POSITION PAPER

24 May 2013

BUSINESSEUROPE VIEWS ON THE EXPLOITATION OF SHALE GAS IN EUROPE

KEY MESSAGES

1 The European Union must adopt a strategy to exploit shale gas in a sustainable way and benefit from the advantages it offers to the European economy.

2 Public opinion must be mobilised by promoting a broad information and fact-based debate on the opportunities and risks of shale gas exploitation.

3 Disproportionate regulatory restrictions on shale gas exploration and production should be avoided. A comprehensive set of European environmental regulation is already in place which applies to the exploration and exploitation of shale gas.

WHAT DOES BUSINESSEUROPE AIM FOR?

- *Industry calls for cost-competitive energy prices and an energy and environmental policy which support all sectors, in particular, industry. Europe must urgently reduce the energy price differential with the United States. Shale gas could be a useful contributor.*
- *The European Union must take into account all energy sources, including the exploitation of shale gas, to improve the security of supply of energy and to reduce rising import dependency.*
- *A science-based debate has to be prioritised when it comes to the application of new technologies including those used for shale gas.*

KEY FACTS AND FIGURES

Energy prices in Europe are three times higher than in the US.	The share of gas in Europe's energy demand is predicted to rise up to 31% in 2035	Indigenous gas production is expected to decline by 55% by 2030 unless new gas sources – including shale gas – are brought on stream.

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Gas has a major role to play in meeting the overall EU goal of safe, secure, sustainable and affordable energy for all. It is projected to play an increasingly important role in the world's future energy mix. For Europe, the International Energy Agency projects that the share of gas in total energy demand could rise up to 31% in 2035, compared to 25% in 2009.

The exploitation of unconventional gas, as a reliable source of energy, should contribute to reversing the decline of the EU's self-sufficiency in energy as pointed out by the European Commission's "Energy Trends to 2030". In addition, the large scale development of shale gas and oil in the US – where it now accounts for 2% of GDP and for 1.75 million jobs – is significantly reshaping energy markets worldwide, with huge impacts on the competitiveness of many industrial sectors in Europe.

Therefore, the EU must adopt a resolute strategy to enable EU Member States to first explore and then exploit potentially highly advantageous shale gas resources in Europe. The strategy should pursue a balanced and fact-based public debate to outline the potential impacts on the European economy, on security of supply and on the climate instead of simply highlighting potential risks associated with shale gas exploration. This strategy should be based as much as possible on the application of existing EU and national regulations to protect the environment.

Advantages of shale gas

Shale gas has the potential to be a positive addition to Europe's energy and feedstock mix and to contribute to the competitiveness of European industry. In particular, shale gas exploitation in Europe could have positive impacts on:

- Energy dependence: shale gas could offset the decline in conventional European natural gas production foreseen for the post-2020 period, thus reducing the import dependence of the EU that is expected to grow until 2030.
- Energy prices: energy is much more expensive in Europe than for most of our trading partners. At present, energy prices are three times higher and gas prices are almost five times higher in Europe than in the US. Moreover, shale gas developments in Europe could contribute to a more liquid and market-based natural gas market.
- Jobs, investment and growth: exploitation of shale gas in Europe would have a spillover effect on jobs creation and growth, spurring new investments in the European economy.
- Climate change: natural gas offers attractive opportunities to achieve large carbon emission reductions relative to other fossil fuels and at low carbon

avoidance costs compared to other CO_2 mitigating measures. It will also play a crucial role in backing up the increasing proportions of intermittent energy supply from renewable sources.

Shale gas reserves in Europe

While the most significant stocks seem to be located in North America and Asia, potentially important shale gas reserves have been identified in several EU Member States as well – most notably in France, Germany, Poland, Ireland and the UK. However, further exploration needs to take place to assess with greater certainty the extent of the opportunity for Europe. The discovery and development of large quantities of unconventional energy sources must be supported by the EU to encourage economic growth and re-industrialisation. Unreasonable or disproportionate regulatory restrictions on shale gas exploration and production based on unscientific application of the precautionary principle would leave Europe exposed to significantly higher energy costs and to higher dependence on foreign supplies than major competitors elsewhere in the world.

Legislative framework

At present, a comprehensive set of European environmental regulation is already in place, which applies to the exploration and production of shale gas. This includes for example the use of chemicals in the extraction of shale gas which must be fully compliant with the relevant EU and Member State legislations (REACH, Water Framework Directive, Ground Water Directive). In addition, most Member States have introduced complementary environmental and safety regulations to ensure that high standards are respected by operating companies (e.g. noise pollution caused by excavation, construction activities and vehicle movement). The question whether there is a need for additional or specific regulation focused on shale gas should be thoroughly assessed and solely driven by scientific evidence and fact-based risk assessments.

Long authorization procedures or mandatory environmental impact assessments already for exploratory drillings, necessary to assess the potential of shale gas reserves, are disproportionate and misleading. At the stage of the commercial exploitation of shale gas through hydraulic fracking, an environmental impact assessment could constitute a possible amendment to the existing regulatory framework.

Technological standards

Europe is different to the US in terms of geology and population density. An exchange of good practices between Member States and companies would enable a continuous development and innovation process of technologies. The EU could set the technological standards for shale gas exploration on a global basis in terms of safety and environmental issues. Already at present, the fracking fluids comprise only a marginal concentration of chemicals and the combination of chemicals is neither toxic, environmentally hazardous nor subject to marking.