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**Our reference**

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Re: Gradual phasing-out of GasTerra

Dear President,

On 10 September 2019 I informed your Chamber that, from mid-2022, it would be possible for gas extraction in Groningen in an average year to be zero (Parliamentary Papers 33529, no. 678). In view of these developments, dismantling the Dutch 'Gasgebouw' (gas market structure) is unavoidable. In this letter I will be examining how GasTerra, the sales office for Groningen gas, will be wound down. I have been involved in consultations with the other shareholders, Shell, ExxonMobil and EBN since October 2018 as a result of the Outline Agreement of 25 June 2018 (Parliamentary Papers 33529, no. 493).

There have also been regular meetings with GasTerra's management team.

As promised in the general consultations of 12 September 2019, this letter is to provide you with more information about GasTerra's future. GasTerra is a trading company, based in Groningen, with around 150 employees. GasTerra is a private limited liability company, its shareholders being the Dutch State 50% (the Ministry of Economic Affairs and Climate holding 10% and Energie Beheer Nederland (EBN) holding 40%), Shell 25% and ExxonMobil 25%. The core activity of this public-private cooperation, as laid down in the Cooperation Agreement dating from 1963, is the sale by GasTerra of the Groningen gas produced by NAM. GasTerra's role is also enshrined in law in article 54 of the Dutch Gas Act.

GasTerra's core activity as the sales office for Groningen gas will no longer exist if gas extraction from the Groningen field is phased out at an accelerated pace followed by almost complete cessation in 2022. The shareholders' preferred scenario is to phase out GasTerra's operations gradually within the foreseeable future. In the General Meeting of Shareholders on 4 October 2019, the shareholders asked the management to set up a draft phasing-out plan for that purpose. The shareholders also require this plan to be designed with the greatest care, taking account of the company's employees.

*Draft phasing-out plan*

The shareholders have asked GasTerra's management to prepare the draft phasing-out plan taking the following points, as a minimum, into account:

- Redundancy scheme: scaling back GasTerra's activities will have a huge impact on all its employees. The shareholders ask the management to prepare a draft phasing-out plan that enables, for the next few years, the retention of employees who will be necessary for performance of the activities. Part of the redundancy scheme is an incentive and assistance package aimed at assisting employees towards appropriate future roles.

- Minimising the extraction of Groningen gas: when assessing GasTerra's future, the role of this organisation in phasing out Groningen production has been scrutinised. GasTerra will fulfil an important role in minimising gas extraction from the Groningen field at least until the nitrogen plant at Zuidbroek is brought into operation in 2022.

GasTerra will also play an important part in ensuring that the level of gas extracted does not exceed 12 billion Nm<sub>3</sub> during the current gas year 2019/20. In particular, this means using Norg gas storage facility. The basic principle is that this role remains guaranteed at all times.

- Phasing out activities carefully: phasing out the company's activities gradually is desirable.

GasTerra performs several different activities: these include, among other things, purchasing gas from the small fields, managing long-term sales contracts and marketing the Groningen gas.

Phasing out activities is a complex process that will take a number of years. The guiding principle here is that the company can meet all its long-term obligations. If, even after implementation of the joint phasing-out plan, there are still some obligations that cannot be completed in time, we will, over the next few years, in consultation with the management, determine how these will be carried out.

#### *Small fields duty*

GasTerra will continue to fulfil its statutory duties during the phasing-out process; this concerns not only the duty mentioned above pursuant to article 54 of the Dutch Gas Act, but also the duty to offer market rates to small fields producers if asked to do so. I will consider the extent to which these statutory duties are still necessary in the future and, if they are, whether they can be covered elsewhere.

#### *Conclusion*

Stopping gas production from Groningen means the end of the public-private cooperation in GasTerra, the heart of the Dutch 'Gasgebouw'. Together with the other shareholders, I believe it is essential to wind the company down in a responsible manner taking account of the interests of the employees. In spring I will give your Chamber more information on the next steps to be taken.

Eric Wiebes

Minister for Economic Affairs and Climate