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Article

"Liquefied natural gas will have to play a larger role in the future": Six questions to Franziska Holz

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SIX QUESTIONS TO FRANZISKA HOLZ

»Liquefied natural gas will have to play a larger role in the future«

1. Dr. Holz, what's the link between the earthquakes that have occurred in the Netherlands and natural gas production? In the past two or three years, the Netherlands has experienced a very high number of increasingly powerful earthquakes which have also had an impact on property. People are concerned that these earthquakes are triggered by Dutch natural gas extraction destabilizing geological structures
2. What has the Dutch government done to address the situation? In the last couple of years, the Dutch government has decided to intervene in the short term and cap production, particularly at the Groningen gas field. Compared to previous forecasts and production plans adopted a few years ago, quarterly production capacity at the Groningen field especially has been cut substantially in the hope of reducing the number of earthquakes.
3. How significant is the Groningen field for Dutch natural gas production? Groningen is by far the largest natural gas field in the Netherlands and is particularly important for exports, which, on average, account for around 50 percent of total Dutch annual production. Groningen has the ability to ramp production up or down, making it a very flexible supplier and allowing it to act as a form of storage facility, not only for the Netherlands but also for the rest of Europe. Particularly in winter when there is very high demand for natural gas, the Groningen field supplies a very large volume.
4. How much does the government plan to cut output by? In 2013, annual production at the Groningen field peaked at over 50 billion cubic meters while total Dutch output at the time was around 80 billion cubic meters.
5. What does this reduction in output mean for European natural gas supply? The Netherlands' neighbors Germany, Belgium, France, and the UK, will all have to compensate for the cutback in Dutch natural gas supply. However, these countries all have access to a diverse range of natural gas sources and can offset the loss with relative ease. Many of them have liquefied natural gas, or LNG, capacity and can also import more LNG. Germany, for instance, could import additional natural gas from Norway as well as from sources further afield, including Russia. The price effect would be relatively small. We have calculated that an average price increase of around one percent is to be expected for both the Netherlands' individual neighboring countries and Europe as a whole.
6. European importers have also invested in gas pipelines which may not be used to full capacity in future. What problems does this cause? The Netherlands produce what is known as L-gas or low-calorific gas, while all other natural gas suppliers provide H-gas or high-calorific gas. This means that because of our dependency on Dutch natural gas, we have developed a gas network specifically tailored to the supply of low-caloric gas. This applies to Germany, Belgium, and France and, of course, also to the Netherlands itself. In the next ten to 15 years, we will have to gradually convert this low-caloric gas network since we will need to reduce our imports from the Netherlands. This transition to a high-calorific gas network has been in the pipeline for some time and is well underway in Germany.

We are now talking about maximum annual production of approximately 30 billion cubic meters for 2015. The Dutch authorities have forecast a relatively rapid reduction to considerably less than 20 billion cubic meters over the coming years.

Interview by Erich Wittenberg



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