

## GAS TO POWER | BELGIUM

## Belgium's nuclear exit prompts debate over role of gas

Interfax staff and Chris Noon

GAS is likely to play an increasingly important role in the Belgian energy mix following a decision in October made by politicians negotiating the country's next coalition government to phase out nuclear power in line with a 2003 law. However, the federal government is likely to turn to LNG imports rather than tap Nord Stream for future supply.

The size of gas' role in future generation will govern how quickly the country makes its nuclear exit. Plans for a shutdown of the three oldest nuclear reactors by 2015 and a complete exit by 2025 are conditional on finding enough energy from alternative sources to prevent any shortages, said six of the country's political parties on 30 October.

In 2015, Belgium is likely to tap LNG from a planned re-gasification terminal in Dunkirk, northern France, to cover some of the shortfall. State-controlled utility EDF has said the terminal is scheduled to come on-stream by the end of 2015 and have a re-gasification capacity of 13 billion

cubic metres per year, boosting France's gas import capacity by 20%.

Crucially, the location of the terminal means it can serve all markets in northern and western Europe.

In the short term, Russia may be cut out. Belgian companies have "already rejected Gazprom's offer of gas sales via Nord Stream", Mikhail Krutikhin, a partner at RusEnergy, told *Interfax* on 4 November.

Belgium is heavily dependent on nuclear power for baseload generation. According to the OECD Nuclear Energy Agency, Belgium has seven reactors connected, which generated 45.7 TWh in 2010 and accounted for 51.2% of the country's total electricity supply. All the reactors are operated by Electrabel, a subsidiary of Franco-Belgian energy company GDF Suez, whose nuclear arm contributes to 10% of the company's profits.

GDF Suez is likely to mount a staunch defence of its interests. On 2 November, Electrabel issued a press release saying that the

company would protect its interests in line with a 2009 federal government protocol. Back then, a decision was made to extend the lifetime of three nuclear reactors by 10 years, but on 30 October, political parties recommended a lifetime extension of just one to three years. Electrabel called the provisions "totally unrealistic".

A swifter-than-expected nuclear phase-out may mean that Electrabel's \$1.4 billion of cash previously earmarked for its Belgian nuclear business is redirected towards renewable and gas-fired power generation to ensure security of supply.

Either way, the nuclear exit has set off a debate about the best way to provide baseload electricity generation. On 31 October, Belgian daily *De Standaard* said the government had plans to develop around 6.3 GW of wind energy capacity (3.5 GW onshore and 2.8 GW offshore) to make up the impending shortfall. However, wind power generation is likely to face political opposition on the grounds that it is expensive and intermittent.

Andrei Konoplyanik from the Gubkin Russian State University of Oil and Gas told *Interfax* in an interview on 4 November that he saw "no practical economic way to respond to a ban on nuclear except by [using] gas." Konoplyanik added that the role of gas in power generation should increase, regardless of further political decisions on the nuclear ban.

Belgium's decision to back away from nuclear power appears to be affordable in both political and real terms, but the French economy would suffer the consequences if it made the same decision, the head of French utility EDF said at a seminar on Tuesday. Henri Proglio estimated electricity prices would double if the country switched to a half-gas, half-renewable energy mix.

Proglio added that France would need to invest around \$550 billion to adapt its power infrastructure in the event of a nuclear exit, and that gas imports would cost the country between \$13.6 and \$16.4 billion a year. ■

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## COMPANIES &amp; FINANCE | GERMANY

## E.On returns to profit aided by upstream gas revenue

Josh Posaner

DUSSELDORF-BASED E.On announced its financial results for the first nine months of the year on Wednesday, revealing a return to profit helped by an increase in revenue from the company's upstream programme.

Higher gas prices increased revenue at the upstream level by 22% to €600 million (\$816 million) E.On said. Its Russia unit also grew its earnings by 39% to \$544 million, owing mainly to an increase in power generating capacity.

The company said it is aiming

for full-year earnings before interest, taxes, depreciation and amortisation, (EBITDA) of between \$12.3 billion and \$13.3 billion.

However, EBITDA is down 39% with E.On attributing this to three factors. First, the early shutdown of nuclear power stations in Germany and the subsequent nuclear fuel tax piling operational costs on existing facilities reduced total earnings by \$3.1 billion.

Secondly, continued margin pressure reduced earnings in E.On's gas wholesale business by

roughly \$1 billion. Finally, higher procurement costs in the company's UK retail business and the sale of Central Networks reduced earnings by a further \$680 million.

This year saw E.On record its first ever loss in the second quarter, which the company blamed on low gas and power prices. Despite the news, shareholders will receive a \$1.3 dividend per share for the 2011 financial year.

Results come just a day after E.On's Chairman Johannes Teyssen attended the opening of the 55

billion cubic metre Nord Stream natural gas pipeline in Lubmin, in which the company owns a 15.5% stake.

Despite being one of the world's largest utilities, E.On has not yet managed to diversify away from the European market. A bid to take a 21% stake in Portuguese power company EDP, being sold as part of a state fund-raising operation, may yet give E.On access to the coveted Brazilian market. ■

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