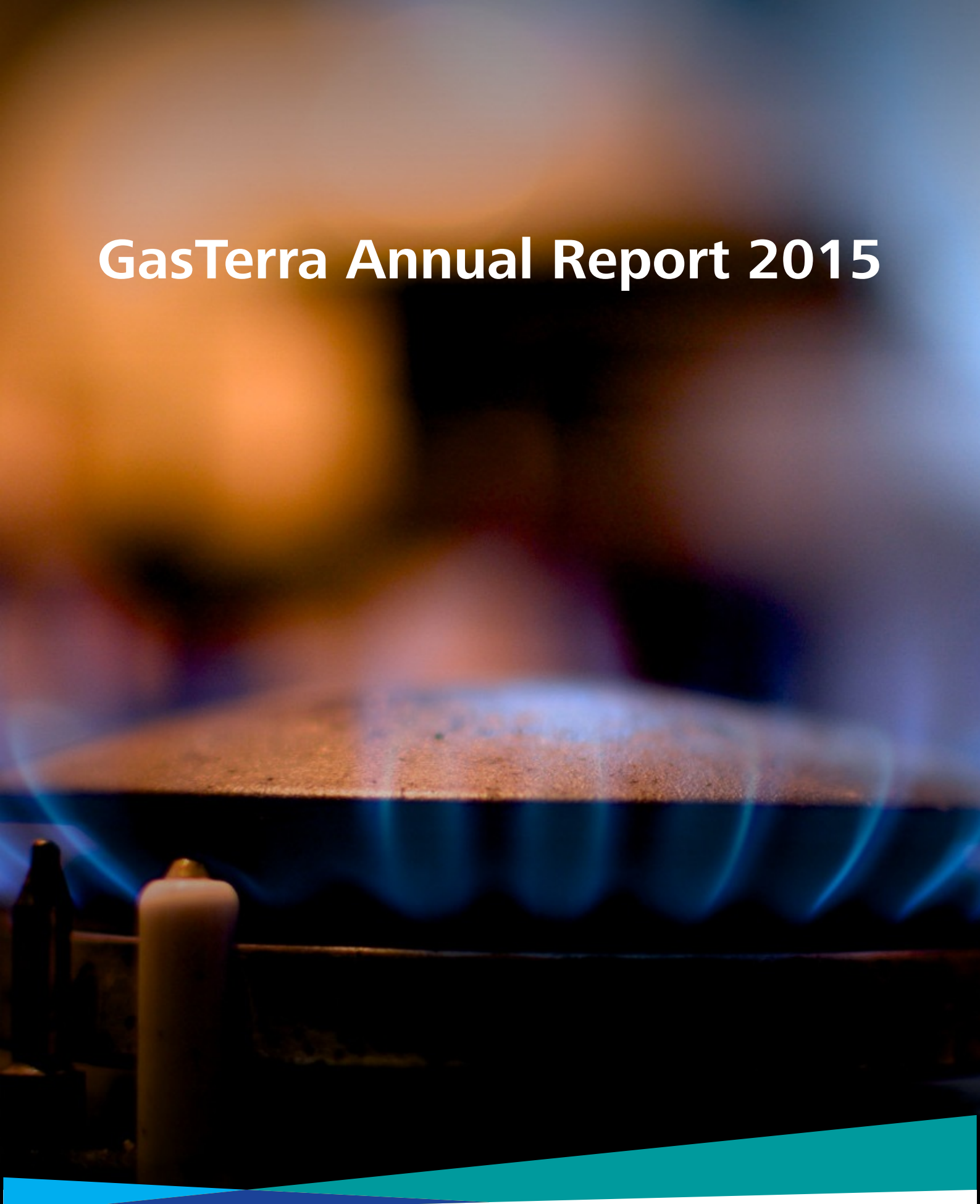


GasTerra Annual Report 2015



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GasTerra

Foreword

New realities

The energy sector is probably facing the biggest challenge it has ever had to face. The world has definitely started out on a new path with the COP 21 Climate Conference that was held in Paris in 2015. The fact that all EU Member States have committed themselves to the two degrees target is a real breakthrough but, in order to achieve that target, we have to curb the rise in temperature and therefore the emissions. This means that we share a common responsibility to ensure a smooth transition to a CO₂-neutral energy supply. Gas can make a constructive and effective contribution to this now and in the future. This Annual Report contains various examples of this.

In the Netherlands, the debate about the future of the energy supply has been dominated by the earthquakes caused by gas extraction in Groningen. What also needs to be said about this is that this changes the existing order fundamentally. There is no business as usual in the Dutch gas sector and, in my opinion, never will be again. The earthquakes have had a huge impact. Furthermore, millions of households in the Netherlands, Germany, France and Belgium, who are dependent on natural gas from Groningen to heat their homes, must be able to continue to rely on the gas they use to keep their houses warm. All in all a balancing act will be required to keep the interests of all parties involved in equilibrium.

What do these new realities mean for GasTerra? It was and is our mission to maximise the value of natural gas reserves in the Netherlands. Our strategy therefore remains essentially the same: to sell the gas offered to us at the highest possible price. Since 2014, however, the volume has been tied to an annual production maximum: the Groningen ceiling. An overview of the years 2013–2015 clearly shows how much recent events in the Groningen Gas Field have affected us, the seller of Groningen gas. GasTerra's turnover was substantially higher three years ago than in the year under review. Income fell from €24.3 billion in 2013 to €19.5 billion in 2014 and €14.7 billion in 2015: a downturn of approximately 40%. This decrease is firstly the result of the maximising of production from the Groningen Gas Field and the steadily decreasing production from the small fields but, in addition to that, it is due to low gas prices.

The falling volumes and sales have not left the organisation of GasTerra unscathed. In last year's Annual Report I stated that we were embarking on a process of reorganisation and cost savings. The accompanying organisational changes were completed in the autumn of 2015. The aim is to reduce costs by around 30% by 2018. Fortunately we are able to do this without compulsory redundancies. Still it is inevitable that employees are facing uncertain times. Departments have merged and are becoming smaller and positions have become redundant. Despite this new reality for GasTerra, our staff have worked hard again to achieve the goals that we have set for ourselves at the beginning of the reporting year. In that light they deserve to be complimented warmly for their unwavering motivation and undiminished efforts.

Gertjan Lankhorst,
CEO

About GasTerra

GasTerra B.V. is a trading company operating internationally in natural gas and has its registered office at Stationsweg 1 in Groningen. The company operates on the European energy market and accounts for a significant share of the Dutch gas supply. The company also provides services related to gas trading. GasTerra has more than 50 years of experience in natural gas procurement and sales.

Mission

GasTerra's mission is to maximise the value of Dutch natural gas. We fulfil a public role with regard to the implementation of the Dutch government's Small Fields Policy. This policy aims to promote natural gas production in the smaller gas fields in the Netherlands.

GasTerra translates its mission of maximising value into practice by pursuing four goals:

- Volume: we endeavour to sell the full volume offered to us;
- Price: we endeavour to achieve the going market price with as high a margin as possible;
- Anticipation: we anticipate a changing market, so that we can continue to fulfil our mission of maximising value in the future;
- Costs: we undertake to achieve the right balance between diligent and efficient business practices.

Vision

The economic value and social importance of natural gas underscore GasTerra's significant role in the utilisation of domestic gas reserves and energy supply in the Netherlands and the European Union. GasTerra promotes the safe and efficient use of gas and is active in the development of innovative applications for gas. The company attaches great importance to making the supply of energy sustainable and initiates projects in this area. Gas remains indispensable to this energy transition if we wish to both secure energy supplies and curb CO₂ emission levels. The Netherlands can continue to be a major producer of natural gas for decades to come.

GasTerra seeks to achieve a responsible transition to sustainability, i.e. with a view to both economic and environmental interests. We are guided by the principles of corporate social responsibility (CSR). We have translated the three fundamental principles of CSR – People, Planet, Profit – into our own three target areas – Gas, Green and Groningen – where Gas stands for the operating result, Green stands for our ambition to establish a responsible energy transition, and Groningen stands for the community that we are part of.

A focus on customers, a focus on results and a focus on improvement are GasTerra's three core values. These are the values that our staff adopt as a starting point for all their business dealings, working in conformity with a code of conduct in which integrity and respect serve as guiding principles. The company seeks to build long-lasting business

relationships with market operators and to enter into agreements that reflect the value of natural gas and its associated services.

Strategy

The company implements its mission and vision by capitalising on its position on the European market to the fullest extent possible - specifically in those market segments where demand for natural gas goes hand in hand with demand for supplemental services. This way, use is made of both the volume and the flexibility of gas from Dutch sources. Gas from other sources is procured if it fits into the overall supply and demand portfolio. As a proponent of a free energy market, GasTerra is continuously developing new products and services. In this context, we seek to be a reliable and competitive gas supplier to our customers, aiming to contribute to the strengthening of the position of natural gas within the overall energy mix.

Management information

GasTerra embarked on the GasTerra 2018 reorganisation process in 2014. Its most important aim is to put the organisation into a position where it can continue to maximise the value of Dutch natural gas even in a changing business environment. This project covers a number of themes, including strategy, efficiency, organisation and personnel. Various changes will be implemented in the coming years to achieve this objective.

The first phase of the project has been completed and received a positive recommendation from the works council. The implementation has begun with the 'switch' to a new organisational structure.

CEO



G.J. Lankhorst
Chief Executive Officer

Directors



M.W.J. de Wilde
Director of Finance, Projects
and ICT



R.E. van Rede
Commercial Director



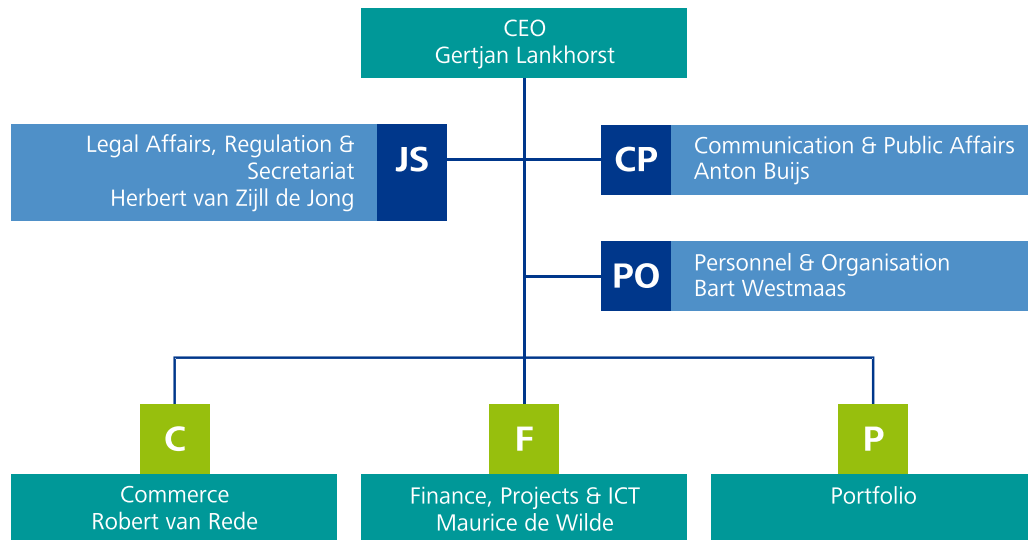
A.E.M. Broenink
Director of Portfolio

* As of 18 January 2016, Mr Broenink stepped down from his position. Mr Lankhorst has taken care of his duties since then.

Heads of Department

A.J.P. Buijs, Communications & Public Affairs Manager

B.A. Westmaas MA, Personnel & Organisation Manager



Message from the Board of Supervisory Directors

Composition of the Board of Supervisory Directors

The Board of Supervisory Directors oversees the policy of the Board of Management and the general business performance at GasTerra. The Board of Supervisory Directors comprises eight members, one of whom is appointed by the Minister of Economic Affairs. The Board appoints a chairperson from among its midst; this appointment has to be approved by the Minister of Economic Affairs.

The Board of Supervisory Directors appoints from among its midst a College of Delegate Supervisory Directors, comprising five members, one of whom is appointed by the Minister of Economic Affairs. The Board may delegate its powers to the College, in so far as this delegation does not infringe the duties and powers of the Board of Supervisory Directors.

The company's Articles of Association lay down that two members of the Board of Supervisory Directors are to step down each year at the General Meeting of Shareholders according to a rotation schedule determined by drawing lots. The members who step down may be re-elected or reappointed immediately. Successive members of the Board of Supervisory Directors take the place of their predecessors on the rotation schedule.

As of 1 November 2015, Mr J.D. Bokhoven resigned from his post as CEO of EBN B.V. He is succeeded as a member of the Board and the College of Delegate Supervisory Directors by Mr T.W. Starink. In addition, Mr D.A. Benschop was succeeded by Ms. J.M.W.E van Loon on 1 January 2016. There has been a vacancy on the Board since 1 June 2013. This vacancy is filled with effect from 15 February 2016 with the appointment of T.W. Langejan, LLM, as a member of the Board of Supervisory Directors.

Name	Term of office	Capacity	Date of appointment
C.W.M. Dessens LLM	Re-electable in 2017	Delegate Supervisory Director	1 January 2006
D.A. Benschop MA (to 1 January 2016)	-	Delegate Supervisory Director	1 May 2011
J.D. Bokhoven MSc (to 1 November 2015)	-	Delegate Supervisory Director	1 November 2007
P. Dekker MSc	Re-electable in 2017	Member of the Board of Supervisory Directors	1 July 2005
M.E.P. Dierikx MA	Re-appointable in 2018	Delegate Supervisory Director	2 July 2011
T.W. Langejan LLM (from 15 February 2016)	Re-electable in 2016	Member of the Board of Supervisory Directors	15 February 2016
J.M.W.E. van Loon MSc (from 1 January 2016)	Re-electable in 2016	Delegate Supervisory Director	1 January 2016
F.A.E. Schittecatte MSc	Re-electable in 2019	Member of the Board of Supervisory Directors	15 February 2014
T.W. Starink MSc (from 1 November 2015)	Re-electable in 2019	Delegate Supervisory Director	1 November 2015
J.M. Van Roost MSc	Re-electable in 2018	Delegate Supervisory Director	1 Juli 2005

Meetings

The Board met twice in the presence of the Board of Management. At one of these meetings all members of the Board were present. At both meetings the Audit Committee was also represented by its chairperson. At the invitation of the Board, the external auditor was present at the meeting, in which the Annual Report and Accounts relating to 2014 were dealt with. One further written procedure took place in lieu of a Board meeting. The College met seven times in the presence of the Board of Management. In addition, six telephone meetings were held and there were three written procedures in lieu of meetings.

Attendance at face-to-face and telephone meetings

	Board of Supervisory Directors	College of Delegate Supervisory Directors	Audit Committee
C.W.M. Dessens LLM	2/2	13/13	
D.A. Benschop MA	2/2	13/13	
J.D. Bokhoven MSc (to 31 October 2015)	1/2	8/13	
P. Dekker MSc	2/2	n/a	
M.E.P. Dierikx MA	1/2	13/13	
T.W. Starink MSc (from 1 November 2015)	1/2	5/13	
F.A.E. Schittecatte MSc	2/2	n/a	
J.M. Van Roost MSc	2/2	13/13	
A.J. Boekelman MA			3/4
T.P.K. Huysinga			4/4
A.J. van der Linden			4/4
B.E. Westgren MA			4/4

* The first number shows the number of meetings attended, the second number is the number of meetings that took place this year.

Strategy and Objectives

The developments relating to the Groningen earthquake dossier had an emphatic impact on the company and constituted an important item for consideration in the meetings of the Board and the College of Delegate Supervisory Directors. The cabinet's decisions since the beginning of 2014 on how much of the potential gas in the Groningen Gas Field may be extracted had no impact on GasTerra's strategy but they had a major influence on how the company was able to implement this strategy throughout 2014 and 2015. Maximisation of the value of Dutch gas remained our top priority. In this context the extent was discussed to which the objectives for 2015 had been achieved and the objectives for 2016 were decided on. Particular attention was requested for management that enables NAM to comply with the production ceilings that have been set. This will continue to be necessary in the coming years, and GasTerra will work closely with NAM and Gasunie Transport Services (GTS) to that end. GasTerra continues to work to draw attention to the role of natural gas in the transition to a completely sustainable energy supply.

After the cabinet had set a maximum production ceiling of 39.4 billion m³ for Groningen gas for the 2015 calendar year in January 2015, it decided in June 2015 that total extraction from the Groningen Gas Field in the 2015 calendar year should not exceed 30 billion m³, in addition to the one-off extraction of 3 billion m³ from Norg. Both of these gas decisions were overturned in a judgment of the Council of State. In a provisional ruling, the Council of State decided that in the 2015/2016 gas year (that runs from 1 October 2015 to 1 October 2016) no more than 27 billion m³ of gas is to be extracted from the Groningen Gas Field. Exceeding this up to a maximum of 33 billion m³ is only permitted if the 2015-2016 gas year turns out to be relatively cold and if at least 15 billion m³ of gas is produced with the aid of the GTS nitrogen plants. The Council of State also decided that gas production will only be allowed after 1 October 2016 after the Minister of Economic Affairs issues a new production decision.

In December 2015, the cabinet decided to uphold this provisional ruling and to make a new decision in the third quarter of 2016 based on a new extraction plan from NAM.

As part of the GasTerra 2018 project that started in 2014, the company developed a vision for its commercial activities and work processes in 2015 and at the same time also looked at the efficiency of its support processes. A new organisational structure – in keeping with the vision – has also been determined based on the developed vision. The project was completed in 2015 and the new structure has been implemented. This project's approach and the findings have been discussed with the Board at the set times.

Risk Management

In 2015, the Board discussed the risks associated with the company and the results of the management's assessment of the set-up and operation of the internal risk management and control systems (the document of representation). Attention was also paid to the management letter from the external auditor, and the social aspects relevant to GasTerra were taken into consideration too. The Board concludes that GasTerra has a robust risk management and control system, that this functions effectively, and that it could be further improved on certain points. Work is on-going to improve it.

Staffing Matters

Each year the Board of Supervisory Directors and the management together discuss potential successors present within the organisation who could fulfil management functions. Remuneration policy is approved in the form of the Collective Labour Agreement mandate.

Where applicable, the Board gets involved in updates relating to ancillary positions held by members of the Board of Management and other members of GasTerra's management team, and once a year discusses the complete overview of these ancillary positions. The overview of ancillary activities of members of the Board of Supervisory Directors is also reviewed once a year.

Audit Committee

The Board of Supervisory Directors has one standing committee: the Audit Committee . This oversees the workings of the internal risk management and control systems, all financial affairs, relations with the external auditor and the application of Information and Communication Technology (ICT). At one of the meetings of the Supervisory Board, the Audit Committee reported to the Board on the activities it had undertaken.

The Audit Committee met on four occasions during the reporting year.

The composition of the Audit Committee did not change in the reporting year and at year-end 2015 consisted of the following members:

A.J. Boekelman MA (Chairperson)

T.P.K. Huysinga

A.J. van der Linden

Self-Evaluation

The Board of Supervisory Directors decided in 2015 to conduct a self-evaluation in 2016. The Board will see to it that the recommendations made in the course of this process are implemented. The Audit Committee conducted a self-evaluation in 2014, and the recommendations resulting from this have been taken up.

Contacts with the employees

With a few exceptions, the Board of Supervisory Directors always meets in the company's building. At set times, members of the Board have informed employees of the progress of affairs in informal conversations. In addition, members of the Board attended one of the consultative meetings between the management and the Works Council in 2015. The subject of GasTerra 2018 was on the agenda at this meeting. The management and the Works Council agreed that it was not necessary for members of the Board of Supervisory Directors to attend their meetings more often.

Annual Accounts

The recommendations from the Board of Supervisory Directors to the General Meeting of Shareholders, to be held in Groningen on 18 February 2016, are as follows:

We have examined the [Annual Accounts for 2015](#), prepared by the Chief Executive Officer in accordance with Article 23 of the Articles of Association. We concur with these Annual Accounts and recommend that:

- the net profit for 2015 - set at €36 million - be entirely appropriated for payment to the shareholders;
- the 2015 Annual Accounts be adopted without alteration.

The Board of Supervisory Directors wishes to express its appreciation for the results attained in 2015 and is grateful for the way in which the Board of Management and employees devoted themselves to the objectives of the enterprise during the financial year, and for the results that were achieved. The Board wishes success to everyone working at GasTerra in their endeavours to achieve the objectives set for 2016.

The Board of Supervisory Directors

C.W.M. Dessens LLM, Chairperson

P. Dekker MSc

M.E.P. Dierikx MA

J.M.W.E. van Loon MSc

F.A.E. Schittecatte MSc

T.W. Starink MSc

J.M. Van Roost MSc

Governance

GasTerra B.V. is a private limited company with registered offices in Groningen, the Netherlands. The company was founded on 1 July 2005 when N.V. Nederlandse Gasunie was legally split into a transmission system operator and a trading company. In the process, the infrastructure (the gas pipelines) and all transmission-related activities remained with Gasunie while the newly formed GasTerra continued with all gas trading activities.

GasTerra B.V.'s authorised share capital is €180 million, split into 40,000 shares of €4,500 each. All shares have been subscribed, fully paid up and registered, and can only be transferred by unanimous approval of the General Meeting of Shareholders. The shares are held by the State (10%), EBN B.V. (40%), Shell Nederland B.V. (25%) and Esso Nederland B.V. (25%). No depositary receipts are issued.

GasTerra is not a listed company, as a result of which the Corporate Governance Code does not apply to the organisation. However, where possible and relevant, GasTerra is guided by the principles of the code and takes the best practice provisions as a guide. In this chapter, we report on the appropriate principles of the Code.

