

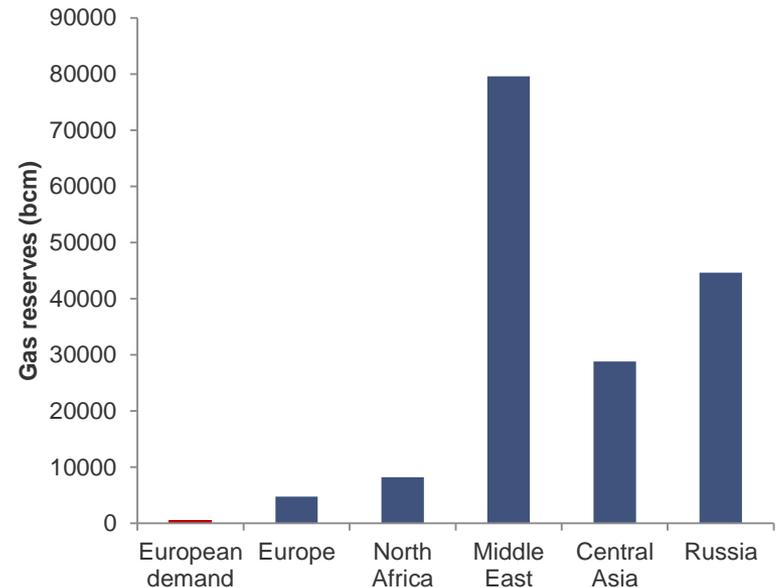


The critical contribution of natural gas to a European low-carbon energy system in 2030 and beyond

Rune Bjørnson, Senior Vice President, Natural Gas, Statoil
2nd European Energy Conference, Brussels, March 31st 2014

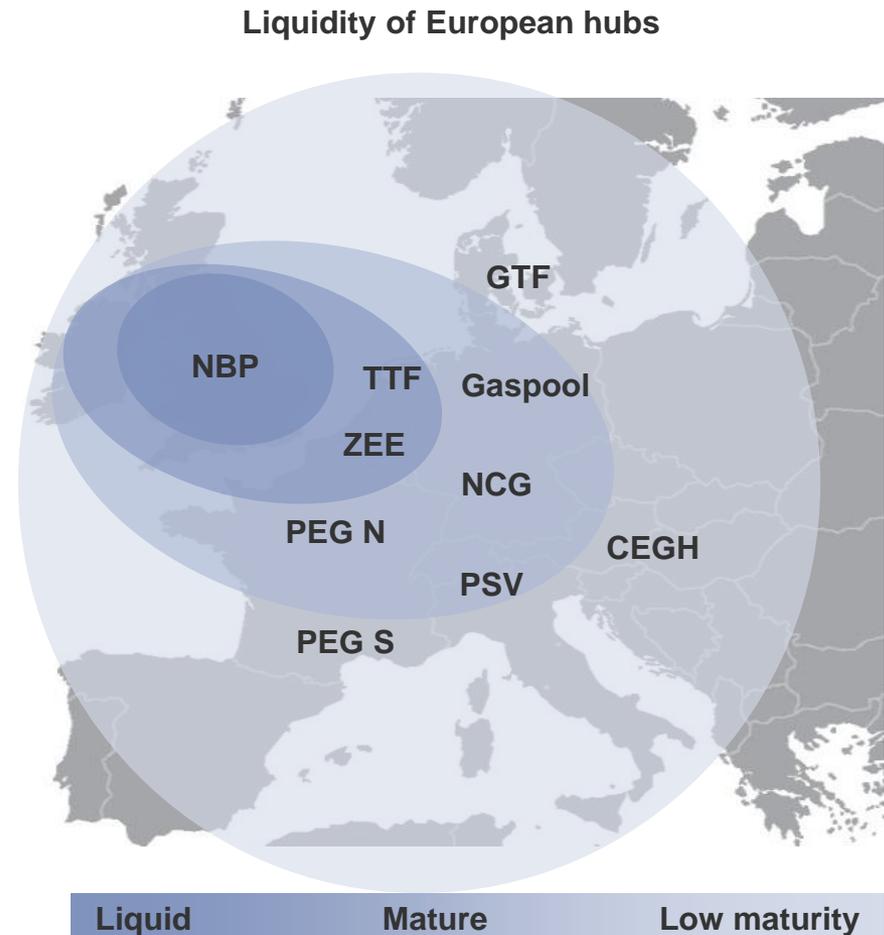
A predictable market will attract new gas to Europe

