

Shale gas production is one of the hottest issues of both Polish and European energy debate. Shale gas production conditions have been debated on the EU forum for several years. The perspective of imposing a total ban on shale gas production in all EU Member States seems to be unrealistic, but some countries attempt to impose more stringent regulations - in particular environmental ones - so as to make shale gas production economically non-viable.

This approach is not based on any technical discussion, insofar as oil and gas production regulations that apply to shale gas extraction are in place. They ensure adequate protection of the environment and reasonable management of the resources. The key legislative acts include, but are not limited to:

- *Directive 94/22/EU* on the conditions for granting and using authorizations for the prospection of hydrocarbons,
- *Directive 2000/60/EU* establishing a framework for the protection of water,
- *Directive 2006/21/EU* on extractive wastes,

as well as a number of other EU regulations. Draft report on the impact of shale gas and oil exploration on the environment (2011/2308 (INI)) of 4 November 2012 by Rapporteur Bogusław Sonik contain a list of related EU documents. The catalog of EU documents on shale gas exploration and production is available [here](#).

Community regulations are formulated by EU institutions, but in fact they are often a resultant of interests expressed by particular countries or social and economic groups. Therefore, any activities that are aimed at enabling shale oil and gas production should be conducted on three levels: Community, inter-governmental and the local level.

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### **Shale debate at the EU forum**

Shale gas production issues are discussed and considered in the EU by: the Council of the European Union (CEU), the European Commission (EC), the European Council and the European Parliament (EP). The most important debates and decisions are made by the Parliament and the Commission.

## European Parliament

EP debates on shale gas production were held in:

- 2011 - following the publication of the first European Parliament report on the impact of production on the environment and human health,
- April 2012 - the report by Niki Tzaveli, MP from Greece, was discussed at the meeting of the Committee for Industry, Scientific Research and Energy,
- October 2012 - shale gas was on the agenda of the Petition Committee's meeting; a debate with voting was held the next month, moratorium opponents prevailed,
- November 2012 - EP adopted two reports: by the Committee on Industry, Research and Energy and the Committee on the Environment, Public Health and Food Safety,
- the second half of 2013,
- April 2014 - EP amended the EIA - Environmental Impact Assessment Directive (2014/52/EU), environmental risk and impact assessments are to be prepared for all production projects irrespective of production volume and investor. The amendment was adopted with a slight majority voting in favour of the changes (332 votes cast for and 311 against).

## European Commission

Several reports on various shale oil and gas production (economic, environmental, etc.) aspects have been prepared for the European Commission in the years 2011-2014.

The most important of these documents, published in 2012, is on the impact of shale gas production on the environment and human health.

In January 2014, the European Commission issued "Recommendation on minimum principles for the exploration and production of hydrocarbons (such as shale gas) using high-volume hydraulic fracturing" (2014/70/EU). The Recommendation refers to the aforementioned Resolution of the European Parliament of November 2012 r. which noted the significant potential benefits of producing shale gas and invokes the conclusions of the European Council of May 2013 which stressed the need to diversify Europe's energy supply and develop indigenous energy resources to ensure the security of supply and reduce the Union's external energy dependency. The „Recommendation...” is a key document that determines the position of EU institutions on unconventional oil and gas exploration and production efforts.

## **Member States' Positions**

A moratorium on shale oil and gas productions or strict regulations that in practice prevent production are in effect in the following EU Member States: Bulgaria, the Czech Republic, the Netherlands, Luxembourg and Germany. In other EU countries, shale oil and gas exploration is not subject to any legislative or administrative hurdles that would prevent field development. Some of the countries have granted exploratory drilling licenses.

Poland's chief EU allies in the efforts aimed at blocking regulations that prohibit or frustrate shale gas development projects are: the United Kingdom, Romania, Lithuania, Estonia and, progressively, Spain.

### **United Kingdom**

The United Kingdom holds potentially significant shale gas resources and has undertaken efforts aimed at blocking EC and Council's interventions into oil and gas production matters. In March 2014, the United Kingdom addressed a note to all EU Member States, recommending discontinuation of their activities in the field of unconventional hydrocarbons. All British caucuses in the European Parliament are supportive of shale oil and gas production and opt for liberalization of the EU restrictions. Furthermore, a special All Party Parliamentary Group for Unconventional Oil and Gas was appointed at the House of Lords. Moreover, the Economic Affairs Committee of the House of Lords has summoned the Government to recognize shale gas as a national priority and to streamline the administrative procedures that hamper or delay the exploration. Nonetheless, the share of UK population that supports shale gas production has been gradually falling since June 2012, due to extensive activities of shale gas opponents and the postponement of public awareness campaigns. The case of UK should mobilize all the groups and institutions that support shale oil and gas production in Poland to strengthen their efforts aimed at maintaining support to the development of Polish shale resources.

