

Cabinet SIMSON - Minutes of Meeting

MEETING CONCLUSIONS

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| Title | Meeting with SHELL |
| Date | 31 August 2022 |
| Participants | Ext: ██████████ (SHELL) COM: Stefano Grassi |
| Disclosure authorisation : | <input checked="" type="checkbox"/> YES - <input type="checkbox"/> NO - <input type="checkbox"/> Partial (pls highlight unauthorized parts) |
| | <p>Stefano Grassi explained that, coming to the end of the Summer, he would appreciate an exchange on the winter outlook for Europe's security of supply and how a market operator like Shell saw risks and prospects for the success of the RepowerEU agenda.</p> <p>██████████ admitted that ██████████ had changed his mind about the ability of Europe to deliver on the RepowerEU objectives and compensate the drop in Russian gas exports. While ██████████ was initially skeptical, ██████████ was now more positive. ██████████ noted that gas imports to Europe had been higher than expected at the beginning of the crisis, around 20% surge in LNG exports, this had also been helped by demand reduction and by the weaker than usual Chinese demand, but also lower demand in JPN and Korea. ██████████ noted that however, this had been reflected in higher gas prices for Europe, needed to attract LNG from international markets. ██████████ also pointed out to several risks weighing on the future, such as the stop in the Freeport terminal due to a fire, strikes in some other facilities, Nigeria constant troubles etc. ██████████ also mentioned difficulties in FR nuclear production, reduced hydropower production due to drought etc.</p> <p>██████████ noted that Asia was showing a great flexibility in organizing their energy supplies, and had for the moment expanded coal fired power generation, which is not good for climate.</p> <p>Another area where RepowerEU was performing better than expected was on renewables, with record levels of deployment of heat pumps, purchase of electric vehicles etc. This was a positive change.</p> <p>██████████ also considered that demand reduction policy was working well.</p> <p>Overall, ██████████ considered that the war in Ukraine was a bigger shock for the EU energy system than the COVID crisis, because at the time the services sector was alive and continued working, and only the manufacturing sector suffered from lock downs. High prices may lead to social crisis over the winter. ██████████ wondered whether new policy actions from the EU would be coming to manage the situation.</p> <p>Mr Grassi explained that different forms of market intervention were being explored whether for the gas or electricity market but no firm decisions had been taken yet. He enquired about Shell's perception of price cap interventions.</p> <p>██████████ explained the portfolio approach of Shell and noted that in their view there was no gas wholesale manipulation of prices, the high volatility was influenced by supply and demand factors and global scarcity. ██████████ pointed to the risk of default for several traders who had sold volumes at low prices to consumers and now had to procure those volumes at high prices on the short term market. The role of a price cap in reducing speculative movements was discussed as well as risks to export flows to Europe.</p> |