- Gas will continue to deliver on Europe's energy needs
- Europe is surrounded by a vast resource base
- Supply security is reinforced by a growing LNG market
- Norwegian gas should be counted as indigenous to Europe



Gas liquidity is spreading across Europe

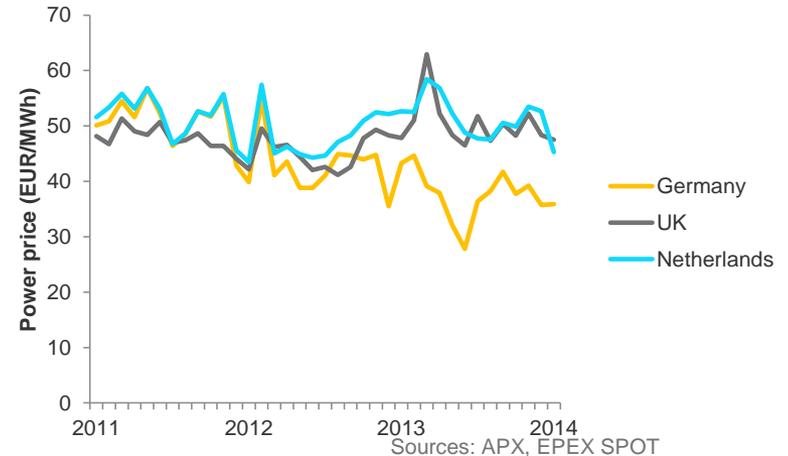
- Liberalisation is driving change
 - Development of liquid hubs with transparent price quotations
 - Unbundling of the traditional value chain
 - Third party access and increasing connectivity
- A competitive market is beneficial for both producers and consumers



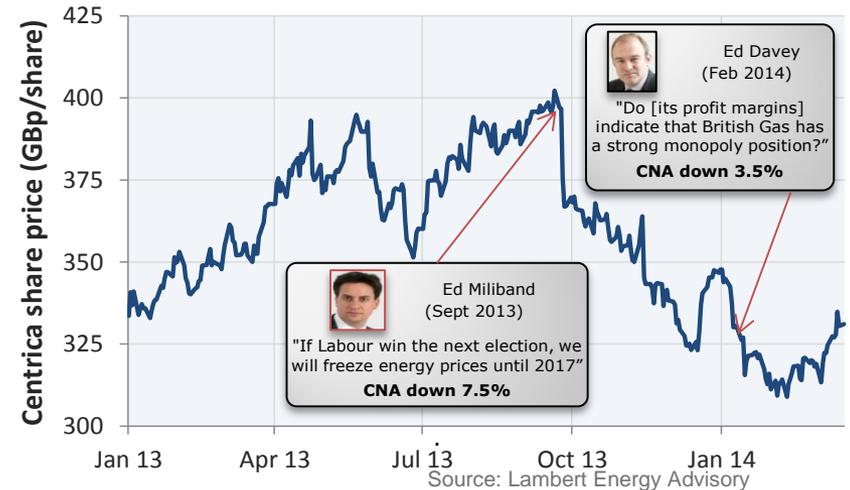
Markets are distorted by unclear and diverging policies

- 2020 targets have added complexity, confusion and costs
- National priorities have overshadowed market integration
- Energy markets are increasingly politicised, reducing predictability and hindering investments