Shale oil and gas production in the UK is supported by groups that collaborate with the existing UK government, for example by the Windsor Energy Group. Thanks to their efforts, Prime Minister David Cameron addressed the issue of shale gas in the context of Europe's reliance on the gas imported from Russia. Late in April 2014, Polish Minister for the Environment Maciej Grabowski announced preparation of a joint Polish-British report on shale gas production. The stance of UK towards shale gas development is important, insofar as UK is the only EU Member States that openly supports Poland in that matter.

**Spain**

Spain may join the shale gas production supporters soon. In the case of Spain, the most optimistic scenario of Deloitte analysts on potential recoverable resources in that country is unlikely to materialize, but Spain may well lower its dependence on oil and gas imports. Moreover, recently the Spanish Constitutional Tribunal lifted the moratorium on hydraulic fracturing, as introduced in Cantabria in 2013. The case has been brought to the court by the central government in Madrid which is pinning great hopes on shale gas production.

**The Netherlands**

The Netherlands moderately support shale oil and gas development. As early as 2011, the Dutch Energy Council expressed its support to shale gas production. However, in September 2013 Minister of the Economy Henk Kamp, urged by public opinion, announced government's decision to suspend for 18 months issuance of production licenses, i.e. a temporary moratorium. In June 2014, a debate on shale gas was held in the Dutch Parliament; government's stance indicates that the temporary moratorium may be lifted in the near future.

**Ireland**

Ireland expresses interest in joining the coalition of shale oil and gas production supporting countries, as imports account for 90% of its gas consumption.

**Romania**

In addition to Lithuania and Estonia (the latter producing oil from tar sand deposits), is a potential Poland's ally in Middle Europe. Prime Minister of Romania Victor Ponta is a dedicated supporter of shale gas production. The Romanian government aims to achieve energy independence from external deliveries; moreover, cooperation of existing governments of Bulgaria and Hungary with Gazprom is likely to strengthen Romania's determination to develop indigenous gas resources. In 2013, Romania's President Traian Basescu clearly stated that Gazprom is to benefit from discontinuation of Romania's efforts to develop offshore Black Sea gas fields and onshore shale gas accumulations.

**France**

France and partly Germany are the opponents of shale gas production. Some representatives of French authorities and opinion leaders are still reluctant to consider

shale gas as a viable alternative to nuclear power generation. For example, a study by IDDRI of February 2014 demonstrates that shale gas production in Europe will have much smaller favourable effects on the economy than in the United States.

French Members of Parliament actively join campaigns against shale gas exploration in other countries - European Parliament Member on behalf of Green Party José Bové participated in protests held in Central England against the project of Total, a French oil and gas company. Prime Minister Arnaud Montebourg is among a few French politicians who oppose the moratorium on shale gas exploration and production, as introduced in October of 2013. In his statements he summoned the French government to change its position on the shales. A report prepared for the French Parliament in 2013 strengthened this stance. Shale gas exploration prospects are evaluated very favourably in that document. Furthermore, French oil and gas company Total has invested in unconventional oil and gas exploration in other EU Member States. The Report mentioned above may indicate that the French Government's stance on shale gas production may evolve towards a more favourable opinion.

### **Germany**

Also in Germany, where an interesting debate on shale oil and gas production is held, the situation is evolving. A significant part of the political scene still opposes to shale oil and gas production - in recent weeks, the ministers of the economy and of the environment proposed strict regulations on hydraulic fracturing as a first step to new laws on that matter. The situation is different, however, on the level of individual lands - the government of Lower Saxony (which boasts the largest unconventional gas resources) plan to lift the moratorium on hydraulic fracturing - in Germany, drilling permits (including hydraulic fracturing) are awarded by particular land governments.

Three factors will favour the opening of Germany to the new source of energy, namely:

- growing concerns about energy security of the German economy due to the heavy reliance on imported oil and gas,
- the planned closure of German nuclear power plants, as this will require alternative sources of energy,
- the planned withdrawal of coal-fired power plants, a necessity considering more ambitious climate change goals (the plan is now pending decision).

