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EUROPEAN UNION: Member states will drive shale gas

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The shale gas debate in Europe.

The dramatic success of shale gas development in the United States has raised expectations that similar outcomes could be replicated in other regions. While progress has been made in Australia, Argentina and China, development has been more problematic in Europe, where studies indicate that shale gas could produce up to 40% of the EU's gas needs.

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SUBJECT: The shale gas debate in Europe.

SIGNIFICANCE: The dramatic success of shale gas development in the United States has raised expectations that similar outcomes could be replicated in other regions. While progress has been made in Australia, Argentina and China, development has been more problematic in Europe, where studies indicate that shale gas could produce up to 40% of the EU's gas needs.

ANALYSIS: Impacts.

Popular opposition to shale gas, which prompted some governments to impose bans on development, is unlikely to disappear.

Member states' divergent positions will make EU rules difficult to agree, even if the Commission decides they are needed.

Development will be possible in some countries -- but subject to tight controls.

Initially, the most probable obstacles to shale gas development in Europe were considered to be differences in endowment (the geology and geography of shale deposits) and costs (the absence of the supporting industry and economic conditions) compared with the United States. However, it is the different responses to risk at both the regulatory and political level that have proven to be the principal block to European development:

Whether at the national or the EU level, European regulatory responses to innovations with environmental, health and safety implications have been much more 'precautionary' than in the United States.

This has been seen in issues as diverse as genetically modified products, chemical safety and climate change.

These regulatory responses reflect and are affected by public attitudes, whether manifest in public opinion or the actions of pressure groups.

Another important contrast between the United States and Europe is the sequencing of developments:

While the 'shale gale' was well underway in the United States before its actual and potential risks were politicised, in Europe these risks have become apparent before development has taken place, enabling opponents to mobilise pre-emptively (see EUROPE: Shale gas excites energy hopes and fears - October 5, 2011).

The case against shale in Europe has been strengthened by those concerned that a focus on gas would distract from the fight against global warming (see EUROPEAN UNION: 'Carbon leakage' threatens energy plan - January 19, 2012).

In the United States, shale appears to have displaced coal, thereby reducing emissions of greenhouse gas, but in Europe it is feared that shale would displace renewables (see EUROPEAN UNION: Renewables post-2020 hinges on targets - June 20, 2012).

Both sides of this argument are open to question: US shale gas has displaced coal out of domestic consumption and into the international market, while the 'must run' requirement for renewables in European power dispatch has been at the expense of gas.

To reverse current trends would require a rethink of European renewable policies. More credible is the renewable industry's fear that shale gas could divert interest in energy investment and give the gas sector another generation of significant utilisation, thereby slowing and possibly undermining the move towards a zero carbon energy system.

Differing national positions.

Whereas initially most governments were keen to allow companies to explore and exploit shale gas, in the last year or so protests have prompted a number of countries to change direction and suspend development:

A 2011 decision to impose a moratorium in France was followed this year by similar moves in Bulgaria and Romania.

Some countries, notably Poland, remained committed to shale gas, but they are increasingly the exception rather than the rule.

The last few weeks have seen a flurry of developments at the national level:

The Czech Republic has proposed a two-year ban on shale gas development, pending new legislation.

The Netherlands, which has a substantial domestic gas production capacity and was initially a major supporter of shale gas, announced that it would launch a major study, thereby delaying any shale gas development until 2013.

A report for the German government called for a ban on shale gas exploration and development in the vicinity of water reservoirs and mineral springs and for environmental impact assessment (EIAs) on all projects; however, it stopped short of recommending an outright ban on shale gas development.

In the United Kingdom, a recent cabinet reshuffle has been widely interpreted as strengthening the supporters of shale gas (see UNITED KINGDOM: Case grows for shale gas fracking - May 2, 2012).

European Commission position.

As an indication of how EU-level policies might evolve, the European Commission's three reports on the shale gas debate reports present a mixed picture:

Impact on the EU's energy balance .

The likely available reserves will not be enough to make the EU self-sufficient in gas, but they may stop the EU becoming more dependent on gas. The EU's production of gas from conventional sources has been in steady decline for a number of years, and that trend was expected to persist. However, successful development of shale gas would halt the decline. The report also estimates that other regions will be able to develop shale gas on a significant scale, which will both boost the share of gas in global energy balances and potentially open up international gas markets to greater competition.

Environmental and health risks.

The study of environmental and health impacts is extensive in highlighting a variety of risks from shale gas development (in terms of land use, water and land contamination, air emissions, noise pollution, visual impact and seismicity). While the EU's 'acquis' (body of law) in these areas addresses many of these risks, the report identifies gaps in the regulatory framework at both the EU and national levels, recommends ways in which existing regulations could be tightened, and calls for more monitoring. However, it stops short of calling for specific legislation.

Effect on the EU's greenhouse gas emissions .

The study of the shale gas impact on climate change indicates that it is likely to emit more greenhouse gases than conventional gas produced in Europe. However, it may emit less than imported gas. It calls for better reporting procedures to ensure that emissions from shale gas development are properly monitored, and for more effective application of existing rules rather than requiring new legislation.

CONCLUSION: The different national circumstances facing shale will make it difficult to forge a comprehensive response at the EU level. Across the range of stakeholders and policymakers, views on what (if anything) the EU should do range from those arguing that no new legislation is needed and that responsibility should remain at the national level, to those calling for EU-wide legislation or even a complete prohibition of development.

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