

Panel speech Gertjan Lankhorst, IEF Paris, April 7, 2011

Ladies and gentlemen,

I arrived here yesterday on the Thalys. For the people here who are not familiar with this means of transport: it is a very fast train that connects Amsterdam to Paris, and is known today in our host country as the Train à Grande Vitesse, or TGV.

Why am I bothering you with something as trivial as the way I travelled to Paris? The answer is simple: the TGV is textbook example of a successful *public* initiative. The network of fast trains that has for some time now extended as far as my home country is an operation that would never have got off the ground if the government, in this case the French state, had not taken the initiative. The running of these trains is in the hands of autonomous companies, which as in France are 100% owned by the state, but in other countries are wholly or partly private.

And that brings me, ladies and gentlemen, to my theme for today: public-private cooperation, especially in the production and marketing of fossil fuels. The example that I will talk to you about today is the case of the Netherlands, where the interests of the state and production companies have been balanced by means of a smart construction, that has served the Netherlands and these private companies particularly well for more than 50 years.

Let me begin by saying that I am a strong supporter of the free market. I believe that private companies are ultimately best able to succeed in business. But that is not to deny that the state definitely has to be involved in how business is done. Government defends the public interest in a way that competitive businesses cannot do themselves. *Laisser faire* does not work, we have known that since the 19th century.

Of course, this does not take the same form in all business sectors. Sometimes we make do with regulations, permits and the like. Different countries also approach this question in different ways. In France, with its centralist tradition, the government has played a more dominant role than in countries which have embraced the Anglo-Saxon model. The same can be said more or less of Germany, with its corporatist past. But despite these differences there are important areas of agreement. Since the creation of the internal market in the European Union and the wave of privatisations in the 90s, relationships between the public and private sectors have been redefined. The free market has become more important. Even critical sectors are now in private hands. When one of these sectors, such as banking, goes off the rails and the state finds itself forced to step in and help, or even to nationalise entire banks, this is no longer with the intention of continuing to remain at the wheel of the company.

What do you think, ladies and gentlemen? Does this also apply to the energy sector? The answer is yes and no. We must after all recognise that in the world today stocks of fossil fuels are largely in the hands of state enterprises. The era in which seven oil companies held more than 90% of world oil stocks is far behind us. Nevertheless, the job of producing that gas, oil, and also coal is in many cases still outsourced to private companies. Often in joint ventures with public companies, but also by awarding 100% of the exploitation of oil or gas fields in concessions to one or more private companies. The reason for this, as you know, is that these companies are well placed to do the job. Their competitive strength and technology base makes them an attractive partner for public companies especially where the stocks are difficult to get at. This creates – forgive me the cliché – a classic win-win situation. Both public and private parties get the most out of the partnership.

What's the situation, ladies and gentlemen, in my own country, the Netherlands, that has had abundant stocks of natural gas for more than 50 years?

A vast quantity of natural gas was discovered in the Netherlands over 50 years ago. In our most northerly province, Groningen, almost 3000 billion cubic metres of natural gas was found in a single field. Shortly after the discovery of this gas field, the Dutch government took the initiative to set up a public-private production, distribution and trading system. Popularly known as the Dutch Gas Building. Three parties were there from the beginning: the Dutch state and two oil companies, Shell and ExxonMobil. These two companies had collaborated in NAM since the 1940s in the production of oil. NAM was awarded exclusive rights to produce the gas, but...with 40% state participation. In 1963 Shell, ExxonMobil and the Dutch state together set up Gasunie, which was tasked with constructing and maintaining the necessary gas infrastructure. Shell and ExxonMobil got 25% of the shares each, the state got the rest. A partnership was created to exploit the Groningen field, in which NAM and the Dutch state participated. Local energy companies, run entirely by local authorities, laid the local pipeline networks. Within a very few years the Netherlands had become a real natural gas land. I remember this from my childhood: the switch from the coal stove to the gas fire and later central heating with a gas boiler. I can honestly say that I do not know of any example of a faster transition from one type of energy supply to another. And the Dutch gas industry has provided us with a very safe, reliable and affordable gas supply for over four decades.

Ladies and gentlemen,

Times are changing as you know. The liberalisation of energy markets in Europe has also created a lively playing field in the Netherlands, on which tens of players are now operating. Energy companies have been split up,

including Gasunie, which was split into a transport system operator and a trading company, the current GasTerra. The ownership ratios within GasTerra are the same as in the former Gasunie: 50% to Shell and Esso, 40% by the NOC, EBN, and 10% directly by the ministry of Economic Affairs. The Dutch Gas Building still exists but now comprises NAM, GasTerra, EBN and the ministry of Economic Affairs. It is fulfilling a unique and still essential role in this rapidly changing energy world. GasTerra is first and foremost a normal commercial company that competes with a growing number of market parties in an ever freer market. GasTerra has retained its public role alongside that. It is our job to maximise the value of Dutch natural gas. The more successful we are at doing that, the more Dutch society gains from it. We also have legal duties, such as the obligation to purchase Dutch gas from fields other than the Groningen field at a standardised price that is in line with the prevailing market. The aim of this requirement is to stimulate the production of smaller fields in which, without the interference of the state, private companies probably wouldn't invest today. Another aim of this policy is to conserve as much gas as possible from the Groningen field and thus extend its life span. The policy has been a success, I have to say. Over 50 years since its discovery, there are still almost a thousand billion cubic metres in the ground. Over the years, many small gas fields have contributed – and still contribute – to Dutch gas production.

It will come as no surprise to you that the public-private partnership in the Dutch gas industry is seen as a model that other countries can apply, possibly with some adaptations. The secret is: cooperation, recognizing the long term nature of the business, for better and for worse, and an open mind to solving the problems together, thereby always modernizing the cooperation.

It offers the best of two worlds, for better and for worse.

Thank you.