



Europe

# OMV CEO: Europe Must Accept Shale Gas; Roiss Warns That Energy-Reliant Firms Could Migrate to the U.S., Where 'Fracking' Keeps Prices Down

By Nicole Lundeen 1,540 words

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The Wall Street Journal Online WSJO

English

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VIENNA—While Europeans worry about the potentially negative environmental aspects of exploiting shale gas, Gerhard Roiss, chief executive of Austrian oil and gas company OMV AG, has a simple message: Shale gas is a necessary part of a sustainable European energy mix.

Not to embrace shale gas risks the future competitiveness of European industry, he says.

European Union agencies "should start this communication campaign to show the impact for Europe if we don't go into shale gas."

Without such a move, he says, energy-intensive industries, such as the petrochemical industry, may soon begin to leave Europe for the U.S. because of the abundance of cheap energy there.

"Nowadays the price for gas in the U.S. is one-third or a quarter compared with [prices in] Europe. Industry is asking, 'where do I invest tomorrow?'

"This is a big impact and it's happening now," he says, adding that "this isn't seen by the people here who are opposed to it [shale gas exploration]."

"This isn't seen today. But when it is, it will be too late."

The irony, Mr. Roiss says, is that, while exploitation of shale gas using hydraulic fracturing, or "fracking", is widely opposed in Europe, an energy shortage has resulted in the importation of coal—a much more polluting fossil fuel—from the U.S.

"When it comes to shale gas, there's a huge campaign against it. When it comes to coal, which has twice the CO2 emissions, you don't hear about it," he says, adding with a laugh, "there must be a strong lobby for coal in Europe."

Burning more coal for energy is an environmentally retrograde step, he says. Part of the problem is that politicians put short-term popularity from backing popular campaigns ahead of working out a long-term energy policy. "We now import coal because politicians aren't able to handle the shale gas issue," Mr. Roiss says.

His criticism of politicians comes from the unusual standpoint, for the CEO of an Austrian company partially owned by the state, of political independence. He is the first CEO at OMV not to be a member of a political party, rare in a country that prides itself on its "proporz" [proportional representation] system to fill semi-public and public jobs, ensuring that members of the two main political parties evenly split positions in the country.

To those who think that keeping shale gas exploitation out of Europe is environmentally sensible, Mr. Roiss has a stark rejoinder: "We need shale gas because today's situation is worse," he says, referring to the coal imports.

The U.S. shale-gas boom is helping to reshape the world's energy structure and has the potential to replace coal in electricity generation. U.S. shale-gas production increased from 425 million cubic meters a day in 2010 to 700 million cubic meters a day this year, according to the Organization of the Petroleum Exporting Countries' 2012 World Oil Outlook. The International Energy Agency has called the impact of shale-gas

energy in the U.S. "profound," adding that the resource would help make the U.S. energy self-sufficient in net terms by 2035. Currently, it imports about 20% of its primary energy needs, the IEA says.

The situation in Europe could hardly be more of a contrast. In the EU, regulatory jurisdiction is at the level of the 27 national member states. Among these, France and Bulgaria have banned fracking altogether, while other countries have raised environmental bars so high as to prohibit development.

This is effectively what happened in Mr. Roiss's back yard, when OMV sought to conduct experimental fracking in a region in Austria known as the Weinviertel, or wine region, after its expanses of vineyards.

The energy giant came up against hefty regional opposition. Locals opposed the idea, worried about the effects on both the environment and the area's economy, which is based around farming, with a growing eco-tourism sector.

"Even if it were proven that the drilling had no effect on the wine, who wants to buy wine out of a gas field?" says Sabine Randl, a member of the grass roots opposition group Weinviertel statt Gasviertel, or "Wine Region instead of Gas Region."

Environmentalists are concerned about not only the use of chemicals in the fracking process and their possible effect on ground water, but are also concerned about the amount of water needed. There have also been concerns about fracking triggering earth tremors and contamination of areas around the drilling sites.

Opposition to fracking in the Weinviertel became so strong that politicians pushed through a bill in parliament to now require an extensive environmental impact study before giving a new fracking project the go ahead. Before the bill such studies weren't always required.

"These studies are very strict, which means that fracking won't happen, at least not in Lower Austria [where the region is located]," said Irmgard Poschacher, a spokeswoman for the Ministry of Environment. OMV decided to bow to pressure and canceled plans to carry out the test drilling.

Currently, therefore, while fracking is—at least on paper—allowed in Austria, the costs and difficulties in obtaining the relevant permissions make it impossible in practical terms.

An irony of the Weinviertel story is that OMV had wanted to drill in the area to test a new form of "clean fracking," which, unlike conventional fracking with its chemical additives, would use little or no chemicals.

For Mr. Roiss drilling in Austria is now a closed topic.

He points to the widely differing and stricter environmental standards among European countries compared with the unified regulatory system in the U.S. What is needed, Mr. Roiss says, is the creation of a

Europe-wide policy and industry standards, something that the EU could put in place. Europe, he says, needs to pool know-how, and use test markets, perhaps in Poland or the U.K.—EU countries where fracking is already taking place—to develop European standards that would allow companies to pursue not only commercially viable projects, but also environmentally responsible ones.

At the moment, he says, people aren't even allowing companies to develop methods to prove fracking can be done in an environmentally responsible way.

Mr. Roiss says he is in discussions with the European Commission, the EU's executive arm, to create a European strategy. This may well be a long slog, but Mr. Roiss, an avid marathon runner in his spare time, is undeterred.

