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Committee on Social Affairs, Health and Sustainable Development

Minutes

of the hearing of experts on “The exploration and exploitation of non-conventional hydrocarbons in Europe” held in Paris on Tuesday, 24 March 2015, from 2.45 pm to 4 pm

The Chairperson opened the hearing by recalling the Committee’s work on the issue of non-conventional hydrocarbons. Three experts were invited in order to help members better understand this complex issue and in particular to help the rapporteur’s work. He then welcomed and introduced the experts:¹

- Mr Gregor Erbach, Policy Analyst, European Parliamentary Research Services, European Parliament, Brussels
- Mr Christian Besson, Advisor, Directorate of Global Energy Economics, International Energy Agency (IEA), Paris
- Mr Antoine Simon, Economic Justice Programme, Extractive Industries Campaigner, Friends of the Earth Europe, Brussels

Mr Sedó presented his outline report stressing the European need for diversified and secure energy supplies. Fossil fuels continued to dominate most countries’ energy mix and the prospects for exploiting indigenous non-conventional hydrocarbons were the subject of an increasingly polemic debate. Although both conventional and non-conventional gas and oil were exactly the same, the ways of extracting these resources were significantly different. The non-conventional resources comprised shale gas and oil, tight oil, coal bed methane and tar sands. Their production had increased dramatically in the last decade in the United States (US) and Canada, with many large economies planning to follow suit. The situation in Europe was different in that there were many uncertainties over the extent of resources, as well as the environmental and legal constraints. The question was therefore open whether and how European countries could become less dependent on energy imports by developing their indigenous energy resources.

Mr Erbach presented key facts on unconventional oil and gas resources in Europe from the angle of security of supply and regulatory challenges. The “shale revolution” in the US had transformed the country from being a net importer to becoming a net exporter of oil and gas. European, Asian and American prices for fossil fuels currently were very different but were expected to gradually converge. European non-conventional energy resources were under-explored and the potential for their exploitation was rather low. Conventional gas production in the EU had been declining since the late 1990s and imports (mainly from Russia, Norway, Algeria and Qatar) accounted for two thirds of consumption. Several European States (France, Poland, Romania and Ukraine) and neighbouring

* Draft minutes approved and declassified by the Committee at its meeting on 21 April 2015 in Strasbourg.

¹ The detailed presentations by the experts are available on the Committee’s extranet and from the Secretariat.

countries (Algeria and Turkey) were believed to have considerable non-conventional gas resources, whilst unconventional oil was far more limited. Positions on allowing or banning hydraulic fracking were very varied across the continent; bans or moratoria were effective in five countries and there was one country with restrictive laws (Austria).

Developing shale gas and oil in Europe would take 5 to 15 years to become commercially viable, with prices expected to be twice those in the US because of local geology, environmental factors, public acceptance issues and less well developed drilling capacities. Five EU States had committed to developing shale gas (including the United Kingdom and Poland) and another six countries were considering exploration (such as Germany). The recent fall in global oil prices had slowed down and made unprofitable some large shale gas projects. Stress tests across the EU had shown that most member States would have sufficient supplies for 6 months should Russian gas supplies be cut. In the short term, local shale gas production would have very little impact on the import bill. Dependency on Russian gas was likely to last because those supplies were much cheaper than shale gas and LNG (liquefied natural gas). The EU did not have a common energy policy but was trying to build a common energy market and to better protect shared strategic interests. The EU issued a recommendation on the environmental aspects of shale gas development in 2014.

Mr Besson presented the IEA's World Energy Outlook 2014 which predicted the continued growth and dominance of fossil fuels, including an expanding share of non-conventional resources and their spread beyond North America (to Argentina, Russia, China and other countries). The extent of shale gas resources was estimated to be comparable to the known conventional reserves, but environmental issues (regarding land use and nuisance, air emissions and water pollution) had the potential to halt shale gas development in several countries. Hydraulic fracturing remained the key technology for accessing shale gas and tight oil, whereas exploitation of coal bed methane required different specific technologies which raised their own environmental issues.

