

# Energy Politics and the Perception of Gazprom in Germany

*Presentation European Business Congress, Working Group: Energy*

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# Agenda

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I Gazprom Perception: Perception vs. Facts

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II Qualities of Natural Gas

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III Natural Gas in the German Energy Transition

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IV What Gazprom suggests to do

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V Résumé: Energy Security

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# I Gazprom: Perception vs. Facts



# I Gazprom: Perception vs. Facts



**Gazprom – Real Russian Roulette**

- FAZ (2001)

**Russland swings the Energy Club**

- Neue Züricher Zeitung (2006)

**Gas als Political Weapon**

- Berliner Zeitung (2007)

**Gazprom's threat alerts Federal Government**

- Handelsblatt (2008)

**Gazprom keeps Europe in a tight grip**

- Deutsche Welle (2012)

**Breaking Russias Natural-Gas Chokehold**

- National Reviews Online 04/02/2015

**GAZPROM THREATS TO CUT SUPPLIES**

Stuttgarter Zeitung (2015)

**Europe's Addiction to Russian  
Natural Gas to Continue**  
International Policy Digest 04/09/2015

# I Gazprom: Perception vs. Facts



## The Four Dimensions of Security of Supply

**Interdepend-  
ency**

**Path  
Dependenc  
y**

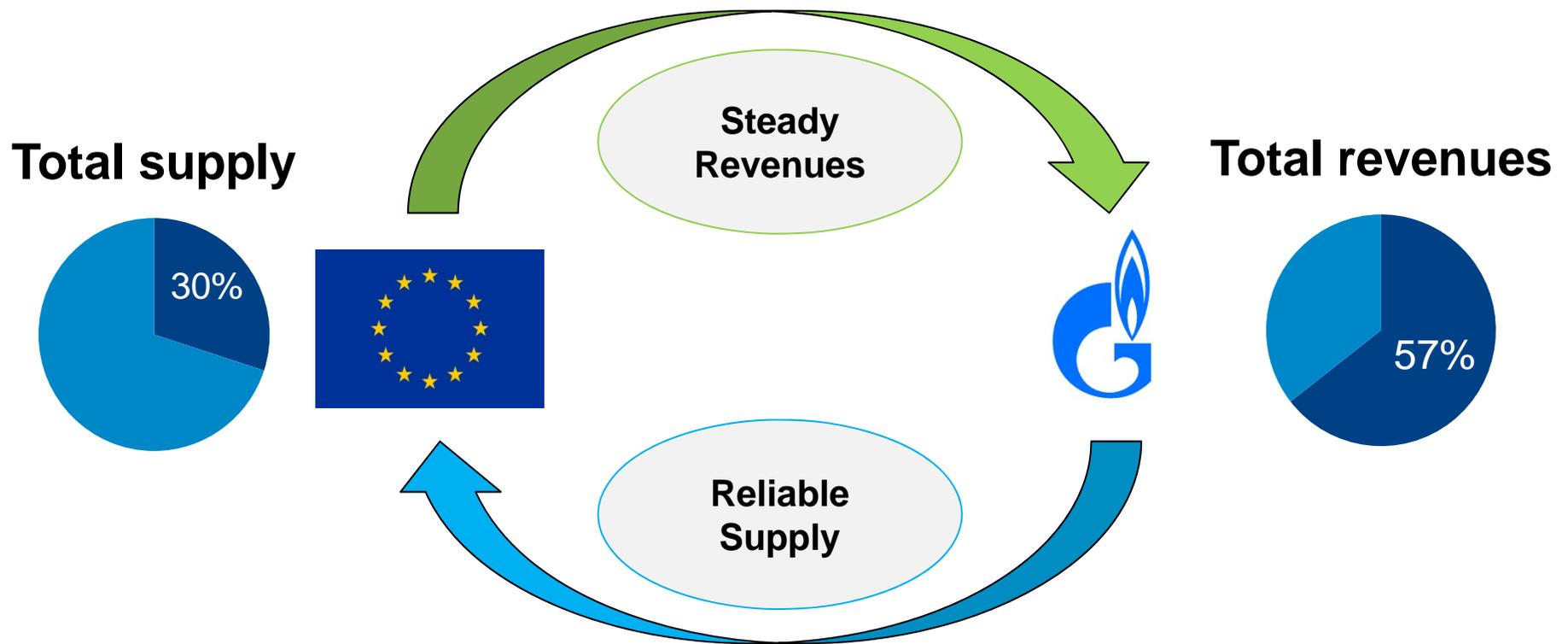
**Gas  
Reserves**

**40 Years of  
Supply**

# I Gazprom: Perception vs. Facts



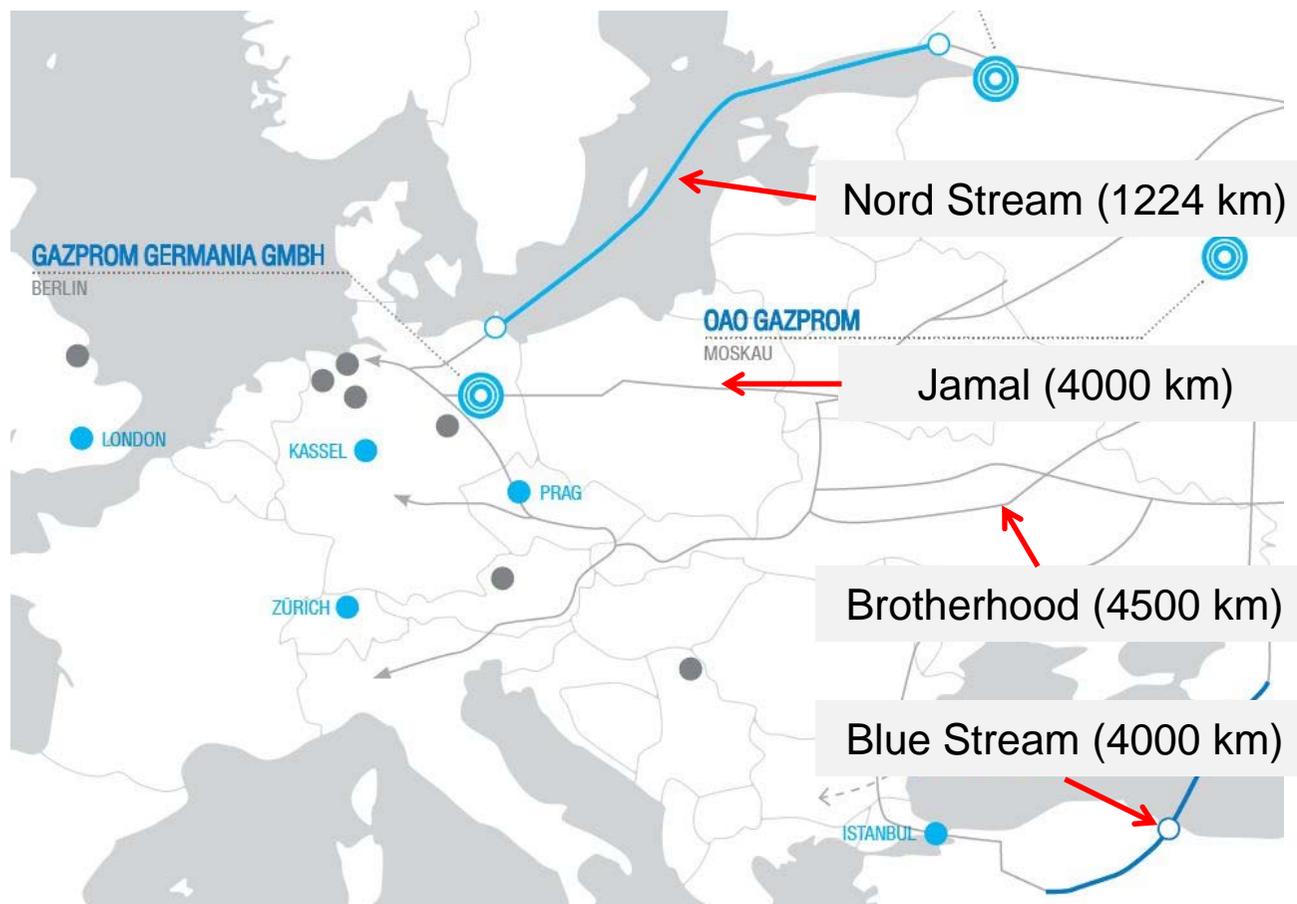
## 1. Dimension: Interdependency



# I Gazprom: Perception vs. Facts



## 2. Dimension: Path Dependency



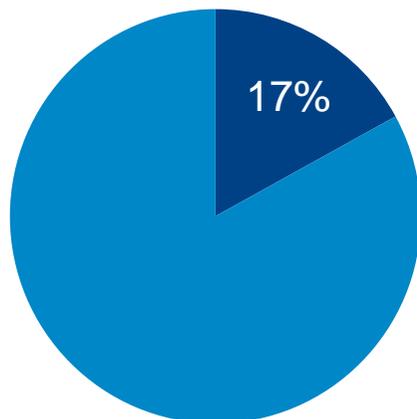
- A pipeline is a supply commitment for decades.
- The built pipelines constitutes a path dependency. A change is the short run technically impossible.
- All Russian natural gas fields are out of historical reasons only connected to Europe (exception: Sakhalin).
- The four major pipelines to Europe combined are longer than the complete highway network of Germany.

# I Gazprom: Perception vs. Facts



## 3. Dimension: Gas Reserves

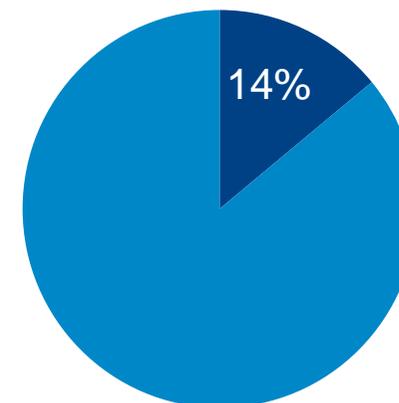
### Global gas reserves



*Gazprom holds 17% of the global reserves of natural gas*

- Gazprom possesses 36 tcm natural gas reserves (16,94 billion households)
- Gazprom produces 487 bcm p.a. (300 mil. Households)
- Existence of enormous reserves causes the pledge to supply.

