Energising the TTIP
Political economy of the trade policy rational

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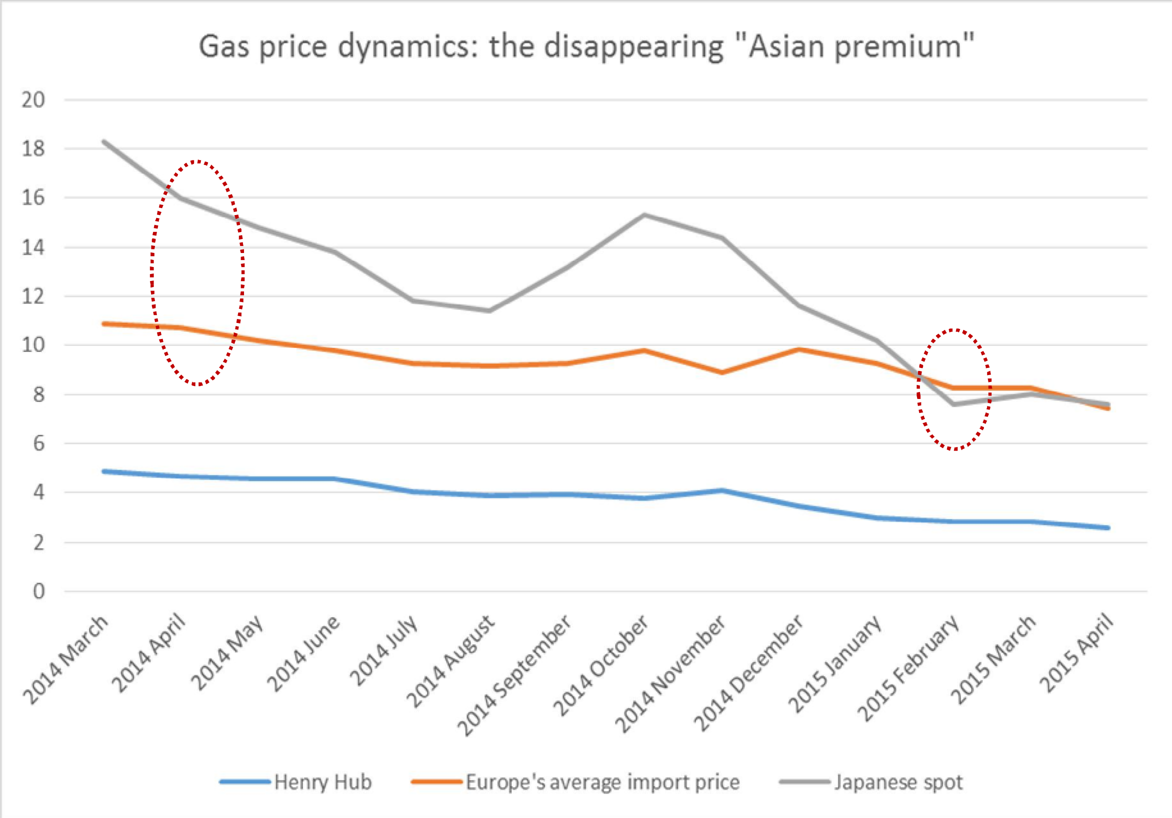
Summary

- Fuels account for some 15% of global trade but yet no global framework
- US shale gas revolution, interconnectedness of energy markets (oil and gas) and EU quest to diversify its gas (energy) supplies set favourable conditions to reinforce energy co-operation (regulation) between U.S. and EU.
- Is there enough political will to tighten relations in a strategic sphere with connotations for national security and sovereignty (and vested interests)?

Figure 3. Regional natural gas prices



Source: Japan's Ministry of Economy, Trade and Industry (METI), World Bank, EIA

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Natural gas/LNG

- Fundamentals allow for possible LNG flows between U.S. and EU (despite swings)
- LNG flows will be directed by commercial logic
- TTIP agreement sends signal to main players and project investors that there is political will to ease LNG flows (if commercially viable)

US:

- Export terminals and legislation providing clarity about expected or maximum export capacity

EU:

- Interconnectivity of Europe's internal energy market, especially regasification capacity in north-east and south-east Europe

Security of gas supply concerns will recede !

Beyond 2015 – convergence ?

- U.S. oil export ban
- Biofuels
- EU Fuel Quality Directive