

Brief for DG Trade Mission to the US: 13 May 2019 Implementation of the Joint EU-U.S. Statement of July 2018.

Strategic cooperation on energy /LNG

1. SCOPE OF WHAT HAS BEEN AGREED IN THE JOINT STATEMENT

“To strengthen our strategic cooperation with respect to energy. The European Union wants to import more liquefied natural gas (LNG) from the United States to diversify its energy supply.”

2. RESULTS ACHIEVED SO FAR

a) Strengthening strategic co-operation on energy.

On energy co-operation generally, the three working groups under the **EU-US Energy Council** have met over the past couple of month and both sides are now actively looking at dates for the next meeting of the EU-US Energy Council, which should take place in Washington in spring.

- The **Energy Policy Working Group** met on 7 December 2018. This meeting was co-chaired by Director General Ristori and, on the US side, by [Art.4.1(b)] [Art.4.1(b)], National Security Council and Mr [Art.4.1(b)] at the Department of Energy. There was an in-depth discussion on LNG market developments and the increasing US LNG exports into Europe. A key outcome of this discussion is the agreement to hold a joint high level event in Brussels.

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[Art.4.1(a)]

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b) EU-US Business to Business Forum on LNG.

On 2 May 2019 a joint EU-US high level business to business forum on LNG was held in the large conference room in the Charlemagne Building. This very successful event involved over 210 representatives from the US Government, the European Commission and EU Member States, and some 240 representatives of the US and EU transatlantic LNG business.

High level speakers included: Vice President Sefcovic, Commissioner Arias Canete, US Secretary of Energy Perry, US Ambassador Sondland, DG Ristori, Jerzy Buzek, MEP, the Deputy Prime Minister of Romania, the Foreign Affairs and Trade Minister of Hungary, Energy Ministers from Lithuania, Croatia and Portugal, as well as State Secretaries from Germany and Poland. From the US Department of Energy, [Art.4.1(b)] and [Art.4.1(b)] also spoke and/or participated.

The US industry was very well represented (eg: the head of ExxonMobil global gas business as well as most of the US LNG exporting terminals and projects such as Cheniere, Venture Global LNG and Sempra LNG). **The EU industry** was also very well represented (the heads of the global gas business of BP, Total and Shell as well as senior representatives from, inter alia, RWE, Uniper, Engie, Gaz System, Fluxys, Klaipedos Nafta, Krk LNG terminal).

As part of this event, the **US Department of Commerce organised nearly 100 Business to Business/Business to Government meetings** designed to further promote US LNG exports to the EU.

In the margins of this event, the US Department of Energy announced the signing of two long-term orders authorizing the export of domestically produced liquefied natural gas (LNG) from Tellurian Inc.'s Driftwood LNG export facility to be built in Louisiana, and Sempra Energy's Port Arthur LNG export project to be built in Port Arthur, Texas.

c) Importing more US LNG.

In 2018 imports from the US (3.3 billion cubic metres) represented more than 5% of all EU LNG imports. Since the meeting between President Juncker and US President Trump LNG imports from the US intensified and more than 4.5 billion cubic metre LNG has been imported from the US. With the 2018 market share, US LNG exports could more than double by 2023.

In October, November and December 2018, the Polish state-owned PGNiG oil and gas company concluded **three long term LNG purchase contracts** with different US firms (Venture Global, Cheniere and Sempra Energy). As a result, at the beginning of the next decade, several billion cubic metres of US LNG (up to 6-7 bcm) could arrive in Poland in each year, increasing supply source diversification and security of supply.

In the first four months of 2019, 35% of total U.S. LNG exports went to the EU, which represented 13% of total EU LNG imports for that period.

d) Promoting LNG in the EU's Eastern Neighbourhood.

The Commission organised on 19-20 February 2019 in Warsaw the first of a series of workshops to assess the feasibility of LNG imports into the EU's Eastern Partnership region and to discuss the necessary infrastructure and regulatory reforms to achieve this. The US Ambassador to Poland took part in this first workshop.

e) Infrastructure developments in the EU.

The EU continues to do its homework to ensure that all EU Member States can directly or indirectly benefit from LNG supplies and that the infrastructures are in place to permit gas to flow around a European-wide continental market

A Final Investment Decision was taken in January 2019 for the Krk Liquefied Natural Gas Terminal in Croatia. The Krk LNG terminal is an emblematic project and one in which the US is keenly interested. The realisation of this project is important as it will be the first LNG terminal in the region that will ensure access to LNG to Croatia, Hungary and other parts of the Central-East and South-East European region.

April 2019 saw the signature of a grant agreement for the extension of the LNG terminal in Świnoujście, Poland.

f) US LNG licencing.

[Redacted]

[Art.4.1(a)]

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Consideration is therefore being given to whether a relatively general statement on the EU side, confirming that there are no real obstacles to US market access in the EU's gas sector, and offering consultations in case a US company encounters a barrier, could be an option.

3. *NEXT STEPS:*

Further infrastructure developments are foreseen that will **enhance the ability of EU Member States to directly or indirectly benefit from LNG supplies.**

- In the **Baltic region** (via the Baltic Energy Market Interconnection Plan - BEMIP), after completion of the Klaipeda terminal, the discussion on its optimal use and construction of additional LNG terminal(s) continues. The outcome of this discussion is linked to the attempts to merge the gas markets in the Baltic region where the existing and future projects need to be considered commonly.
- At a German-US conference on energy security in Berlin on 12 February 2019, German Economy Minister Peter Altmaier strongly supported the construction of **at least two LNG terminals in northern Germany.** Brunsbüttel, Stade or Wilhelmshaven were mentioned as likely locations.

Overall, the total Liquefied Natural Gas regasification capacity in the EU is expected to increase from 210 billion cubic metres in 2017 to 232 billion cubic metres by 2022 even though there is significant spare capacity in the existing terminals.

[Art.4.1(a)]

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