



STATEMENT ON RECENT DEVELOPMENTS IN THE GLOBAL/EU ENERGY MARKETS

This statement comes in response to increasing energy prices around the world and a tightening supply/demand balance that impact the EU and global energy wholesale markets. After the European Commission presented on 13 October 2021 its toolbox to alleviate market disturbances, the European Council discussed energy prices on 21 October 2021. GasNaturally welcomes the 'toolbox' to address high energy prices and would like to provide stakeholders with the following recommendations and insights:

1. *On energy supply/demand:* The recent global rise in energy prices is **mostly driven by fundamental supply and demand developments resulting in a tightening of the global energy supply/demand balance**. Energy demand declined significantly during the COVID19 pandemic and is now picking up again with the global economic rebound. Maintenance and repair works and unfavorable weather conditions across the world, have also contributed to higher demand with the resulting increase outpacing supply growth in the short term.
2. *On market functioning:* **The secure and safe supply to consumers in Europe has not been impacted by the rise of prices**. This is thanks to a multitude of producers operating across the globe, reliable global supply chains, and a well-functioning European gas market which enables suppliers and transmission companies to source and dispatch gas across the network to meet market demand based on a variety of commercial arrangements including long-term contracts.
3. *On natural gas's role in the energy mix:* In an environment of overall tight energy supplies, natural gas is demonstrating its essential role in the energy mix as a flexible, non-intermittent, and secure source of energy supplying reliably tens of millions of households, industry, and the power generation sector. **Natural gas plays an increasingly important role in balancing the energy system and allows for a smooth and flexible integration of low carbon and renewable sources, while the most carbon intensive options are being phased out.**
4. *On government interventions / strategic storages:* **Government intervention in functioning markets including in free market-based price formation may have unintended long-term consequences and should be considered carefully. Where required, policy makers ought to find ways to address energy poverty with targeted financial support of vulnerable and low-income consumers.** In this context, we remind policy makers of the EU Security of Supply Regulation which established solidarity measures across the industry protecting supplies especially to vulnerable consumers. Establishing roles for the EU or other authorities to manage strategic gas storage reserves or joint gas procurement requires careful evaluation of the costs and benefits and show how, in future, they might help to prevent circumstances similar to the unprecedented ones we are currently experiencing.
5. *GN policy asks:* We support the goals of the Paris Agreement and the EU's ambition to reach climate neutrality by 2050 and **highlight that an efficiently functioning energy market with free and transparent price formation for competing energies from a diversity of domestic and global suppliers including LNG will best ensure cost-efficient, secure supplies to consumers.** We trust policymakers will not lose sight of today's realities and take an inclusive approach to the transition, by setting a stable market framework for all viable solutions including for investments in the domestic production of natural gas, low carbon and renewable gases as they will have an important role in the supply of an increasingly fluctuating demand and will help achieve EU's climate ambitions while leaving no European citizens behind. In this context, **we point out that the EU Fit for 55 climate proposals including the Hydrogen and Decarbonized Gas Package are an important opportunity to support the integration of low-carbon and renewable gases into the EU energy system.** To achieve that we are calling for binding 2030 targets to reduce GHG intensity of gas by at least 20% and increase the share of renewable gas to at least 11%. Such targets would offer a credible, cost-effective pathway to meeting climate targets.