These are to be implemented primarily when it comes to the principles and provisions included under the task and manner of working of the Board of Management. The tools that the Board of Management uses for this consist specifically of the annual activity plan, the budget, monthly and quarterly reports and the Business Risk Analysis (BRA) tailored to the organisation. The structure and operation of risk management at GasTerra are described in these documents (see also the 'Gas' chapter, which contains a description of the most important [risks](#)). Risk management has been delegated to the line management. Reports are made to the Board of Management concerning implementation. The Board of Management reports at least once a year to the Audit Committee via the BRA. The external auditor assesses the compliance of this system to the extent relevant in the context of the audit of the accounts.

The Board of Management of GasTerra consists of a Managing Director, nominated on the recommendation of the Supervisory Board and approved by the Minister of Economic Affairs. The Managing Director is appointed for an indefinite period. In addition to the Managing Director, the Board of Management also consists of three further Directors/holders of a general power of attorney: the Financial Director, the Commercial Director and the Portfolio Director. The remuneration of the Managing Director is set by the Board of Supervisory Directors and, in addition to a fixed remuneration, it also has a variable component that is dependent on the financial and general performance of the organisation. The Board of Supervisory Directors decides whether the Managing Director is eligible for a variable remuneration and its amount. The variable remuneration may not exceed 30% of the Managing Director's fixed salary. In view of government policy on state shareholdings, it has been decided that the maximum variable remuneration in 2015 may not exceed 20% of the fixed salary. The amount of the Managing Director's remuneration is given elsewhere in the Annual Report (see [Annual Accounts](#)). With regard to the Managing Director, the provisions relating to the maximum number of allowable supervisory board memberships in the Management and Supervision Act are observed.

Supervision of the Board of Management of GasTerra is exercised by the Board of Supervisory Directors, which consists of eight members. One member is appointed directly by the Minister of Economic Affairs, the remaining members are appointed by the Annual General Meeting of Shareholders on the recommendation of the individual shareholders. The number of Supervisory Board memberships that one person may hold is limited to ensure the proper performance of the duties. The Supervisory Board has appointed its own secretary, who is supported, where necessary, by the Company Secretary.

The Management and Supervision Act came into force on 1 January 2013. This Act includes a provision on the equal representation of men and women on management and supervisory boards. This provision expired on 1 January 2016. The distribution of seats on the company's Board of Supervisory Directors did not comply with the relevant provision. GasTerra has a positive attitude toward the appointment of women at all levels in the company.

There was one vacancy on the Board of Supervisory Directors in the reporting year. This vacancy is filled with effect from 15 February 2016 with the appointment of T.W. Langejan, LLM, as a member of the Board of Supervisory Directors. The duty and manner of working of the Supervisory Board are in accordance with the Code set out in its own regulations. It is standard procedure that the Annual Report contains a [report from the Supervisory Board](#). A (brief) [profile](#) of the members of the Supervisory Board is included in the Annual Report. The provisions relating to the supervision of the Board of Management by the Supervisory Board are effected at the regular meetings of the Supervisory Board. Furthermore, at least once a year without the Board of Management being present, the Supervisory Board discusses its own performance (and desired competencies) as well as that of its own individual members and individual members of the Board of Management.

The Articles of Association stipulate that decisions which are important to GasTerra must be approved by the Supervisory Board or the College of Delegate Supervisory Directors. The College of Delegate Supervisory Directors is a corporate body. The College is formed by members of the Supervisory Board and consists of five supervisory directors including the supervisory director who has been appointed by the Minister of Economic Affairs.

The Supervisory Board has established an Audit Committee. The Audit Committee is a non-corporate body composed of four members appointed by the Supervisory Board. The Supervisory Board or the College of Delegate Supervisory Directors may refer matters for the consideration of the Audit Committee. Whether requested to do so or not, the Audit Committee advises the Supervisory Board or the College of Delegate Supervisory Directors on matters within its remit and prepares the decisions of the Supervisory Board in relation to those matters. The Audit Committee generally meets four times a year, and did so in 2015.

The duty and method of working of the Audit Committee are set out in regulations that essentially follow best practice provisions mentioned in the Code. Thus, the duties of the Audit Committee include supervision regarding the financing of the company, operating expenses and capital expenditures in relation to the agreed budgets, the provision of financial information, the operation of the internal risk management and control systems, compliance with recommendations and observations of internal and external auditors, the role and functioning of the internal audit department, and maintaining the relationship with the external auditor. Matters covered in particular by this latter topic are the independence of the auditor, remuneration and the potential provision of work that is not audit-related.

The (system of) remuneration of the Board of Supervisory Directors is approved by the Annual General Meeting of Shareholders. The total amount of remuneration of the Board is stated in the [Annual Report](#).

With regard to the powers of the shareholders, the Articles of Association stipulate that resolutions of shareholders may only be adopted by a majority of three-quarters of the votes cast. For certain resolutions, in particular the transfer of shares, suspension or dismissal of the Managing Director, amendment of the Articles of Association and dissolution of the company, unanimity is required.

As regards disclosure of information to shareholders and the potential impact on the share price, it should be noted that the 'GasTerra share' is not traded on the financial markets.

With regard to financial reporting, several times a year (at regular meetings), the Supervisory Board, the College of Delegate Supervisory Directors and the Audit Committee supervise compliance with the internal procedures relating to the preparation of the quarterly reports and the preparation and publication of the Annual Report and the Annual Accounts.

The Annual General Meeting of Shareholders appoints the external auditor. It is standard procedure for the Audit Commission to interrogate the external auditor with regard to his declaration on the accuracy of the financial statements. Furthermore, the Board of Management and the Supervisory Board report to the Annual General Meeting of Shareholders on the independence of the external auditor and a recommendation is issued for the appointment of an external auditor. For this purpose, the Board of Management and the Supervisory Board assess the functioning of the external auditor periodically, at least once every four years. From the 2015 financial year, EY (Ernst & Young) will be GasTerra's auditor.

In connection with the audit of the financial statements, the external auditor is involved in the Internal Audits working plan. Findings concerning the internal audit function are included where necessary in the external auditor's management letter, which is discussed at a meeting of the Supervisory Board. The external auditor reports anything it wishes to bring to the attention of the Board of Management and the Supervisory Board in relation to its audit of the financial statements and the related audits. This gives effect to the provisions pertaining to the principle in the Code on the relationship and communication of the external auditor with the company's organs.

CSR and governance

CSR is an integral part of the strategy at GasTerra and has thus been embedded into our day-to-day operations. Since 2013, GasTerra has integrated the CSR matrix and associated objectives and activities into the Business Plan which is approved by the Board of Supervisory Directors, the governance body with the highest degree of responsibility. Monitoring of progress is included in the regular reporting cycle. The quarterly reports are discussed by the College of Delegate Supervisory Directors and the Audit Committee.

Personnel and Organisation

The title *New realities* also applies to GasTerra's personnel policy. With developments in the gas market in mind, GasTerra has found it necessary to contract and operate with a flexible workforce. Gas volumes will fall in the future and market conditions are changing, so the size of the workforce has to be able to anticipate changing circumstances. This is the reason behind the GasTerra 2018 reorganisation process that we started in 2014. We are preparing the organisation so that it can continue to maximise the value of Dutch natural gas. The themes strategy, efficiency, organisation and personnel are the key to this.

The GasTerra 2018 project had already resulted in a new process-oriented organisation by 2015 and is expected to lead to a reduction in staff from approximately 200 FTE in 2015 to approximately 160 FTE in 2018. This is a massive change in the organisation, which is why GasTerra is taking time to do this properly and without compulsory redundancies. The Works Council has advised in favour of this process. In addition, a social charter has been agreed with GasTerra's trade union VPG².

The environment in which we are trading is changing radically. On the one hand, this offers the employees opportunities to anticipate this, as the results of the last year again make clear. On the other hand, career development opportunities are limited and so we feel that it is important that employees give some thought to their careers with GasTerra or elsewhere. We will support employees who are considering a career outside GasTerra with a package of measures, including secondment, career guidance, coaching, courses, training and a conditional guarantee of a job to come back to.

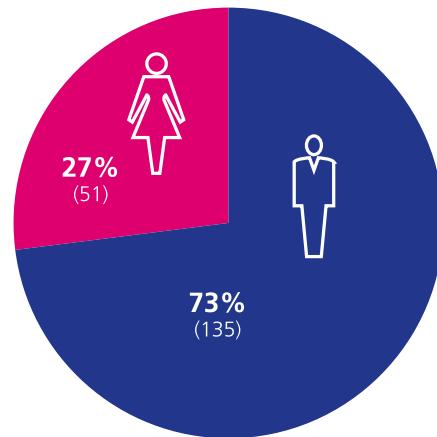
GasTerra will continue to work on the new organisation in 2016. This will mean actually achieving the planned efficiencies and the necessary staff departures, cost reductions and the business culture that goes with that.

Staffing

As at 31 December 2015, 186 people were working at GasTerra (169 FTE) (2014: 194 people (178.6 FTE)), of whom 51 were women and 135 were men. There were 182 employees with a permanent position and 4 on fixed term contracts. To further flexibility, we have only taken on new staff via the 'payrolling system' since 2014. This means that the staff are employed by the payroll firm under similar conditions of employment as GasTerra employees.

186 employees

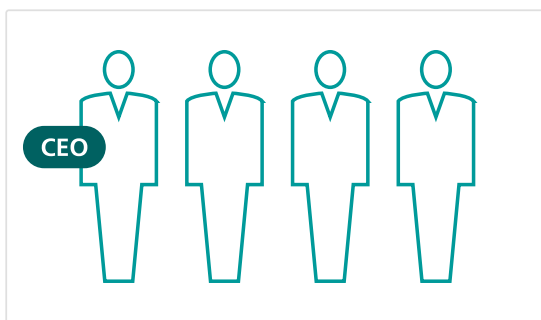
Average age: 42



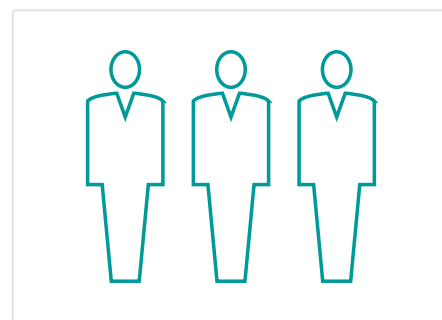
Management

GasTerra's management team consists of four directors, including the CEO. Until 18 January 2016, A.E.M. Broenink sat on the Board of Management. Since he stepped down, the CEO G.J. Lankhorst has taken care of his duties.

4 Directors



3 Heads of department



Average age: 52

Internships and work experience positions

We feel that it is important to offer internships and work experience positions. Firstly, because we want to give students and recent graduates the chance to gain some work experience and, secondly, because they can enrich the organisation with their fresh eyes. Most of the interns are recruited locally, especially from the Energy Academy Europe, the Hanzehogeschool Groningen and Groningen University.

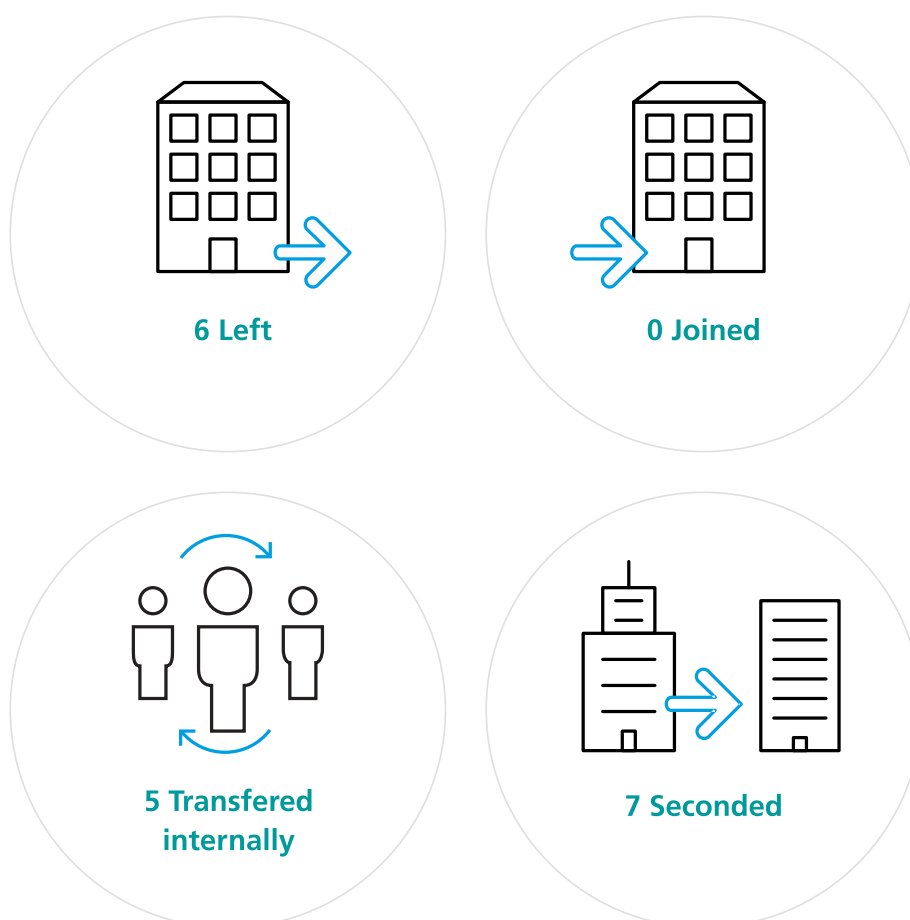
GasTerra is a member of Noorderlink. Noorderlink is made up of the 30 biggest employers in the north of the Netherlands that cooperate on P&O.

Training and career development

GasTerra organised the 'Using your talents for work' workshops for its employees again in 2015. Different sessions were put on in which employees were encouraged to think about their talents and their career. In this way we motivate our employees to take more responsibility in this area themselves. In addition, the company once again devoted a great deal of attention to regular job and career-oriented training.

Secondment

GasTerra is no longer growing in terms of the number of jobs and few employees leave the company. Career progression can therefore no longer be taken for granted. This is why secondment played an even more important role in 2015. GasTerra encourages its staff to gain experience with other companies. We offer them the opportunity to go and work for another company for one or two years. In 2015, seven employees got temporary jobs with Gasunie, NAM, ExxonMobil, the Energy Delta Institute (EDI), Holthausen and the International Energy Agency (IEA). Sometimes this results in people leaving the company.



From kitchen table to workplace

"I've regularly discussed the challenges for energy transition with the Director of Holthausen BV, a company that specialises in the supply and transport of gases. At the very beginning of GasTerra 2018, I put my name down as a potential 'leaver'. A secondment gave me the chance to discover whether continuing my career there was something that would suit me. Naturally my friendship with the owner was a factor in this; chatting about energy transition and the opportunities and threats involved around the kitchen table in your free time is not the same as working on it together five days a week.

Happily I can now report that working at Holthausen is just as pleasant as talking about it around the kitchen table. It's going so well that I'll take up employment here on 1 July 2016. Of course, I will miss working at GasTerra. It's an exceptionally well-run organisation with pleasant, well-educated, friendly and sometimes opinionated employees and, of course, fantastic coffee. Still it feels good to follow my dreams by taking this step and I'm grateful to GasTerra that I've been given this opportunity,"

René Brons, Business Developer Holthausen B.V.

No two days are the same

"In the spring of 2014 my interest was aroused by a vacancy at the Energy Delta Institute (EDI), an international business school in Groningen. I've been working in the gas and energy sector in different disciplines since 2001 and I was ready for a new challenge. After various discussions, I took the secondment route to go and work at EDI as Managing Director.

My role as Managing Director varies from determining strategy, financial and ICT policy to HR policy, in short a wide range of duties in the dynamic energy world. Together with a young team of enthusiastic, single-minded people we're working on optimising what we have to offer; we organise events and give training courses at far-flung locations such as Rio de Janeiro and Russia. No two days are the same.

With the experience I've been able to gain at Gasunie, GasTerra and now EDI, I see a positive future ahead of me. Thanks to this secondment, I've been able to develop my leadership skills. The energy sector is becoming more dynamic and with my experience I believe that there are still attractive challenges over the horizon. So I'm keeping all my options open, whether with GasTerra or another organisation. I've no doubt that when the time comes another interesting job will cross my path. That's how it's been for more than 25 years!"

Anja Hulshof, Managing Director EDI B.V.

Collective labour agreement and pension

GasTerra has its own collective labour agreement and the company's staff are actively involved in the sectoral trade union, the VPG². Over 80% of the employees belong to the union. In 2015, 161 employees were covered by the collective labour agreement. This agreement expired on 1 January 2016. and new negotiations began at the end of

2015. In response to the previous collective labour agreement, GasTerra announced a benchmark study in 2016 to determine whether the company's employment conditions are still competitive.

The GasTerra employee pension agreement was amended on 1 January 2014. Under the new pension scheme the company has undertaken to pay a fixed contribution that is set in advance. This contribution is based on a conditionally indexed career average system. GasTerra has an administration agreement with GasUnie's pension administrator (Stichting Pensioenfonds Gasunie) that runs until 31 December 2017.

Health and safety

There were no workplace accidents resulting in time off work in 2015. Illness-related absenteeism was similar to previous years, i.e. 2.1% (2014: 2.1%).

GasTerra's occupational health and safety policy identifies the following risks: traffic, stress, RSI and minor accidents. To make employees aware of these risks, in 2015 presentations were given, messages put on the intranet and a training course was organised on fire prevention and fire extinguishing equipment. Finally, two evacuation exercises were carried out successfully during the year.



Objections, Complaints and Abuses

GasTerra has appointed confidential advisers and the company has a complaints procedure and whistle-blower policy and procedures. If employees have objections or complaints or if they detect abuses and solutions cannot be found with colleagues and managers, they can make use of these procedures. We reviewed these options again in 2015. There were no reports of abuses or discrimination in 2015, no-one file a complaint with the complaints committee and no-one made use of the whistle blowing arrangements.

Stakeholder dialogue

GasTerra has translated the three fundamental principles of CSR – People, Planet, Profit – into its own three target areas – Gas, Green and Groningen, where Gas stands for the operating result, Green stands for our ambition to bring about a responsible energy transition, and Groningen stands for the community that we are part of. Stakeholders are a valuable source of information on what society expects of GasTerra. We have identified the following stakeholders:



GasTerra organises a stakeholder dialogue every six months, for which 'relationship managers' are appointed for each stakeholder group. These people are GasTerra employees who represent one or more stakeholders. They monitor their opinions and preferences. We decided on this internal method, because our employees talk to stakeholders every day and know what issues they think are important (see also the stakeholder table). All relationship managers complete a questionnaire before the stakeholder dialogue meeting, in which they prioritise the CSR topics under the three Gs and have the opportunity to put forward topics themselves. This quantitative input is used as the basis for discussions which go into the most important issues in more depth. This dual quantitative and qualitative approach produces a number of issues that the stakeholders consider to be material to GasTerra.

The findings of the 2015 stakeholder dialogue did not differ substantially from the findings in 2014. Almost all of the stakeholders turned out to consider three issues as relevant for GasTerra.

1. Support for the gas sector

Many stakeholders have observed declining support for the gas sector. They attribute this to a number of factors. First, there is the debate about safety in view of the earthquakes resulting from gas extraction in Groningen; second, the price of gas is relatively high compared with coal; and third, there are the geopolitical risks associated with Russian gas. The commercial stakeholder groups are less worried about declining support, because they observe that there will be a continuing demand for gas in the coming years as Dutch stocks fall.

2. Gas as a transitional fuel

Gas is seen as a transitional fuel that will play an important role in both the short and medium term. It is also emphasised that gas is the ideal partner for renewable energy sources. Some stakeholder groups have no views on the role of natural gas in energy transition. However, the majority of the stakeholder groups believe that natural gas does have an important role to play here. Only a few stakeholders in the knowledge institutes group express negative opinions about the role of natural gas in energy transition

3. Position of gas in the energy mix

The majority of the stakeholder groups believe that GasTerra should obviously work to strengthen the position of gas in the energy mix. The reasons they give for this are:

- To head off the competition from more polluting fuels;
- For business reasons – certain stakeholder groups benefit from gas having a strong position in the energy mix;
- It is simply logical that a gas company defends the position of gas.

According to the stakeholders, there are different ways in which GasTerra can work to strengthen the position of gas in the energy mix. For example, GasTerra could and must provide information about gas and the gas market. Customers and knowledge institutes, in particular, also see gas advocacy as an important role for GasTerra.

The GasTerra management team decides on the material issues, based in part on the outcomes of the stakeholder dialogue. These outcomes are discussed at a session organised especially for this purpose, at which the Board of Management ranks all topics by how important they are. This produces the materiality matrix. The material issues then serve as the basis for GasTerra's business objectives (see also the strategy table).

The following topics are material according to the Board of Management:

1. Financial results (pillar: Gas)

The financial results are naturally the key data in the Annual Report, given that our core activity is the purchase and sale of natural gas. This material issue comes entirely within the scope of GasTerra's responsibilities. A key focus area in 2015 was maximising the value of Dutch natural gas while remaining under the production ceiling for the Groningen Gas Field laid down by the cabinet. Another key focus area was the renegotiation of long-term purchase and sales contracts. Our approach in view of these matters is set out in the [Gas](#) section.

2. Position of gas (pillars: Gas and Green)

The world is facing the challenge of switching from the current energy mix based on fossil fuels to an energy mix based on renewable sources. GasTerra and its stakeholders believe that it is important to facilitate as smooth a transition as possible from fossil fuels to renewables and see an important role for natural gas in this. Given the price differential, electricity producers prefer to generate electricity using coal rather than gas. A number of energy companies in Northwest Europe have already switched off their gas-fired power stations or announced plans to do so. We are not alone in observing this trend, various stakeholders have mentioned it too. This is why this Annual Report identifies the position of gas, over time in combination with CSS, as a material issue. This is a shared responsibility.

We are developing various initiatives whose purpose is to emphasise the importance of gas in energy transition. GasTerra's approach in this area is described in the [Green](#) section.

