



**Brussels, 29 June 2017
(OR. en)**

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REV 1**

ENER 301

'I' ITEM NOTE

From: General Secretariat of the Council
To: Permanent Representatives Committee (Part 1)

Subject: EU-Japan Memorandum of Cooperation on the global LNG market
- Establishment of the EU position
- Decision to make use of the written procedure

1. On 12 May 2017, the Commission gave a detailed presentation to the Energy Working Party regarding the preparations of the above-mentioned Memorandum.
2. At its meeting on 20 June, the Energy Working Party reviewed an advance draft text of the Memorandum.
3. On 28 June the Commission transmitted to the Council the formal draft of the EU-Japan Memorandum of Cooperation on the global LNG market as fully agreed between the Parties. Subsequently, in response to comments made by delegations in the Working Party meeting on 20 June and in the Coreper meeting of 28 June, and as agreed at the latter meeting, the draft text of the Memorandum was slightly amended.
4. It is envisaged that the Memorandum will be signed on 11 July by the Ministry of Trade, Economy and Industry of Japan and the Commission on behalf of the European Union.
5. The draft text of the Memorandum is found in the Annex to this note.

6. In view of the above and the fact that the next Council meeting is held only on 10 July, the Permanent Representatives Committee (Part 1) is invited:

- to approve the position of the European Union as set out in the draft memorandum contained in the Annex to this note and to suggest to the Council to confirm this approval, and
- to decide to make use of the written procedure for the Council approval set out in the preceding indent.

**Memorandum of Cooperation
between the European Commission, on behalf of the European Union, and
the Ministry of Economy, Trade and Industry of Japan
on**

**Promoting and Establishing a Liquid, Flexible and Transparent
Global Liquefied Natural Gas Market**

**in the context of enhancing the EU – Japan cooperation on
secure and sustainable energy**

The European Commission (“EC”) and the Ministry of Economy, Trade and Industry of Japan, hereafter referred to as the "Participants".

CONSIDERING

- the ongoing dialogue and cooperation between the Participants on energy issues of shared interest, in the frame of the EU – Japan strategic partnership, welcomed by and strengthened following the EU – Japan Summit on 29 May 2015; and
- the ongoing cooperation on energy between the Participants in the frame of international and multilateral fora and institutions, in particular the International Energy Agency, the International Renewable Energy Agency (IRENA), the G7 and the G20;

UNDERLINING

- the challenges that the Participants face in terms of ensuring a secure, clean, affordable and reliable energy supply for all, as required for sustainable economic growth, and in terms of mitigating climate change; and
- the importance of working jointly to successfully meet these challenges;

RECALLING

- the shared ambition between the Participants to bring about a transition to a sustainable, secure and competitive energy system;
- the continued commitment of the EU and Japan to fully implement the Paris Agreement, as confirmed through the Marrakech Action Proclamation (COP22); and
- the shared conviction that energy cooperation between the Participants, complimentary to and contributing to multi-lateral and international cooperation efforts, will enhance meeting the above mentioned ambition and commitment;

ACKNOWLEDGING

- the paramount importance of increasing energy efficiency and deploying renewable and clean energy production for securing energy supplies to ensure economic growth with reduced GHG emissions;
- the role that natural gas and liquefied natural gas ("LNG") can play in the energy transition, in particular through mitigating climate change when replacing other polluting fossil fuels and through providing flexible back-up to variable renewable energy production; and
- the growing importance of LNG for enhancing energy security at affordable prices for all market participants;

RECOGNIZING

- that the world's LNG demand has been increasing and is expected to grow rapidly and that the number of LNG exporting and importing countries will increase as well;
- that the large amount of additional LNG exports from current and new suppliers is likely to change the physical flows of LNG trades world-wide and integrate European, North American and Asian natural gas markets;
- that, in addition to long term contracts, spot transactions and short-term contracts have become increasingly common in line with the development of the global LNG market and are expected to be more important for assuring flexible transactions as well as emergency responses, resulting in stronger needs for a transparent, liquid and efficient LNG market; and
- that the possible contribution of natural gas and LNG to the reduction of greenhouse gas emissions will be enhanced through minimising methane emissions along the natural gas and LNG value chain;

