

George Verberg:

‘Gas market has become too politicised’

George Verberg, former chief executive officer of the Dutch gas producer Gasunie and former President of the International Gas Union, was asked by the Energy Charter Secretariat to stand ready to serve as mediator in the Russia-Ukraine gas conflict in January. However, the conflict escalated so quickly that it was almost immediately handled at the highest political level. ‘I never got the chance to become involved’, says Verberg.

Verberg (66), who is one of the most experienced men in the European gas industry, is concerned about what he sees as the extreme ‘politicisation’ of the gas sector. ‘In the past, conflicts like this – and the Ukraine gas saga has been going on for at least 30 years – were solved within the industry. There was a general awareness that, if a conflict got out of hand, it would reflect badly on the whole sector. We knew that the consumer is totally dependent on a continuous gas supply. Hence, reliable service was always uppermost in our minds.’

He recalls an accident in Norway in the mid-nineties, which almost led to a disruption of Norwegian supplies. ‘I was director of Gasunie at the time. I got a call from my Norwegian counterpart who asked me if I could make up for their supplies if necessary. I consented of course. We helped each other out of concern for the competitive position of gas in the energy market.’

The conflict in January got really badly out of hand, says Verberg. He thinks that, as a result, the image of gas as a reliable energy source suffered a bad blow. But he is convinced that the setback will be temporary. ‘We simply cannot do without gas. There are very few good alternatives if we are to fight climate change.’

Verberg sees some justification for the Russian viewpoint in the conflict with Ukraine. ‘When the Russians cut off supplies in January 2006, I was also asked to stand by as mediator. We calculated then that the Russian gas subsidy to the Ukraine amounted to some 3 billion euros on an annual basis. No wonder they wanted to do something about that. And don’t forget that in the WTO-negotiations with Russia the EU was demanding all the time that the Russians lift their domestic gas prices to market levels. Well, can you blame them if they start with asking market prices from the Ukrainians?’

So what should we do to avoid similar problems in the future? Verberg: ‘Show some more respect for the Russians. Make sure that Ukraine upholds the rule of law, especially if it wants to become a EU-member. Pay attention to diversification, not out of fear of Russia, but as a simple matter of spreading risks. Improve north-south connections in the EU gas network.’ He is less enthusiastic about strategic gas storage. ‘A very expensive option.’

Is there a future for the Energy Charter Treaty (ECT), in Verberg’s view? ‘The Russian government lambasted the Charter during the conflict with Ukraine’, he says, ‘but at the same time they did plead for some kind of international treaty adapted to recent developments in the energy market. This could be achieved either through a whole new treaty or by adjusting the ECT. One of the basic fears on the Russian side is that the ECT is used as a vehicle to introduce EU-style competition in the Russian gas market. That is just not a realistic goal. Let’s face it – western countries also make sure they benefit as much as possible from their natural resources. The Netherlands has always done so.’



Photo: EDI