

**Keynote Speech of Commissioner Oettinger at the Edison Event  
19 December 2011  
Hotel Sofitel, Place Jourdan**

*[Introduction]*

- 130 years is a long time to be in business, even if a lot of it has been under regulated and protected conditions.
- In these times of change and energy revolution, the knowledge and historic legacy of Edison is of added value for Europe's energy future....
- The opening of European energy markets has allowed newcomers such as Edison to enter the markets.
- But allow me to start with the past and current role of natural gas in Europe. Gas transformed Europe's energy market in the 1970s, and 1980s when major European gas fields were discovered and brought to production in the North Sea and in Holland. During that period major gas pipelines were also constructed bringing gas from Russia to Europe. In 1983 the first trunk of the Transmed pipeline, bringing gas from Algeria to Italy, was also completed.
- In the following years natural gas progressively increased its market share in Europe. Such increase was particularly pronounced in the past two decades. Currently natural gas represents approximately a quarter of both the total EU Primary energy supply and the EU power generation mix.
- How is gas developing now?
- In 2010, gas demand has rebounded from the 2009 level (by almost 8%) at global scale. Similar increase took place also in Europe even if part of the growth was driven by the cold weather between January and April 2010.
- Another major change which took place in 2010 was a substantial augmentation of LNG trade which increased by approximately 20% within one year, reaching almost 300 billion cubic meters on a global scale.
- A further marking factor was the continuation of the strong growth in US gas production. In 2010 US indigenous gas production peaked at 612

billion cubic meters mainly driven by unconventional gas. In 2010, the US was the second largest world producer after Russia and by far the largest unconventional gas producer with 360 billion cubic meters. The recent decision to change the Kitimat LNG plant originally conceived to import liquefied natural gas into an exporting gas facility is a striking example of what some experts call "the unconventional gas revolution".

- Besides that, Fukushima also has a big impact on the gas market.
- The EU needs to respond to these changing circumstances.

### *[Roadmap 2050]*

- As you all know the Energy Roadmap 2050 which the Commission adopted last week is the beginning of a process of political discussion on energy policy for the long term. We look forward to the discussions during the coming months with Member States, the European Parliament and you, the stakeholders.
- We recognise that at this stage in the transition to a low-carbon energy system, energy sector players have to deal with a lot of uncertainties, including **policy and regulatory uncertainties**. This is inevitable. We are talking about "a revolution in energy systems", to quote the European Council. Markets are developing but quite a lot of intervention is still needed. Given the long lifetime of investments in the energy system and the need to have infrastructures in place when they are needed, we need to discuss now the **post-2020 policy framework**.
- The Roadmap is supported by analyses of **possible scenarios** for the development of the EU energy system, all consistent with the milestones in the Low-Carbon Economy Roadmap adopted earlier this year. This allows us to **explore options** for decarbonising the energy system while ensuring energy security and competitiveness.
- What have we concluded from the analyses of the scenarios? Let me give you the highlights:
  - We will need **energy efficiency** gains throughout the energy system;

- The contribution of **renewables** needs to increase very substantially, to become the most important energy source in the mix by 2050;
  - The **electrification** of heating and cooling, also transport in the long run, will play a strong role;
  - Early decarbonisation of the **power sector** will be necessary;
  - Major **investments** are involved. These are largely compensated in the long run by **reduced payments for fuels and electricity**. These investments represent jobs and growth in Europe. Mobilising the necessary up-front investments will be challenging, so much attention will have to be given to markets and investment incentives throughout the energy system.
  - A **European approach** can be cost-effective, it can provide a framework for the development and use of our varied resources.
- Indications such as these can help us to see the challenges for **policy**, following up on our established 2020 agenda, and where we need to be in **2030**, consistent with the 2050 decarbonisation target, energy security and competitiveness.
  - The Commission has set out in the Roadmap ten conditions which we think must be met, going forward:
    - (1) The immediate priority is to implement fully the EU's **Energy 2020 strategy**.
    - (2) The next step is to define the **2030 horizon**. This could involve concrete milestones.
    - (3) Well-designed market structure instruments and new ways of cooperation are required for the **internal energy market** to deliver its full potential over the long term, when the energy mix will have substantially changed.
    - (4) A new sense of urgency and collective responsibility must be brought to bear on the development of **new energy infrastructure and storage capacities** across Europe and with neighbours.

(5) As I mentioned earlier, the energy system and society as a whole need to be dramatically more **energy efficient**.

(6) Energy prices need to better reflect costs.

(7) The changing degree of development and impact in the market of **renewables** and their rapidly growing share in energy demand call for a modernisation of the policy framework.

(8) Higher public and private investments in **R&D and technological innovation** are crucial, speeding-up the commercialisation of all low-carbon solutions.

(9) There will be no compromise on safety and security for either traditional or new energy sources. The EU must continue to strengthen the **safety and security** framework and lead international efforts in this field.

(10) A broader and more coordinated EU approach to **international energy relations** must become the norm, including work for a global climate agreement leading to an international carbon market.

- We see the Roadmap as **reference** for all future initiatives of the Commission in the energy field. We will start with comprehensive proposals on the internal market, renewable energy and nuclear safety next year.

### *[Edison and the EU internal energy market]*

Ladies and gentlemen,

- Edison has constantly supported the legislative proposals of the Commission towards more liberalisation of the energy markets.
- They have always been at the forefront of the liberalisation process.
- Edison is playing a leading role in the development of new infrastructure to bring gas to Europe through the Rovigo LNG terminal, ITGI and Galsi pipelines.
- However, you also know that the gas market in Italy is not functioning well at all. It is too difficult to get access to infrastructure and to

customers. On average, the wholesale gas price in Italy in 2010 was 23% higher than at neighbouring hubs.

- This is unacceptable and unnecessary. Unacceptable because the Italian economy is vulnerable and you cannot afford to pay so much for your energy. It is unnecessary because Italy has a diversified portfolio of suppliers and import routes, but the rules are preventing the market from functioning.
- A better functioning gas market is good for Edison. The Southern corridor will be a much needed source of diversification for the EU.

### *[Southern Corridor]*

- As you know, the diversification of gas supply is key to support security of supply in the European Union, which is one of the three pillars of the European Energy Policy
- To this end, the Southern Gas Corridor policy has been in place for four years now. It has been endorsed at the highest level by leaders of Member States. In the coming weeks, I expect that there will be the first success for this policy. That success will come when Shah Deniz 2 names its preferred pipeline option for their gas to be delivered to Europe.
- And I want to make it clear that, irrespective of the commercial outcome of the award process, the Commission will welcome the decision by the Shah Deniz consortium for the selection of the pipeline.
- This is of course also relevant for ITGI - the project sponsored by Edison - that plans to take gas delivered at the Greek – Turkish border to Italy. Thanks to the connector to Bulgaria, ITGI can also get gas to Bulgaria and also into the central part of South East Europe. ITGI is a regional project that will help to integrate the gas markets in South East Europe and improve the security of supply in the region. I think it is a very good plan which benefits from EU financial support in the context of the European Energy Program for Recovery.
- To realize the potential of Southern Gas Corridor, I firmly believe that all projects have to work together.
- Thank you for your attention.

