

## Future of Gas - work group of the social dialogue gas

(13 January 2011) The [European Energy Strategy 2020](#) includes also perspectives on the developments of the gas sector. To consider this the European gas industry social partners organized a work group, A central concern are the neglected effects of the developments on the companies and workers.

- [K Homann Presentation](#)

A presentation on the future of the gas sector was made by **Professor Klaus Homan**, CEO of [Thyssengas](#), recently sold by RWE to [Macquarie](#), the Australian private equity company.

He addressed the changing structure of the gas sector including the fragmentation of the sector, the development of specific sectors of gas consumption, the security of supply concerns, relations between conventional, unconventional (shale) gas as well as how electricity and gas convergence has positive as well as negative effects.

Also the changing regulatory framework was a topic of discussion. Unbundling of the gas infrastructure and ownership developments with their corresponding restructuring contribute to a fragmentation of the company structures and the value chain (production, storage, pipelines, trade, LNG, regulated and non-regulated activities, meter/billing and appliances. A remarkable aspect of the development is the way in which risks are managed. Unregulated companies which are no longer integrated are open to much higher risks with consequences for employment. Developing a coherent business model was made more difficult with some arguing for a clear distinction between a production vs a logistics model linking transport, storage, LNG capacities. These elements lack in the Commission's [infrastructure publication](#)

The reflections underlined that the role of gas in the primary energy consumption is difficult to predict. This is also stated by the European Commission in a staff working paper. *"Gas demand is highly dependent on energy policy choices. High uncertainty is surrounding the future of gas demand."* And this relates to the

changing regulatory framework. Examples of possible downward pressures on the domestic supply of gas include the development of new housing stock. New houses hardly use energy for heating and new neighborhoods are already constructed without gas pipelines. On the other hand several technologies that would use gas such as microgeneration are not available yet on the market.

Another uncertain development relates to the convergences between electricity and gas. Biogas was mentioned as a fuel. And renewable energies could be stored in fuel cells and even gasified again. On the other hand the development of electric cars makes the network of gas fuel stations for cars redundant and hence has a negative impact on gas. The changing image of gas from a clean and economic source to a highly priced, not so clean and secure (due to the perceived threat to supplies caused by the [Ukrainian – Russian gas disputes](#)) fuel undermines investment and the development of the sector. The investment dimension gained a lot of attention including the shift to predictable and growing markets - outside of Europe (China, India, Latin America) and the replacement of gas by alternative technologies. The changes of the [Nabucco pipeline project](#) were evaluated differently.

- [JF Poupard presentation](#)

**Jean-Francois Poupard** of Syndex, the French consultancy, looked at the future trends in the gas sector. While gas production is currently high in Europe, US and Russia, most reserves are in the Middle East and Russia, so these will be future production countries. Also he noted the large number of uncertainties and how this affects future developments. Drawing from earlier research of Syndex he gave an indication of the possible employment dimension and changes between fuels especially for electricity. He ended with a reference to the importance of working on and implementing Just Employment Transition principles. The recent agreement in [Cancun](#) has integrated the Decent work and Just Transition dimension ([see also excerpt below](#)).

The workgroup drew the following tentative conclusions for an input into the discussions on the EU Energy strategy 2050.

- There is a large number of uncertainties for the further development of the gas sector. This is a challenge for the existing companies. It determines investment or rather the lack of investment and that has (negative) effects on jobs and skill

development;

- A specific uncertainty is the legal framework and how it develops. Its direction (for the gas sector) is not clear and undermines investor confidence. It has lead already to a development that companies stopped projects to invest and develop gas fired power stations with CCS capability.
- The fragmentation of the industry and the break up of the value chain from integrated into many smaller and specialized businesses increases competitive cost cutting pressure, restructuring and will continue to lead to Merger and Acquisition activity. Issues of employment security become important for employees individually as well as collectively (sector). New technologies contribute to this insecurity for workers. An example are smart meters with jobs consequences, health and safety issues, concerns about companies that install new meters and if they have workers with the appropriate skills and qualifications. This poses certification and verification questions.
- The research challenge needs to be addressed urgently. Many companies and the sector as a whole have lost a lot of research capacity. To regain this will require cooperative arrangements and incentives from Commission and regulators. Without research that can drive innovation the industry loses its technological edge.
- The changing image of the gas sector impacts negatively on the companies and their recruitment potential to attract qualified staff in a labour market where many sectors compete for workers with the same skills. The [CSR project](#) the social partners are working on is relevant in this regard as well.
- Security of supply and dependency concerns are continuously in the background of many discussions.
- The social partners should further reflect on how Europe's energy strategy can integrate and develop the Just Employment Transition dimension. The EU's energy strategy should reflect more on the employment and skills dimension. The gas social partners project on [demographic change](#) and different joint positions stress that the EU might be faced with a lack of skilled and qualified workers in the next 5-10 years. A central point for the social partners is that the quality of work force linked to technological capacities of the industry is a key factor for success.

The meeting took place 12 January 2011, Brussels. It brought together representatives for Eurogas and the trade unions. For EPSU Didier Baur, vice-president of the gas committee for EPSU, Catalin Musoi, Gas Romania Trade union, Sarka Vojkova, Czech Transgas trade union, Jan Willem Goudriaan, EPSU Deputy

General Secretary, participated.

The next meeting of the Gas social dialogue committee is foreseen for 11 April 2011, Brussels. For more information on the [Gas social dialogue](#).

The agreement of the Ad Hoc Working Group on long-term Cooperative Action under the Convention states that the UN Members recognise *the importance of avoiding or minimizing negative impacts of response measures on social and economic sectors, promoting a just transition of the workforce, the creation of decent work and quality jobs in accordance with nationally defined development priorities and strategies and contributing to building new capacity for both production and service-related jobs in all sectors, promoting economic growth and sustainable development* ([>back](#) )

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