NOTING

- that a liquid, flexible and transparent LNG market is beneficial to both importing and exporting countries;
- that a fruitful producer-consumer dialogue is essential to the effective development of a truly liquid global LNG market and to the role that such a market can play in addressing global energy security and sustainability concerns; and
- the importance of effective competition, and compliance with competition rules, for the development of a liquid, flexible and transparent global LNG market;

Intend to cooperate as set out below:

1. Objective

This Memorandum of Cooperation aims at supporting and strengthening the cooperation between the Participants to establish a liquid, flexible and transparent global LNG market.

To this end, the Participants intend to initiate joint activities under this Memorandum of Cooperation, which, in a cooperative spirit, should be open to participation by LNG producers and other LNG consumers.

The joint activities initiated through this Memorandum of Cooperation should be realised in the frame of continued and enhanced broad energy cooperation between the Participants, focusing on jointly identified areas of cooperation, provided for in Section 2. below, and including exchanges on energy security, global energy trade and investment, the functioning of global and domestic energy markets, clean and renewable energy, energy efficiency and energy related technologies.

2. Areas and forms of cooperation to promote a liquid, flexible and transparent global LNG market

The Participants intend to cooperate in establishing a liquid, flexible and transparent global LNG market, in particular through

- a. accelerating efforts in facilitating more flexible LNG contracts in terms of destination – aiming at avoiding related restrictions – and of re-selling, duration, price setting and review;
- b. exchanging experiences and exploring possibilities of cooperation in establishing reliable LNG spot price indices, reflecting the true LNG demand and supply, and in promoting physical and LNG-based financial trade;
- c. exchanging information and exploring possible cooperation, in line with the activities of the International Energy Agency, on analyses and possible joint measures against unexpected market disruptions and other matters related to emergency response and security of gas supply;

- d. exchanging information and practices between the Participants on policies and common positions related to natural gas and LNG such as LNG procurement, supply diversification, market deregulation, trading hubs and promotion of open gas infrastructure including LNG regasification terminals, underground gas storage and transmission pipelines;
- e. exchanging information and exploring possible cooperation on technologies that can be important for enhancing the liquidity of the global LNG market, such as small scale LNG, technologies to reduce liquefaction costs and advanced technologies for the use of LNG power trains in road and maritime transport;
- f. enhancing cooperation to engage other importing countries and, in particular, exporting countries in joining efforts to establish a liquid, flexible and transparent global LNG market, and also enabling necessary upstream investment;
- g. enhancing co-operation and close co-ordination in international fora and organisations in the area of energy and LNG in particular, such as the International Energy Agency, the G7 and the G20; and
- h. supporting international efforts addressing environmental and social impacts across the whole LNG value chain, including through minimising fugitive methane emissions;

3. EU – Japan Energy Dialogue

The cooperation in the areas provided for in Section 2 above should be regularly reviewed and discussed, notably through the EU – Japan energy dialogue meetings.

4. Miscellaneous

- a. This Memorandum of Cooperation does not create any legal, contractual or financial rights or obligations for the Participants.
- b. This Memorandum of Cooperation should commence on the day after it has been signed by both Participants and continue for an initial ten (10) years.
- c. This Memorandum of Cooperation may be terminated at any time by either Participant by providing three (3) months written notice in advance.
- d. This Memorandum of Cooperation may be modified at any time with the mutual written consent of the Participants.

For the Ministry of Economy, Trade
and Industry of Japan

For the European Commission,
on behalf of the European Union,

(Hiroshige Seko)

**MINISTER OF ECONOMY,
TRADE AND INDUSTRY OF
JAPAN**

(Miguel Arias Cañete)

**MEMBER OF THE EUROPEAN
COMMISSION
COMMISSIONER FOR CLIMATE
ACTION AND ENERGY**

Brussels, 11 July 2017.