3. Compliance (pillar: Gas)

GasTerra is having to deal with more and more regulations at national and European level. It is very important that we comply with these statutory and regulatory provisions, which is why we have identified compliance as a material issue. Compliance with statutory and regulatory provisions comes entirely within the scope of GasTerra's responsibilities. We have drawn up conduct rules and procedures to ensure that we comply. We require our employees to take a compliance course every year for example. This objective was achieved in 2015. GasTerra's approach to compliance is described in the [Conduct Rules and Procedures](#) section.

4. Responsible chain management upstream (pillars: Gas and Green)

It emerged from the stakeholder dialogue that stakeholders are unclear about GasTerra's role and influence upstream, especially with respect to the earthquake problems and the purchase of foreign gas (especially from Russia). As far as the production of Groningen gas is concerned, the division of roles is as follows: NAM extracts this gas and is responsible for implementing the cabinet's decisions on limiting production from the Groningen Gas Field. GasTerra is solely responsible for selling this gas. The production from the Groningen Gas Field (and the small fields) is subject to strict environmental and safety regulations laid down by the government. GasTerra has no direct influence on this but expects its suppliers to comply with the legal requirements. As the sole seller of Groningen gas, we are directly involved in safeguarding the security of supply. It is low-calorific gas compared with gas from other sources (hence L-gas). Millions of consumers in the Netherlands, Germany, Belgium and France have appliances that can only burn gas of this quality. Their energy companies are therefore dependent on it.

To help secure the supply, GasTerra closely monitors sales in relation to forecasts, working closely with NAM and GTS on this. Thanks to this approach, the production ceilings have not put security of supply at risk for consumers of L-gas.

GasTerra also buys small volumes of gas from Norway and Russia. Production from these foreign sources is subject to the regulations applicable in those countries. GasTerra has no direct influence on this.

To provide more information on this theme and GasTerra's influence, chain management is identified as a material issue in this Annual Report. GasTerra's approach is set out in the [Chain Management](#) section.

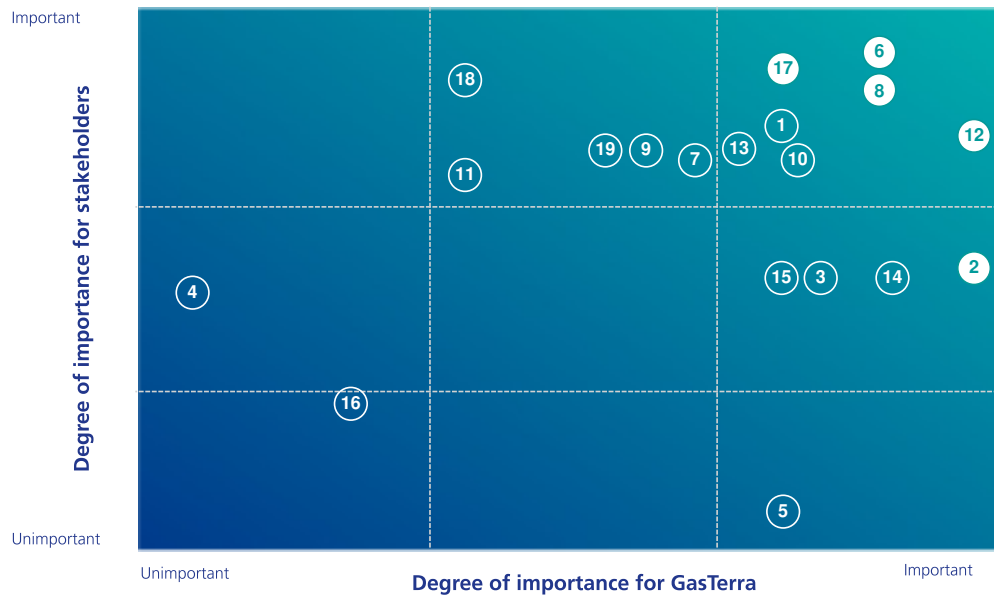
5. Education (pillars: Green and Groningen)

As a society we are facing the immense challenge of supplying future generations with sufficient sustainably generated and affordable energy. It is very important that we train energy professionals for this, as GasTerra's stakeholders also emphasise. This is why GasTerra has identified education as a material issue. GasTerra's approach in this area is described in the [Green](#) section. Education is a very important element of the value chain for all parties. We see this as a shared responsibility and we put it into practice by bringing the energy question to the attention of students in schools and in tertiary education.

Stakeholder table

The table below shows all of the topics that were put to the stakeholders. Each topic comes under one or more themes: Gas, Green or Groningen. The materiality matrix presents the importance of each material issue to stakeholders versus their importance to GasTerra.

	Gas	Green	Groningen
1. GasTerra's CSR vision	✓	✓	✓
2. Financial results	✓		
3. Income from natural gas	✓		
4. Energy price trends	✓		
5. GasTerra 2018	✓	✓	✓
6. Position of gas	✓	✓	
7. Sustainable or more sustainable products	✓	✓	
8. Education (sharing knowledge about energy)	✓		✓
9. Efficient gas applications		✓	
10. Security of supply (short-term)	✓		
11. Security of supply (long-term)	✓		
12. Internal business practices/compliance	✓		✓
13. Transparency	✓	✓	✓
14. Personnel and Organisation			✓
15. Sponsorship			✓
16. Sustainable purchasing/internal footprint		✓	
17. Responsible chain management upstream (incl. shale gas and Russia)	✓	✓	
18. Responsible chain management downstream	✓	✓	
19. HSE local residents/environment	✓		✓



These material issues are then worked out in detail in objectives in the Business Plan and can be found in the strategy table below.

Strategic programme	Material theme	KPI	Result
Volume	Continuous management of Groningen in 2015/2016	Reaching but not exceeding the production ceiling set by the minister for Groningen gas	GasTerra purchased 29.4 billion m3 Groningen gas in 2015
Price	Negotiation of long-term contracts	Reaching agreement on the renegotiable years through commercial negotiations or arbitration	Confidential
Price	Further development of the electronic customer portal as a way to secure loyalty	15 customers on the portal	15 customers gained access to the customer portal in 2015
Anticipate	Promotion of green gas developments	5 green gas contracts. Purchase portfolio of 200 million m3. Working power to gas test installation.	GasTerra concluded 6 green gas contracts in 2015. Purchase portfolio runs to production of 54 million m3 green gas. High pressure digester installed at EnTranCe which will be used for experiments in years to come
Anticipate	Support efficient use of gas	Conclusion of 4 new agreements to support industrial customers (EPI)	4 new agreements concluded with industrial customers in 2015
Anticipate	Emphasise system functions of gas and the role of gas as ideal fuel in the transition to 100% sustainability	> 5000 Hre boilers 45 fuel cells on Ameland, Demonstration EPC=0 home with and without gas	Only 40 Hre boilers installed despite the government subsidy and widespread publicity. The target of 45 fuel cells on Ameland was achieved. The EPC=0 home has not been completed yet.
Anticipate	GasTerra 2018	Reorganising the organisation to make it more efficient and future-proof	The new organisation structure was implemented in 2015
Anticipate	Visit schools with the "Your energy of tomorrow" truck	Visit 120 schools each year with the "Your energy of tomorrow" truck	The target of 120 schools per year was achieved
Anticipate	REMIT reporting obligations	Comply with REMIT reporting obligations	The reporting obligations were fulfilled in 2015

In addition to the stakeholder dialogue, GasTerra takes part in various (non-profit) partnerships with a view to promoting gas as part of a sustainable energy supply and monitoring and furthering harmonised market processes.

Dialogue with stakeholders

Level	Nature of dialogue	Content and effect of dialogue
Global		
International Gas Union, non-profit organisation whose mission is to promote gas as part of an international sustainable energy supply	Knowledge exchange, gas advocacy	Participation in the World Gas Conference in Paris in June Exchange of knowledge about the international gas value chain through meetings, joint participation in working groups and giving presentations
Project Delta Group, public-private partnership	Monitoring, knowledge-transfer	Reduction of our clients' footprint and acquisition of knowledge about best practices
European		
Eurogas, partnership that stands up for the interests of the European gas sector	Research, opinion-forming, monitoring, gas advocacy	Participation in meetings and working groups, presentations and influencing regulations
European Federation of Energy Traders (EFET)	Opinion-forming, monitoring, promotion of harmonised market processes and influencing regulations	Opinion-forming through meetings, joint participation in working groups, research and giving presentations
EASEE GAS	Promotion of harmonised market and communication processes and influencing regulations	Joint participation in working groups, research, designing processes and giving presentations
National		
Clingendael International Energy Program (CIEP)	Research and knowledge-transfer	Knowledge exchange, influence, opinion-forming,
Shareholders	Intensive involvement	Adoption of policy frameworks, directors' remuneration, governance, GasTerra's performance, GasTerra 2018 reorganisation project
Customers	Knowledge-transfer	Customer satisfaction, customer portal, development of new products and services, organisation of events for customers
EnTranCe	Intensive involvement, knowledge-transfer	Knowledge exchange, promotion of the benefits of gas in the transition to a sustainable energy supply, also by developing and testing sustainable gas applications
Energy Academy Europe and EDI	Knowledge-transfer	Giving presentations, sharing knowledge and research
Works Council	Information provision and involvement in strategy	Development and implementation of GasTerra 2018
Dutch Energy Association (Vereniging Energie-Nederland)	Intensive involvement, monitoring	Knowledge exchange, promotion of the benefits of gas in the energy transition, monitoring and influencing regulations

Energy podium dinners and annual debate	Exchanging views and information with stakeholders within and outside the gas sector in an informal setting	Cultivating understanding of each other's positions, broadening and deepening of knowledge, search for common interests and positions
Energy podium website	Platform for stakeholders to exchange views and arguments	Learning about each other's positions and arguments, broadening and deepening of knowledge among interested audiences
GILDE	Exchange of views and information with NGOs	Development of a common discourse by the gas sector and NGOs in order to make a real and credible contribution to the debate on the energy and climate debate and to policy formation



Interview with B.A. Westmaas, Personnel & Organisation Manager

Bart Westmaas was born in Haarlem on 20 August 1972. He studied Business Administration at Groningen University. He started his career as a management consultant at VDP Management Consulting/Boertien Consulting. Bart Westmaas took up a management consulting post at Gasunie in 2003. Since 1 July 2005, he has been the Personnel and Organisation Manager at GasTerra.

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The strength of GasTerra: we can rapidly anticipate changing (market) conditions

In the 2014 Annual Report, Robbert Slob, chairman of GasTerra's Works Council talked about the 'GasTerra 2018' reorganisation process which had just been announced. The Works Council followed this process closely last year and took part in various working groups. After an intensive and turbulent period, the Works Council finally gave a positive recommendation on the outcome. As Personnel and Organisation Manager, Bart Westmaas was intensively involved with GasTerra 2018 and has been given the responsibility of taking it further. He looks back over the past year and forward to 2018.

First of all it is a strong and apt theme, that expresses very well where we as an organisation find ourselves at this moment. Not only the changing market conditions, but also the long-term decline in our sales volume are forcing us to take a critical look at the organisation. It is typical of GasTerra that we don't wait to see what happens but take the initiative ourselves. This is exactly what we did with the GasTerra 2018 project last year.

2015 was a hectic year, in which learned that we are dealing with a new reality on all fronts. Anyone can change when times are good. But changing an organisation in heavy weather can be pretty tough sometimes. Fortunately GasTerra has proved that it can do this and through good cooperation is able to power ahead to a new reality.

Before we started we decided to go for a bottom-up approach, in which employees would be actively involved in organising a more efficient and future-proof organisation. Three working groups considered efficiency, commercial processes and, finally, organisation structure and staffing. The steering group departed from the working groups' proposals in the decision on the new structure for the organisation. The employees saw this as a lack of transparency and many expressed their dissatisfaction about this. The Works Council raised this, after which the steering group took steps to regain the employees' trust.

GasTerra has had a new process-oriented organisational structure since November 2015. In addition, the number of sales teams has been reduced from three to one and from now on there will only be one back-office where there used to be three. Over the next few years we will also reduce the number of staff from approximately 200 FTE in 2015 to around 160 FTE by 2018. This is a massive change for our organisation, which is why we are taking time to do this properly and without compulsory redundancies.

We are increasingly coming to realise that the environment around us has changed a great deal. This has an impact on the organisation and therefore also on the staff. GasTerra is getting smaller. I've noticed that staff are very well aware of this and are investing more thought into their own careers: what are my qualities and what organisation and job would suit me? Meanwhile we have seen a modest increase in people leaving the company.

GasTerra is a special organisation with a strong cooperative culture in a very dynamic sector. We offer employees many professional development opportunities and good employment conditions. Put simply, we are a really great company to work for!

I hope that we can show the outside world that we are contributing to making the energy supply more sustainable so that our raison d'être is not called into question. But we cannot be sure of that. I have every confidence in our ability to adapt. But if we've learned anything this year, it's that nothing is certain.

First of all let me say that it is always good to reflect on where you are going. What do you want? What is important to you? Where do your talents lie? How do you exercise control over your career at GasTerra or elsewhere? This has not changed. What has changed is that we have set aside a larger budget for training, coaching and secondment. In addition, we are collaborating with companies in the region so that employees can spend time elsewhere to build up

experience. Agreements have been made with the trade union in the form of a social charter on how we can facilitate the necessary staff departures. If employees are interested in looking for opportunities outside the company, the agreements in this charter can make it less difficult for them to take that step.

How to keep people motivated, how to offer prospects and adequate career progression in a contracting organisation. In short: how can we continue to be a great place to work?

Employees who take the initiative and can adapt quickly to new circumstances. We offer our staff interesting work and good development opportunities. Career progression opportunities are limited but we give every employee an outstanding basis. I'm proud that our organisation has demonstrated a great capacity to adapt over the past few years, especially the ability to adapt to changing market conditions.

I see a sector facing many major challenges that is still searching for the right position in this environment. And that in a society where support for our product is in decline in view of the public debate about gas extraction in Groningen. I believe that we can win back public support but in order to do that we will have to be more outward-looking.



Gas

Vision

Gas has been an inextricable part of the European energy supply in general and the Dutch energy supply in particular for more than half a century. Since its discovery in 1959, the Groningen Gas Field, the largest gas field in the world at the time, has produced over 2,000 billion m³ of natural gas. More than 95% of Dutch households use natural gas for heating. GasTerra has the exclusive right to sell Groningen gas. A major share of it is sold on the domestic market and a significant proportion is supplied to customers in Germany, Belgium and France.

In addition to the Groningen gas, which is low-calorific gas (i.e. it has a relatively low calorific value), GasTerra also sells a large volume of high-calorific gas. Most of this gas comes from the smaller fields in the North Sea or is imported from Russia and Norway. The high-calorific gas is used by industry and is also exported to the countries named above, as well as to Switzerland, the United Kingdom and Italy. Unlike the Groningen gas, producers can offer the gas from the small fields to other gas traders, but GasTerra has a legal obligation to buy this gas at the going market price if asked to do so.

Gas has played a crucial role in the energy supply for decades. In a period of structural and radical change, in which the trade in gas and the transport of gas have been split off from each other and the market liberalised, gas has retained its pre-eminence in the energy supply. All the same the era when that could be taken for granted is over. The position and the image of gas have come under pressure. The positive characteristics of our product, such as comfort, cleanest fossil fuel, flexibility and versatility, are at risk of being pushed into the background. The most important reasons for this in our region have been the earthquakes, which have reinforced the idea among many people that gas is at best a necessary evil, and the crisis involving Russia and Ukraine, which has strengthened existing doubts about the security of the gas supply in Europe.

The earthquakes have had an indirect effect on our business strategy, as the production ceiling imposed by the cabinet since 2014 has not only restricted the producer of Groningen gas, NAM, but also the seller, GasTerra.

The developments outlined above have obviously had a negative impact on the image of gas. Although no-one in Europe denies the importance of gas in the energy mix, not only now but in the longer term, a sizeable group have difficulty seeing our product as part of the solution rather than part of the problem. It is our job therefore to improve the reputation of gas. The reality is that gas is indispensable worldwide, in Europe and in the Netherlands and will remain so for decades to come, from the perspective of both security of supply and responsible climate policy. With regard to the latter, natural gas will over time have to meet stricter CO₂ emission standards, which is perfectly possible with the application of CCS. The high economic and social value of this mineral resource cannot be ignored. Fifty years after the discovery of the Groningen Gas Field, the Netherlands still has over 600 billion m³ of conventional natural gas. The responsible production of this gas will also benefit society, both economically and environmentally, in the future.

Chain management

GasTerra attaches great importance to responsible chain management. Our primary focus in this area is on the use of our product (downstream), because we consider it important that the society uses gas as efficiently as possible. However, it emerged from the stakeholder dialogue that stakeholders are unclear about GasTerra's role upstream, especially with respect to the earthquake problems and the purchase of gas from Russia. To gain more insight into these themes, GasTerra decided to specify chain management as a material issue.

The chain

All activities from production to the use of natural gas are part of the chain. GasTerra is responsible for the trading activities. We buy and sell gas and provide related services, dealing with various national and international parties. Naturally we deal with producers, suppliers and customers but also, for example, with network operators for transporting the gas, and with market regulators and authorities that are responsible for controls required by legislation and regulations. In addition, we have the public service obligation to implement some provisions of the Gas Act, in particular the purchase of gas from the small fields, taking and selling gas from the Groningen Gas Field and, where necessary, supporting GTS in carrying out its statutory duties.

We participate in various partnerships within the chain, in pursuit of goals such as knowledge-exchange, the development of sustainable energy applications, publicising the benefits of gas in the transition toward a sustainable energy supply and improving regulations. In the context of the last two goals, we are active in The Hague and, mainly through the trade association Eurogas, in Brussels. We are also affiliated to the national organisation Vereniging Energie-Nederland that promotes the interests of the energy industry.

As a trading company, we have limited influence over chain management upstream, partly because our statutory public service obligation does not allow us a free choice as to which producer we do or do not buy gas from. Moreover, it is not possible to find out exactly where the gas we buy comes from on the free gas market. When it is clear where the gas comes from GasTerra refrains from bringing political or social debates into its contractual relations with suppliers and customers. However, we are part of the [Project Delta Group](#) partnership which shares best practices on gas extraction. We also support our customers in making their production processes more sustainable through the Environmental Plan for Industry (MPI).

The Netherlands

There has been a ceiling on gas production from the Groningen Gas Field since 2014. This became necessary because of the increasing frequency and strength of earthquakes in the extraction area. Under the first decision, no more than 42.5 billion m³ of natural gas was to be extracted from the field in 2014 and 2015, followed by 40 billion m³ in 2016. In addition, extraction at five production sites in the heart of the area around Loppersum where the earthquakes occurred had to be reduced by 80% to a maximum of 3 billion m³.

This first decision has since been followed by new limits with even lower ceilings. At the beginning of 2015, the cabinet decided that no more than 39.4 billion m³ of natural gas was to be produced from the Groningen Gas Field. This decision was followed by an amending decision in June to the effect that no more than 30 billion m³ was to be extracted in the past year. In addition, a further 3 billion m³ of additional gas became available from the Norg Groningen gas storage facility once only in the 2015 calendar year.

Parallel to this decision-making, an appeal to the Council of State was brought by 40 interested parties, including the Groningen Provincial Executive, various municipalities in Groningen, two water authorities, the Groningen Security Region and a number of private individuals who demanded further restrictions on gas extraction in Groningen. The Administrative Jurisdiction Division of the Council of State announced on 18 November 2015 that it had decided to annul both the decision of January 2015 and the amending decision of June 2015. In their place the Council decided in a provisional ruling that NAM was not to extract more than 27 billion m³ of gas in the 2015/2016 gas year (that runs from 1 October 2015 to 1 October 2016). Exceeding this up to a maximum of 33 billion m³ would only be permitted if the 2015-2016 gas year turns out to be a relatively cold year.

On 18 December we learned that the cabinet would uphold the provisional ruling of the Council of State. Thus gas production from the Groningen Gas Field is limited in the 2015/2016 gas year to 27 billion m³ with the possibility of increasing this to 33 billion in a relatively cold year to guarantee security of supply. We will also be working hard over the coming years to reduce dependency on Groningen gas. One of the measures to achieve this will be the construction of a new nitrogen plant that can convert high-calorific gas into what is known as pseudo-Groningen gas. Finally, the plan is to take a new decision on the longer term future of gas extraction based on the new extraction plan before October 2016.

In 2015, GasTerra purchased 29.4 billion m³ of Groningen gas (2014: 42.4 billion m³). In accordance with the production decision, NAM produced 28.1 billion m³ from the Groningen Gas Field in that year (2014: 42.1 billion m³). The difference between the volume produced and the volume purchased is accounted for by NAM's own consumption, e.g. gas for fuel, and the net extraction from underground storage facilities.

As well as gas from the Groningen Gas Field, GasTerra buys Dutch gas from the small fields. GasTerra boosts the production of this Dutch gas by gearing the contract terms for the small fields to the needs of producers where possible. This is how GasTerra implements the small fields policy, under which production from the small Dutch fields can be prioritised. GasTerra has the statutory duty to purchase this gas on market terms if the producer offers it to the company.

Abroad

In addition to Dutch gas, GasTerra purchases a relatively small volume of gas from Norway and Russia. This gas is purchased on the basis of long-term purchase contracts. Since 2014 trade relations between the Member States of the European Union and Russia have come under pressure as a result of the crisis in Ukraine. However, gas trading activities have remained outside the scope of the sanctions and commercial relationships have not been affected. Around 5% of the gas that [GasTerra purchases](#) comes from Russia.

