

# Meeting Europe's energy needs

**By ALEXANDER MEDVEDEV**

DEPUTY CHAIRMAN OF THE MANAGEMENT COMMITTEE, GAZPROM AND DIRECTOR GENERAL, GAZPROM EXPORT



**ALEXANDER MEDVEDEV** graduated from the Moscow Institute of Physics and Technology and holds a PhD in Economics from the USSR Academy of Sciences. From 1989-91, he was Director of Donau Bank in Vienna and subsequently Director of IMAG until 1996. He joined OAO Eastern Oil Company as Vice-President in 1997 and served as Director from 1998-2002, at which time he joined Gazprom in his current role.

**E**nergy costs and security of supply are rarely out of the news or off the political agenda and seldom have they been as prominent as in the first few months of 2011. Recent developments in North Africa and the Middle East have disrupted oil and natural gas supplies and pushed up prices. Both of these factors have led to fresh questions about how the needs of business and consumers in developed regions of the world such as Europe are to be met in future.

At the same time, the consequences of the devastating earthquake and tsunami in Japan have led to new doubts about the future role of nuclear energy. The accident at the Fukushima plant has hit electricity supplies in Japan, forcing the country dramatically to increase imports of LNG. It also seems likely to put the brake on plans for a major nuclear expansion across the world. Japan has already scrapped ambitions to generate half its electricity from nuclear power and closer to home, Germany is looking to phase out nuclear energy within the next 10 years.

Against this background the completion of the underwater section of the Nord Stream gas pipeline came as good news for those concerned about Europe's future energy supplies. When operational later this year, Nord Stream will enable natural gas to be pumped directly from Russia to the European

Union. By the end of 2012, it will supply 55 billion cubic metres of gas annually to power businesses and heat homes in Europe, accounting for roughly 10 per cent of Europe's total gas demand. Nord Stream is the world's longest underwater gas pipeline and the latest success in Gazprom's long history of cooperation with European energy majors, in this case the German firms BASF/Wintershall and E.ON, the French firm GDF Suez and Gasunie from the Netherlands.

When Nord Stream was first announced, there were those who questioned whether the project was necessary. The global recession and resulting fall in energy demand emboldened these voices. Some analysts predicted that it could take a decade before energy demand recovered. Not for the first time, the sceptics have been proved wrong. Spurred by the intensely cold winter across Europe in 2010, Europe's demand for energy has already surpassed its pre-recession peak. Prices for oil and gas have recovered strongly. While the future prospects for the world economy remain uncertain, it is clear that Europe's long-term need for energy imports will continue to increase.

Europe's own natural gas resources – based largely in the North Sea – have passed their peak. Production may fall significantly by 2030, and this could leave a gap between supply and demand as large as 140 billion



cubic metres per year. As the largest producer of natural gas in the world, Gazprom is certainly able and willing to carry out the investments which are needed to be part of the solution to this challenge, as long as we receive commitment from our European partners.

There is nothing new in Europe about importing natural gas from Russia. Czechoslovakia, as it then was, first began receiving supplies in 1967, Austria a year thereafter in 1968, and Gazprom now provides around a quarter of Europe's gas needs. We have, for over 40 years, been a key part of the solution to Europe's energy challenges. Through investment and partnership, we are determined to help foster a climate whereby Europeans can live in the knowledge that their energy supplies will be safe and secure.

The challenge which faces us now is to ensure an increased, guaranteed and reliable supply for the decades ahead. This is why we are working on a second major pipeline project which will bring gas from Russia's south coast under the Black Sea to south-eastern Europe: South Stream.

The offshore section of this pipeline will require an impressive feat of engineering, with the gas running through a 900 km underwater pipeline at depths in excess of 2,000 metres. Together with our partners Eni, EDF and BASF/Wintershall, Gazprom will harness the necessary technological know-how, experience and financial strength to carry out this pioneering project.


When completed and operational in 2015, the South Stream pipeline will supply another 63 billion cubic metres of gas to Europe. It will diversify sources of energy for Europe and be able to meet Europe's growing need for gas in the years to come.

Even after the completion of South Stream, around two-thirds of Europe's gas supplies will continue to come from non-Russian sources. South Stream is one component in the European energy structure. And for Gazprom it provides us with a new route to transport gas from Russia to Europe.

Transporting gas reliably is, of course, vital but in order to guarantee supplies to business and consumers – and to help keep costs down – it is also essential to have the capacity to store it nearer to consumers. This is why Gazprom, and its partners, are investing heavily in new underground storage facilities across Europe.

We are already involved in storage projects in Europe. They range in size from the Bergermeer storage facility in the Netherlands, which has a capacity of over 4 billion cubic metres (bcm), to smaller facilities such as Banatski Dvor in Serbia, with a capacity of just over 450 million cubic metres (mcm). In Austria, which serves as a gas hub for much of continental Europe, we are working with local company RAG and Germany's Wingas to invest €300 million in a gas storage facility, which recently opened in Haidach, close to Salzburg. With a capacity of 2.6bcm, it is now the second largest storage facility of its type in central Europe.

Natural gas is safe, accessible, in plentiful supply at a competitive price and it relies on tried and tested technology. As a low carbon fuel, it is also crucial to helping Europe meet its ambition to cut its CO<sub>2</sub> emissions by 20 per cent over 1990 levels. Natural gas is an enabler in the short and medium term for a renewable energy era and a guarantee for greening our economies without black- and brown-outs.

In order to leverage its potential, Gazprom and its European partners are always eager to invest in Europe's gas infrastructure. 

**By the end of 2012, Nord Stream will supply 55bcm of gas annually, accounting for 10% of Europe's total gas demand**



By completing a pipeline link from the world's biggest gas reserves in Russia to the European gas network, Nord Stream will meet about 25 per cent of the additional gas import needs of the European Union