

Günther OETTINGER

EU Commissioner for Energy

Speech of Commissioner Oettinger at the South Stream event

Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort

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Ladies and gentlemen:

Introduction

I should like to thank our Russian partners for inviting the European Commission to this event which I see as part of the wider Russia-EU dialogue. I accepted this invitation in particular to learn more about the feasibility and progress of the South Stream project which is taking clearer shape.

But first a few words about the *indispensable partner* for European energy security – Russia.

Russia

The Russian-European energy partnership is at the core of security of supply considerations in the EU, and of energy relations on the European continent. The Russian Federation is the most important energy partner of the European Union. This will remain so in the future. Russia in 2009 accounted for 36% of EU gas imports – around 6% of the EU's gross energy consumption. On the other hand, the EU is by far the largest trading partner of Russia. 47% of all Russian imports are from the EU and the EU accounts for about 75% of foreign investment in Russia.

Our longstanding energy dialogue with the Russian Federation has been expanded and further developed over the past year. In November 2010, we celebrated the tenth anniversary of the EU-Russia Energy Dialogue. In February 2011, we signed an updated Early Warning Mechanism to further improve our coordination in case of supply or demand emergencies. We agreed to set up a Gas Advisory Forum which should give input, including from industry, on developments in the Russian and European gas markets.

Europe must provide for sustainable, affordable, safe and secure energy to ensure the competitiveness of our industries and the well-being of our citizens.

Demand

The available scenarios and forecasts for gas demand in the European Union until 2030 vary between 370 and nearly 600 bcm, and may have to be adapted again after the tragic events in Japan. Notably in some EU Member States, natural gas could be an attractive back-up for electricity produced from renewable sources.

What is common however to all these scenarios, is that the imports from third countries will increase until 2030 or 2035 due to the depletion of the EU's own reserves. This includes imports from the Russian Federation. If for example the part of Russian gas imports covers around 25% of the European gas consumption, Russia could in 2030 export more than 150 bcm of gas to the EU.

The demand side in the EU is only one side of the picture. It is equally important to know how the Russian market will develop, what will be the available production and export capacity for oil and gas, and whether the investment climate in Russia will improve to attract European companies. The more companies – including European ones – are active in the Russian market in future the more they will seek export opportunities to Europe relying on more flexible use of export routes.

EU Internal Market & Infrastructure Policy

For some years now, the European Union has pursued two key policies in the gas sector.

Firstly, a policy of diversification in the gas sector; that is, diversification of routes, sources and counterparties. Diversification is also part of the Russian policy – diversification of routes as in the South Stream project, diversification towards new customers in Asia and diversification towards the global market via grand LNG plans. Neither the EU's diversification objectives nor Russia's diversification efforts will influence the privileged energy relationship between the EU and Russia.

Secondly, we have developed an internal market with third party access and healthy competition; just as Russia has done internally. Just to illustrate an example: as Gazprom can ship gas round the EU, Novatek can do so in Russia. I would like to see Novatek in Europe, and EU gas companies in Russia. And pluralism between us. Now is the time to join these two internal markets, without barriers at the border among which I would also count export monopolies.

Coming back to diversification

Nord Stream is a good example of diversification of routes; a wholly new route from an established supplier and an established counterparty, Gazprom.

On the other hand, the Southern Corridor is aimed at diversifying routes, sources and counterparties. In the Southern Corridor we look at new routes – pipelines such as Nabucco, ITGI, TAP and White Stream – and LNG projects. We have a series of possible supplier countries, with whom we will have direct contacts, for gas supply, such as Azerbaijan, Iraq and Turkmenistan, as well as the Gulf.

Europe clearly has preferences; we need to diversify to make sure that the risk of total gas cut-offs is avoided and the ongoing, persistent risk of dependence– is minimised. Price competition is good for everyone.

We support some projects more than others, that is clear. In this regard, I reaffirm again what I have said many times before: the EU wants direct contacts with Caspian producers through new supply routes and pipelines.

South Stream

Turning towards South Stream: it is not our top priority, but we recognise its value, in particular for Russia, for diversification of routes. We will support South Stream in its administrative processes in the EU, and we will not impose any unreasonable or unjustified level of administrative or regulatory requirements. We will act as fair partners.

Today, I have come to listen and to learn. For me, South Stream so far seemed more of a concept than a concrete project. What we know is that the gas in South Stream will leave Russia, cross the Black Sea and arrive in Europe. Beyond that, there are a number of questions. Where will the gas actually come from? Where will it arrive? How will it arrive, by ship or by pipeline? Will it divert gas from Ukraine? Once it gets to Europe, what will happen? Most importantly, who can ship gas in the project? Is it only Gazprom, or also other players?

Of course, if South Stream for example gives access to gas independents active in Russia, then South Stream would deliver on two essential criteria: namely diversification of routes and counterparties. That means a stronger contribution to European diversification efforts.

As you know I am also interested in a balanced trilateral EU-Russia-Ukraine solution on future gas flows to the EU.

This leads me to the subject of the legal framework; South Stream, *when it is on EU territory*, it will be subject to the 3rd package, and as a transmission pipeline, it will be subject to the internal market rules.

To name but the most important principles:

- First, South Stream will normally have to allow all shippers to book, within the EU, capacity on the pipeline at non-discriminatory conditions;
- Second, tariffs charged to shippers will normally be subject to regulation by the national regulators in the countries concerned;
- Third, reverse flows must be technically feasible in case of emergencies.

I understand that certain EU Member States entered into bilateral agreements with the Russian Federation which may partially contradict these principles. If this is true, these Member States will nevertheless have to apply the internal market rules and they are under an obligation to bring their IGAs in line with the EU legislation. I want to come to fair solutions. One practical way to do this would be to do this directly on a European level.

Ladies and Gentlemen: as I said today, the Commission is here today in order to learn more about this important project. I am committed to closely cooperate with my Russian counterparts in the coming months and years.

I thank you for your attention, and wish you well with the rest of the conference.

Thank you.