Security of supply

In 2014 in response to the crisis in Ukraine, the European Commission performed stress tests to test security of supply in the European Union. Two scenarios involving supply problems with Russian gas were simulated and two responses to those simulations (cooperation versus non-cooperation) were analysed. The aim was to measure the short-term effects and to obtain input for the negotiations on gas transit and supply between Russia, Ukraine and the EU. The results led the European Commission to review the Regulation concerning measures to safeguard security of gas supply. The emphasis was on intensive regional cooperation. In any case the simulations found that the Netherlands would not experience any interruptions in the gas supply.

We will adhere to the wishes of the Minister of Economic Affairs by not concluding any new long-term contracts. This also means that the existing long-term contracts will not be renewed or amended to increase volumes.

Market trends

Since the Minister of Economic Affairs announced his first production decision in January 2014, GasTerra has adapted its strategy to the new circumstances. The introduction of a production ceiling translates into a purchase ceiling for us. We cannot buy more gas from the producer NAM than the maximum set by the Minister. Since it is GasTerra's job to add as much value as possible to Dutch gas, we try to get as close to the ceiling as possible. Before the first production decision, GasTerra worked with a 10-year flexible purchase ceiling. Purchases below the annual average in one year could be compensated by higher purchases later. The current production limits mean that GasTerra has to plan more carefully than before.

We already knew that GasTerra would have to reduce the volume of gas it purchases in phases before the Dutch cabinet decided to reduce production. Both the Groningen Gas Field and the majority of the small fields are in the mature phase of their production cycle. Future production will be influenced by the production limit on the Groningen Gas Field. It is GasTerra's job to keep the sales obligations in step with decreasing supplies. This means matching the portfolio – total sales obligations – to the supply of gas as well as possible. The company is currently looking at how it can make best use of its supply and how to manage the associated costs. We have choices to make. Supply side changes, the focus on costs and efficiency and, finally, the smaller margins due to substantial competition in the market means that contracts to supply clients with low volumes no longer cover costs. We only consider the pros and cons differently for the purchase of green gas, the volumes of which are relatively small, but which can play an important role in greening the energy supply.

At the time that the Minister takes a decision on the level of the production ceiling, agreements on future supplies have already been concluded. GasTerra can count on a sufficient supply of gas to meet its contractual obligations. This is in part made possible by the Dutch government's gas roundabout strategy, through which more gas can be imported and exported. As a result of this an effective liquid gas exchange, the Title Transfer Facility (TTF), has been developed over the past 10 years. All in all, despite the production limit on the Groningen Gas Field, we were still able to meet all of our contractual obligations in 2015. The production ceiling has meant that we have had a smaller volume of gas available for sale on exchanges and we have even bought gas from there.

Demand for gas in Europe (EU28) was higher in 2015 than in 2014. This was because the average temperature, especially in the first half of the year, was lower than in the exceptionally warm 2014, boosting demand for gas for heating. Some countries used more gas for generating electricity but in general the low price of coal and CO₂ emission allowances are obstacles in this sector. Since demand for natural gas in Asia was below expectations, while global LNG capacity increased, more LNG was available for the European market. At the same time the virtual exchange, the TTF, flourished: never has so much gas been traded as in 2015.

Energy targets

A number of social parties signed the Energy Agreement for Sustainable growth on 6 September 2013. One of the things agreed is to reduce energy consumption in the Netherlands by making houses more energy efficient among other measures. Many housing associations are putting this into practice. Improved energy efficiency means in

principle that households will use less gas. GasTerra therefore expects the total volume of sales to decrease in this segment in the long term.

The Council for the Environment and Infrastructure (RLI) published its advisory report “A Prosperous Nation without CO₂” in the autumn of 2015. This set out a policy to reduce energy consumption or to make consumption more sustainable. The built environment is the primary target. The advice in this report served as input for the cabinet's Energy Report that was published in mid-January.

In 2014, the European Union adopted a framework for climate and energy policy going forward to 2030. It sets out three energy targets for 2030: 1) at least 40% reduction in emissions from 1990 levels with the allocation per Member State to be agreed later; a 27% improvement in energy efficiency at European level compared with 1990; and finally 3) a 27% share of renewable sources in the energy mix. Preparations were made in 2015 to adapt various aspects of the current European regulations on climate and energy policy with a view to achieving these targets. Strengthening the CO₂-emissions trading system (ETS) is the key to this. Moreover the framework was enlarged in 2015 with the addition of more targets, for instance for the reliability and affordability of the energy supply. The European Commission has set out these and other matters in a strategy for a (European) Energy Union. As climate and energy are particularly good examples of cross-border issues, GasTerra supports this plan and the central role that it gives to the ETS for the climate aspects.

The UN climate conference, COP 21, was held in Paris from 30 November to 12 December 2015. The Paris Agreement was presented on the last day of the negotiations. The Agreement set the target of limiting global warming to a maximum of two degrees above pre-industrial levels. The 197 parties (196 countries plus the EU) went further than that by agreeing to pursue efforts to limit the temperature increase to 1.5 degrees. What was new compared with earlier UN climate agreements was that agreement was reached on the need to phase out the use of fossil fuels within an undefined period of time. The Convention, that relates to the period after 2010 and takes effect as soon as 55 countries that together emit more than 55% of greenhouse gases have ratified it, requires member states to draw up ambitious national climate plans. The rich countries are expected to support developing countries financially to reduce their emissions.

GasTerra finds it encouraging that agreement was reached in Paris on the ambitions, targets and direction of climate policy. We will have to see how the positive outcome of what was regarded beforehand as an extremely difficult negotiation process can be translated in practice into effective, concrete measures. It is essential that these measures are result-oriented, i.e. that they tackle the main problem through the step-by-step reduction in greenhouse gases. Which resources will be deployed for this – energy saving, renewable energy sources, replacement of the most polluting fossil fuels by cleaner fossil fuels combined with CCS – is in fact secondary. The environmental return from the climate policy must ideally be the prime consideration.

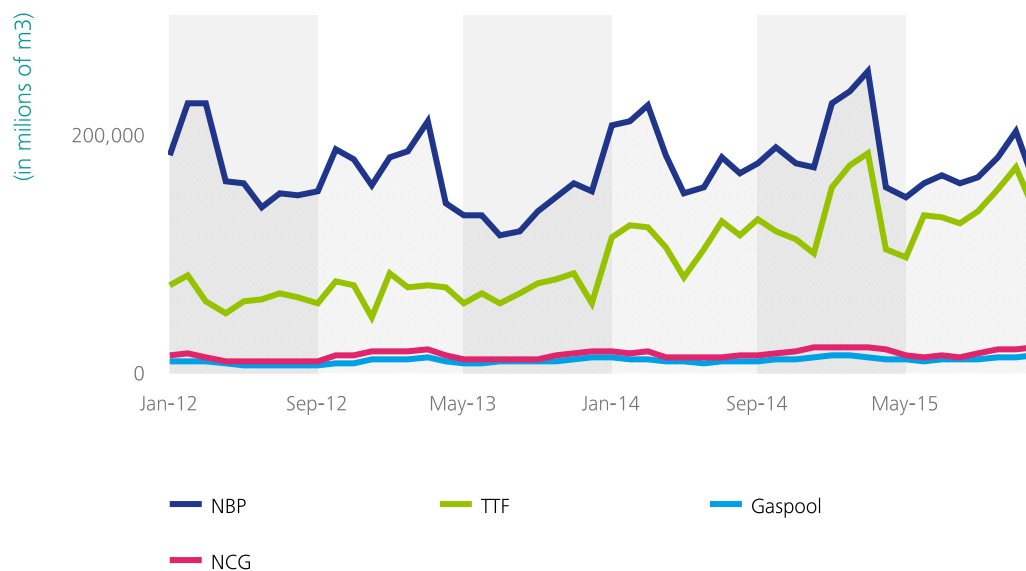
Virtual Trading Points

Trading on the Dutch virtual trading point, the TTF, rose to a record height in 2015 with a traded volume of 1,708 billion m³. With this volume of trade the TTF continued to hold on to the top position that it had taken over a year earlier from the British National Balancing Point (NBP) in the Over-The-Counter trade (OTC). Using this trading method parties do business with each other directly. The popularity of the TTF is due to the Netherlands' long history as leading player in the European gas sector. The fact that the TTF trades in euros rather than the pounds sterling on the NBP works in its favour as it means that continental parties are not exposed to any currency risk.

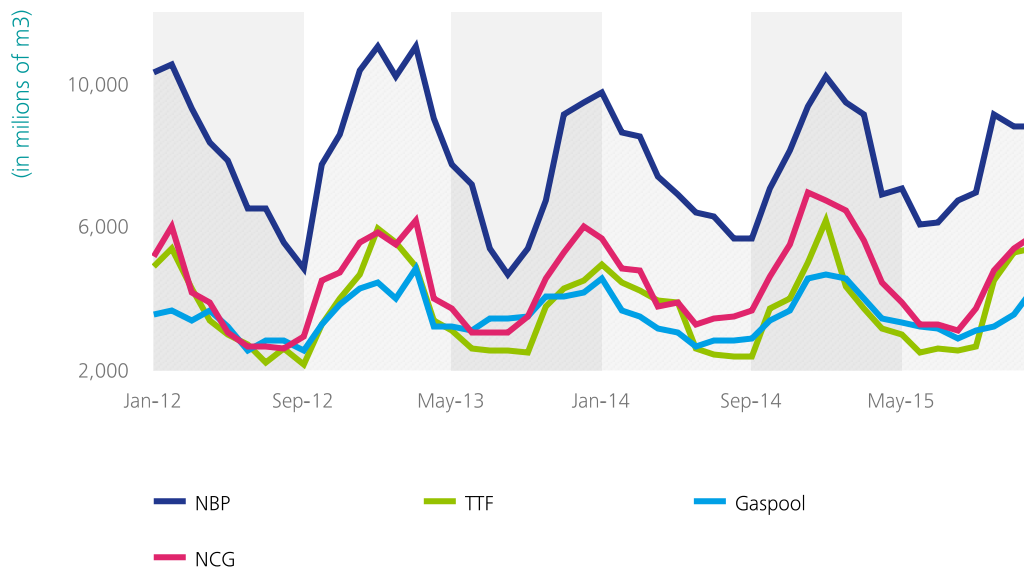
The TTF and the British NBP are the two largest virtual trading points for natural gas in Europe. The volume traded on the NBP in 2015 was similar to the year before. The TTF showed a strong growth and by the end of 2015 was approaching the NBP in terms of total traded volume per month. Despite the strong position of the NBP and the TTF, the German trading points NCG and GasPool and the Italian PSV also grew in 2015.

The TTF remains the most important price marker for long-term contracts and for gas on the other trading points in continental Europe. The churn rate of the TTF rose again in 2015. The churn rate is the ratio between the traded volume and the physically delivered volume. In 2013, the average churn rate was 18.5; in 2014 it had risen to 31 and in 2015 to 37. The physical volume was low in the summer months leading to a ratio of around 50. The storage facilities were relatively empty in the spring of 2015 and so parties had to buy gas on the TTF to fill them ready for the winter.

Traded volume



Physical volume



LNG

The volume of liquefied natural gas (LNG) available to the European market is increasing. The most important reasons for this are decreasing demand in Asia, while LNG production capacity has increased. On top of that the LNG price in Asia has fallen sharply due to the drop in the oil price. As a result Northwest Europe has become an attractive sales market and Europe is currently functioning as the global LNG balancing market.

Whether this trend will continue in years to come will be closely connected with economic growth and the energy choices that the most important purchaser countries in Asia make. Japan, for instance, has decided to re-start a number of nuclear power stations that were switched off in response to the disaster at the Fukushima power station in 2011. Over time this will affect the demand for LNG in Japan. China is also an important growth market. This growth could still be given a major boost if decisions are taken to close coal-fired power stations and replace them with gas-fired stations but this will also depend on competition with pipeline gas from Russia.

Partly thanks to the construction of LNG terminals in Australia and America, analysts believe that the production capacity of LNG will increase by 180 billion m³ over the next four years. Australia has documented contracts for an estimated 97 billion m³ of LNG exports for 2018 and America has 60 billion m³. A large proportion of the American gas has been contracted by European parties. Contracting LNG does not in fact provide any certainty that this gas will actually be delivered to the destination country. The contracts increasingly offer the seller the option to sell the LNG to whoever they want on the world market. It is also possible to ship on LNG delivered in Europe to other markets.

Competition from coal

The price of coal and the price of CO₂ emission allowances are still relatively low. For existing power stations, therefore, it is still cheaper to generate electricity by burning coal than by burning gas. For this reason number of energy companies in Northwest Europe have already closed their gas-fired power stations or announced plans to do so. In Belgium gas-fired power stations have been shut down because they were no longer profitable. However, some of these power stations were taken back into use in 2015 because problems with nuclear power stations threatened to lead to shortages on the Belgian electricity market.

Closing gas-fired power stations has consequences for security of supply and our climate targets. Burning coal may be a cheaper alternative at this moment but it releases more CO₂ than burning gas. Furthermore, older coal-fired power stations in particular cannot be switched off and fired up again as quickly as gas-fired power stations, so in the transition to a sustainable energy supply they are less suitable as a back-up to the frequently unpredictable renewables. A number of European countries are taking measures in this context to secure their supply. These 'capacity mechanisms' mean that energy companies are paid for the reserve capacity that they have to retain to guarantee that the electricity stays on.

Discussions are taking place at European level about improving the trading system for CO₂ emission allowances. This should lead to higher CO₂ prices and therefore encourage industry to invest in measures that reduce emissions such as the use of gas. It should also improve the competitiveness of gas-fired power stations compared with coal-fired power stations.

Under the Energy Agreement, the Netherlands has agreed to close its five oldest coal-fired power stations in 2016. They will be replaced by three new, more efficient coal-fired power stations that are already in use (two at Maasvlakte and one at Eemshaven). Despite this agreement there is increasing social and political pressure to also close down these power stations eventually.

GasTerra shares the view that reform of the European Emissions Trading System (ETS) is the best way to improve the competitiveness of gas-fired power stations. The CO₂ price needs to be high enough to make it attractive to companies to invest in the cleanest technology and so to operate as energy-efficiently as possible.

Energy Report

In the Energy Report, published in January 2016, the cabinet presents a complete vision for the future energy supply in the Netherlands. The cabinet is pursuing a low CO₂ energy supply at the international level that is safe, reliable and affordable. In this vision natural gas is confined as far as possible to the energy functions for which there is no alternative available. Space heating, for example, should be provided where possible by means of low CO₂ solutions. The cabinet announced that the Energy Report is to be taken as the basis for the Energy Dialogue, in which various stakeholders are to exchange ideas on the transition to a sustainable energy supply.

Shale gas

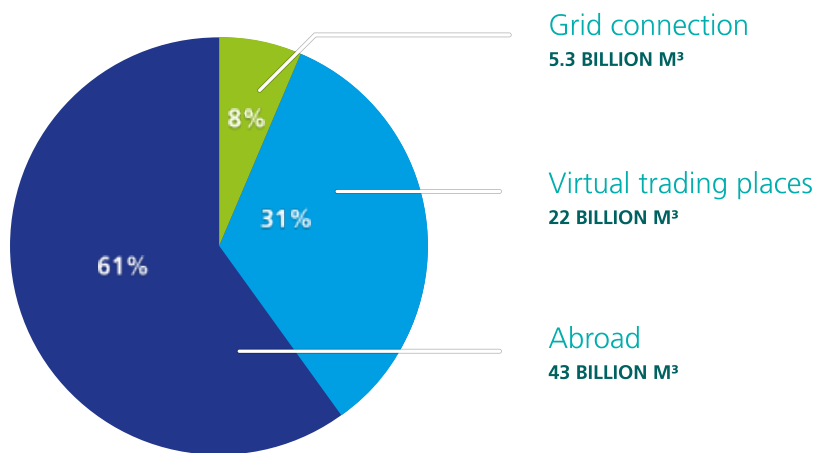
The cabinet decided in 2015 not to go ahead with commercial exploration and extraction of shale gas in the next five years. It is not yet known whether this position will change over the longer term. It will depend on all kinds of future developments, including developments in the technical field. The Energy Report does not rule out the option to extract shale gas in the future. The cabinet believes that sustained international research is needed before a decision can be

taken on granting permits for the exploration for and extraction of shale gas for commercial purposes. Ultimately test drilling under government responsibility could form part of the research programme. There will be no drilling for shale gas during the present government's term of office.

Supply and Sales

In 2015, GasTerra supplied 70.3 billion m³ of gas. That is 11 billion m³ less than in 2014. This decrease can be explained mainly by the production ceiling on the Groningen Gas Field. The winter of 2015 was mild, which reduced market demand. Prices fell. The average gas price in 2015 was 20.8 eurocents per cubic metre compared with 23.9 eurocents in 2014.

In 2015, GasTerra supplied 70.3 billion m³ of gas



Supply to the connection

In 2015, GasTerra supplied 1.4 billion m³ of gas at the connection to energy companies, power stations and industrial customers (2014: 1.8 billion m³). Thus the supply to this market segment remains slightly behind expectations. The high average temperatures in 2015 were responsible for this. However, the lower sales volume in this sector was largely compensated for by additional resales, where the gas was still supplied in the same year.

The positive effects of continuous product development was expressed in the sales contracts for the next few years. Just like last year, GasTerra took advantage of the marked increase in the number of smaller, often local, energy companies. These parties are contracting more gas every year, because they see their customer portfolios growing. The company benefits from this because of the higher sales.

In 2015, GasTerra supplied 3.9 billion m³ of natural gas to its industrial customers (2014: 3.5 billion m³). This was below expectations. Various reasons can be given for this. First, the economic conditions affected industrial production processes, resulting in reduced demand for gas. Second, customers are making less use of their combined heat and power plants (CHPs) which generate heat and electricity at the same time. For many customers, the purchase of electricity was cheaper than domestic production with lower demand in these installations as a result.

Product improvement

Despite these trends, GasTerra is working hard to retain its customer portfolio. We consult our customers to ascertain whether our terms and conditions and our products are still competitive. We made a number of product improvements in this area again in 2015. These were mainly changes to cater for our customer's wishes and requirements. We also have to make choices to do with marketing lower volumes.

Customer satisfaction

In 2015, GasTerra gave its industrial customers access to the customer portal. Customers can look at their contracts and invoices here. This portal was developed in response to an earlier customer satisfaction survey, in which customers indicated that they needed more information, especially about market trends and prices. To meet this need we also issue a periodic [digital newsletter](#). In addition, the company organised a well-attended customer event in September with lectures on the gas market and a visit to the Gate terminal at Maasvlakte.

Making processes more sustainable

We assist our industrial customers in their efforts to make their production processes more sustainable through the Environmental Plan for Industry ([EPI](#)). Through this programme GasTerra supports industrial customers in improving their energy-efficiency, reducing their emissions and making their production processes more sustainable. An EPI project was carried out with four customers in 2015. At the same time Energy Matters, commissioned by GasTerra, researched the possibility of flexible use of CHPs. Based on these research results, six industries have carried out their own individual studies into these possibilities. These scans were performed by Energy Matters and paid for by GasTerra.

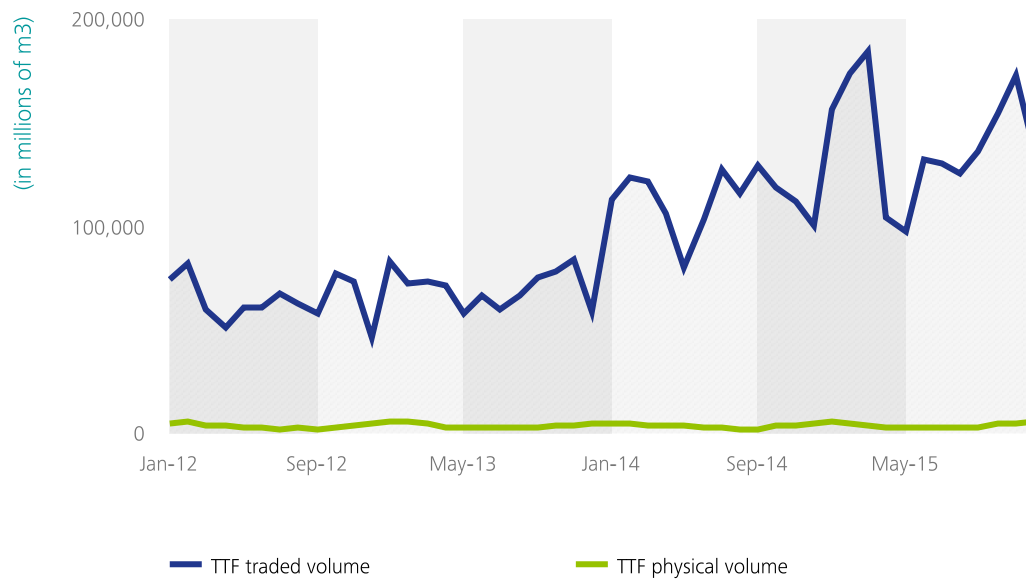
GasTerra also supports the production of and trade in green gas by purchasing this sustainable gas from various producers on attractive terms.

For an overview of all of the projects, please go to our [Green section](#).

Supply to the gas hub

Trade on the TTF is mainly conducted through standard framework contracts. This means that only the price, volume and delivery period are agreed for each deal. A deal may be made direct via the exchange, via a broker with a customer, or bilateral with a customer. GasTerra prefers the first option. As many market operators trade through brokers, we also use this channel a great deal. The number of brokers increased again in 2015. This gives market operators more freedom of choice.

