# Industrial, energy and other aspects of shale gas and oil

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The Committee on Energy, Research and Energy adopted an own-initiative report by Niki TZAVELA (EFD, EL) on industrial, energy and other aspects of shale gas and oil.

**Potential resources:** the report notes that various estimates of shale gas resources in Europe have been made and that several Member States have reserves. They consider that policymakers should have at their disposal **more accurate, up-to-date and comprehensive scientific data** to enable them to make informed choices. They agree, therefore, with the European Council that Europe's potential for the sustainable extraction and use of shale gas and shale oil resources, without putting the availability and quality of water resources at risk, should be **assessed and mapped** in order to potentially enhance security of supply.

**Energy markets**: Members point out that the shale gas boom in the US has already had a significant positive impact on the natural gas market and on gas and electricity prices. They observe that US spot prices have fallen to a historic low, thus **widening the price gap between the US and a Europe bound by long-term contracts**, and having an impact on the competitiveness of Europe's economies and industry. As the gas market becomes ever more global and interconnected, **the development of shale gas will increase global gas-to-gas competition** and will therefore continue to have a major effect on prices.

The report notes, on the other hand, that **significant investments are needed** for the establishment of all the necessary infrastructures related to the drilling and to the storage, transport and reprocessing of gas and fracking fluid, which have to be entirely covered by the industry.

In this context, the Commission is urged to:

- address, at the **next meeting of the EU-US Energy Council**, the potential impact of worldwide shale gas development on the LNG market and the lifting of possible restrictions to global LNG trade;

- come forward by the end of 2012 with an **analysis of the future of the global and EU gas market**, including the impact of the gas infrastructure projects already planned, new LNG terminals, the impact of shale gas on the US gas market and the impact of possible shale gas developments in the EU on the future of security of gas supply and prices. All relevant stakeholders should be consulted.

**Transition to a decarbonised economy**: Members take the view that **shale gas has in the short to medium term a role to play in the EU**, contributing to achieving the EU's goal of reducing greenhouse gas emissions by 80-95 % by 2050 compared to 1990 levels. They believe that shale gas **could** play a critical role in this, particularly in those Member States that currently use large amounts of coal in power generation, should the impact studies conclude that these operations do not adversely affect either the environment, particularly groundwater, or the adjoining local communities.

The Commission is urged to **evaluate the economic and environmental impact of and prospects for unconventional gas in the EU**, taking into account what can be learnt from the USA's experience and

regulation in this field, whilst recognising that the extent of unconventional gas use in the EU will ultimately be decided by the market and the decisions of the Member States acting within the framework of the EU's long-term climate and energy policy objectives.

Public authorities are called on to produce an **underground regional impact assessment** in order to optimise resource allocation between geothermal energy, shale gas and other underground resources, and therefore maximise the benefits for society.

**Industrial environment**: the Members are aware that in the EU **it will take time** for the necessary service sector to build up adequate capacity and for companies to acquire the necessary equipment and experience to support a high level of sustainable shale gas production, and that this is also likely to contribute to higher costs in the short term. They encourage **cooperation between relevant EU and US companies** with a view to applying green completions, Best Available Technologies and environment-friendly industrial processes while reducing costs. The report also points out that a **stable regulatory framework** is essential both to create the right environment for gas companies to invest in much-needed infrastructure and research and development, and to prevent market distortions. They also underline the importance of supporting the development of the shale gas industry by establishing the necessary infrastructure, particularly in terms of pipelines, provided that shale gas exploitation projects are financially and socially sustainable.

**LicLicensing framework**: the report calls on the Member States to put in place a **robust regulatory regime** and ensure the necessary administrative and monitoring resources for the sustainable development of all shale gas-related activities, including those required by EU environmental and climate protection legislation. It recalls that in accordance with the subsidiarity principle each Member State has the right to decide for itself on the exploitation of oil and shale gas.
The Members express the view that Member States undertaking shale gas projects should adopt a **one-stop-shop approach** to authorisation and licensing and the examination of compliance with environmental regulations. They call on the Commission and the Member States to ensure that the modifications to the legal framework necessary for the licensing of shale gas exploration require the mandatory **approval of the local authorities affected.**
**Public opinion and best practice**: the Members are well aware that public attitudes to shale gas development vary between Member States, and that negative attitudes might be caused by lack of information or misinformation. Therefore, the report:

- calls for **improving and better provision of public information** on shale gas operations to be provided in a transparent and objective manner, and supports the creation of portals providing access to a wide range of public information on such operations;
- urges **companies** considering extraction of shale gas in the EU to provide full information on their activities, to consult with local communities and local authorities prior to drilling, and to publicly disclose all chemicals used by them in hydraulic fracturing, including the concentrations used, following the assessment of the shale formation;
- stresses the importance of applying the **highest safety standards**, the **best available technologies** and the best operational practices in shale gas exploration and production, and of continuously improving technologies and practices and minimising adverse effects; stresses, in this respect, the importance of ensuring significant levels of R&D investment on behalf of the industry.

The Members believe that concerns over the potential of shale gas development to damage water supplies through leakage from wells can be addressed through the adoption of **best practices in well development and construction**.

Lastly, they recall that the "**polluter pays**" principle must be consistently applied to shale gas and shale oil operations, particularly regarding waste water treatment, and that companies must be fully liable for any direct or indirect damage they might cause.