



Strategic Guidelines for the 2003 – 2006 Triennium

Gas: Powers the people Preserves the world Promoted by IGU

The International Gas Union Dutch Triennium will start in June 2003 after the World Gas Conference in Tokyo and will last until the completion of the 23rd World Gas Conference in Amsterdam.

In this Triennium IGU will strongly support a further increase of membership of our Union. The increase will be the result of the Unions ongoing effort to strengthen its organisation and to increase the value to its members as a forum for structured enhancement and exchange of knowledge and experience and as a body for effective representation of the interests of its members.

The members share the IGU vision in recognising that gas¹ has an important part to play in satisfying the global need for an environment-friendly energy source in a global business climate that is facing major changes and significant challenges. In this environment IGU will be one of the most influential, effective and independent non-profit energy-organisation, while serving as the spokesman for the gas industry worldwide.

IGU will further promote the technical and economic progress of the gas industry in this Triennium. IGU will not only promote the view that gas is the natural bridging fuel to a sustainable energy system but also contribute to creating the business environment most conducive to realising this vision. IGU will implement a balanced approach in its work between business aspects, environment, reliability and technology transfer, especially to developing gas markets. We are in the growing phase of the gas age and witness the increasing importance of gas for the energy supply to the peoples of the world: the customers of our industry.

Regulation of energy transportation and distribution has become an issue increasingly affecting the gas industry worldwide. Understanding of the consequences of the different regulatory systems in the world will enhance the quality of the dialogue of our members with the regulatory and/or governmental authorities in their respective regions of the world. This will help to create an appropriate investment climate, while at the same time serving the interests of the consumer.

IGU will promote the industries role as a responsible corporate citizen. In such a context IGU will play an active role as a Non Governmental Organisation and take part in the appropriate forums in order to promote gas to the benefit of the consumer and the environment.

IGU is aware that a real global marketplace for gas is still in the early stages of development. IGU will therefore pay due attention to the development of the regional markets and will increase its efforts to cooperate with the concerned gas associations. At the same time it is clear to IGU that not only long transmission lines but also LNG's role show strong growth, thereby interlinking these regional markets more and more. IGU will further build upon its good co-operation with LNG organisations.

IGU also intends to work closely with other international energy organisations like the World Energy Council, The World Petroleum Congresses, Intergas Marketing and Eurogas to support the promotion of gas in the world. These interfaces will also help to strengthen the awareness of the need for ongoing research (e.g. in safety, environmental and energy-efficiency aspects) and avoid

¹ When the word gas is used in general natural gas is meant, but propane butane and other gasses are used the world over as well



10 December 2002

(FINAL DRAFT)

unnecessary duplication. Furthermore IGU is ready to intensify the relation with the International Energy Agency (IEA).

The 2003 – 2006 Triennial Work Programme will be marked by the following three strategic guidelines:

IGU will promote

- I Technology, Industry Efficiency and Customer Focus;**
- II Gas as the Fuel of choice preceding a sustainable energy system;**
- III The Industries Role as a Responsible Corporate Citizen.**

I Promote technology, industry efficiency and customer focus

The Triennial Work Programme will build on what we have drawn from the work done in earlier programmes. Information will be updated on issues such as the safe, reliable and environmentally responsible transport and use of gas, the cost and availability of gas and the gas infrastructure in the coming years. The possibilities of benchmarking and producing information on good and best practices will be pursued and made available in an IGU database. In this way IGU serves as a global information clearinghouse and promotes the transfer of technology and know-how.

Technology

Technology can be grouped in two categories:

Those technologies inherent to the gas industry from production to burner-tip, which improve efficiencies, lower costs, contribute to continued competitiveness and enhance the safety of the gas chain and security of supply. We expect the IGU committees to provide the members with information how to access the broad business knowledge with respect to these issues. In this respect, gas quality related issues will grow in importance.

Emerging technologies, which could shape the future of gas. Examples of these technologies are:

- CO₂ sequestration. It is clear that these technologies could make an important contribution to environmental targets. IGU recognises concerns about the environment and wants to contribute to the efforts in this field to find economic solutions.
- Hydrogen Economy. The transition to a hydrogen economy could lead to a marked change in the energy market. Gas is by far the most economic fuel for the production of hydrogen. Issues, mainly around the logistics could be addressed together with the hydrogen developers.

The contribution that the gas industry can make in this area needs more detailed definition. This makes further discussion with other stakeholders in the market necessary.

Gas Industry efficiency

The objective is twofold:

- To improve the competitiveness of the gas industry, and
- To promote good corporate citizenship.