The IEA's "Golden Rules for a Golden Age of Gas" aimed to help governments, industry and other stakeholders address the possible environmental and social impact of shale gas production, with an emphasis on measuring, disclosure and engagement, careful choice of drilling sites, proper isolation, responsible water treatment and minimised emissions or leaks. The current low gas prices in the US were not sustainable commercially and would have to double for shale gas production to continue to grow. In Europe, shale gas costs would be about twice as high as in the US. Unconventional energy resources would hardly provide a significant reduction in the price of energy, with only some positive impact on import dependency, balance of payments and security of supply to be expected.

Mr Simon reviewed, from the perspective of the largest group of environmental NGOs in Europe, sustainability issues linked to the current model for using hydraulic fracturing to extract shale gas and oil. The technology posed environment risks: of various emissions, explosions and seismic events, contaminated water leakages underground or on the surface and improper waste water treatment. Moreover, the use of hazardous chemicals in fracking fluids led to emissions of volatile organic compounds and other substances that were dangerous to the health of workers, local inhabitants and ecosystems. In addition, the use of silica sand as a propping agent could lead to silicosis (a form of lung cancer) over time. Research on the cumulative impacts had been completed in 2013-2014 by the scientific community, with an overwhelming majority of studies signalling elevated air pollutant emissions, a high level of water contamination and substantial public health risks.

In the US, onsite surveys had signalled a 6-9% rate of well failures and had established a list of 243 cases in which shale-exploring companies had contaminated private drinking water resources over 2008-2014. Some densely populated states of the US, such as New York, had banned fracking over safety concerns and many US businesses had been losing money on shale operations over the last five years. Europeans should very seriously consider the implications of large-scale exploitation of non-conventional fuels in relation to their commitments to curbing climate change and ensuring public health. This meant that short-term energy security concerns should not prevail over long-term interests of society. Just putting stringent legislation in place was not sufficient if adequate monitoring of implementation and control could not be ensured by independent bodies.

Mr Rzymelka launched the discussion by emphasising that the recent Russia-Ukraine conflict had significantly changed the Eastern European perspective on energy security. Fossil fuels were exactly the

same whether they were obtained by conventional or non-conventional methods. IEA's energy supply scenarios seemed overly optimistic because they did not take into account the realities of geopolitical tensions.

Mr Kiral said that his country Ukraine had obvious geopolitical and economic reasons to continue exploring its non-conventional fuel resources.

Mr Schennach explained that environmental protection laws were so strict in Austria that de facto no hydraulic fracking could take place. There were some similarities between the nuclear energy sector and non-conventional energy extraction in terms of challenges, uncertainties and unresolved issues. In fact, the risks were simply too high – both technologies should be banned.

Mr Besson admitted that the most recent IEA World Energy Outlook did not take into account the latest geopolitical events; the next one would be more comprehensive in that sense. Regarding the economic equation for non-conventional hydrocarbons, indeed there were no certainties and many experts were getting sceptical about prospects. Whereas a major weak point of non-conventional fuels was the quantity and contamination of water used in the process of exploration or extraction, the conventional oil and gas industry also used huge amounts of water with some pollution as a result. Clearly, there was a need for each country and region to properly weigh up local specificities, needs and opportunities in terms of energy supplies over the short and the long term.

Mr Erbach stressed that unfortunately risks were inherent in all types of energy production, but some could be mastered better than others.

Mr Sedó summed up the discussion by highlighting the difficulty of reconciling the often diametrically opposite views with regard to the potential of non-conventional energy sources for Europe. Not all countries were concerned, resources were uncertain, extraction was expensive and the potential profitability was low. Special concerns related to the process of hydraulic fracking. Further views from members would be most welcome, such as in the form of written contributions that he could take into account in preparing his report. In that context, further fact-finding with the IEA and the European Commission would be very helpful for the drafting of the report.

The Committee **authorised** the rapporteur to carry out a fact-finding visit to the IEA in Paris and the European Commission in Brussels.

The Chairperson then closed the hearing by thanking the guest speakers. The Committee would return to the issue at one of its next meetings in the light of the rapporteur's fact-finding and work.

Committee on Social Affairs, Health and Sustainable Development
Commission des questions sociales, de la santé et du développement durable

List of presence / *Liste de présence*
 Paris, 24 March 2015

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