

Interview Jean-Marie Devos, Secretary-General Eurogas

‘I am convinced that Russia is a reliable partner’

Europe was a hit by a “gas crisis without precedent” last January. Jean-Marie Devos, Secretary General of Eurogas, the European Union of the Natural Gas Industry, describes three crazy weeks during which the gas producers worked doggedly on the ground while the politicians debated ways of starting deliveries up again.

| by Hughes Belin

Jean-Marie Devos, who has represented Eurogas since October 2002, is still slightly reeling from what he calls a ‘crisis without precedent’. The good news, says Devos, is that the market functioned very well during the crisis and the emergency structures that were in place, such as the Gas Coordination Group, also did a good job handling the situation. Not everything went well, though. Certain interconnections were not working. And European legislation on gas supply security could be improved.

So how serious was this crisis?

Very. It “only” lasted three weeks, but we are still monitoring the situation very closely. A “worst case scenario” occurred. We witnessed a rather extraordinary mobilisation of the various players. Their business was at risk. They had to compensate, in a very short period of time, for the interruption of Russian gas supply through the Ukrainian corridor. During these three weeks, we witnessed very effective coordination between the European Commission and Eurogas. The structures were there to respond to a crisis such as this one: the European Commission, Eurogas, the Gas Coordination Group, Gas Transmission Europe (GTE) and the Transmission System Operators (TSOs).

Were you taken by surprise?

This situation had occurred repeatedly over the previous three years. People were already on the alert, both within the gas sector and at the European Commission. That said, no one was expecting a crisis this serious. I am not going to go into the history of relations between Ukraine and Russia because it would take too long, and moreover, Eurogas tries to avoid assigning blame.

How did the industry react?

One of the first ideas that emerged from the first crisis meeting was to form a sort of technical mission, as a service to encourage the parties to find a solution as quickly as possible, without wanting to do this for them, because they’re independent states. At the same time, there were all sorts of contacts being made between the various states and the European Commission with the Ukrainians and the Russians, and in three days we created a monitoring team. The Commission requested that Eurogas and GTE propose experts. Normally this sort of mission takes weeks to organise, but as it happened, this was an emergency, and more than a dozen companies were able to supply highly experienced experts. The work of the observers helped settle things down and helped people take an objective view of the

problems, at least on the technical end, and discuss the types of solutions that could be brought to bear.

Did the Commission pay for this?

Yes, as far as the transportation and lodging costs were concerned. Certainly, given the stakes, the companies were prepared to contribute to the mission of experts and to appoint them under difficult conditions. But it seemed a good idea for the mission to be given the stamp of the European Commission.

What are the lessons of this crisis?

As far as exchanges, communication and even coordination were concerned, the structures reacted very promptly. The EU “supply security” directive is based on three levels of responsibilities: industry, national authorities and EU authorities. The companies showed enormous creativity: by being extremely economical with remaining supplies and national production wherever this was possible, and creating

a great many physical and contractual relationships to ensure supply of gas in areas where the gas had entirely run out. There was also a strengthening of diversity of supply, because other producers were called to the rescue, and even an acceleration of supplies from Yamal (Siberia). Liquid Natural Gas (LNG) played a positive role, in a very focused way. Storage was one of the ways we were able to respond, facilitating solidarity between the countries in a difficult situation, such as the Czech Republic, Slovakia and Hungary.

What was the role of the Gas Coordination Group?

This mechanism, created within the framework of the 2004 directive on gas supply security, functioned fairly well: it brought together the Commission, member states and industry and, not infrequently, guests, such as at the GCG’s first crisis meeting, which the Ukrainians and Russians attended to present their respective cases. At the second meeting, an evaluation was conducted of the measures taken, the needs of the various member states, etcetera.

What happened on the ground?

