



**Royal Ministry of Petroleum and Energy  
Royal Ministry of Climate and Environment  
Royal Ministry of Foreign Affairs**

Ministers

Commissioner Miguel Arias Cañete

European Commission  
Rue de la Loi 200  
1049 Brussel

Oslo, 29 January 2016

Dear colleague,

In the context of the development of the Energy Union and the forthcoming winter package, we would like to reiterate the Norwegian Government's most important points of view in this regard.

As you know, Norway is a large supplier of oil and gas to the EU and part of the internal energy market through the EEA agreement. Our electricity grid is closely connected to those of our neighbours, and we are fully integrated in the Nordic electricity market. The development of the Energy Union is therefore of great interest and relevance to us.

We appreciate the EU's strong emphasis on developing efficient energy markets, with adequate infrastructure and legislative framework. These are preconditions for energy security, affordable energy and an effective climate policy in Europe.

Norway is a vocal proponent for carbon pricing. The emissions trading system EU ETS is - and should continue to be - the main climate policy tool in the EU energy sector. Well-functioning European energy markets, together with an ambitious ETS, will both facilitate increased use of renewable energy sources and support energy efficiency.

In our view, it will be difficult to achieve a cost effective decarbonisation of the European economy without recognising the role of gas. In terms of CO<sub>2</sub> emissions, gas is much cleaner than coal. By replacing more carbon intensive coal, gas can deliver emission reductions quickly. Natural gas can also provide necessary flexibility in a power system where intermittent renewable energy sources increase their role.

Gas hence has the potential to support a cleaner energy system in two ways: by replacing coal and by supporting the integration of more renewable energy. Increased use of gas in EU countries will be supplemental to the development of renewable energy sources in order to reach the EU 2030 targets. Carbon Capture and Storage would further strengthen gas as an important energy source in a low emission future.

Norway is a long term, reliable supplier of natural gas to the EU – and will remain so. Only one third of Norway’s estimated gas resources have been produced over the last 45 years. Norway thus has a large pool of remaining gas resources. Over the next 20 years, we expect to produce yet another third of our gas resources. This leaves one third available for export beyond 2035.

Our oil and gas is explored for, developed, produced and sold by commercial companies. Almost all our gas production is exported, mainly to the EU, in pipelines. Our yearly gas export has never been higher than in 2015. The gas export from the Norwegian Continental Shelf is expected to remain high and stable in the decades ahead, on average slightly below current level.

A considerable share of our untapped gas resources are located in the Barents Sea. Additional gas export capacity from the Barents Sea will be decided during the next decade. This future expansion can either be an expansion of the LNG capacity with destination flexibility, or a pipeline connection to Europe. Such expansion demands very substantial up-front investments. Companies investing in this capacity will make their choice on a commercial basis, taking into consideration the prospects for gas in Europe.

The forthcoming winter package – and the following debate – will be an important opportunity for the Commission to recognise the role of gas in decarbonisation of the European economy. A clear message from the Commission that natural gas remains important for the EU’s energy mix for many years to come, would be a welcome signal to gas investors in Norway considering projects that would connect them to the EU market.

Yours sincerely,



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