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DRAFT REPORT

on industrial, energy and other aspects of shale gas and oil
(2011/2309(INI))

Committee on Industry, Research and Energy

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

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The European Parliament,

- having regard to the Treaty on the Functioning of the European Union (TFEU), and in particular Article 194 thereof,
- having regard to its resolution of 25 November 2010 entitled ‘Towards a new Energy Strategy for Europe 2011-2020’¹,
- having regard to its resolution of 29 September 2011 on developing a common EU position ahead of the United Nations Conference on Sustainable Development (Rio+20)²,
- having regard to Directive 94/22/EC of the European Parliament and of the Council of 30 May 1994 on the conditions for granting and using authorisations for the prospection, exploration and production of hydrocarbons³,
- having regard to Regulation (EU) No 994/2010 of the European Parliament and of the Council of 20 October 2010 concerning measures to safeguard security of gas supply and repealing Council Directive 2004/67/EC⁴,
- having regard to the EU environmental legislation relevant to the development of shale gas, including: Council Directive 85/337/EEC of 27 June 1985 on the assessment of the effects of certain public and private projects on the environment⁵; Directive 2001/42/EC on the assessment of the effects of certain plans and programmes on the environment⁶; Directive 2006/21/EC on the management of waste from extractive industries⁷; Directive 2000/60 establishing a framework for Community action in the field of water policy⁸; Regulation 1907/2006/EC on the registration, evaluation and authorisation of chemicals⁹; Directive 98/8/EC on the placing of biocidal products on the market¹⁰; Directive 96/82/EC on the control of major-accident hazards involving dangerous substances¹¹; Directive 2004/35/EC of the European Parliament and of the Council of 21 April 2004 on environmental liability with regard to the prevention and remedying of environmental damage¹²; and Directive 2008/1/EC of the European Parliament and of the Council of

¹ P7_TA(2010)0441.

² P7_TA(2011)0430.

³ OJ L 164, 30.6.1994, p. 3.

⁴ OJ L 295, 12.11.2010, p. 1.

⁵ OJ L 175, 5.7.1985, p. 40.

⁶ OJ L 197, 21.7.2001, p. 30.

⁷ OJ L 102, 11.4.2006, p. 15.

⁸ OJ L 327, 22.12.2000, p. 1.

⁹ OJ L 396, 30.12.2006, p. 1.

¹⁰ OJ L 123, 24.4.1998, p. 1.

¹¹ OJ L 10, 14.1.1997, p. 13.

¹² OJ L 143, 30.4.2004, p. 56.

15 January 2008 concerning integrated pollution prevention and control¹,

- having regard to the European Council conclusions of 4 February 2011,
- having regard to the Commission's Communication on the Energy Roadmap for 2050²,
- having regard to the Commission's proposal for a regulation of the European Parliament and of the Council on guidelines for trans-European energy infrastructure and repealing Decision 1364/2006/EC³,
- having regard to Rule 48 of its Rules of Procedure,
- having regard to the report of the Committee on Industry, Research and Energy (A7-0000/2012),

Energy aspects

Potential resources

1. Notes that various estimates of shale gas resources in Europe have been made, including by the US Energy Information Administration; recognises that, although these estimates are, by their very nature, imprecise, they point to the existence of a large indigenous energy resource; notes that most of Europe's oil shale reserves are concentrated in Estonia and that other sources of unconventional oil have yet to be explored in Europe on a wider scale;
2. Believes that policy-makers would benefit from more exact data to enable them to make informed choices; agrees, therefore, with the European Council that Europe's potential for sustainable extraction and use of shale gas and oil shale resources should be assessed and mapped; welcomes the assessments made by Member States and encourages them to continue this work, and asks the Commission to contribute to determining the level of available shale gas reserves in the Union by assembling results from Member States' assessments and available results from exploration projects with a view to analysing and assessing the economic and environmental viability of domestic shale gas production;

Energy markets

3. Points out that the shale gas boom in the USA has had a significant impact on the dynamics of the natural gas market and on prices, in particular by causing liquefied natural gas that was intended for the US market to be redirected elsewhere;
4. Notes that, as the gas market becomes ever more global and interconnected, the development of shale gas will increase global gas-to-gas competition and will therefore continue to have a major effect on prices; points out that shale gas will help to strengthen the position of customers vis-à-vis gas suppliers and should therefore lead to lower prices;

¹ OJ L 24, 29.1.2008, p. 8.

² COM(2011)0885.

³ COM(2011)0658.

5. Calls on the Commission, in the face of gas market evolution and the growth of hub-based pricing in Europe, to address, at the next meeting of the EU-US Energy Council, the potential impact of worldwide shale gas development on the LNG market and the lifting of possible restrictions to global LNG trade;
6. Observes that consumption of natural gas is on the rise; recognises, therefore, the crucial role of worldwide shale gas production in ensuring energy security and diversity in the long term, including in Europe; is aware that domestic production of shale gas will contribute to security of supply, bearing in mind Member States' dependence on natural gas imports from third countries; stresses, however, that it is crucial to adopt other security-of-supply measures and policies, such as improving energy efficiency, ensuring sufficient gas storage facilities, diversifying gas supplies and transit routes and building reliable partnerships with supplier, transit and consumer countries;
7. Stresses that a fully-functioning, interconnected and integrated internal EU energy market is also essential, including with a view to taking full advantage of possible shale gas production in the EU; calls on the Commission and the Member States to pursue this objective vigorously, in particular by ensuring a smooth transition to the requirements of the EU third energy package, with a view to harmonising European markets by 2014;

