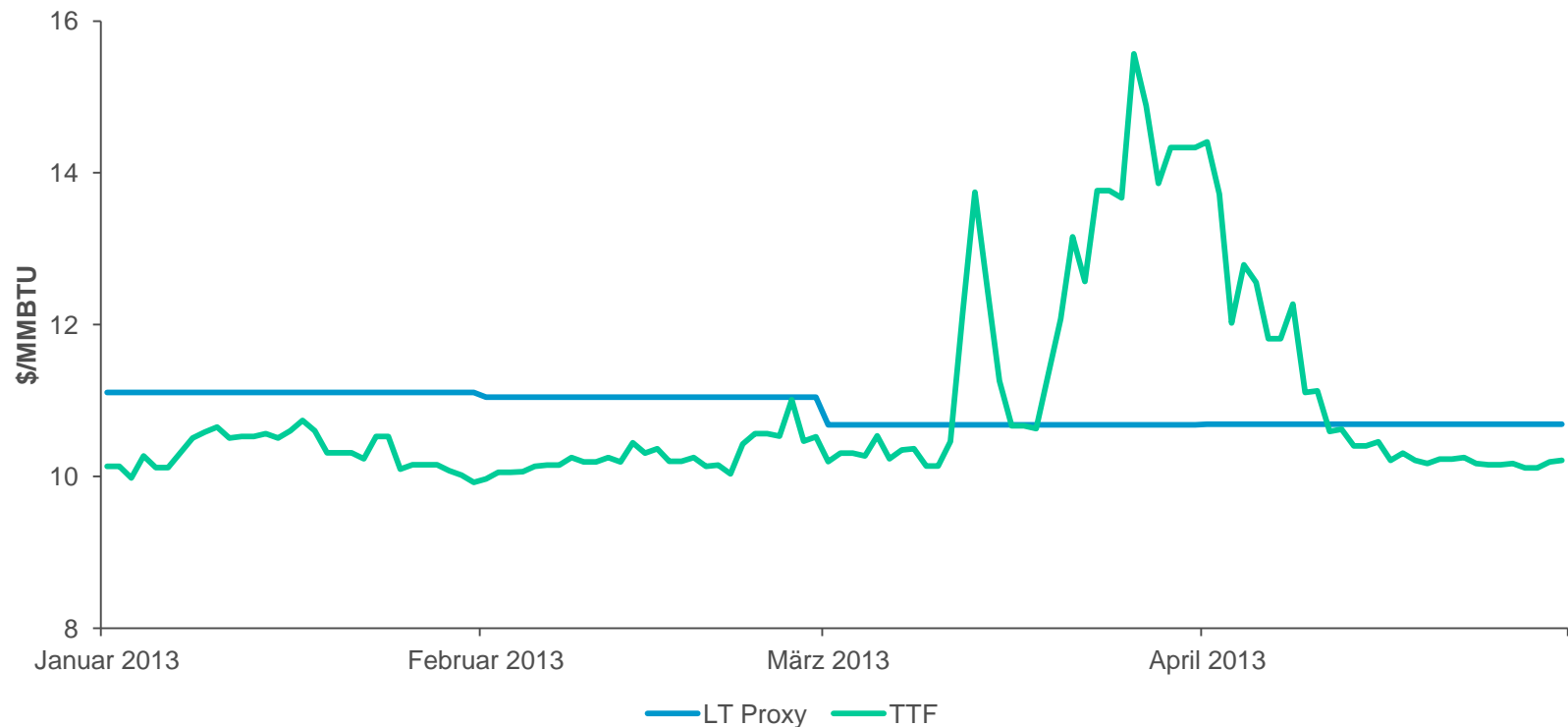
LNG could be a back up, but there are challenges

- It takes time to reroute LNG to Europe
- Spain utilized only 20% of the regasification capacity in 2013. 60bcm capacity was not used, but the interconnection to France has only capacity of 5 bcm
- Prices for LNG has to be competitive with Europe