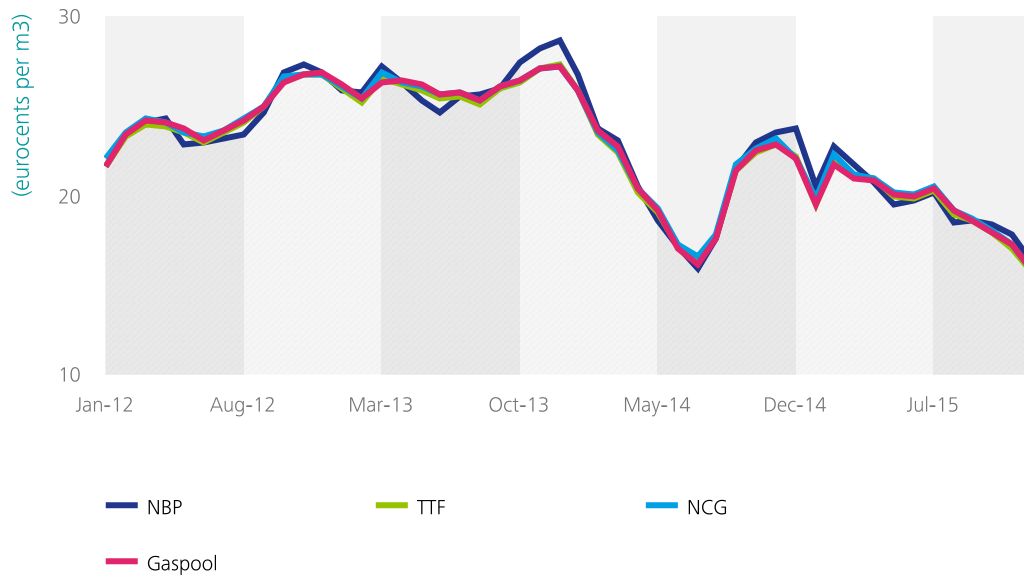
Trends in physical and traded volumes TTF



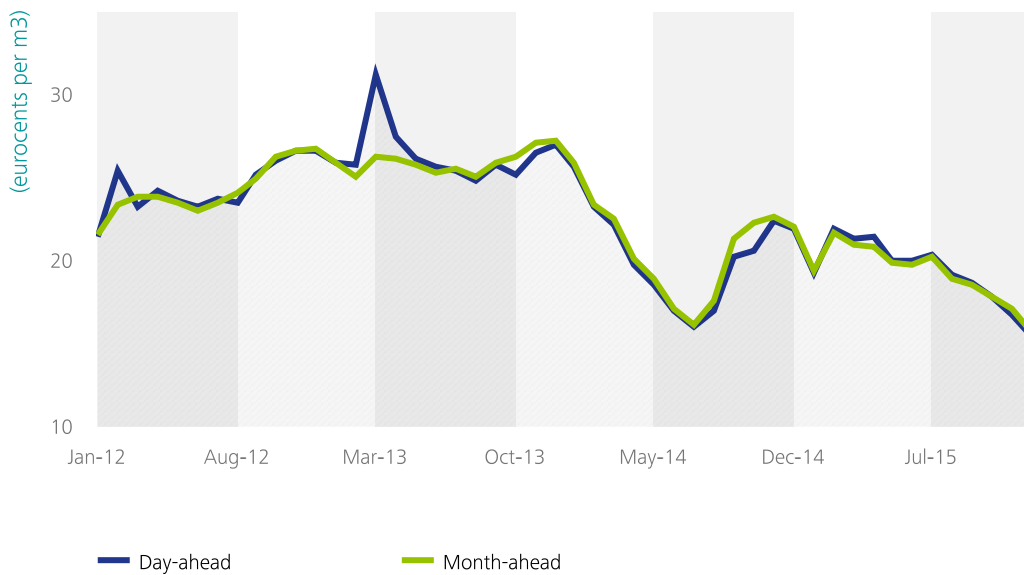
In 2015, GasTerra supplied 22 billion m³ of gas via the virtual trading point (2014: 29 billion m³). However, the supply to these target groups was below expectations. This can be explained by the relatively high temperature in 2015, resulting in fewer temperature-dependant contracts being agreed. A total volume of 46 billion m³ was physically supplied via the TTF in 2015.

Average prices on the TTF were lower than in 2014. The annual average day-ahead price fell by 1.1 €/m³ compared with 2014, the annual average month-ahead price fell by 1.6 €/m³ in 2015. The relatively warm year, lower oil price and sufficient supply of gas depressed prices on the gas hubs.

Trends in average monthly month-ahead prices



Trends in average monthly TTF prices



Abroad

In 2015, GasTerra exported 43.0 billion m³ of gas (2014: 47.0), mainly through long-term contracts with a few large international energy companies. This decrease can be explained mainly by the relatively low demand for gas in Europe because of the mild winter months.

Renegotiations took place on a number of export contracts in 2015. The most important theme remains the transition in the market from oil-indexed to gas-indexed prices. As a result of this the roles of various parties in the value chain have been redefined. Issues, apart from price, that play a role here include greater contractual flexibility and the supply point. The parties come close to each other's positions in many cases but this takes a great deal of time and effort. If it proves impossible to reach agreement, an arbitration procedure will follow. There were two arbitration procedures in 2015, one of which has been completed. The other is still going on.

Conversion from L-gas to H-gas

Due to falling production volumes from the Groningen Gas Field, users of Groningen L-gas will have to switch to H-gas as of 2020. The conversion from L-gas to H-gas is an important issue in Germany, France and Belgium. In Germany, because of the decrease in the country's own L-gas production, a start has already been made with the conversion and this will be intensified from 2020 onwards when the imports from the Netherlands decrease. By 2030 there will be no more exports to Germany. Similar preparations are being made in Belgium and France, where the conversion process will start no later than 2024. The Netherlands is not expected to convert before 2030. However, from 1 January 2017 only gas appliances that are able to run on both low- and high-calorific gas will be sold in the Netherlands.

Virtual storage service

GasTerra provides market operators with options to contract virtual storage space via the gas and electricity exchange ICE Endex. This virtual storage service (VSS) is offered in the form of Standard Bundled Units (SBUs) and it allows market operators to inject or extract gas from the virtual storage facility. GasTerra provides this service on the TTF. ICE Endex auctions the volume as an independent party on instructions from GasTerra, so that purchasers remain anonymous to GasTerra.

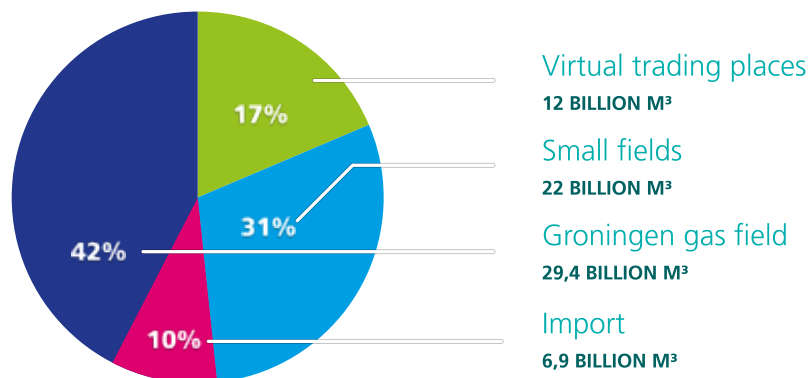
In November 2013, market operators contracted 3.7 million SBUs in the form of a one-year product (2014/2015 storage year). In addition, GasTerra started to offer a five-year product in November 2013 (2014–2019 storage years) and 4.1 million SBUs were contracted. Finally, the remaining 5.4 million SBUs were sold at auction as one-year product in February 2014.

The first auction for the 2015/2016 year took place in November 2014, at which 4.5 million SBUs were sold in the form of one-year product. The remaining capacity was auctioned again as one-year product in February 2015. At this auction, 4.5 million SBUs were sold for the 2015/2016 year. Another auction was held on 18 November 2015 for the 2016/2017 one-year product and 1,757,577 SBUs were sold at this auction. The last auction for the 2016/2017 one-year product took place on 10 February 2016. The remaining 7,341,324 SBUs were sold at this auction.

Procurement

In 2015, GasTerra purchased 70.3 billion m³ gas from the Groningen Gas Field, small fields, trading points and through imports.

In 2015, GasTerra purchased 70.3 billion m³ of gas



Groningen Gas Field

In 2015, GasTerra purchased 29.4 billion m³ of Groningen gas (2014: 42.4 billion m³). Within the limits of the decision on the Groningen Production Plan, NAM produced 28.1 billion m³ from the Groningen Gas Field in that year (2014: 42.1 billion m³).

Small fields

GasTerra purchased 22 billion m³ from the small fields in 2015, 2.2 billion m³ less than the previous year. In the past decade, the purchase of gas from small fields decreased by about two billion m³ per annum. This is because the reserves in the small fields are becoming depleted, resulting in reduced pressure in these fields and a steady decline in production. Although reserves are still being found in new small fields, this does not fully compensate for the fall in production. The outlook for the coming years shows a further decrease. These projections are based on statements from the producers. It is not certain whether the levels of investment on which these projections are based will be maintained. Returns and the resources available for investment in the oil and gas sector are under pressure because of the low oil and gas prices. This has led the gas production companies, through their trade association NOGEPa, to urge the Dutch government to reduce the high tax on the profits from this activity. This would make investment in new gas production more attractive. It could also prevent the loss of existing infrastructure.

Improved conditions

The Seller's Nomination Regime has been in place for the sale and purchase of small fields gas for a few years now. It means that supply is not demand-driven as it used to be, i.e. at the request of GasTerra, but production-driven. As a result producers are better able to adjust the supply to the technical facilities of the fields. They have to nominate what volumes of gas they expect to supply a month in advance. They can nominate a small proportion of the volume the day before they supply it.

In 2015, a new improvement to the supply conditions was rolled out, whereby the whole of the volume can be announced one day ahead. In introducing this commercial approach GasTerra takes the wishes of producers into account. The producers for their part provide GasTerra with non-binding production projections for the short, medium and long term. Meanwhile all producers can provide automated projections in accordance with the new conditions.

Procurement from Virtual Trading Points and Imports

GasTerra procured 18.9 billion m³ of gas in 2015. This was done both through virtual trading points (12 billion m³) and through imports from Norway, Russia, Germany and the United Kingdom (a total of 6.9 billion m³). Due to the long-term nature of the import contracts, there was little change from previous years.

Around 5% of the gas that GasTerra purchases comes from Russia. This gas is purchased based on a long-term procurement contract, in which the rights and obligations of both parties are set out. The trade relations between the Member States of the European Union and Russia remained strained in 2015. The sanctions imposed by the EU after the outbreak of the crisis in Ukraine in 2013 remained in force. However, gas trading activities fall outside the scope of the sanctions and the relevant commercial relationships have not been affected. Gazprom supplied less gas to GasTerra under its long-term contract; according to the Russian producer this was because it needed extra gas to fill its storage facilities.

Renegotiations took place on a number of import contracts in 2015 just as in 2014. The most important theme is the transition in the market from oil-indexed to gas-indexed prices. As a result of this the roles of various parties in the value chain have been redefined. Issues, apart from price, that play a role here include greater flexibility and the supply point. The parties come close to each other's positions in many cases but this takes a great deal of time and effort. The ultimate goal is to bring the contracts up-to-date so that they do justice to the existing agreements but are also in keeping with current market reality. If parties cannot reach agreement by renegotiating together, they can bring their dispute to an arbitration tribunal. There were two arbitration procedures in 2015, one of which has been completed. The other is still going on.

Transmission

In the Netherlands, GasTerra purchases the transmission capacity from Gasunie Transport Services B.V. (GTS), operator of the national gas transmission network. In addition, GasTerra books transmission capacity with various international transmission system operators (TSOs), such as BBL Company, the British National Grid and various German operators. The costs of procuring transmission capacity in 2015 were €532 million. This was €37 million less than in 2014 [€569 million], mainly due to substantially reduced volumes of Groningen gas and a decreasing need for transmission capacity for the Dutch small fields.

The earlier trend under which transmission bookings were mainly made for the short term continued in 2015. The Prisma booking platform has further strengthened its position as the most important intermediary for obtaining transmission capacity.

GasTerra also made use of the option to return capacity that is surplus to requirements to GTS, so that GTS can put it on the market again. Only if GTS actually puts the capacity on the market, do GasTerra's obligations for this capacity cease. This only applied to a small proportion. Finally, GasTerra actively offered its surplus transmission capacity on the secondary market in 2015. This resulted in a number of successful transactions, although GasTerra finds this market to be not especially liquid.

Risk management

A thorough risk policy is a prerequisite for the company to achieve its objectives in a controlled manner. Risk management, carried out at strategic, tactical and operational levels, is an integral part of the Management Control System at GasTerra. This means that risk management is an explicit component of GasTerra's day-to-day management.

Through periodic risk analyses at strategic, tactical and operational levels, we identify the principal risks and uncertainties that are facing GasTerra. We look at strategic, operational and financial risks and at risks in the areas of financial reporting and legislation and regulations (compliance).

In the Business Risk Analyse (BRA), we analyse potential risks that could prevent us from achieving our strategic objectives. The strategic objectives for 2015 were volume, price, anticipation and costs. The BRA allows us to frequently monitor whether the risks are being adequately managed and to take suitable measures if necessary.

For each risk GasTerra determines the chance of it occurring and what the impact would be on the company if it occurred and on that basis decides which are the most important risks. The table below shows the most significant risks in 2015 that could prevent the achievement of these objectives and the measures that have been taken.

Impact



Risk	Chance	Impact	Measures	Status	Notes
1. Groningen production ceiling	H	H	Various planning measures so that GasTerra is always able to meet the demand.	Mitigation	See Gas > Procurement
2. Credit-worthiness	H	H	Trends in buyers' credit-worthiness are permanently monitored.	Mitigation	See Financial instruments
3. Image of natural gas	M	H	Increase knowledge and awareness of the energy question and the essential role of gas through PA and PR activities and various projects.	Mitigation	See Gas
4. Margin	L	H	Intensive consultation with various internal actors to decide how we can add as much value as possible to our products and services.	Mitigation	See Gas
5. Decision-making on Groningen	L	H	Respond to detailed information from the Minister. Tailor communication policy and plan to this.	Mitigation	See Gas
6. Financial regulation	L	H	Consultation with internal and external stakeholders to ensure compliance with amended legislation and regulations.	Mitigation	See Gas

Financial instruments

The company uses financial instruments during its normal business operations that expose the company to market risks, including currency risk, interest rate risk, credit risk and liquidity risk. This is described in the Financial Instruments section of the Annual Accounts.

Compliance

GasTerra attaches a great deal of importance to safeguarding the quality and integrity of the staff's actions. One of the tools that the company uses for this is a code of conduct with norms and values. New GasTerra employees sign the code of conduct at the beginning of their employment. Attention is also regularly drawn to the code of conduct within the organisation, for instance via the intranet and the annual compliance programme. A Compliance Officer has been appointed who is responsible for implementing this programme. The objective of this is to make staff aware of the importance of the duty to adhere to legislative and other regulatory requirements applicable to GasTerra. This programme is obligatory for all employees. In 2015, 99% of employees followed the annual compliance programme.

The internal auditor regularly screens each department to check on whether they are complying with all procedures. The results of the audits are discussed with the Board of Management, the auditor and the Audit Committee. No employees were reported in 2015 for failure to comply with the code of conduct and supplementary procedures. GasTerra continually assesses whether the code of conduct and procedures need to be adapted or supplemented. No fines were imposed on the company in 2015.

Information security is vitally important for the operations of a trading company such as GasTerra. The company therefore pays a great deal of attention to raising awareness of this issue. An unannounced action was conducted in the autumn in which staff had to deal with telephone requests for information about the company, phishing emails and USB sticks left lying around. We also looked at how staff deal with confidential information and an attempt was made to get into the building without authorisation. The exercise had a positive outcome. Staff are attentive to unusual requests and behaviour. The unauthorised entering of the GasTerra building by the campaign group GroenFront! on 26 January 2015 alerted staff to the risks. The campaigners were protesting against the extraction of gas in Groningen. A number of security measures have been taken in response to this.

Regulation

GasTerra is faced with more and more regulation at national and European level, especially in the areas of energy and finance. We note that the rules that are relevant to GasTerra are becoming increasingly fragmented. This leads to inefficiencies in the business operations because of the obligation to comply with all of the applicable national and European regulations.

We manage this risk in two ways:

1. By closely monitoring regulatory developments at European and national level. We try to influence these developments where possible. When new regulations come out, we make sure that we comply with these obligations in a timely manner.
2. In meetings with senior government figures and EU leaders, GasTerra stresses the need for a clear European energy policy to reduce the fragmentation between EU Member States.

The European Parliament adopted the *Regulation on wholesale energy market integrity and transparency* (REMIT) for the energy sector in 2011. This sector-specific regulation prohibits insider trading and market manipulation. If GasTerra has information that may be regarded as insider information, we immediately cease all trading activities to be on the safe side. Only once the information has been publicised on our website, trading activities will be resumed. In 2015, GasTerra made such a disclosure 16 times on its website. Under the REMIT provisions, market operators have had to report all deals closed on 'organised market places' such as exchanges since 2015. GasTerra has implemented the necessary procedures to comply with this. We are currently making the necessary preparations to comply with the obligation to report the other contracts – deals closed outside the organised market places – in 2016 as well.

Another relevant piece of European legislation is the *Markets in Financial Instruments Directive* (MiFID). MiFID has been in existence since 2004 (MiFID I) and was amended in 2014 (MiFID II). The relevant secondary legislation is currently being developed. The new regime will take effect on 3 January 2017. MiFID I contains a general exemption for energy companies that does not exist under MiFID II. As a result certain obligations, e.g. reporting and record-keeping obligations, will apply to energy companies that trade in financial instruments. Additional obligations will apply if GasTerra is obligated to obtain a license under the new regime (e.g. rules of conduct, capital requirements, etc.) For GasTerra and other energy companies, a mandatory MiFID II license could adversely affect the liquidity of gas trading exchanges – which could restrict GasTerra's opportunities to trade. GasTerra hopes to be able to use the 'ancillary activity exemption'. The European financial regulators and the European Commission are currently working on the definition of 'ancillary activity'. Further decision-making is expected in 2016.

Transmission regulations

With effect from 1 November 2015, the Network Code on Capacity Allocation Mechanisms (CAM) came into force. The code has been in force for the most part in the Netherlands since 2014 as it was implemented ahead of schedule. CAM means that at border points bundled capacity is offered via the Prisma Platform wherever possible. The TSOs can only offer unbundled capacity if there is a mismatch between the available capacity on both sides of the border. This bundling obligation makes it more difficult to purchase unbundled capacity that is needed to match our own capacity that was booked in the past. Problems arise especially when TSOs on both sides of a border point are working under different technical conditions. GasTerra has been active in bringing this issue to the attention of the relevant authorities. Unfortunately a concrete solution has not been found yet.

Another development that has come out of CAM is that, since 1 November 2015, within-day transmission capacity has been auctioned at border points. Year, month and day capacity has been auctioned at set times on the Prisma platform for some time but now within-day transmission capacity can be auctioned continually.

In the field of regulation, further work was done in Europe in 2015 on the network code tariffs (TAR NC). The purpose of this code is to create a harmonised tariff structure. GasTerra has been following these developments closely and thinking about their content and implementation. Our company takes the view that transmission tariffs should reflect costs and be transparent and predictable. As far as predictability is concerned, GasTerra advocates the possibility of agreeing transmission tariffs for the duration of a transmission booking.

Summary of financial results

	2015	2014
Income and expenditure in millions of euros		
Net turnover	14,740	19,501
Gas purchases	14,119	18,820
Transmission costs	532	569
Profits in millions of euros		
Profit before tax	48	48
Net profit	36	36
Dividend	36	36
Other financial information		
Investments in millions of euros	3.2	6.3
Liquidity ratio	1.1	1.1
Balance sheet data in millions of euros		
Total assets	2,353	3,747
Shareholders' equity	216	216
Current liabilities	2,137	3,531
Volumes sold in billions m3		
Total sales	70.3	81.3
The Netherlands	27.3	34.3
Rest of Europe	43.0	47.0
Personnel year-end in full-time equivalents		
Company staff	169	179
Health and safety		
Sickness absence (in %)	2.1	2.1
Average absenteeism rate	1.1	1.1



Interview with Professor Catrinus Jepma, Professor of Energy and Sustainability

Since 1977, Professor Catrinus Jepma (1953) has held various positions at Groningen University (RUG), the Open University and the University of Amsterdam. He has held a variety of professorial positions at these universities since 1988. Since 2005, he has held the Chair in Energy and Sustainability at the Faculty of Economics and Business at the RUG. He was also scientific director of the now completed Dutch gas research programme, EDGaR. Jepma, a graduate in economics and law, is also employed as scientific director of the Energy Delta Institute. The main focus of his research has been energy transition. He has a large number of publications to his name and has supervised many PhD students. He was lead author of the Intergovernmental Panel on Climate Change (IPCC).

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A second life for gas

The gas sector is under pressure. The product's image has suffered terribly in Netherlands, mainly as a result of the problems around the extraction of gas in Groningen. The European Union is ambivalent about gas. On the one hand, the European Commission's policy aims to expand and reinforce the infrastructure to secure the long-term supply; on the other hand, natural gas is treated as an energy source that we should dispense with as soon as possible for geopolitical, economic and environmental reasons. Professor Catrinus Jepma, an eminent scientist in the field of energy transition and the role of gas in the energy mix, looks at it all with a heavy heart.

'The importance of gas for Europe's future energy supply is consistently underestimated. What are the facts? Doubts remain about whether we'll be able to use nuclear power in the future. The position of coal is worse than ever; the phasing out of coal-fired power stations in Europe seems to me inevitable. In other parts of the world too, such as Asia, people are realising that they need to stop burning coal in order to improve air quality in their cities. Only gas can fill that gap. I also think that oil has had its day for the same reason and so gas, including hydrogen, has huge potential in the transport sector. I would strongly advise the oil companies to do some serious work on this. In short, there is a second life for gas'.

'No, they can't. Renewables are growing but by no means fast enough. Too expensive. You can't solve that with subsidies. Operational subsidies for renewables cannot be maintained. Only the policy of subsidising investment, research & development and innovation can continue to hold out for a while. Renewables may have the full wind in their sails at the moment but it cannot last. The costs of greening the energy supply are simply too high.'