### **Conclusions - Recommendations for Poland**

Shale gas is unlikely to become a basic European source of natural gas source in the near

future (if ever). Nonetheless, it may well enhance security and competition on the market for natural gas.

To Poland, shale gas production program is not only a significant aspect of the plan to improve energy security by diversifying the sources of energy supply, but also an important technology and industrial project of this and next decades. This is why consistent efforts of Polish authorities to establish a “shale coalition” of EU Member States in order to enable shale gas production in all Member States, are so important.

It should be kept in mind that the shale gas and oil production project is important not only for the potential producer countries. Other countries having no unconventional resources may benefit from the gas produced abroad and transported using the Community gas transmission system.

It is advisable to think in the perspective of the entire European Union due to the potential synergy effect - a higher indigenous production will decrease demand for imported oil and gas by imposing a pressure on the main suppliers (a lower price, more flexible contractual terms and conditions, enhanced security of deliveries). The joint mechanism for contracting energy commodities, currently abandoned, may be used in that context.

Maintaining the “shale coalition” is now easier than a few years ago. Most EU Member States perceive the shale oil and gas project as an opportunity for bringing energy and gas prices down. This is of particular importance in the time of crisis and a widening energy price gap between Europe and the United States.

European industry’s concerns are exacerbated by potential consequences of the trade agreement (TTIP) to be negotiated between EU and the United States. Falling US energy and gas prices mean a competitive edge of US companies over their European counterparts, especially in energy-intensive sectors of the economy. If the gas and energy price gap across the Atlantic is maintained, the European chemical industry will suffer and huge companies will follow the path of BASF which continues to relocate its facilities across the ocean.

In order to secure the future shale oil and gas production it is essential to undertake activities and make decisions on the following three levels :

- EU institutions - it is important to continue the efforts made by Polish MP’s in the previous tenure of the EP. Task sharing by MP’s within the caucus and cooperation between Members of Parliament from different parties are essential. MP’s should invariably remind the arguments for shale gas production in the EU, such as the

Community plans to reduce the dependence on imported energy commodities or the US case of reduction in greenhouse gas emissions following energy mix changes involving gradual replacement of coal by gas as a result of the so-called shale revolution. Moreover, they should promote the program of granting the Member States freedom of choosing their own ways to reduce emissions, including substitution of coal for gas in a wide array of potential measures.

In terms of administrative and political system aspects, the role of the European Parliament is less prominent than that of European Commission. However, the Parliament is much more visible in terms of promotional/informational aspects that should not be neglected. EP is so important to Poland because Polish MP's have unquestionably more influence than Polish commissioners.

- The intergovernmental level - on that level it is important to connect EP and EC activities with intergovernmental efforts. It is necessary to establish joint working groups, prepare reports and agree the stances of particular countries interested in gas production. Politicians and decision-makers of national and EU level (Polish and European Parliament Members, officials and domestic experts) should contribute to seminars, research programs and awareness campaigns, for example on US benefits from shale oil and gas production. Member States should develop joint positions on the solutions proposed by EC, EP and the Council of the European Union.
- The local level - regional level activities (for example in Germany) should be strengthened using EU instruments so as to build local groups of support and exert pressure on regional governments. The local authorities tend to perceive shale gas production in the context of region's economic attractiveness, arrival of new investors or creation of new jobs. This is a viable potential asset that should be used effectively in line with the EU regionalization policy, regardless of central administration's stance. These projects may involve a programme of study tours for the EP members during which politicians from the lands (regions) or departments will have an opportunity to get an insight into the benefits to the local economy and communities from shale oil and gas production.

It is vital to ensure coordination of central government's activities with those of its agencies and EP members (representing both the governing coalition and the opposition), for example regarding their proposals on:

- the map of potential coalition members and allies (including the new tenure of the EP),
- the planned cooperation and the programme of support to EP members, representatives of research institutions, non-government centres or Polish companies

that are involved in shale gas exploration.

The ultimate objective is to establish an efficient system, composed of central government institutions, EP members, research and non-government institutions and of the business, that may have an effective effect on European governments and the public opinion in different fields and using diverse instruments.

The years 2014-2019 will be decisive for shale oil and gas extraction in Europe. Commercial production is likely to begin in that period so that the European public will witness the effects of the new indigenous source of natural gas.

Poland as a shale gas leading country should be prepared for that on both national and European levels.

Source: Infołupki.pl. [Read more...](#)