

WTO Forum

Expanding Trade through Innovation and the Digital Economy



“You can’t stop progress:

**Innovation, the digital economy and
risk with trade in international services”**

To frack or not to frack, is it a trade question?

Geneva, October 2, 2013, Room D

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Overview

- The trouble with fracking
 - Environmental impacts
 - Poor economics
- NAFTA & Lone Pine Resources Inc. vs. Canada
- Transatlantic Trade & Investment Partnership (TTIP)
- Concluding remarks

Concerns about fracking

- Climate impacts
- Water consumption
- Water contamination
- Air quality
- Chemicals use
- Land use
- Noise
- Seismic risks
- Social impacts (e.g. traffic)





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Economics of fracking

- Large-scale extraction 10 years away
 - No service sector
 - Poor geological knowledge about shale
- High costs + ‘drilling treadmill’
- No impact on gas prices
- Limited impact on energy dependence:
 - Indigenous conventional supplies in decline
- Economic viability in question

Right to say 'no' to fracking

- Bans: France, Bulgaria, 3 Spanish regions
 - In Germany, proposal to ban in sensitive areas
- Moratoria: Netherlands, Czech Republic
- Delay: Ireland, South Africa
- Revoke licences: German Lander,
- New environmental rules: Australia, EU



Link with FTA?

- Direct & indirect expropriation
- Fair & equitable treatment of foreign investors
- Investor-state dispute settlement process
 - Instead of using local courts
- Increased pressure to export LNG

Alarming case in Canada

- Lone Pine Resources Inc. vs. Canada
- Quebec moratorium:
 - “arbitrary, capricious, and illegal revocation of [its] valuable right to mine for oil and gas”
 - “with no cognizable public purpose”
 - Demand US \$ 250 million in damages

Cause for alarm in EU

Chevron VP makes explicit link between shale gas & TTIP (May 2013 – letter to USTR)

“Chevron acquired exploration acreage in Eastern Europe offering prospects for production of of natural gas located in deep shale beds”

“A strong investment protection regime within TTIP would allow us [...] to better mitigate the risks associated with large-scale, capital-intensive and long-term projects overseas”

“Investments, such as developing shale gas and tight resources in the [US] and Europe, involve long-term commitments and substantial private capital.”

<http://www.regulations.gov/#!documentDetail;D=USTR-2013-0019-0054>

Concluding remarks

- Regulatory standards should be set through the democratic process.
 - e.g. banning fracking
 - e.g. what are ‘necessary’ environmental rules?
- Important to keep ‘policy space’ for planning low-carbon transition
 - Not getting locked into shale gas
 - Govs should be able to respond to newly emerging evidence about the impacts of fracking

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