'It does have to be affordable. Sustainable energy can only continue to grow if the energy companies are able to provide a base load with their conventional power stations to set off the unreliability of renewable sources such as solar and wind. That requires a different business model that would secure the continuity of those companies. We would have to pay to retain reserve capacity for when the wind is not blowing and the sun is not shining. Gas, that is relatively clean, will have to be the backbone of this system and so I'm convinced that it will continue to be indispensable for at least 30 years.'

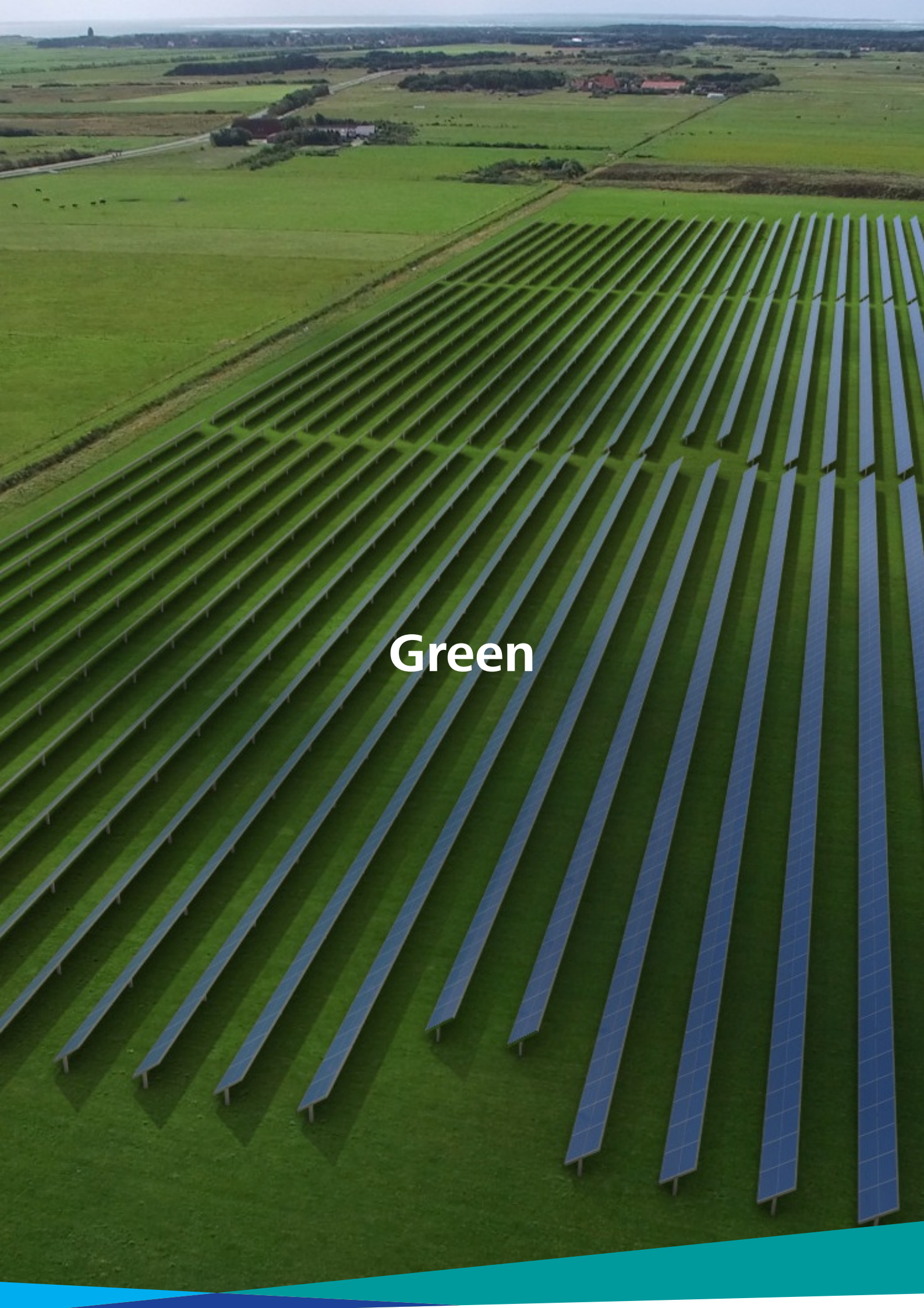
'Eventually yes, but we are nowhere near that yet. We need cost-effective transmission and storage systems. Gas has the best credentials on this. Storing energy in the form of gas is the best option from a cost perspective, despite the high price of conversion to hydrogen, methane and syngas. As a matter of fact I think that conversion can get much cheaper. Like solar panels. The cost of solar panels is coming down all the time.'

'The simplification of the energy debate is worrying, especially in the Netherlands. Gas is earthquakes; earthquakes are bad, so gas is bad. Renewables on the other hand are good. And electricity is clean. Few realise that only a quarter of our energy needs are supplied by electricity and that we still rely on non-sustainable sources to generate most of our electricity. This is true even of those who could and should know better. A car that runs on green gas is cleaner than an electric car but the perception is otherwise.'

'To begin with the gas sector should go on the offensive more. The media are pretty well going along with the one-sided narrative. We also need to give up the national capacity thinking, the idea that a country such as the Netherlands should have just enough capacity to provide for its own electricity needs. That has also played a role in the debate

about closing down modern coal-fired power stations. The Netherlands has over-capacity, so we can shut those power stations. The fact that we are part of an ever further integrating European gas and electricity market and that those new power stations were built mainly to serve the German market is ignored because it's just not convenient. The integration process is continuing, with new interconnections, more liquidity on the markets.'

'I know but then do it where it is cost-effective. And understand that thinking in terms of self-sufficiency is nonsense in this context. Climate change is a global issue. It doesn't matter where you reduce the emissions. It's best to do it where it costs the least and has the most effect; this was a key element of the Kyoto Protocol. However, it seems that we've given up on that idea. Why don't we help Africa to modernise its energy system? Why should we have to set a good example here? That doesn't make sense.'



Green

Vision

The argument being made by GasTerra, other parties in the energy sector and leading experts that, at least in the short and medium term, the fossil fuel gas is essential for reducing the greenhouse gas carbon dioxide would seem at first sight to be a contradiction in terms. This is because it implies that the more gas we burn, the lower the CO₂ emissions will be. The explanation for this apparent contradiction lies in the simple fact that consuming natural gas releases considerably less CO₂ than burning the other two important fossil fuels, coal and oil. Thus replacing coal and oil with natural gas where it is possible and worthwhile to do so *reduces* total emissions from energy consumption.

This gas paradox is the basis for GasTerra's energy transition and sustainability policy. The company focuses on public concerns about energy matters and the role of gas in the solution to the energy question: safety, security of supply, affordability, reducing greenhouse gas emissions and improving air quality. This is why we argue for a diverse range of means and resources to be used: promotion of renewable energy sources, especially green gas, technological innovation, maximum energy savings, binding emission ceilings and strengthening the competitiveness of gas.

In this context we put the emphasis on promising gas applications: in the built environment and in the transport sector. LNG for shipping and road transport and CNG for cars, for example, are significantly cleaner fuels that could achieve large-scale reductions in highly polluting emissions and CO₂. We also argue for an effective reform of the European emission trading system to improve the present shaky position of gas in central electricity generation. We seek to engage in as much dialogue and cooperation as possible with other stakeholders, such as the government, politicians, science and education, think-tanks, NGOs and companies, stressing that we are in agreement on the aims of a CO₂-neutral, secure and affordable energy supply. Our point of departure is the conviction that efficient use of natural gas will make a substantial contribution to the solution to the energy and climate question. For the time being we cannot manage without gas.

Sharing knowledge

GasTerra believes that it is important to arouse more interest in the energy questions among stakeholders. We are facing the huge challenge of supplying future generations with sufficient sustainably generated and affordable energy. This is why knowledge-sharing is one of the material issues in this annual report. In 2015, just as in 2014, we spent around three million euros on energy transition projects.

We share knowledge through educational institutions – from primary schools to university – and through public debate. Examples of this are the Energietransitiemodel.nl, an independent, fact-based energy model that is used by authorities, companies and NGOs; the GasTerra Energizer Award for students at our universities of applied sciences; the Energy Academy Europe (EAE) a top institute where education, research and innovation in the energy field are brought together under one roof; and the Your energy of tomorrow truck in which secondary school students are given lessons on energy in a mobile classroom. The focus is on making the energy supply more sustainable, energy transition and the role that natural gas can play in this. This is how we are sharing ideas and reflecting on the energy supply of tomorrow.

At the Energy Transition Centre (EnTranCe), the testing ground of the north, we share ideas about how natural gas can facilitate the transition to a CO₂-neutral energy supply. It is located at Zernike Science Park in Groningen and is a living lab where educational institutions and industry do research into the future energy supply. A living lab for energy, where creative ideas and proposals in the energy field are developed into successful products or projects. GasTerra is involved in various EnTranCe research projects. Since its formation in 2012, the company has collaborated with partners such as EAE, BAM, Gasunie and RWE. The underlying idea is that we can achieve more through shared innovation.

This can be illustrated by various projects that took place in 2015. EnTranCe students developed an idea for floating solar panels on water. The advantage of floating solar panels is that it is relatively easy to get them to turn with the sun. In addition, the reflection on the sun on the water increases their output. This idea has since been tested at Westpoort industrial estate to the west of Groningen. The initial results are promising. All in all this is a good example of how industry and education work together with EnTranCe as the link joining them together.

The test with the floating solar panels is a good illustration of the fact that as well as developing knowledge it is also important to test it. EnTranCe has found a permanent partner for this in the Municipality of Ameland. The island wants to become energy-neutral in the near future and is working all out to achieve that. In 2015, we played a role in implementing knowledge acquired at EnTranCe in the form of concrete projects on Ameland, including the installation of 45 fuel cells, 45 hybrid heat pumps in homes and heating the Nature Centre with gas heat pumps. The most recent project is the installation of the largest solar farm in the Netherlands, a 10-hectare site with 24,000 solar panels. We can see therefore that there is a strong link between EnTranCe and the Sustainable Ameland project. It is through projects like this that we are working on energy transition with the government, industry, educational institutions and students. Together these parties are making sure that Ameland leads the way in energy transition.

Gas advocacy

GasTerra believes that gas is an indispensable fuel in the transition to a sustainable energy supply. However, the image of gas has taken a knock because of the earthquakes caused by extracting gas from the Groningen Gas Field, the Ukraine crisis and public concern about gas that is difficult to produce. These factors could lead to the supply of gas decreasing in the long term.

GasTerra tries to improve the image of gas through various activities. To encourage dialogue between parties that play a role in the energy world, such as science, trade associations, government and politics, the environmental movement and businesses, GasTerra organised ten energy podium dinners throughout the country in 2015. The invited diners discuss pre-chosen energy themes during the meal. The aim is to deepen and broaden knowledge about energy and to increase understanding of the others' viewpoints. GasTerra embarked on this initiative in 2012, which since then has produced important input for our stakeholder dialogue. The dinners emerged from an earlier GasTerra initiative: the independent debating site energiepodium.nl. This website presents news, opinions and background information about the energy world in a journalistic style. It has permanent columnists who are free to choose their own topics and adopt their own positions within their areas of expertise.

In the Netherlands, the company supports the gas sector organisation KVGn. This association serves the interests of gas in the energy supply in the Netherlands. GasTerra also tries to promote the role of gas in energy transition through other channels. In 2015, GasTerra took part in the CE Delft Think-tank and 'Gas as part of long-term sustainable energy management' (GILDE), in which Shell, Norgas, EBN and Gasunie also participate. The aim was to develop a joint vision and message on the role of gas in energy transition. GILDE developed a vision in 2015 and is now actively disseminating this to all parties that have endorsed the Energy Agreement as well as to the general public.

In Europe GasTerra engages in gas advocacy via [Eurogas](http://Eurogas.eu), including through the GasNaturally campaign, in which all European gas associations are represented. At the global level the [International Gas Union](http://InternationalGasUnion.org) (IGU) takes the lead in promoting gas. GasTerra coordinated the Dutch contribution to IGU's World Gas Conference in 2015.

GasTerra's footprint

One of GasTerra's objectives is to promote sustainable business. We help our customer with this but we do not forget our own business operations. For all the products and services that we purchase, we look at price, quality and the efforts suppliers are making to do business sustainably. We then make a choice from what is on offer based on these three criteria. We do this because we think it is important that sustainability is rooted within and outside our organisation. We are aware of the impact of our activities on people and the environment and this is how we show people both inside and outside the company that we take corporate social responsibility seriously. We do business with Atos, for example, a company that has an A rating on the Global Reporting Initiative (GRI) guidelines and which uses green data centres.

When choosing suppliers, we give preference to local partners in order to boost the economy of the Groningen area. In 2015, for example, €11,215,177 was spent on non-gas-related goods and services, including automation, temporary staff, catering and cleaning, 38% of which were provided by suppliers from the region.

Travel

GasTerra encourages its staff to use public transport for business journeys and has bought public transport cards for this. As well as the train, bus, tram and metro, employees can use these cards for public service taxis and to pay for rented bikes and park and ride parking. In addition, staff can work from home or use video-conferencing to reduce business travel.

Energy consumption

Since the move to our new premises in 2013, the company set itself the target to reduce gas consumption to 35,000 m³ gas per annum. GasTerra achieved this objective in 2015. Our gas consumption was 38,264 m³ in 2013, 16,820 m³ in 2014 and 19,274 m³ in 2015. The increase in 2015 compared with 2014 was due to a faulty adjustment of the gas heat pumps resulting in more gas being used. This has been repaired meanwhile and we expect to see a fall in consumption again in 2016. The office is heated by two gas heat pumps which use geothermal energy (storage of heat or cold). When it is colder and the heat pumps do not have sufficient capacity, the office has two high efficiency (HR107) boilers to increase capacity. In addition, the lighting is regulated better, so that lights are not on when they are not needed and in certain periods (summer and Christmas) floors of the office building are closed so that we use less energy. We expect to be able to reduce energy consumption further in the coming years by making staff more aware of the energy we consume.

	2015	2014
Gas consumption	19,274 m ³	16,820 m ³
Electricity	338,504 kWh	346,237 kWh
Water consumption	1,324 m ³	1,393 m ³
Paper consumption	438,505 sheets	400,000 sheets*

* This is the amount of paper ordered in 2014.

GasTerra set off its CO₂ emissions for flights and lease cars in 2015. Since 2015, we have also set off the CO₂ emissions of our office premises. We do this by buying carbon credits from the Climate Neutral Group. The Climate Neutral Group is then able to invest in climate projects in countries where this has a spin-off effect on the local economy, employment, incomes, the environment and the climate. The Climate Neutral Group meets strict quality criteria and is audited by independent authorities.

The product that we trade has its own footprint. The vast majority of the gas comes from Dutch sources such as the Groningen Gas Field and the small fields. A small proportion of this volume comes from abroad, in particular from Norway and Russia. As a gas trading company our own footprint is not large. Nevertheless we share ideas with our stakeholders on how they could reduce their footprints. Through our Environmental Plan for Industry, for example, we advise industrial customers on how to use less energy and we are actively working to produce gas from sustainable sources such as hydrogen gas. As a consequence of the rise of the TTF, communication with our customers is not as easy as it used to be. With this anonymous form of trading, we have little or no knowledge of what actually happens to the gas after it is sold. For this reason we try to promote the idea of reducing the footprint of natural gas production at the purchase stage. For example, GasTerra is one of the parties in the Project Delta Group (PDG) public-private partnership, in which we share ideas about how to reduce the footprint of gas production in Russia. The PDG does this by, for instance, sharing best practices in the area of natural gas production and reducing the physical footprint at the production sites.

In practice

GasTerra also contributes to the efficient use of gas and to research and development in green gas and the system function of gas in an energy supply that is becoming increasingly sustainable. It is in our customers' interest to use gas efficiently, which is why we encourage our industrial customers to do so. GasTerra drew up the Environmental Plan for Industry (EPI) for this purpose. In 2015, GasTerra carried out four EPI projects. Technical consultants worked with these customers to identify opportunities to improve energy efficiency in their business processes, reduce emissions and make their processes more sustainable. In addition, the CHP plants at six industries were investigated to see whether they could be used in a more flexible way in order to run them more economically.

GasTerra took part in demonstration projects in 2015, which emphasised the value of gas as a transitional fuel. The company also contributed to projects that emphasise the system function of gas. A medium-term time horizon (to 2018) has been chosen for these activities. This will enable us to make clear to our staff and stakeholders what GasTerra wants to achieve on the CSR aspects not only right now but over the next few years.

GasTerra implements the 'Green Gas Green Deal', an agreement which the company signed with the government and other market parties in 2011, through various contracts. In it we committed ourselves to trading the entire volume of green gas which can be fed into the GTS network in The Netherlands. By purchasing this gas, GasTerra is contributing to the fulfilment of its own goal: responsible sustainability of our energy supply.

We have noticed in recent years that it is becoming more difficult to get new green gas projects off the ground. There are various reasons for this, including the high investment costs. It is partly for these reasons that a number of market operators, including GasTerra, are in the process of preparing a new Green Gas Green Deal to create an extra incentive for green gas production. An example of this is the reduction of the initial investment costs of fermentation by standardising techniques.

GasTerra continues to actively approach producers of green gas. In 2015, our aim was to conclude five new purchase contracts. In the end two new contracts for the purchase of sustainably produced gas were concluded and four contracts were extended for one year or more. The two new contracts were with Omrin and Attero. Both companies operate in the collection and processing of waste. Omrin expects to be able to start producing green gas in the second quarter of 2016. Attero has been producing green gas for some time now.

Interview with Jan Jaap Aué, Wim van Gemert and Jeroen van den Berg (EnTranCe)

It will be one of the major challenges in the near future: the transition to a sustainable society based on the use of clean energy sources.

At EnTranCe – the Centre of Expertise Energy of Hanze University of Applied Sciences Groningen and Energy Academy Europe – students, researchers, entrepreneurs, the industry and the general public join forces in building tomorrow's sustainable society. Education, research and innovation come together at EnTranCe.

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Necessity is the mother of invention, crisis the father of implementation

Energy transition is a difficult issue. Despite all the publicity about sustainable projects, investments in wind farms, solar farms, biogas plants and so on, we are still not really making much progress. We are waiting for a real breakthrough. One of the organisations that is doing research in this field is the Energy Transition Centre, or EnTranCe. This member of the Energy Academy Europe and the

Hanzehogeschool Groningen is a laboratory for applied research, a testing ground for energy. We spoke to Jan-Jaap Aué, Wim van Gemert and Jeroen van den Berg, who have various management roles at EnTranCe.

Jeroen van den Berg: 'The fact that we are not doing this from an ivory tower but we are doing this in conjunction with other interested parties. Education, science and industry, including GasTerra, come together here and collaborate closely on to help to progress innovations in the field of energy production, distribution and applications.'

Wim van Gemert: 'You don't want to wait until there's a crisis. Necessity is the mother of invention, crisis the father of implementation.' Jeroen van den Berg: 'We need an energy revolution and we are educating the generation of students here who will have to make this revolution happen.'

Jeroen van den Berg: 'Both. It is a playground with a serious purpose. Innovation requires creativity. Creativity is not possible without playfulness. It is our job to encourage young people to come up with original solutions. It's not a mere paper exercise but nor can we expect everything to work at once. Much of it is about trial and error. The result is important but there are plenty of hurdles along the way.'

Wim van Gemert: 'For the students what they do here is part of their studies but education is not the only objective. We also try to create genuine business here, as ultimately the success of energy transition depends on that. If we don't launch any products on the market or make a contribution to that happening, we have not succeeded.'

Jan-Jaap Aué: 'We collaborated on the development of a small bio-digester for the Van Der Valk hotel and restaurant chain. It produces energy from waste. Some other solutions stand out because of their simplicity and ease of application. Example: floating solar panels that produce a higher output because they capture more direct and indirect sunlight and can easily be cooled. Someone from outside EnTranCe came up with the idea; our students investigated how high the output gains would be and so helped to bring this product on to the market.'

Wim van Gemert: 'Certainly. It's obvious to me that the energy system of the immediate future will be a hybrid system. We have to continue to use fossil fuels in a smart way for the time being. Eventually there will no longer be a place for fossil fuels but they are indispensable in the transition phase. What we are doing here is starting to stop. That takes time.'

Jeroen van den Berg: 'All the same we are not focusing on improving the current technology; we are not going to develop the next gas-fired power station or gas boiler here. For us it is more about fitting innovations into existing systems. I also think that we have to get away from that us and them thinking. It's not either-or but both. Fossil fuels provide the base load but where we can sensibly replace them we must certainly not neglect to do so.'

Wim van Gemert: 'Projects like Sustainable Ameland are worth their weight in gold. We can put ideas into practice there, real practice, albeit on a relatively small scale. The great thing about this initiative is that it also shows that a successful energy transition is only possible with diverse energy carriers and energy sources: sustainable and conventional. On Ameland we are experimenting with hybrid heat pumps, electric transport and CO₂-neutral construction and we are doing behavioural research.'

Jeroen van den Berg: 'Change must not go too fast. No huge leaps. That puts people off.'

Jan-Jaap Aué: 'Absolutely. People have to make the right choices. Innovation has to be acceptable to the consumers. They are primarily looking for comfort and low prices. You can make a lot of progress with this. The added cost of an energy-neutral home is not that much and so I'm not pessimistic. More and more people are willing to do their bit for sustainability. Not just for idealistic reasons but because it is cost-effective. We need therefore to create a bigger range of products for smart energy systems. I see the core task of EnTranCe as helping to find solutions that not only push energy transition forward but which are also attractive to consumers.'