Between 9 and 19 January, the system – essentially the industry, in cooperation with national authorities – reacted effectively in response to the emergency. For example in Slovakia, limited arbitrage measures were taken in supplying gas to households and priority facilities such as hospitals, rather than to industry. There was use of stored gas, reverse flows, and supplies originating from other producers. We were even able to re-establish supply to industrial clients. Other countries in central Europe were affected to varying degrees, but managed to attenuate and even to compensate for the effects of the crisis with similar measures, even boosting their own local production. Bulgaria, however, had an especially hard time of it due to the scarcity of its interconnections with the internal market and its almost complete dependence on Russian gas. The connection between Bulgaria and Greece did allow them to make up for the loss to a small extent. The main lesson, therefore, is that certain interconnections must be targeted for improvement. The reverse flow capacity has to be improved. The large international supply routes absolutely have to be diversified. Had infrastructures of the Nabucco, Nord Stream or South Stream type already been operational, this crisis would not have happened, or at least, its consequences could have been considerably mitigated. And this is why we must all work together: to improve the legal, regulatory, and communication conditions that will allow projects vital to EU economic interests to be completed.

Do you think the Commission’s proposals regarding interconnections, in its rescue plan, were appropriate?

These lists are being debated. In our experience, we see that certain areas of the EU are more isolated from the European energy market than others. I am thinking of Bulgaria in particular, because this is a specific case that we were able to witness. The Baltic countries are another example.



Ukrainian Prime Minister Yulia Tymoshenko and Russian Prime Minister Vladimir Putin. Photo: Prokopenko Alexander/ITAR-TASS Photo/Corbis

How should current legislation on gas supply security best be revised?

The dynamic, flexible quality, which allowed the parties to react organically as a whole, should be retained. The purpose should be to improve the effectiveness of the system so that it can better respond to emergencies, especially on the regional level. But the more middlemen we add, whether these be bureaucrats or another sort, the less this quality will work.

What role does storage play in gas supply security?

This crisis showed that it plays a very important part. The companies and countries that store gas made a very good decision. This allowed them to respond very effectively to local problems, but also in some cases to transfer gas between countries. Storage shouldn't become a religion though: it is not a panacea. The potential cost of centralised strategic storage, with dimensions and justifications as yet undefined, raises some doubts. Storing gas is expensive!

What should we do now?

We should learn from the crisis at all levels. At EU level, the process of revising the directive on gas supply security has been fast-tracked. The urgency of large international projects has also been acknowledged. We must create a climate which motivates people to take risks, especially within the framework of the new liberalisation package: the deliberation process must take the lessons of this crisis into account. Finally, we must re-establish confidence and restore the essential role of natural gas in the economy of the EU.

And internationally?

I was thinking of a consolidation of the agreements signed for 10 years between Ukraine and Russia in the last few days of the crisis. The practice of an annual negotiation conducted in the middle of winter, which could compromise gas supplies in Europe, has become entirely unacceptable. We need instruments that will ensure a certain stability and sufficient transparency. In terms of international law, we should shoot for a new treaty that would reinforce energy cooperation (including transit aspects) between the EU, Ukraine, even other states, and Russia, in the spirit of an energy charter. We need instruments and mechanisms that encourage people to work together. Economically speaking, there should be more pan-European cooperation and investments should be encouraged in the energy sector, including by joint ventures upstream and in the transport of natural gas.

Is Russia still a reliable supplier, and Ukraine a reliable transit country?

Russia is an indispensable partner – our big next-door neighbour. We have to work with the Russians, but we should be clearheaded about them, too. I am convinced – in the wake of this crisis – that Russia is a reliable partner. In the history of natural gas, including at the worst moment of the Cold War, there was no major problem with gas delivery to Western Europe. The Russian leaders assured us that in spite of the crisis and the way energy prices are developing, investments would be made to meet the future needs of Europe. The Ukrainians, furthermore, declared that they wanted to remain a solid and recognised transit partner. The flat note in all this was that there was a short circuit, and we are still dealing with the consequences and trying to prevent a new short-circuit from occurring in the future. ■



The general secretary of Euro Gas Jean-Marie Devos.
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