For now, OMV, which in 2011 saw sales of €34 billion ($43.3 billion) and employs almost 30,000 people, is concentrating on exploring and developing new gas supplies in the areas close to its main markets in Europe and Turkey. In February, the company announced a potentially large gas discovery in the Black Sea, where it is conducting seismic studies which Mr. Roiss hopes will someday mean a new source of gas for Europe.

"Shale gas is important, but we have also the issue of Nabucco [a proposed pipeline to bring gas from the Caspian Sea region to Europe in which OMV has a stake], the issue of TANAP [the Trans Anatolian Natural Gas Pipeline Project which will bring Caspian Sea gas to Turkey's western border], the issue of Azeri gas, Iraqi gas, the North Sea, the Black Sea."

Away from arguments over shale-gas fracking or the geopolitics of gas exploration and development, Mr. Roiss is an enthusiastic supporter of corporate social responsibility. When talking, for example, about the possibilities for gas's ability to improve the standard of living in places such as Northern Iraq, his face lights up.

"My strong opinion is that, as managers of big companies, we have to be aware that we have a responsibility, a growing responsibility besides our direct business, besides our balance sheet," he says. In the future,

society will have to rely increasingly on cooperation between businesses and government to fulfill social needs, he says, especially in areas such as reducing youth unemployment.

To give an example, he describes a project in Pakistan where OMV is running schools for 3,000 children and points to his speech at last year's OPEC conference where he said oil and gas companies needed to care more about youth employment in the regions where they did business.

In a traditionally hard-edged business, Mr. Roiss's social concern has won him approval in some unlikely places. Even anti-fracking activist Ms. Randl admits to being an admirer.

Résumé Age: 60

Nationality: Austrian

Place of birth: Linz, Upper Austria Based: Vienna, Austria

Position: Chief executive of OMV AG Time in job: CEO since April 1, 2011 Previous Positions:

2002–2011: Deputy CEO of OMV, with responsibilities for refining and marketing, including petrochemicals 2000-2002: Responsible for exploration and production at OMV

1997: Appointed to the Executive Board of the OMV Group, with responsibility for plastics and chemicals 1990: Joined OMV, head of marketing

Education: Studied Business/Economics at the universities of Vienna, Linz and Stanford Document WSJO000020121119e8bj0008d



# OMV's Huijskes: Industry Must Show Shale Gas Drilling Can Be Safe

By Nicole Lundeen 323 words

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Dow Jones Global News Select DJON

English

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LOEBEN, Austria--The gas industry needs to prove that drilling for alternative sources of natural gas can be done safely and environmentally responsibly, the head of exploration and production at Austria's oil and gas company OMV AG (OMV.VI) said Wednesday.

"I fully accept the challenge to the industry to prove that we can explore for shale gas safely and environmentally responsibly. Clearly that's our duty," Jaap Huijskes said at a raw materials conference in the town of Loeben, central Austria.

However, the public must to at least entertain the idea of looking for shale gas--an alternative source of natural gas, he said. "What we need is simply acceptance that this is a part of the [energy] supply that we want to entertain in Europe and that goes for Austria, it goes for France, it goes for Germany--in essence, it goes for all of Europe," Mr. Huijskes said.

OMV said Tuesday it would halt a project to drill for shale gas in northern Austria using a controversial drilling method known as fracking after a law was introduced requiring an environmental impact assessment for each shale-gas well.

Despite this, shale gas hasn't been completely removed from OMV's agenda. "Shale gas isn't going anywhere. It will still be there a couple years from now," he said.

Mr. Huijskes also remains confident that the proposed pipeline Nabucco West will be built, but that he expects its shape to change. Nabucco West--a shortened version of the originally proposed Nabucco pipeline--would transport gas from the Caspian region to Europe, helping to reduce the continent's reliance on Russian energy. OMV is a partner in the consortium behind the Nabucco project.

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# OMV abandons Austrian shale gas plans

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Reuters News LBA

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VIENNA, Sept 17 (Reuters) - Austrian energy group OMV

has abandoned plans to produce shale gas in Austria because the hoops it would have to jump through to address environmental concerns made the project economically unviable, it said on Monday.

Shale gas is trapped in rocks and requires "fracking" to unlock - a drilling method that involves pumping pressurised water, chemicals and sand underground and is criticised by many environmentalists, who say it can pollute water supplies.

Energy groups are keen to explore the prospects of a new type of gas reserve in the centre of Europe, where conventional supplies are dwindling, following a boom in U.S. shale-gas production that has freed the country from gas imports.

But OMV said the introduction of a law in Austria that obliges companies to have a detailed environmental inspection before each planned project meant it was not worth its while.

"In this context, the project is economically not viable," OMV's head of exploration and production in Austria, Christopher Veit, told Austrian ORF radio.

OMV had said last December it planned to spend up to 130 million euros ($171 million) plus development costs to search for shale gas in Austria, but only if environmental issues could be resolved.

Like all exploration projects, the chances of its panning out were slight, it said at the time, but success could have covered Austrian demand of 8 billion cubic metres for two or three decades, it estimated.

Oil majors and small exploration companies have flocked to exploit what are estimated to be vast reserves of unconventional gas in Poland.

Austria, Hungary and the Czech Republic are seen as having some potential but not on the scale of Poland, and not enough to justify huge regulatory hurdles. Shale exploration is on hold in the Czech Republic due to environmental concerns.

An OMV spokesman said the decision would not affect any potential future plans to explore share gas elsewhere. ($1 = 0.7606 euros)

(Reporting by Georgina Prodhan and Angelika Gruber; additional reporting by Michael Shields, and Michael Kahn in Prague; editing by James Jukwey)

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