Groningen

Vision

GasTerra has translated the three well-known pillars of corporate social responsibility People, Planet, Profit into Gas, Green and Groningen. The choice of Groningen was obvious. We consider it very important to make a meaningful contribution to the local community of which we are part. We do this by participating in different projects and initiatives which focus on greening our society, such as Sustainable Ameland and EnTranCe. GasTerra also sponsors various activities in the areas of sports, culture and social life.

After the establishment of GasTerra as an independent company in 2005, the emphasis in sponsorship policy was on activities and projects that could increase the brand awareness of the new company in the region. The most important example of this is our financial support to Groningen's professional basketball club Donar. By connecting the name of our company to the team (GasTerra Flames), we generated maximum publicity. Independent research has shown that this approach has been successful. GasTerra has become a fixed and known value in the Groningen community.

Now that the brand awareness has reached a high enough level, we are shifting our attention to emphasising our economic significance and promoting our vision of the energy and climate issue. One of the ways that we are doing this in practice is through the 'GasTerra Doet' ('GasTerra Does') campaign. Within this theme, five sub themes have been identified: GasTerra inspires, GasTerra sustains, GasTerra researches, GasTerra takes action and GasTerra connects. Depending on the activity, GasTerra expands on the sub themes on the website and elsewhere to raise awareness of its role in society.

In addition, we are gradually going to shift our focus to social sponsorship. This change of direction is related to changes in society and the demands we place on our role in society. The community is increasingly being asked to take responsibility for the quality and habitability of their living environment themselves. The nature of the welfare state is changing, it is becoming more austere. Enterprises cannot and should not fill the gap created by this, but they can help to ease the transition to what has become known as the participatory society.

In 2015, GasTerra also launched the GasTerra for Groningen project, in which we investigate how – apart from sponsorship and donations – we can make a contribution to strengthening the economy of the region in the long term. In launching this project we are also mindful of improving our image, the image of gas, and knowledge of the role of GasTerra in the province of Groningen.

Sponsorship

As a Groningen company, our main focus is on the city and region. We sponsor various sporting, cultural, educational and social activities. This serves a purpose for the company too. We wish to bring the name of the enterprise and the role that we play locally and internationally to people's attention.

GasTerra will have to reorganise over the next few years so that the company can continue to maximise the value of Dutch natural gas under changing market conditions. This means that the budget for sponsorship and donations in the coming years will have to be cut. Nonetheless we are receiving more and more requests for sponsorship, so we have to make choices about who we can support financially or in other ways. We also feel that it is important to support initiatives which can then go on to stand on their own two feet or continue with other partners. For this reason we said farewell to a number of partners in 2015 and started to work with others.

In 2015 we spent €700,000 on sponsorship and donations (€900,000 in 2014). Together with Gasunie, GasTerra is a permanent sponsor of the Groninger Museum through the Stichting Fondsbeheer Culturele Relatie Evenementen. We have also maintained a partnership with the Prince Claus Conservatorium since 2010. Initiatives that were able to count on financial support from GasTerra again in 2015 included the Walk for Life (fight against cancer), GasTerra Ladies Run (Pink Ribbon), various charitable institutions including the Food bank and Humanitas for fighting against poverty in Groningen and the Tschumi Pavilion, a public space where projects in the fields of art, image culture, video and architecture are put on show.

For the last time we sponsored Streetball Groningen and the pop festival Eurosonic Noorderslag. GasTerra supported the free open air festival Eurosonic Air on Grote Markt square in Groningen and a competition between local Groningen bands (Grunnsonic). After five years we also said goodbye to the Peter the Great Festival, a cultural event at which young talented musicians put on more than 50 chamber music concerts at various typical locations in the three northern provinces.

Last year we embarked on a partnership with the House for Sport, that facilitates movement education for primary schools in the Province of Groningen. In addition, GasTerra became a partner of The Bridge, a non-profit organisation that organises sporting activities for people with an intellectual disability, including the Special Olympics in Groningen. GasTerra staff lend a helping hand with this by working as volunteers.



Interview with Andreas Blühm, Director of the Groninger museum

Andreas Blühm was born in Berlin on 18 February 1959. He studied Art History at the Eberhard-Karls University in Tübingen and the VU University of Berlin. Since 2012 he has been director of the Groninger Museum. Before he came to Groningen he already had a long career in the museum world behind him. Blühm worked from 1993 to 2005 in the Van Gogh Museum in Amsterdam, where he was head of presentations and responsible for exhibition policy. From 2005 he was director of the Wallraf-Richartz Museum & the Corboud Foundation in Cologne.

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We want to surprise and invite people to form opinions

The City of Groningen has a museum with international appeal: the Groninger Museum. Visitors come from all over, not only for the collections and exhibitions , but also to gaze in admiration at the exceptional architecture of the buildings that give the museum its colourful and modern exterior and Groningen its landmark. Since its establishment GasTerra has been associated with the Groninger Museum as its main sponsor with Gasunie. We interviewed the director, .

As this text was being written, the exhibition was on in the Groninger Museum. This exhibition had earlier done the rounds of cities such as London, Paris, Berlin and Melbourne. Anyone who thinks that Groningen is somewhat out-of-place in that list is obviously an outsider. The museum did not have to make any special effort to get the Bowie exhibition. It was offered to Andreas Blühm by the people at the Victoria and Albert Museum in London who put the exhibition together.

... is just one of the high-profile events that the Groninger Museum has put on over the years but smash hits like this are rare. It will bring in visitors who normally speaking do not find their way into a museum. And that is very much the ambition of the art historian Blühm who has been in charge here since 2012: to interest a new public. So when the offer reached him, he did not have to think about it for long.

'I know Groningen well. As I grew up in Bremen, I came here when I was quite young. My best friend stayed here for a while after he graduated; my wife is from Groningen. I was here at the opening of the museum in 1994, as a guest. I was full of enthusiasm and amazement at the time: how could they have built a museum like this here?'

For those who are not familiar with it: the museum is a much talked-about work of art in itself, a striking mixture of different styles, which in fact is a symbol for the amazing things inside. Variety is the hallmark of the collection and exhibitions: from archaeology and old masters to porcelain and modern abstract art, from fashion to more traditional forms of the visual arts, from Werkman's graphic experiments to the chameleon Bowie. This is one of the reasons why this museum suits its director so well. As he says himself, he is interested in every aspect of art.

'The opportunity, of course. My wife and I wanted to move back to the Netherlands and there was a vacancy here. The museum was going through a financial crisis at that time. Not great for the museum but good for a new director, because (laughing) things can only get better. A football manager should never take over a champion club, always a candidate for relegation.'

'Not too bad. In fact I didn't need to change very much. The museum was good, the creative policy was in good shape, the programme was exciting and varied. I've done my best to continue with that. I spent most of my time on relatively small things such as the signage in the museum, the explanations and use of language, and education of course. I firmly believe that museums have an educational role. Another thing that I'm very attentive to is balance. There may have been rather too much emphasis on modernity and design in the past. For example, I felt the need to pay a bit more attention to the region.

It has become more difficult to bring in distinctive exhibitions of work that does not belong to the museum's own collection, such as the exhibitions we did at the time on Russian fairy tales and Waterhouse. There are far more institutions doing this. Ten, twenty years ago Groningen was unique in that respect. That time is now gone.'

'Yes and it's good that we can still do this. We always try to find different forms of presentation, so that it doesn't become a standard narrative.'

'Exactly. I think that all those battles have been fought. But there can still be controversy. This summer we'll be putting on an exhibition that illustrates this perfectly: The New Wild. It is about a group of artists in the 1980s who no longer wanted to have anything to do with the avant-garde. They returned to figurative painting, but deliberately "ugly", awkward, provocative. That was 30 years ago. And it is typical of the Groninger Museum and its then director Frans Haks that the museum was one of the first to buy this work. An exhibition of the work of this group of all groups fits well with the museum's mission: we want to surprise and invite people to form opinions. Controversy is part and parcel of that.'

'That's right. Dutch people think Germany is a big country, while it is only half the size of Texas. Never mind, we still have much to gain in our own region. Residents of Groningen realise that this museum is not unimportant for the city. It has got through to the authorities, politicians and business that it is an important attraction. That's important. The Groninger Museum once had the reputation of facing away from the city but fortunately that's no longer the case. We are simply the museum of the City and Province of Groningen. All the same it's still difficult to get all Groningen residents to come in. I don't know how many people cycle over the bridge past the entrance every day but only a small percentage of them have been in the museum. There's clearly still a barrier.'

'Unfortunately yes. Anyway the opposite is also true. There are Groningen residents who have never been in the Euroborg (FC Groningen's football stadium). I can't understand that. You should try everything once. After that you can decide: that's not for me. But not before. Anyway we keep trying. As with

Annual Accounts

Reading Guide

The principal objective of this Annual Report is to inform stakeholders (interested parties) about GasTerra's vision and activities. As corporate social responsibility is embedded in the conduct of GasTerra employees, the company has been reporting on the financial and social elements in one annual report for years.

Structure

GasTerra has translated the three fundamental principles of CSR into three target areas that tie in with the company's activities – Gas, Green and Groningen – where Gas stands for the operating result, Green for our ambition to bring about a responsible energy transition, and Groningen for the community that we are part of. All of GasTerra's activities can be traced back to these pillars and so this Annual Report is built around Gas, Green and Groningen.

Guidelines

GasTerra publishes an annual report every year. This Annual Report covers the 2015 calendar year. No significant changes have occurred with respect to the scope, limits, formulation and measurement methods applied since the previous report (2014 calendar year, Annual Report published on 13 February 2015).

The 2015 Annual Report was prepared based on the fourth generation of guidelines for corporate sustainability reporting ([GRI G4](#)). We hereby report at core level. Our reporting is also in accordance with the statutory requirements for annual reporting laid down in Book 2, Title 9, Article 391 of the Dutch Civil Code. The [GRI Index](#) shows which GRI indicators the company has included in its report. This has subsequently been verified by EY, our accountant.

In addition to the guidelines for corporate sustainability reporting, we also test our Annual Report against the transparency benchmark of the Ministry of Economic Affairs. Our 2014 Annual Report scored 152 out of 200 points. We aim to at least equal that score with this Annual Report.

Accounting principles

Information	Definition/calculation method
Sickness absence (in %)	The number of calendar days (including weekends) lost due to sickness in the observation period, divided by the number of staff (in full-time equivalents), multiplied by the number of calendar days in the observation period.
Average absenteeism rate	The average number of times that an employee reports sick per year.
Gas consumption	The gas consumption of the GasTerra offices at Stationsweg in Groningen according to the final settlement from the energy supplier.
Electricity	The electricity consumption of the GasTerra offices at Stationsweg in Groningen according to the final settlement from the energy supplier.
Water consumption	The water consumption of the GasTerra offices at Stationsweg in Groningen according to the final settlement from the water company.
Paper consumption	The paper consumption according to the readings from the supplier of the copy machines.

GRI Index

General disclosures

Category	Nr	GRI-description	Section
Strategy & analysis	G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	Foreword
	G4-2	Provide a description of key impacts, risks, and opportunities.	Vision Gas Vision Green Vision Groningen
Organizational profile	G4-3	Report the name of the organization.	About GasTerra
	G4-4	Report the primary brands, products, and services.	About GasTerra
	G4-5	Report the location of the organization's headquarters.	About GasTerra
	G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	Sales and supply
			Procurement virtual trading points and abroad
			Supply chain upstream
	G4-7	Report the nature of ownership and legal form.	Governance
	G4-8	Report the markets served.	Sales and supply
	G4-9	Report the scale of the organization.	Summary of financial results
			Human resources and organisation
			Annual accounts
	G4-10	a. Report the total number of employees by employment contract and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender. e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f. Report any significant variations in employment numbers.	Staffing and numbers
			Training and career development
	G4-11	Report the percentage of total employees covered by collective bargaining agreements.	Collective Labour Agreement and pension
	G4-12	Describe the organization's supply chain.	Supply chain management
	G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	Reading guide

	G4-14	Report whether and how the precautionary approach or principles is addressed by the organization.	Governance
	G4-15	List externally developed economic, environmental and social charters, principles, or other initiative to which the organization subscribes or which it endorses.	Supply chain management
	G4-16	List memberships of associations and national or international advocacy organizations in which the organization: holds a position on the governance body; participates in projects or committees; provides substantive funding beyond routine membership; views memberships as strategic.	Foreword Supply chain management Knowledge sharing Ancillary positions held by members of the GasTerra Board of Directors and main- and ancillary positions held by members of the Board of Supervisory Directors of GasTerra
Identified material aspects and boundaries	G4-17	a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	Annual accounts
	G4-18	a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	Reading guide Stakeholder dialogue
	G4-19	List all the material aspects identified in the process for defining report content.	Stakeholder dialogue
	G4-20	For each material Aspect, report the Aspect Boundary within the organization, as follows: Report whether the Aspect is material within the organization; whether the Aspect is not material for all entities within the organization ; report any specific limitation regarding the Aspect Boundary within the organization.	Supply chain management Compliance Knowledge sharing Stakeholder dialogue
	G4-21	For each material Aspect, report the Aspect Boundaries outside the organization.	Stakeholder dialogue
	G4-22	Report the effect of any restatement of information provided in previous reports, and the reasons for such restatements.	Reading guide
	G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	Stakeholder dialogue
Stakeholder engagement	G4-24	Provide a list of stakeholder groups engaged by the organization.	Stakeholder dialogue
	G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	Stakeholder dialogue
	G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	Stakeholder dialogue

	G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns.	Stakeholder dialogue
Report profile	G4-28	Reporting period for information provided.	Reading guide
	G4-29	Date of most recent previous report.	Reading guide
	G4-30	Reporting cycle.	Reading guide
	G4-31	Provide the contact point for questions regarding the report or its contents	Contact
	G4-32	a. Report the 'in accordance' option the organization has chosen. b. Report the GRI Content Index for the chosen option. c. Report the reference to the External Assurance Report.	Reading guide GRI-index Declaration EY
	G4-33	Report the organization's policy and current practice with regard to seeking external assurance for the report.	Governance Reading guide
Governance	G4-34	Report the governance structure of the organization, including committees of the highest governance body.	Message from the Board of Supervisory Directors Governance
		Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	About GasTerra Compliance & regulation
	G4-57	Report the internal and external mechanism for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	Objections, Complaints and abuses
	G4-58	Report the internal and external mechanism for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanism or hotlines.	Objections, Complaints and abuses

Specific disclosures

Material aspects	Definition	GRI Aspect	Indicator	DMA and indicator

Financial results	The financial results are naturally the key data in the Annual Report, given that our core activity is the purchase and sale of natural gas. This material issue comes entirely within the scope of GasTerra's responsibilities. A key focus area in 2015 was maximising the value of Dutch natural gas while remaining under the production ceiling for the Groningen Gas Field laid down by the cabinet. Another key focus area was the renegotiation of long-term purchase and sales contracts. Our approach in view of these matters is set out in the Gas section.	Economic performance	G4-EC1 G4-EC8	<p>a. Report why the aspect is material. Report the impacts that make this aspect material.</p> <p>b. Report how the organization manages the material aspect or its impacts.</p> <p>c. Report the evaluation of the management approach.</p> <p>G4-EC1 Direct economic value generated and distributed.</p> <p>G4-EC8 Significant indirect economic impacts, including the extent of impacts.</p>
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Position of gas	<p>The world is facing the challenge of switching from the current energy mix based on fossil fuels to an energy mix based on renewable sources. GasTerra and its stakeholders believe that it is important to facilitate as smooth a transition as possible from fossil fuels to renewables and see an important role for natural gas in this. Given the price differential, electricity producers prefer to generate electricity using coal rather than gas. A number of energy companies in Northwest Europe have already switched off their gas-fired power stations or announced plans to do so. We are not alone in observing this trend, various stakeholders have mentioned it too. This is why this Annual Report identifies the position of gas, over time in combination with CSS, as a material issue. This is a shared responsibility. We are developing various initiatives whose purpose is to emphasise the importance of gas in energy transition. GasTerra's approach in this area is described in the Green section.</p>	Economic performance	G4-EC8	<p>a. Report why the aspect is material. Report the impacts that make this aspect material.</p> <p>b. Report how the organization manages the material aspect or its impacts.</p> <p>c. Report the evaluation of the management approach.</p>
Education	<p>As a society we are facing the immense challenge of supplying future generations with sufficient sustainably generated and affordable energy. It is very important that we train energy professionals for this, as GasTerra's stakeholders also emphasise. This is why GasTerra has identified education as a material issue. GasTerra's approach in this area is described in the Green section. Education is a very important element of the value chain for all parties. We see this as a shared responsibility and we put it into practice by bringing the energy question to the attention of students in schools and in tertiary education.</p>	Local Communications	G4-SO1	<p>a. Report why the aspect is material. Report the impacts that make this aspect material.</p> <p>b. Report how the organization manages the material aspect or its impacts.</p> <p>c. Report the evaluation of the management approach</p>

Compliance	<p>GasTerra is having to deal with more and more regulations at national and European level. It is very important that we comply with these statutory and regulatory provisions, which is why we have identified compliance as a material issue. Compliance with statutory and regulatory provisions comes entirely within the scope of GasTerra's responsibilities. We have drawn up conduct rules and procedures to ensure that we comply. We require our employees to take a compliance course every year for example. This objective was achieved in 2015. GasTerra's approach to compliance is described in the Conduct Rules and Procedures section.</p>	Product responsibility Compliance	G4-PR9	<p>a. Report why the aspect is material. Report the impacts that make this aspect material.</p> <p>b. Report how the organization manages the material aspect or its impacts.</p> <p>c. Report the evaluation of the management approach.</p>
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Responsible chain management upstream	<p>It emerged from the stakeholder dialogue that stakeholders are unclear about GasTerra's role and influence upstream, especially with respect to the earthquake problems and the purchase of foreign gas (especially from Russia). As far as the production of Groningen gas is concerned, the division of roles is as follows: NAM extracts this gas and is responsible for implementing the cabinet's decisions on limiting production from the Groningen Gas Field. GasTerra is solely responsible for selling this gas.</p> <p>The production from the Groningen Gas Field (and the small fields) is subject to strict environmental and safety regulations laid down by the government. GasTerra has no direct influence on this but expects its suppliers to comply with the legal requirements. As the sole seller of Groningen gas, we are directly involved in safeguarding the security of supply. It is low-calorific gas compared with gas from other sources (hence L-gas). Millions of consumers in the Netherlands, Germany, Belgium and France have appliances that can only burn gas of this quality. Their energy companies are therefore dependent on it.</p> <p>To help secure the supply, GasTerra closely monitors sales in relation to forecasts, working closely with NAM and GTS on this. Thanks to this approach, the production ceilings have not put security of supply at risk for consumers of L-gas.</p> <p>GasTerra also buys small volumes of gas from Norway and Russia. Production from these foreign sources is subject to the regulations applicable in those countries. GasTerra has no direct influence on this.</p> <p>To provide more information on this theme and GasTerra's influence, chain management is identified as a material issue in this Annual Report. GasTerra's approach is set out in the Chain Management section.</p>	Supplier assesment for impacts on society	G4-SO10	<p>a. Report why the aspect is material. Report the impacts that make this aspect material.</p> <p>b. Report how the organization manages the material aspect or its impacts.</p> <p>c. Report the evaluation of the management approach.</p> <p>G4-SO10 Significant actual and potential negative impacts on society in the supply chain and actions taken.</p>
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Glossary

Balancing

Maintaining the gas transmission network in a state of equilibrium.

Biogas

Gas produced by the fermentation of waste and manure or by biomass gasification.

CAM

Capacity Allocation Mechanism, a set of rules, laid down in a regulation of the European Union, for allocating transmission capacity at the interconnection points between the various European gas transmission networks to market operators.

Churn-rate

The number of times that a physically supplied cubic metre of natural gas is traded.

CNG

Compressed Natural Gas, natural gas that after compression is made suitable for use as engine fuel.

Commercial Paper programme

A programme of short-term unsecured debt that can be traded.

Compliance

This indicates that a person or organisation is operating in accordance with the applicable legislation and regulations.

CSR

The deliberate direction of business activities toward long-term value creation on the people, planet and profit dimensions, combined with a willingness to engage in dialogue with the community.

CSS

Carbon Sequestration and Storage, the underground storage of CO₂

Energy transition

Transition from energy derived from fossil fuels to energy from renewable resources.

Environmental Plan for Industry

Programme that GasTerra offers to its industrial clients to help them gain insight into their energy consumption, supplemented with technical support on improving energy-efficiency, process optimisation and making their processes more sustainable.

EPI

See: Environmental Plan for Industry

Footprint

Emission of CO₂ equivalents that relate to an individual's or an organisation's activities.

Gaspool

German virtual trading point for natural gas.

Governance

Indicates the act or manner of managing, the code of conduct and the surveillance over organisations.

Green gas

Biogas produced with the same quality properties as conventional natural gas.

GRI

Global Reporting Initiative, worldwide guidelines for reporting on sustainability.

Groningen production ceiling

Limit set by the government for the production of natural gas from the Groningen Gas Field. NAM is responsible for the implementation.

Groningen purchase ceiling

Limit set by the government for the purchase of natural gas from the Groningen Gas Field. GasTerra is responsible for the implementation.

GTS

Gas Transport Services, a transmission system operator and subsidiary of Gasunie.

H-gas

High-calorific gas, natural gas containing relatively low levels of nitrogen causing it to have a higher calorific value than other kinds of natural gas.

Hub

A (virtual) trading point within a given region where suppliers and customers transfer/trade gas.

L-gas

Low-calorific gas, natural gas containing relatively high levels of nitrogen causing it to have a lower calorific value than other kinds of natural gas.

LNG

Liquefied Natural Gas, ('vloeibaar aardgas' in Dutch).

Material issues

These are significant economic, environment-related and social issues that influence corporate social responsibility.

