

Unconventional gas in Europe



Introduction

The encouraging results of the recent shale gas revolution in North America have stimulated strong interest in unconventional gas in Europe. The U.S.A has traditionally relied on imports for its natural gas needs. However, with the recent shale gas boom, the quantity of shale and the investment in developing this source of unconventional gas could make the U.S.A self-sufficient in the future. There is potential for this success to be reflected in Europe. The possible development of domestic gas resources is perceived not only a business matter in Europe, but also as an opportunity for lesser dependence on insecure, expensive and often politically sensitive imported energy sources.

In Central and Eastern Europe, Poland in particular has experienced a shale gas rush over the past few years and appears to be the most advanced in terms of exploration work. Countries such as Ukraine and Romania, who are currently in relatively preliminary stages, have significant potential in unconventional hydrocarbons and are pressing ahead with development. In contrast, in countries such as Hungary and Slovakia, unconventional gas plays a relatively insignificant role in natural gas production and supply.

In Western Europe, the UK Government has recently announced support for unconventional gas extraction and tax incentives for companies, encouraging development and investment in unconventional gas. Non-conventional gas exploration is in its early days in Spain but several concessions awarded in Portugal are in the prospecting and exploration phase.

Abundant sources of unconventional gas in Europe have the potential to eliminate fears of energy insecurity in the future with benefits such as lowering natural gas prices, having a more readily available gas in the European Market, easing tightness in global energy markets and adding diversity to Europe's gas supplies.

However, there are factors restraining unconventional gas growth in Europe, including widespread concern over the method of extraction of shale gas, fracking, and on-going environmental lobbying. Governments in the Czech Republic, France, Bulgaria and the Netherlands have banned fracking and the ministries for environment in these countries have imposed tight sanctions on awarding licences to companies.

These restrictions may not oppose the source of energy itself but opposition to the negative impact methods of extraction could have on the environment. In order to alleviate health, safety and environmental concerns, European countries are examining the effective management of resources through existing regulation, monitoring and the application of industry best practices.

It is an exciting time for discovery and exploration of unconventional gas in Europe. Although large-scale production has not been observed outside a liberalised energy market, such as in the U.S.A, Europe is progressing towards a single energy market and it will be interesting to see how unconventional gas plays a part in this.

This brochure outlines a brief overview of the current legislative and business environment in relation to unconventional gas in those CMS jurisdictions it has become a hot topic over the past few years.

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