Diverging policies create diverging prices



Unclear political messages are impacting utilities



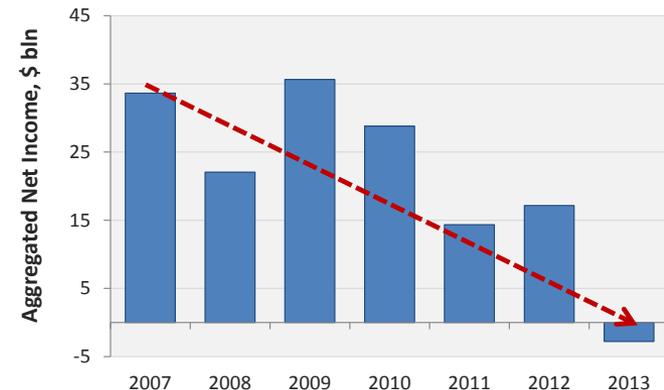
Current policies do not support energy objectives

- Renewable subsidies are adding costs
 - Higher prices to end users and reduced competitiveness
- Coal is backing up renewables
 - Little reduction in emissions
- 20 GW of gas capacity has left NW European market for economical reasons
 - More vulnerable power system



Source: Financial Times

Aggregate* NW Europe Utility Net Income



*Group consists of Iberdrola, GDF Suez, SSE, RWE, Centrica, e.on and EdF

Source: Lambert Energy Advisory

European Energy policy - time for a change

- 2030 framework is a golden opportunity
- To avoid a lost decade, predictability soon needs to be restored
- Statoil supports:
 - a market-based energy and climate policy
 - a single carbon target (at least 40% cut)
 - a robust and flexible ETS
 - technology neutrality

Member states are divided on 2030 targets



The Green Growth Group
Support 40% GHG target,
EU-wide RES target of 27%

VS.

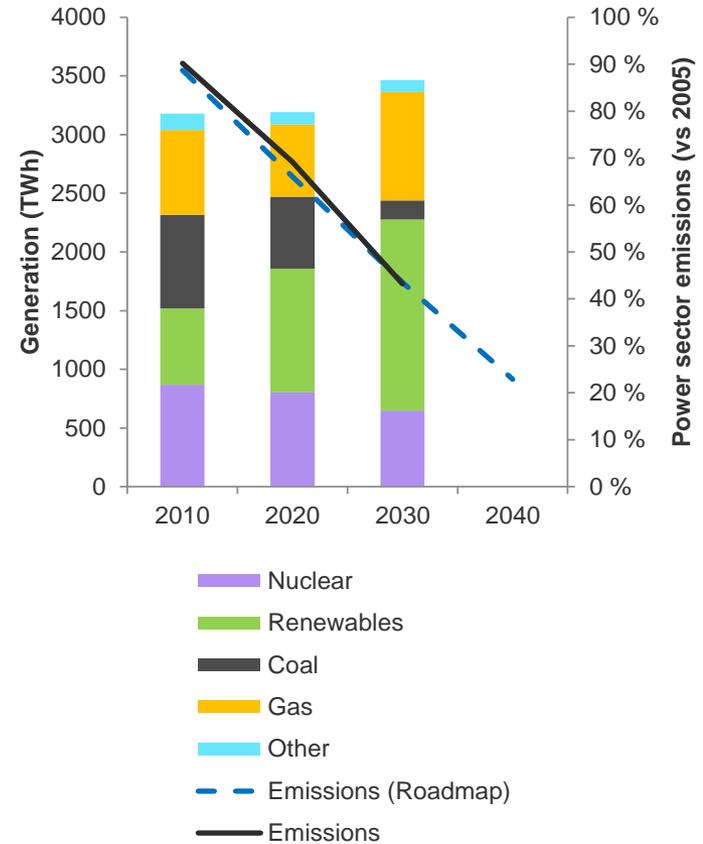


The Visegrad 4 plus 2
Oppose RES target,
want «realistic» GHG target

Natural gas – key to decarbonisation

- Coal to gas switch is a cost-efficient way of reducing emissions
- Natural gas will keep EU on track with the 2050 Roadmap
- Gas investments is a no regret pathway to 2050

European decarbonisation scenario – following the 2050 Roadmap



Concluding remarks



- A well-functioning market is key to attract new sources of gas and reinforce supply security
- The 2030 framework is a golden opportunity to change direction of European energy policy
- Natural gas can provide cost efficient decarbonisation in line with 2050 Roadmap