

Intervention by Ms M.J.A. van der Hoeven, Minister of Economic Affairs of the Netherlands

Thank you chairman for the opportunity to speak to such a distinguished audience today.

Your Excellencies, dear colleagues, I would like to thank the International Energy Forum and the International Gas Union for organising today's forum. Our meeting comes at an excellent moment, given the urgency of gas market globalisation under present circumstances.

In my view, "Globalisation of the gas markets" is a necessary step to tackle the rising demand worldwide and compensate the decrease of indigenous production in several consuming countries. Without a doubt, globalisation is a plus for global energy security!

The World Energy Outlook 2008, published earlier this month, warns of an even more rapid depletion of indigenous gas reserves in many consuming countries. At the same time, global gas demand is rising fast. The question we face today is how to avoid the potential detrimental effects of such development.

Do we indeed have effective instruments at our disposal to avert an 'energy crisis' in the wake of the financial crisis that is already having a major impact on markets worldwide?

Today I would like to address five issues by way of response to this overall question on available instruments. My points of concern link up with the sessions paper that has been distributed.

First of all: should we consider regional gas price harmonisation, as suggested in the session paper for today?

In my view, the process of gas market globalisation is incompatible with any deliberate policy of price-harmonisation. I firmly believe that price-formation should be the outcome of well-functioning and stable markets.

Second: it is well worth looking into possible improvements to our regulatory regime in order to ensure robust market mechanisms. Two questions prevail here. How can regulation enhance the process of gas market globalisation? Do we need regional regulatory authorities to oversee regional gas market operations as an integral part of the global market?

This is a relevant question in view of EU Energy Commissioner Andris Piebalgs's recent proposal to introduce a new EU-wide energy regulator. Mr Piebalgs referred to the current financial crisis in saying that more competition is needed in the energy sector. With only a few major European oil and gas companies still remaining, governments may feel obliged to intervene whenever these companies run into trouble, all the more so in times of crisis. That I consider to be highly undesirable. I think, therefore, that in the long run regional regulatory authorities could be an essential instrument to enhance the functioning of gas markets in a global context.

Third: in the short run, transparency is a key instrument to achieving more secure markets. We are increasingly moving towards market integration, removing trade barriers and interconnecting markets. Our aim is to achieve greater flexibility in trade and imports. For the benefit of consumers, of course. Such enhanced flexibility, however, may pose a serious challenge to producers. They will find it harder to build a strategy for investment in production and infrastructure, as they lack a sufficiently secure base for doing so.

We must find a way of accommodating the concerns of producing countries in this respect. Security of supply and security of demand are two sides of the same medal. In my opinion, the solution lies in greater transparency. We must start communicating even better than we do now and exchange information on energy policies, demand scenarios, economic growth, production and reserves. That would enable producing countries better to assess the volumes needed on the market and could form a strong basis for long-term strategies.

On the whole, it is vital that gas consuming and producing countries join forces. Within the IEF, and in meetings such as ours today. In the near future, the gas import needs of most Western countries will rise significantly. Western countries will therefore be looking for additional imports, and these imports will have to come from countries further away. Interregional trade will inevitably increase.

Fourth: we will need to promote cross-border trade and improve interconnections between markets. Gas to gas competition already is a reality.

As stated earlier, LNG is a vital component of any truly globalised gas market. LNG trade is increasing steadily and the market looks very favourable. We have to stimulate new investments in gas- exploration and production and accelerate the realization of new liquefaction capacity. Many studies have indicated that there is no shortage of gas and there will be no shortage of gas in the foreseeable future. The challenge is to invest timely in the exploration and production of gas reserves and to accelerate the realisation of new liquefaction capacity.

Fifth: we must promote investments and intensify cooperation.

It is essential that we create an investment climate promoting the timely investment by both national and international companies. Our governments have to create the conditions for public-private cooperation - between publicly owned NOCs and the privately owned IOCs. Cooperation between them is conditional to successfully addressing the challenges of the globalised gas market and meeting the expected increase in demand.

Ladies and gentlemen, the era of easy oil and easy gas is behind us. But the future ahead of us is a bright one.

The Netherlands is preparing for that future. We are still a net exporting country. Due to decreasing reserves, we will become more dependent on imports in the near future. We will be part of the globalised gas market, welcoming the opportunities that it will bring. Our overall aim is to become the gas roundabout in North-western Europe. A gas trading country, that can provide flexible services to European gas markets and beyond.

In doing so, we commit to realising a well-functioning, stable gas market. We commit to cooperation, as our mission is a joint mission, requiring a joint strategy. Let me conclude by saying that this joint strategy is our subject for today. I very much look forward to our discussion!

Thank you for your attention.