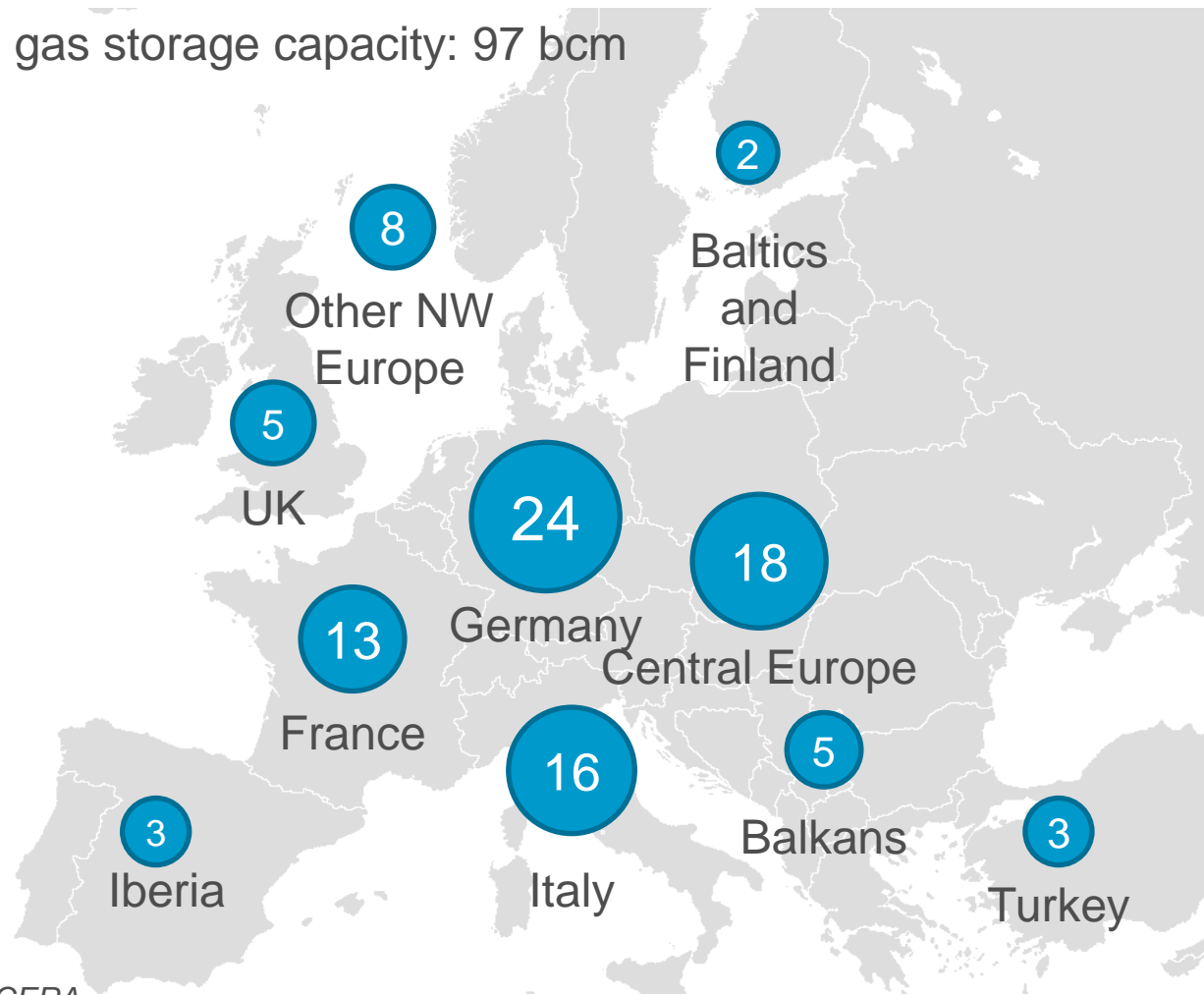
Fast implementation of the 3rd Energy Package

- A competitive, liberalized market will give the players the right signals to act in a rational way.
- Oil indexation does not give the right price signals in an emergency situation



European natural gas storages

Working gas storage capacity: 97 bcm



Source: IHS CERA

No short term solution for EU to increase security of supply

- The present situation shows that Europe should diversify its supplies
 - Pipeline gas from new markets
 - More LNG terminals
 - Increase domestic production.
 - Encourage shale gas production
 - Fast implementation of the 3rd Energy Package

- Large industrial consumers may offer to stop or reduce production if the financial terms are right.

