

# *TTIP – The Energy Conundrum*

## **Cheap or Clean?**

Vasile Iuga  
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## *Current position*

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	<b>EU</b>	<b>US</b>
• <b>Energy Demand</b>	Flat	Growing
• <b>Dependency on Imports</b>	53% and growing 400 bln € / annum	Net export by 2017
• <b>Domestic Production</b>	Declining / Gas	Growing / Shale Gas revolution
• <b>Decarbonisation agenda</b>	Ambitious / Expensive 40% reduction by 2030	Modest

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## *Current position (cont.)*

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	<b>EU</b>	<b>US</b>
• <b>Export Barriers</b>	Not applicable	Crude Oil export embargo Painful LNG licence approval
• <b>Energy Prices</b>	High (x2 US prices)	Low
• <b>Gas Prices</b>	High (x1.6 US prices) LTerm/gas on gas	Low Henry Hub/gas on gas

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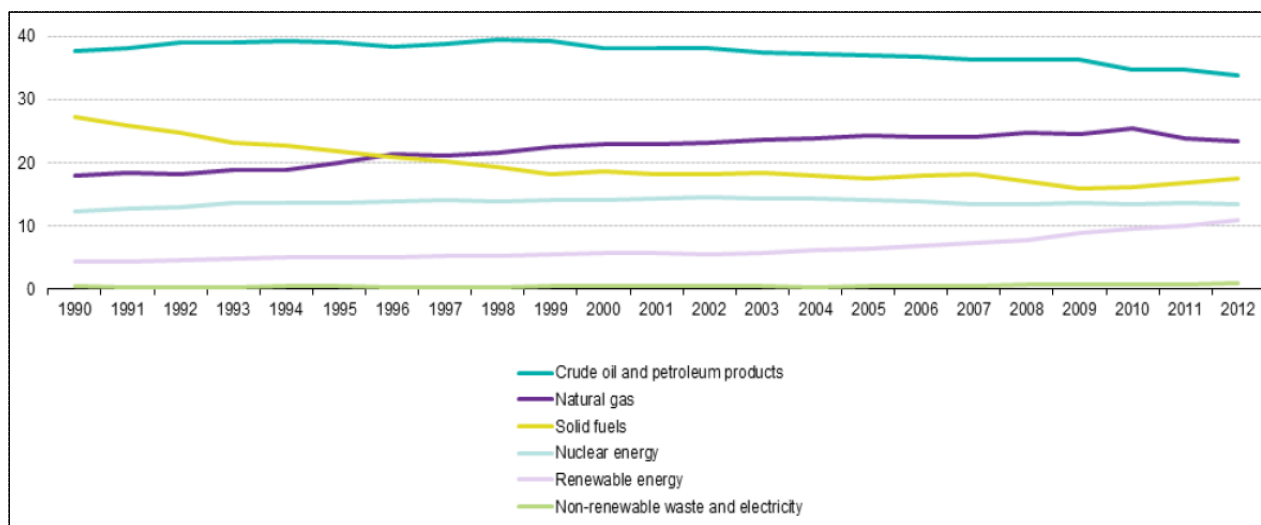
*“This price difference with other major economies has a major impact on the competitiveness of Europe's industry in general and energy-intensive industries in particular.”*

*“The recently adopted Energy Union strategy aims to provide every European household and business with energy which is (1) secure; (2) affordable and competitive; and (3) sustainable.”*

***Maroš Šefčovič***

*Vice-President for Energy Union,  
European Commission*

## ***EU-28 Gross Inland Energy Consumption, 1990-2012, by fuel (% of total consumption)***



*Source: Eurostat*

- Energy consumption EU-28: 1683 Mtoe in 2012 vs 1688 Mtoe in 1990
- Production primary energy EU-28: 794 Mtoe in 2012
- Imports of energy EU-28: 923 Mtoe in 2012
- Dependency on energy imports: 53% in 2012

## ***EU-27 – US trade by SITC (2013) per ton***

<b><i>Commodity</i></b>	<b><i>Imports</i></b>	<b><i>Exports</i></b>
Coal	103 285 142	8
Petroleum oil and oils obtained from bituminous minerals, other than crude	17 905 931	22 054 330

*Source: Eurostat: Trade by SITC*

- Coal is the main imported commodity from the US
- 18% of the EU's total coal demand, tripled since 2006
- US coal is cheap (shale gas effect) affecting EU climate objectives
- Due to export restrictions, crude oil and natural gas are not traded between the EU and the US
- Gasoline and diesel are traded in large amounts

## Tariff and non-tariff barriers/energy technology trade

<i>Fuel type</i>	<i>Non-tariff measure</i>	<i>EU tariff (o%)</i>	<i>US tariff (%)</i>
Oil	(US) Export ban – License Required	0	>
Natural gas	(US) Export ban – License Required	0	0
Refined fuels	(EU) Fuel quality directive (FQD)	0	> 0.4
Coal	(EU/US) Climate policy	0	0
Solar cells (tech)	(EU/US) Local content requirement	0	0
Wind energy (tech)	(EU/US) Local content requirement	2.7	1.25

*Source: Tariff data WTO*

- Very few tariff barriers for the trade in energy goods
- Main barriers are substantial non-tariff measures:
  - Export ban on crude and natural gas
  - EU climate policy
  - Fuel Quality Directive (FQD)
  - Local Content Requirement

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## *Impact of TTIP on transatlantic trade of energy goods and services*

- **Complex ongoing negotiation with unpredictable outcome, especially around non-tariff barriers**
- **Trade and Competitiveness:** Removal of tariff barriers will benefit trade on refined products and EU wind industry
- **Security of Supply:** Simplification of LNG licensing combined with investments in LNG terminals will enhance security of supply for Europe
- **Market Access:** FDI in both directions will increase, especially in Europe



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## *TTIP impact on EU energy intensive industries*

- **Metal (Iron, Aluminium)** – bilateral trade expected to increase, but EU final output will decrease between 0.7-1.5%
- **Chemicals** – trade is faced with significant NTMs on both sides. Depending on the outcome, EU final output might show a modest increase of 0.4%
- **Cement** – small amounts traded, no impact
- **Pulp and Paper** – both tariff and NTMs are extremely low, no impact

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## ***Conclusions***

- **Energy chapter is vital for EU**
  - Accelerated risk of relocation of energy intensive industries to the US
- **US should be mindful of the cheap energy curse**
  - Avoid Dutch Disease syndrome
- **Free trade is good**
  - VW Tax in the US
- **History Lesson – TTIP can create a new economy, a new geopolitical order**
  - EU started as an energy alliance – Coal and Steel Community in the '50s

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# *Thank you!*

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