An effective mechanism to achieve or enhance this mission is to use benchmarking. *It is the intention of IGU to make benchmarking one of its primary targets and to present the results thereof on the World Gas Conference in 2006.* Possible subjects are: methane emissions, safety scores and gas transmission and distribution best practices and cost.



Customer focus

It is the objective of IGU "to encourage development of good customer services and customer relations". The comparisons of business practices and sharing information on lessons learned, will give members a better opportunity to adapt their business to the need of their customers. In this respect with customers is meant the gas consumers as well as the shippers, gas producers and gas transmission companies.

II Promote Gas as the fuel of choice preceding a sustainable energy system

The necessity of sustainable operation of energy resources in our daily life and business will lead us in choosing these items for further study. It is of paramount importance that the contribution that gas offers to decrease the growth of the CO₂ and other emissions, be disseminated to policy makers all over the world. Since natural gas produces the smallest amount of CO₂ per kWh of all the fossil fuels, replacing coal and oil by natural gas where economically possible, notably in generating electricity is of prime importance. In the long term, decrease of the CO₂ emission can be realised if CO₂ sequestration is further developed.

There is little disagreement about the desirability of gas taking on the role of fuel of choice, notably during the ongoing century. This creates a formidable challenge: it means that the gas business should more than double in size during the next thirty to fifty years and that virtually all markets need substantial volumes of new gas supplies at competitive prices.

The potential obstacles are considerable: they include remoteness of supply sources and the consequential size and high costs of new supply chains, funding requirements, transit arrangements, political and security issues, and the effect of liberalisation on the allocation of risks between suppliers and the market.

It takes more than the gas industry to realise these new gas supplies. It will need active support and co-operation from governments.

There certainly is not a common understanding as to what policies and other conditions are needed to bring the new supplies to the market. Not necessarily every party is aware of the magnitude of the challenge. *It is the task of the gas industry and of IGU as its spokesman to take a leading role in this discussion, and to create a shared appreciation of the challenges, the solutions and the roles of all players.*

IGU will develop and support initiatives that promote such dialogues including producers/consumers dialogues. It is of paramount importance that the policy-makers and regulating authorities of the different market regions (Pacific rim, Europe, North America) are involved in these discussions.

III Promote the industries role as a responsible corporate citizen.

Be a responsible citizen and prudent operator.

IGU will act as a platform for the exchange of information on how to operate as an industry in a responsible and prudent way with respect to issues like safety, environment, reliability and land use.

Promote the dialogue between the industry and various stakeholders.

In nearly every part of the world governments are changing the shape and structure of the gas industry, sometimes under pressure from the customers, in many cases as a consequence of the global drive towards liberalisation and privatisation. The processes that are being followed do not always have the desired result, or at times have unforeseen and undesirable side effects for the



10 December 2002

(FINAL DRAFT)

industry, the customers or the governments. Independent regulatory bodies are formed; they already come together in forums to exchange their experiences.

IGU will be ready to set up exchange of views with government and regulatory bodies on the above experience and on the issues of realising the growth of the gas market.

Similarly IGU will demonstrate that the industry is willing to understand the needs of its customers and promote a structured dialogue with representatives of its various customer groups, notably the power generation sector on which a lot of the growth during the next 20 years will depend.

Introduce global business principles and standards

IGU promotes the use of global business principles and standards in the different segments of the gas chain. During the Triennium it will explore the areas of the business where the industry and society at large could gain from further articulation of standards.

Demonstrate and enhance the efficiency of the operations of the industry

One of the arguments for liberalisation of the industry is that the introduction of competition serves as a forcing tool to create operational efficiencies that public and monopoly businesses otherwise tend to neglect. Benchmarking of the efficiency of its operations could help to demonstrate that the industry is willing to shoulder its own responsibility with or without a competitive environment.

Contribution to environmental targets

In addition to the promotion of the role of gas as a fuel of choice, ongoing research and development of technological improvements will lead to a further reduction in emissions. This and an active interest in, and contribution to the developments around fuel cells and CO₂ sequestration would assist in demonstrating that the industry is willing to take its responsibility as a member of society.

CONCLUSION

We feel confident that, as was done in the past, by close co-operation the members of the different committees will provide valuable contributions with respect to the referred strategic topics for the IGU members and the energy industry as a whole. It is of utmost importance that IGU greatly enhances the possibilities for direct involvement of the gas industry in the processes of shaping the future role and structure of the energy markets. This will increase the authority of IGU as the spokesman of the world gas industry. At the same time the Presidency will act diligently with respect to internal IGU needs in order to further improve its efficiency and effectiveness.

In short:

Gas: Powers the People and Preserves the world, and IGU will promote that.

George H.B. Verberg
Vice-President
International Gas Union