MiFID

Markets in Financial Instruments Directive, European investment directive to protect investors and the integrity of the financial markets, to promote fair, transparent, efficient and integrated financial markets and to further harmonise the European trading and investment market.

NCG

NetConnect Germany, German virtual trading point for natural gas.

Netcodes

European codes relating to natural gas transmission, detailing Third Energy Package regulations.

NGO

A non-governmental organisation is an organisation that is independent of the government and focuses on a public interest.

OTC trade

Over-the-counter trade, whereby parties trade with each other direct outside the exchange.

Price marker

The reference for setting the price of natural gas.

PRISMA

A booking platform, launched in 2013, where gas traders can book transmission capacity with various transmission system operators.

REMIT

Regulation in Energy Markets Integrity and Transparency, European Regulation for the energy sector which prohibits insider trading and market manipulation.

SBU

Standard Bundled Units, a product for contracting natural gas storage.

Shale gas

Natural gas extracted from a dense type of rock (shale).

Small fields policy

Government policy aimed at promoting the production of natural gas from the smaller gas fields in the Netherlands.

Stakeholders

Interested parties, parties whose interests may potentially be affected by GasTerra's activities or parties that affect GasTerra's interests themselves.

TSO

The Transmission System Operators is the operator of the national gas transmission network.

TTF

Title Transfer Facility, virtual natural gas trading point in the Netherlands.

Virtual Storage Service

A service provided by GasTerra whereby market operators can contract virtual storage for up to 1.95 billion m³ of natural gas.

Virtual Trading Point

A virtual trading point within a market region where suppliers and customers transfer/trade a product.

VSS

See: Virtual Storage Service



G.J. Lankhorst

Chief Executive Officer



M.W.J. de Wilde

Director of Finance, Projects
and ICT



R.E. van Rede

Commercial Director



A.E.M. Broenink

Director of Portfolio



C.W.M. Dessens LLM

Delegate Supervisory
Director



P. Dekker MSc

Member of the Board of
Supervisory Directors



M.E.P. Dierikx MA

Delegate Supervisory
Director



T.W. Langejan LLM

Member of the Board of
Supervisory Directors



J.M.W.E. van Loon

Delegate Supervisory
Director



J.M. Van Roost MSc

Delegate Supervisory
Director



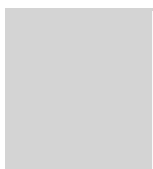
F.A.E. Schittecatte MSc

Member of the Board of
Supervisory Directors



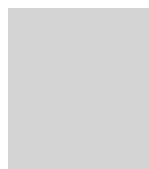
T.W. Starink MSc

Delegate Supervisory
Director



D.A. Benschop MA

Delegate Supervisory
Director



J.D. Bokhoven MSc

Delegate Supervisory
Director

G.J. Lankhorst



Chief Executive Officer

Gertjan Lankhorst was born in Amsterdam on 22 December 1957. He worked at the Vrije Universiteit in Amsterdam from 1982 to 1986. In 1986, he took up a position at the Dutch Ministry of Economic Affairs as a member of the General Economic Policy Department. He then held various other positions at the Ministry including Director for Oil & Gas (1996–1999), Director of Competition (1999–2003) and Director-General for Energy (2004–2005).

Gertjan Lankhorst was appointed as GasTerra's Chief Executive Officer on September 1, 2006. He is President of the Royal Dutch Gas Association and President of Eurogas, which comprises companies, national associations and international organisations all engaged in the wholesale, retail and distribution of gas in Europe.

Ancillary positions

- Chairman of the Supervisory Board, Hanzehogeschool
- Jury member, Ien Dales (Integrity) Award
- Member of Advisory Board, Clingendael International Energy Programme
- Board member, Vereniging Energie-Nederland
- Board member, Energy Delta Institute
- Member of Strategic Board, Energy Valley
- President, Eurogas
- Board member, Gasunie/GasTerra Cultural Relations Events Foundation
- Member of National Committee, World Petroleum Council
- Member of the Supervisory Board, Marketing Groningen
- Chairman of KVGN (Royal Dutch Gas Association)
- Member of Advisory Committee, Groningen Bereikbaar
- Member of Executive Committee, International Gas Union
- Chairman of the Supervisory Board, Energy Academy Europe

Opleiding

- General Economics – Vrije Universiteit Amsterdam

M.W.J. de Wilde



Director of Finance, Projects and ICT

Maurice de Wilde was born in 's-Hertogenbosch on 20 September 1971. In 2000, after holding various positions at PriceWaterhouseCoopers and Lyondell Chemical, he joined Shell. There he held various positions including Finance Manager in Oman and Asset Finance Manager for the Nederlandse Aardolie Maatschappij (NAM). From 2009 on, he was Financial Director in Gabon.

Maurice de Wilde joined GasTerra as Chief Financial Officer on 15 January 2013.

Ancillary positions

- Member of Governance and Investment Committee, Gasunie Pension Fund Foundation
- Member of the Supervisory Board, Noord Nederlands Toneel (North Netherlands Theatre)

Opleiding

- Business Economics, Erasmus University Rotterdam

R.E. van Rede



Commercial Director

Robert van Rede was born on 19 August 1964 in Den Helder. He worked from 1990 to 1994 at Petroleum Development Oman. In 1994, he started working for the Nederlandse Aardolie Maatschappij where he held various positions. From 2003 to 2008 he worked at the company then known as Gasunie Trade & Supply as Area Manager for Norway/Russia and the UK after which he returned to the Nederlandse Aardolie Maatschappij, first as a Commercial Onshore Asset Manager and then also as a Sales Manager from 2010. On 1 October 2013, Robert van Rede joined GasTerra's management team as Chief Commercial Officer.

Ancillary positions

- Member of Emmalaan Commissie Haren

Opleiding

- Petroleum Engineering - Delft University of Technology (graduated in 1988)

A.E.M. Broenink



Director of Portfolio

Anton Broenink was born on 26 May 1957. In May 1981, he took a position at Esso Nederland BV (ExxonMobil) where he held various technical positions until 1986. From 1986 on, he held various management positions. In 2002, he was appointed Gas Marketing Manager.

Anton Broenink joined GasTerra's Board of Management on 01 June 2007.

Ancillary positions

- Treasurer Het Houten Huis
- Secretary, TKI gas

Opleiding

- Chemical Engineering – University of Twente

C.W.M. Dessens LLM



Delegate Supervisory Director

Stan Dessens was born in Vlaardingen on 30 October 1947. He is Chairman of the Board of Supervisory Directors and the College of Delegate Supervisory Directors. From 1974, he worked at the Ministry of Economic Affairs in the Directorate-General for Industry and Energy. From 1988 to 1999, he was Director-General for Energy. In 1999, he was appointed Director-General of Law Enforcement at the Ministry of Justice. Since 2005, he has been self-employed.

Main and ancillary positions

- Chairman of the Foundation for Tackling Vehicle Crime (AVc)
- Chairman of the Steering Committee on bicycle theft
- Member of the Supervisory Board of NL-Confidential
- Chairman of the Committee for Additional Innovative Projects (Borssele covenant)
- Member of the Supervisory Board of the National Aeronautics and Space Laboratory (Nationaal Lucht en Ruimtevaartlaboratorium – NLR)
- Chairman of the Association for the Preservation of Antiquities, Greenery and Liveability, Voorschoten
- Board member of the Foundation for the Preservation of Cultural Historic Country Estates

Opleiding

- Leiden University, Physics (graduated in 1972)
- Leiden University, Law (graduated in 1974)

P. Dekker MSc



Member of the Board of Supervisory Directors

Pieter Dekker was born in Wassenaar on 16 July 1950. He is a member of the Board of Supervisory Directors of GasTerra. From 1977, he held various positions within Shell's natural gas organisation, in London, Calgary and elsewhere. In 1997, he returned to The Netherlands and was responsible for Shell's stake in the Dutch Gas Building, particularly for natural gas sales activities. He is also a member of the Board of Supervisory Directors of the Dutch Petroleum Company (Nederlandse Aardolie Maatschappij NAM) and responsible for Shell's participation in the NoordzeeWind offshore wind energy project in The Netherlands.

Main and ancillary positions

- Vice President of Joint Venture Governance, Upstream International Integrated Gas West, Shell
- Member of the Board of Supervisory Directors of the Dutch Petroleum Company (Nederlandse Aardolie Maatschappij B.V. (NAM)
- Member of the Board of Supervisory Directors of NoordzeeWind B.V.

Opleiding

- Delft University of Technology, Petroleum Extraction (graduated in 1975).

M.E.P. Dierikx MA



Delegate Supervisory Director

Mark Dierikx was born in Vlissingen on 5 June 1953. He is a Delegate Supervisory Director of GasTerra. After graduating, he worked for several years at Esso Chemicals in marketing. Then he chose a career at the Ministry of Economic Affairs. Here he was initially active in the field of Dutch industrial and technological policy, from 1992 in the field of Foreign Economic Relations, and from 1994 in the post of Director of Economic Cooperation and Export Policy. In 1996, he moved to the Ministry of Foreign Affairs as Director for Asia and the Pacific, and also Deputy Director-General for Regional and Country Policy, to return in 2000 to the Ministry of Economic Affairs as an exempted Deputy Director-General for Foreign Economic Relations. From 2004, Mr. Dierikx worked at the Ministry of Transport and Public Works as Director-General for Water. From 1 January 2008 to 1 July 2011, he was Director-General of Civil Aviation and Maritime Affairs. On 1 July 2011, Mr. Dierikx was appointed Director-General of Energy, Telecommunications and Competition at the Ministry of Economic Affairs.

Main and ancillary positions

- Director-General for Energy, Telecommunications and Competition, Ministry of Economic Affairs
- Member of topteam Energy

Opleiding

- VU University Amsterdam, Organic Chemistry, with minors in Biochemistry and Economics (graduated in 1979)

T.W. Langejan LLM



Member of the Board of Supervisory Directors

Theo Langejan was born in Beverwijk on 15 June 1957. He joined the GasTerra Board of Supervisory Directors on 15 February 2016. In 1983 he took up employment at the Ministry of Finance. Since then his roles have included various positions at the Ministry of Finance, the Ministry of Welfare, Health and Culture and the Ministry of the Interior. From 2010 to 2014 Mr Langejan was chairman of the Board of Management of the Dutch Healthcare Authority. Since 2015 he has been executive adviser to Twynstra Gudde.

Main and ancillary positions

- Management consultant at Twynstra Gudde
- Member of the Advisory Council on Pension Administration and Management

Opleiding

- Leiden University, Law (graduated in 1981)
- Delft University of Technology, Business Studies (completed the course in 1982)

J.M.W.E. van Loon



Delegate Supervisory Director

Marjan van Loon was born in Helmond on 25 December 1965. She became a Delegate Supervisory Director of GasTerra commencing on 1 January 2016. In 1989, she took up a post of chemical technician at Shell. Since then she has held a number of positions at home and abroad. In the period 1997-2007, she was working in Australia as Technical Manager at the Karratha Gas Plant and in Malaysia as Regional Manager for LNG & Gas Processing. In 2007, she was appointed Global Manager for LNG and Gas Processing and from 2009 she was Vice President Integrated Gas and LNG.

On 1 January 2016, she was appointed CEO of Shell Netherlands.

Main and ancillary positions

- CEO of Shell Nederland B.V.
- Member of the Executive Committee of the Confederation of Netherlands Industry and Employers (VNO-NCW)
- Member of the Board of Directors of the Association of the Dutch Petroleum Industry (VNPI)
- Chairman of the Dutch Board of Directors of the World Petroleum Congress
- Chairman of the Christiaan Huygens Prize Foundation
- Member of the Board of the Avond van Wetenschap en Maatschappij (Evening of Science and Society)
- Member of the Board of the Apeldoorn British-Dutch Dialogue Conference
- Member of the Sponsor Fund Board of the Rotterdam Theatre
- Member of the Advisory Board for the Clingendael International Energy Programme (CIEP)
- Member of KIVI Oil and Gas Board

Opleiding

- Chemical Engineering, Eindhoven University of Technology (graduated in 1989)

J.M. Van Roost MSc



Delegate Supervisory Director

Joost Van Roost was born in Leuven on 13 April 1955. He is a Delegate Supervisory Director of GasTerra. From 1979, he held various positions within ExxonMobil. From 1998, he was Upstream Director of ExxonMobil Benelux. After the merger of Exxon with Mobil, he became President of ExxonMobil Benelux in 2000. He is also Director for Natural Gas and CEO of Esso Nederland BV and CEO of ExxonMobil Petroleum & Chemical BVBA.

Main and ancillary positions

- CEO of Esso Nederland B.V.
- Chairman of ExxonMobil Petroleum & Chemical, bvba
- Member of the Board of Supervisory Directors of the Dutch Petroleum Company (Nederlandse Aardolie Maatschappij B.V. (NAM))
- Vice-President at the American Chamber of Commerce in Belgium
- Board Member at the American Chamber of Commerce in the Netherlands
- Trustee of United Fund of Belgium
- Member of the Advisory Board for the Clingendael International Energy Programme (CIEP)
- Member of the Koninklijke Vlaamse Academie van België voor Wetenschappen en Kunsten (Royal Flemish Academy of Belgium for the Sciences and Arts)

Opleiding

- Catholic University of Leuven, Electrical and Mechanical Engineering (1977)
- University of Michigan, MSc. in Nuclear Engineering (1978)
- Catholic University of Leuven, MBA (1983)

F.A.E. Schittecatte MSc



Member of the Board of Supervisory Directors

Filip Schittecatte was born in Oudenaarde on 26 January 1978. He is a member of the Board of Supervisory Directors of GasTerra. Since 2001, he has held various positions at ExxonMobil, both in upstream and downstream, including in London. In his current post as Gas Marketing Manager he represents ExxonMobil in the Dutch Gas Building.

Main and ancillary positions

- Gas Marketing Manager, Netherlands JV, ExxonMobil Gas & Power Marketing

Opleiding

- Ghent University, Electrical and Mechanical Engineering (2001)
- Vlerick Leuven-Gent Management School, MBA (2011)

T.W. Starink MSc



Delegate Supervisory Director

Thijs Starink was born in The Hague on 23 July 1959. He became a Delegate Supervisory Director of GasTerra on 1 November 2015. From 1986 to 2005, he worked in a succession of technical, operational and commercial positions for Allseas and other companies in Cape Town and in London.

He took up the post of Asset Manager with EBN in 2006. Since 2011, as Director of Asset Management, he has been responsible for managing all of EBN's joint ventures. He also leads the team that represents EBN's interests in GasTerra and the Gas Building.

Main and ancillary positions

- Director, Asset Management, EBN B.V.
- Member of the Board of KVGN (Royal Dutch Gas Association)
- Member of the Advisory Board for the Clingendael International Energy Programme (CIEP)

Opleiding

- Delft University of Technology, Civil Engineering (graduated in 1986)

D.A. Benschop MA

Delegate Supervisory Director

Dick Benschop was born in Driebergen on 5 November 1957. He is a Delegate Supervisory Director of GasTerra. He has worked in various capacities in the Dutch House of Representatives and in the Dutch Labour Party. In 1994, he founded his own consultancy firm. From 1998 to 2002, he returned to politics as Secretary of State for Foreign Affairs in the second Kok cabinet.

He joined Shell in the European gas company Shell Energy Europe in 2003. In early 2006, he moved to Kuala Lumpur where he headed the Gas & Power business (LNG and GTL) in Malaysia. In 2009, he became Vice-President of Strategy for the Royal Dutch Shell Group. Since 1 May 2011, he has been CEO of Shell Nederland and Vice-President of Global Gas Market Development. Mr Benschop accepted a new position at Shell starting on 1 January 2016. He stood down from his position as a member of GasTerra's Board of Supervisory Directors on the same date.

Main and ancillary positions

- CEO of Shell Nederland B.V. (until 1 January 2016)
- Member of the Executive Committee of the Confederation of Netherlands Industry and Employers (VNO-NCW) (until 1 January 2016)
- Member of the Executive Committee of the Association of the Dutch Chemical Industry (VNCI) (until 1 January 2016)
- Member of the Board of Directors of the Association of the Dutch Petroleum Industry (VNPI) (until 1 January 2016)
- Chairman of the Dutch Board of Directors of the World Petroleum Congress (until 1 January 2016)
- Chairman of the Christiaan Huygens Prize Foundation (until 1 January 2016)
- Member of the Board of the Avond van Wetenschap en Maatschappij (Evening of Science and Society) (until 1 January 2016)
- Member of the Board of the Apeldoorn British-Dutch Dialogue Conference (until 1 January 2016)
- Chairman of the Supervisory Board, The Hague Institute of Global Justice
- Member of Supervisory Board of NCDO (National Committee for International Cooperation and Sustainable Development)
- Member of the Sponsor Fund Board of the Rotterdam Theatre (until 1 January 2016)
- Member of the Advisory Board for the Clingendael International Energy Programme (CIEP) (until 1 January 2016)
- Member of International Advisory Board of Amsterdam Centre for Contemporary Studies (ACCESS Europe)
- Member of Trilateral Commission

Opleiding

- VU University Amsterdam, History (graduated in 1984)

J.D. Bokhoven MSc

Delegate Supervisory Director

Jan Dirk Bokhoven was born in Rotterdam on 4 March 1957. He is a Delegate Supervisory Director of GasTerra. From 1982 to 2001, he held various positions with Conoco, Veba and Clyde among other companies. He took up the post of Technical Manager with EBN in 2001. From 2007 to 2015, he was Chairman of the Board of EBN and the person with ultimate responsibility for all of EBN's activities. On 1 November 2015, Mr Bokhoven resigned from his position at EBN and on the same date also stood down from GasTerra's Board of Supervisory Directors .

Main and ancillary positions

- Chief Executive Officer, EBN B.V. (until 1 November 2015)
- Member of the Advisory Board for the Clingendael International Energy Programme (CIEP) (until 01 November 2015)
- Member of the TNO Strategic Advisory Board on Energy

Opleiding

- Delft University of Technology, Petroleum Extraction (graduated in 1983)

Press release

Gas trading company GasTerra sees considerable drop in sales volume and revenue

GRONINGEN, February 27, 2015 - Gas trading company GasTerra published its figures for 2015 today. As in 2014, both the volume of gas sold and the total revenue have fallen. The sales volume in 2015 was 70.3 billion cubic meters (2014: 81.3), with a turnover of 14.7 billion Euros (2014: 19.5), a drop of 25 percent. This decrease is mainly due to the limit set by the Dutch cabinet for the production from the Groningenveld and the steady decrease in production from the smaller fields, but also due to lower gas prices.

In the Netherlands, the discussion about the role of natural gas as a source of energy is dominated by the earthquakes occurring as a result of the gas extraction in Groningen. This discussion also had its effect on GasTerra. 'It's no longer "business as usual" in the Dutch gas sector, and in my opinion, business will never be the same again', says Gertjan Lankhorst, CEO of GasTerra, in response to the annual figures. 'The earthquakes in Groningen have had a massive impact. The people living in the area around the Groningenveld suffer from damage to their property, are insecure and afraid. At the same time, millions of households in the Netherlands, Germany, France and Belgium, who are dependent on natural gas from Groningen, should be able to continue to rely on this gas to heat their homes. The high economic and social value of this natural resource must also not be ignored. Fifty years after the discovery of the Groningenveld, the Netherlands still has a total of approximately 700 billion cubic meters of conventional natural gas at its disposal. If this gas is extracted in a safe and responsible manner, society will continue to profit, both economically and environmentally, in the future. It is therefore of great importance that the feelings of insecurity that people in Groningen have, are removed and that the level of public support of gas extraction in Groningen is restored.'

Despite the big changes in the business environment, GasTerra's mission has remained the same: Maximise the value of Dutch natural gas. The focus of this strategy is and remains selling the gas offered to GasTerra at a competitive price. And the company has managed to do that again this year, as can be seen in the report. Of the total of 70.3 billion cubic meters of gas purchased and resold, 29.4 billion came from the Groningenveld, 22 billion from the smaller fields, 12 billion from the virtual marketplaces and 6.9 billion from Russia, Norway, Germany and the United Kingdom.

The free gas market is becoming more and more important. The trade on the Dutch market TTF in 2015 rose to a record level, with a traded volume of 1708 billion cubic meters. The popularity of the TTF is due to the leading position which the Netherlands has traditionally occupied in the European gas sector. The traded volume is increasing year on year. In 2013, the average churn rate (the ratio between physical and traded volume) was 18.5; in 2014, this had gone up to 31 and in 2015 it was 37. As a result of its leading position, the TTF is the main price marker for long-term contracts and for gas traded at other marketplaces on the European continent.

Since 2014, the volume of Groningengas has been limited to a maximum annual production, the “Groningen ceiling”. After setting the production limit for 2015 to 39.4 billion cubic meters in January 2015, in June 2015 the Dutch Cabinet decided that the total extraction from the Groningenvelde in 2015 should be limited to only 30 billion cubic meters, in addition to a single net extraction from the gas storage in Norg of 3 billion cubic meters. Following a ruling by the Council of State, the Dutch Cabinet decided that the production from the Groningenvelde in the gas year 2015/2016 (running from October 1, 2015, to October 1, 2016) should not exceed 27 billion cubic meters. An excess up to a total of 33 billion cubic meters is only allowed if the current natural gas year proves to be a relatively cold year.

It is necessary and inevitable that energy supply becomes more sustainable. However, as the share of renewable energy sources such as wind and sun is still small, fossil fuels will have to continue to play a large role in the immediate and further future. The emphasis then has to be on the reduction of CO₂ emissions, something which is only possible with a tailored policy which includes the use of gas. GasTerra contributes by trading green gas, developing specific products and collaborating in energy transition projects within the framework of its CSR policy.

The falling volumes and turnovers have also had an effect on GasTerra as a company. In 2015, a reorganisation and cost-saving process was started. The aim is to reduce the costs by approximately 30% by 2018. This reduction is taking place without compulsory redundancies.

Contact

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