

## Workshop 8: The Last Energy Crisis

Billed as ‘The last energy crisis’ it was a debate that suggested the topic was far from that. There was much talk of the European Union implementing legislation but also failing to take the necessary action to avoid a repeat of the Ukraine gas supply crisis.

One speaker, Jaraoslav Mil, President of the Confederation of Industry in the Czech Republic put things most succinctly: “The EBS has decided to spread a little optimism but the change in the supply of oil and gas requires a new approach.”

Russia, he informed delegates, has the right and the freedom to supply South East Asia. It is not obliged to supply the European Union, he opined, adding: “The times of a passive Russia are over.”

A single market in oil and gas forms the basis for success for the EU but it needs to have a feel for the issues of consumers and of supply routes. More important even is that Gazprom deals with companies capable of handling and meeting the payments for oil and gas.

The danger, once the current financial crisis is over, is that there will be a tendency to forget but markets cannot solve geopolitical problems. “If we start to consider energy as a market asset then we are going to have higher prices”, he told delegates.

“There is no cheap or long term money for financing pipelines. The ability to resolve disputes is declining and the prospect of financial know how governing the markets does not make me happy. It is like printing money without the supervision of a central bank.”

The President of Russia’s Lukoil, Vagit Alekperov took a more conciliatory but equally strong line. “Every crisis not only brings threats it also brings opportunities,” he said opening his contribution.

He outlined that oil price dynamics have changed adding: “Price fluctuation offers no advantage to either producers or consumers.”

He said there was a lack of confidence between suppliers and consumers and Lukoil fully supports the EU but warned: “We cannot help but be concerned about the opposing views between the EU and Russia”.

He described the “dictatorship of consumers” and said that the relationship should be based not on price but on excellence. The background to his remarks, he said, was that the oil industry sees a major decline in production.

But Lukoil sees itself as a European industry with outlets and reserves throughout the eurozone adding, on a less positive note, that “the supply corridor is not as stable as we

would like.” He went on to say that Russia has gas reserves that could supply the EU for one hundred years.

Robert S Franklin Vice President of Production for ExxonMobil focussed on the forecasts for the future. He identified the worlds growing population – mostly in developing countries – forecast to reach 8 billion causing a global energy demand in 2030 that will be 30 percent higher than last year (2008). He also forecast that fossil fuels in the form of oil and natural gas will supply 60 percent of demand “through 2030”.

The Director of the International Energy Agency Nabuo Tanaka brought a flavour of the current financial crisis to the debate saying that of the \$26 trillion needed globally to develop energy supplies, some 6 trillion would be need for oil.

Saying that the biggest emission threat was the use of coal in China and India and that a required 54 percent reduction in carbon emissions needs to be achieved by energy efficiency. “Invest to save costs”, was his message to industry.

The EU is leading the way in creating one single energy market but achieving energy efficiency objectives will require “\$9 trillion on top of the \$26 trillion”.

Energy Commissioner Andrea Pielbalgs referred to the second gas supply crisis involving the trans Ukraine pipeline saying: “We do not call it a crisis but it gives us a flavour of what can happen. If we see a challenge we should react to it.”

But the lesson was to ensure that the transit country where a pipeline runs is stable. Another factor will be the creation of a homogenous framework of supply across the European Union. The EU has probably not seen its last crisis but “we need to develop strategies that balance supply and climate change objectives.”

He said that an example was the phasing out of energy inefficient light bulbs and added that by 2022 every consumer will have a smart metre and there will also be smart grids. “The EU has a proven regulatory framework for energy”, he declared.