### Global gas production

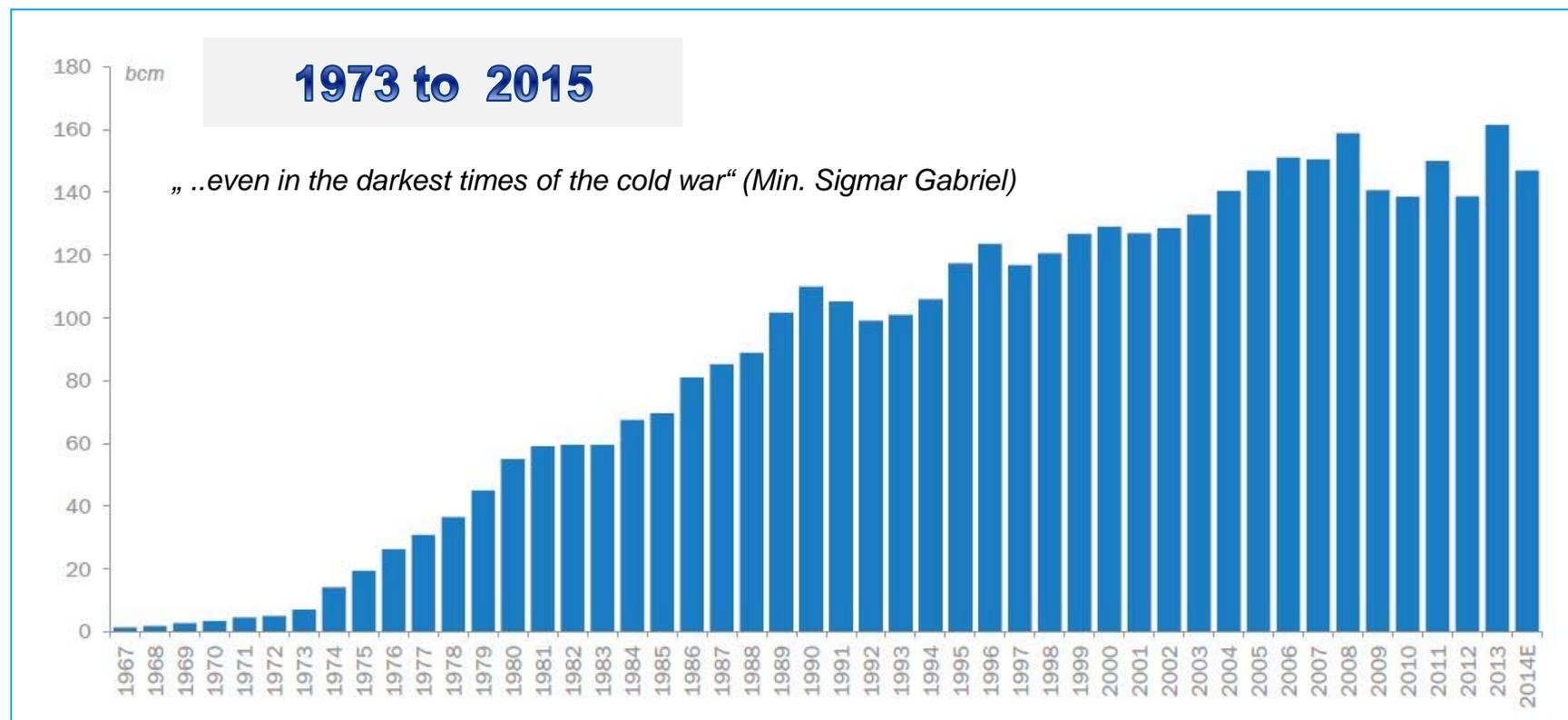


*Gazprom holds 14% of the global production of natural gas*

# I Gazprom: Perception vs. Facts

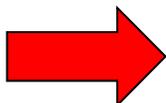


## 4. Dimension: 40 Years of Supply

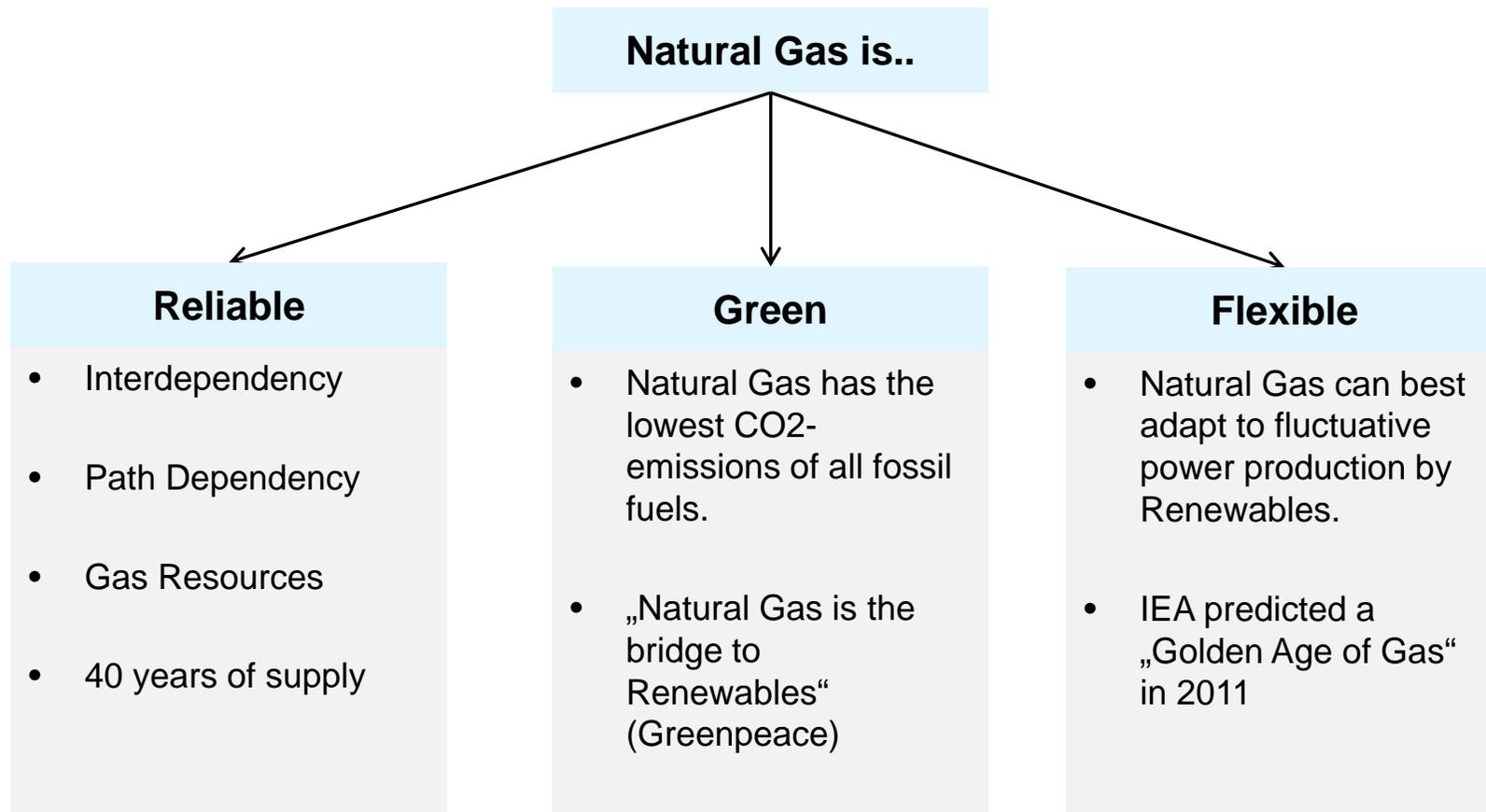


**Gas crises are not a supply problem, but a transit problem.**

**Security of Supply is no question!**

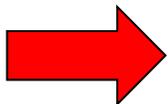


## II Qualities of Natural Gas



**Natural Gas is the Best Partner for the Renewables!**

**But in reality we see..**

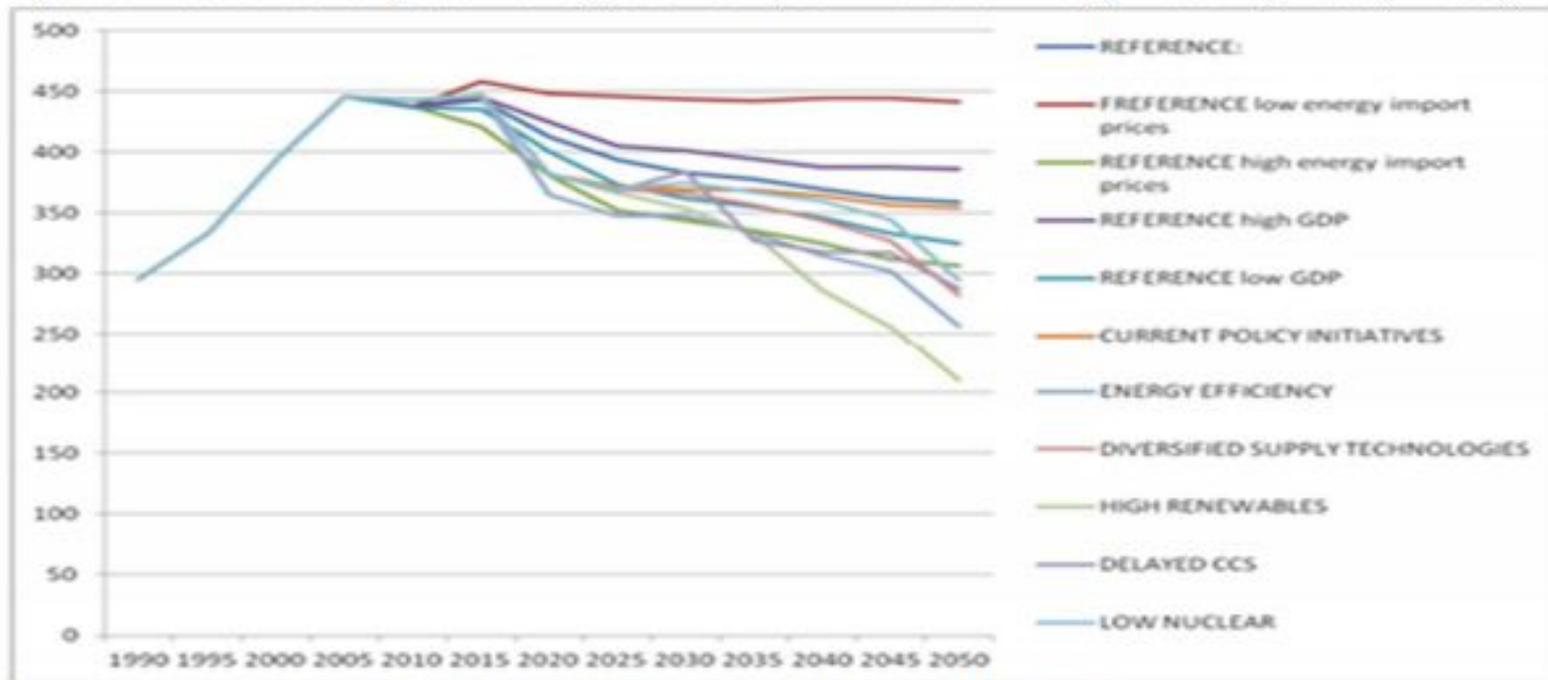


# III Natural Gas in the German Energy Transition



**..a prognosis for a decreasing gas demand in European Union!**

Figure 37: Scenarios for gross inland gas consumption in the EC Energy Roadmap 2050 (MMtoe)



Source: European Commission, Energy Roadmap 2050, courtesy of J. Stern

