

Unconventional gas in Europe

Frack to the future

Extracting Europe's shale gas and oil will be a slow and difficult business

SHALE gas and oil are propelling America to energy self-sufficiency and giving its economy a handy boost. Europe's shale-gas deposits are said almost to match those across the Atlantic (see map). Will the old continent soon enjoy the same benefits?

The mismatch between the hope and reality for European shale gas was neatly summarised by a deal sealed on January 24th that will allow Shell to probe Ukraine for unconventional gas. Ukrainian politicians talked of a \$10 billion investment. Shell took a more cautious line. The firm certainly hopes to find plenty of gas in eastern Ukraine. But it will first do some seismic testing and sink 15 test wells. If the results are disappointing it could, like ExxonMobil in Poland, walk away.

It is too early to tell whether Europe's shale beds will really prove as bountiful as America's. Only a handful of test wells have been sunk. Exxon may have quit Poland, the country where exploration has gone furthest, but other firms are having more joy. Determining which countries might enjoy a bonanza of cheap gas is highly speculative, a recent report by Deutsche Bank points out: many things are in flux, including extraction technologies and production rates.

Adding to the guesswork is a host of problems "above ground", particularly in western Europe. With the exception of Britain, which recently lifted a moratorium on test drilling, progress is slow. The French are implacably opposed to shale gas. French environmentalists have taken a

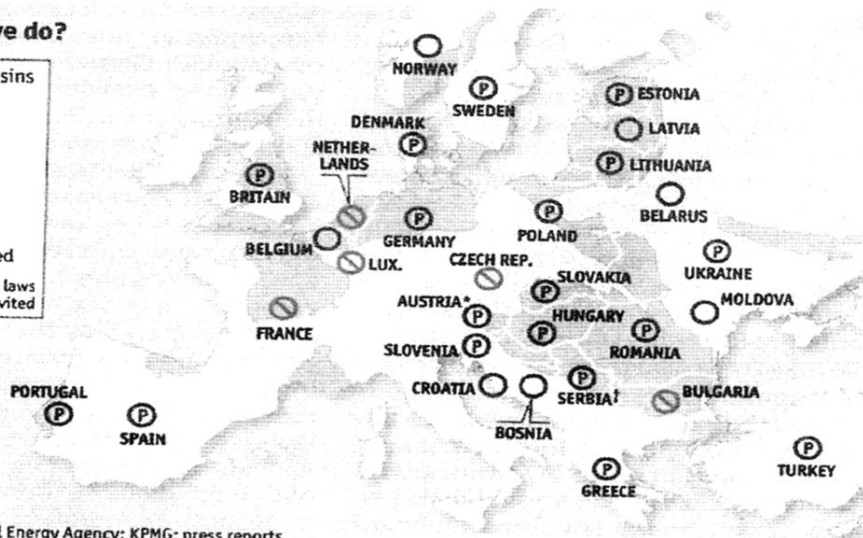
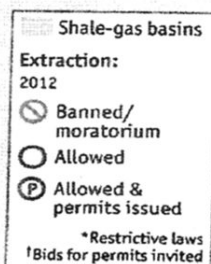
particular dislike to "fracking", the technique for releasing gas from rock beds that uses a cocktail of chemicals, sand and high-pressure water. François Hollande, France's president, has promised that a fracking ban, imposed by his predecessor, would last for his entire five-year term.

The Netherlands and Luxembourg have also suspended drilling for shale gas. Attempts to do the same in Germany were defeated in parliament in December. But North Rhine-Westphalia, the country's most promising region for shale gas, suspended fracking last September pending research on the risks involved. In Austria the cost of complying with environmental regulations makes shale gas uneconomic.

Farther east, public disapproval is not as fierce, although the Czech Republic recently introduced a moratorium, Bulgaria has one in place and Romania only recently lifted its ban. Shale gas offers the promise of jobs and revenues. Even more important, it could mitigate the heavy reliance on gas imports from Russia. Indeed, the country signalled its disapproval—and boosted its reputation as an energy bully—as soon as the deal between Shell and Ukraine was signed. It sent its neighbour a bill for \$7 billion for unused gas, arguing that Ukraine is contractually obliged to pay for it.

Oil companies will send people and equipment where the ride is easiest and the deals are tastiest, which explains why drilling rigs are scarce in Europe. Nearly 1,200 of them scoot around America's shale beds; in Poland they number only half a dozen. But even if the welcome mat is rolled out now, it will be a long time before Europe can catch up with America. It may take five years to assess whether shale gas exists in commercial quantities, another five before production starts and then a few more before shale could provide a significant addition to supplies: in short, a fracking long time. ■

What shale we do?



Sources: International Energy Agency; KPMG; press reports

A L'ATTENTION DES CANDIDATS

- Ne pas écrire sur le texte, ne pas surligner ou souligner
- Rendre l'article à l'examineur avant de quitter la salle