Transition to a decarbonised economy

8. Is of the view that developing shale gas in the EU will help achieve the EU's goal of reducing greenhouse gas emissions by 80-95% by 2050 compared to 1990 levels, which is the basis of the Energy Roadmap for 2050;
9. Agrees with the Commission that gas will be critical for the transformation of the energy system, as stated in the above-mentioned Roadmap, since it represents a quick and cost-efficient way of reducing reliance on other, dirtier fossil fuels, thereby lowering greenhouse gas emissions; believes that shale gas could, as a 'bridge fuel', play a critical role in this, particularly in those Member States that use large amounts of coal in power generation;
10. Remarks also that certain forms of renewable energy – for example, wind power – are not constant and need to be backed up by a reliable and flexible energy source; expresses the view that natural gas – including shale gas – could serve that purpose; recognises, however, that without carbon capture and storage (CCS), gas may, in the long term, be limited to such a back-up and balancing role;
11. Calls on the Commission, in line with the EU Energy Roadmap 2050 strategy, to evaluate the impact of and prospects for unconventional gas in the EU, whilst recognising that the extent of unconventional gas use in the EU will ultimately be decided by the market;

Industrial and economic aspects of unconventional oil and gas

Industrial environment

12. Recalls that the massive increase in US shale gas production has been supported by an established industrial environment, including sufficient numbers of rigs, the necessary

manpower and an experienced and well-equipped service industry; notes that, in the EU, it will take time for the necessary service sector to build up adequate capacity and for companies to acquire the necessary equipment and experience to support a high level of shale gas production, which is also likely to contribute to higher costs in the short term; encourages cooperation between relevant EU and US companies with a view to reducing costs; believes that expectations about the pace of shale gas development in the EU should be realistic;

13. Urges the Member States interested in developing shale gas to introduce the necessary skills required into their mainstream education and training systems, in order to prepare the necessary skilled labour force;
14. Underlines the importance of supporting the development of the shale gas industry by establishing the necessary infrastructure, particularly in terms of pipelines and roads;
15. Calls on the Commission to evaluate the possible economic benefits of shale gas, including employment opportunities;
16. Notes that the EU's energy and climate policy needs to recognise and tackle the potential investment barriers to shale gas development in the EU;
17. Calls for further research and development into tools and technologies, including CCS, to support and enhance the sustainable and safe development of unconventional gas;

Licensing framework

18. Calls on the Member States to ensure they put in place the necessary administrative and monitoring resources for the development of shale gas activities;
19. Notes that the current licensing procedure for shale gas exploration is regulated by general mining or hydrocarbon legislation; expresses the view that the regulatory framework in the EU for early exploration is adequate;
20. Stresses the importance of fully consulting the public, particularly in the context of the introduction of a new approach in gas exploration; points out that, in certain Member States, there is a lack of public consultation in the authorisation phase; calls on the Member States to evaluate their legislation to see whether proper account is taken of this aspect;
21. Expresses the view that those Member States undertaking shale gas projects should adopt a one-stop-shop approach to authorisation and licensing and the examination of compliance with environmental regulations, which is the usual practice in certain Member States for all energy projects;
22. Calls on public authorities without delay to check and, if necessary, improve regulatory frameworks in order to ensure their adequacy for shale gas projects, especially with a view to being prepared for possible future commercial-scale production in Europe;

Public opinion and best practices

Public attitudes

23. Is well aware that public attitudes to shale gas development vary between the Member States; calls for better public information relating to shale gas operations and supports the creation of portals providing access to a wide range of public information on shale gas operations; urges companies extracting shale gas in the EU to provide, prior to drilling, full information on their activities, including public disclosure of the chemicals they intend to use in hydraulic fracturing;
24. Notes that it is particularly important for EU shale gas operators to engage and build strong relationships with local communities at every stage of their operations, given that the EU has a higher population density than the USA and landowners in Europe do not own underground resources and so do not benefit directly from extraction, as in the USA; calls on shale gas companies to ensure local communities benefit from shale gas development;
25. Recognises that there should be an emphasis on a transparent and open dialogue with civil society, based on the scientific evidence available; recalls that the 2012 EU budget includes an appropriation intended to fund pilot projects and other support activities with a view to encouraging such a dialogue; considers that this should be organised in a neutral manner and in close cooperation with the Member States, including national authorities, local communities, the general public, businesses and NGOs;

Best practice

26. Stresses the importance of applying the best available technologies and the best operational practices in shale gas production and of continuously improving technologies and practices;
27. Stresses that, by developing better technologies and practices based on robust regulations, operators and service industries will not only improve public acceptance of shale gas projects but also gain business opportunities and improve export opportunities, given the worldwide environmental challenges of unconventional gas exploration;
28. Highlights the need for minimum safety standards and inspections at safety-critical stages of well construction and hydraulic fracturing; stresses, in particular, that operators should reduce flaring and venting and should, where possible, recover gas;
29. Underlines the importance of operators reclaiming and restoring the land used and conducting post-operational monitoring on completion of their activities;
30. Urges the exchange of best practices and information between the EU and the US; in particular, encourages the pairing of European and US cities and municipalities which have discovered shale gas; stresses the importance of the transfer of knowledge about shale gas development from industry to local communities;
31. Calls on the Commission and the Member States to promote and support environmentally-sound pilot projects in the EU for the exploitation of unconventional domestic energy sources;

32. Recalls that the 'polluter pays' principle would apply to shale gas operations and that companies would be liable for any damage they might cause;
33. Instructs its President to forward this resolution to the Council, the Commission and the governments of the Member States.