# III Natural Gas in the German Energy Transition



## Competition and Challenges ahead

- CO2 prices in Europe below any effective threshold
- CO2-saving from renewables are neutralized by coal
- Cost of Energiewende are exploding but increase of carbon emissions

### Power

- Low CO2-prices and cheap coal lead to strong decrease of profitability of gas-powered power plants (Example: Irsching)
- Secretary Gabriel considers the implementation of an additional German market for CO2-certificates

### Heat

- Gas for heating in competition with heat insulation in housing sector
- Amendment of CHP-law under governmental consultancy
- Switch from L-Gas to H-Gas in Northwestern Germany holds new potentials

### Transport

- Large potentials for CNG and LNG to build in combination with electro-mobility an alternative for the traditional gasoline-driven transport concept
- Tax exemptions for natural gas in transport in coalition agreement

# IV What Gazprom suggests to do



## Suggested Policy Measures

*Natural gas should take its rightful place in the Energiewende which it deserves due to its climate saving potential, flexibility and reliability.*

### Power

- Support of an additional CO<sub>2</sub>-certificate market in Germany, as suggested by Minister of Economic Affairs Sigmar Gabriel
- → Internalization of external carbon costs to fuels

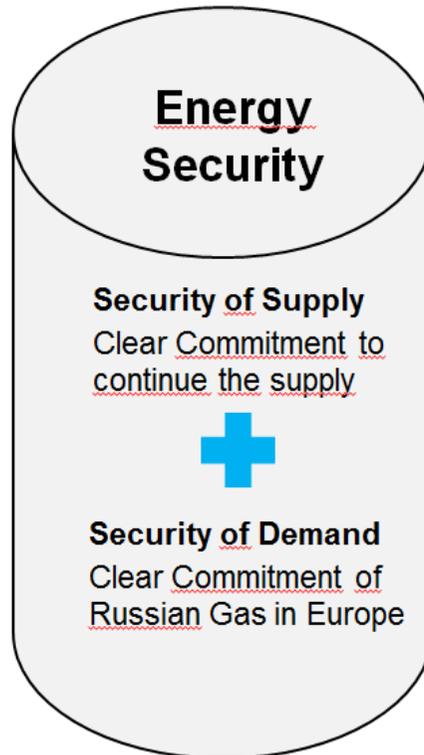
### Heat

- The superior qualities of modern gas heating in comparison to insulation must be highlighted.
- The lower CO<sub>2</sub>-prevention costs serve as powerful arguments to favor gas heating over insulation.
- Insulation chemicals are environmentally questionable/endanger human health
- Gas heating much cheaper for house owners than any other efficiency measure (e.g. fuel cell, heat pump, pellet cauldron, etc.)

### Transport

- CNG and LNG protect both the environment and human health (25% lower CO<sub>2</sub>-emissions than petroleum-powered automobiles)
- Current tax incentives for gas as fuel as well for gas-powered vehicles must be extended beyond 2018.
- Transparent pricing at filling stations should be realized using the Swiss "liters equivalent".

# V Résumé: Energy Security



**Energy Security = Security of Supply + Security of Demand**

*Energy security is always the product of both security of supply and security of demand. Whereas Russia and Gazprom have proven their ability and commitment to serve the European market for decades, the future of gas demand in Europe and Germany remains ambiguous.*