

Energy

US shale gas to follow coal on European market

By Marie-Martine Buckens | Friday 18 January 2013

It has been confirmed that the United States, which has huge gas surpluses as a result of the boom in shale gas production, is interested in exporting liquefied natural gas (LNG) to its European North Atlantic Treaty Organisation (NATO) partners. The European Commission welcomes the decision on one condition, said Marlene Holzner, spokeswoman for Energy Commissioner Günther Oettinger, on 19 December 2012: the LNG exports must be available to all 27 EU member states, not just the 21 NATO members. While the decision is still being debated across the Atlantic, the delivery of US LNG to Europe could redraw the entire geopolitical energy map.

The changes might start with the South Corridor, which would deliver gas from the Caspian Sea to Europe. Its future is still being negotiated by the Commission with Azerbaijan and Turkmenistan. This plan, meant to reduce EU dependence on Russian gas, has always been supported, if not prompted by the American authorities. It still is, judging from the joint statement released at the conclusion of the EU-US Energy Council, on 5 December in Brussels. The corridor's final route is expected to be announced in 2013 with the choice of one of the two options for delivery of shale gas from the Turkey-Bulgaria border to the EU: Nabucco West or TAP (Trans-Adriatic Pipeline). Whichever route is selected, the South Corridor project has fierce competition from South Stream, designed to deliver "reliable" Russian gas via the Black Sea, thus avoiding Ukraine, held responsible for the cut-off of gas earmarked for the EU in 2009.

COAL STEALING LIMELIGHT FROM GAS?

The programmed arrival of American LNG may further weaken these plans because several European countries' coal is starting to be preferred to gas to fuel power plants. This is particularly true in Germany, which is using coal massively to make up for the shutdown of its nuclear power plants. This particularly inexpensive coal is provided by the United States, which no longer needs it now that it has started producing large amounts of shale gas. Ironically, American coal is thus adding to pollution in Europe, where energy policy is based primarily on the use of renewable energy and the objective of a 20% reduction in greenhouse gas emissions by 2020. With the International Energy Agency (IEA) projecting a "new golden age of gas" worldwide, Europe may be an exception to this revolution, IEA analyst Anne-Sophie Corbeau said last November.

Other analysts expect this tendency to reverse soon. In the next phase of the EU's Emissions Trading System (2013-2020), most permits will be auctioned rather than granted for free. This will push up the price of coal. The US Energy Information Administration (EIA) predicts a rebound in coal consumption in the United States due to higher costs in new shale gas drilling operations.