

Reaction to EU consultation on LNG and storage, sent by e-mail to ENER-LNG-STORAGE@ec.europa.eu on September 30th 2015

13: <i>What opportunities or challenges do the supply projections for different sources, in particular LNG and pipeline gas and low carbon indigenous sources, present for the use of gas storage / for gas storage operators?</i>	Because natural gas is the cleanest of the fossil fuels, the potential of gas stays large. One of the challenges to realize this potential is a climate policy that really steers investors to low emission fuels. E.g. the recent rise in coal fired power shows that there is still work to be done. Specifically in Europe, gas production flexibility is declining, therefore the role of storage is increasing. Current market spreads are however not favourable. It is crucial for storages to get through this difficult market phase.
14: <i>Are, in your view, current market and regulatory conditions adequate to ensure that storages can fully play their role in addressing supply disruptions or other unforeseen events (e.g. extreme cold spells)?</i>	Current market conditions are not favourable. However, market conditions are not the primary responsibility of the European Commission. Costs based gas transport tariffs and a market based instrument for vulnerable gas customers are the responsibility of the European commission. Transport tariffs for gas storages are not cost based in several member states. And several member states do not have an instrument where various gas flexibility sources compete to serve the vulnerable gas customers during cold spells. These regulatory flaws hinder storages in fully playing their role.
15: <i>As an alternative to mandatory reserves, how could market based instruments ensure adequate minimum reserves?</i>	Market based instruments should start where the problem lies: in serving vulnerable customers during cold spells. The suppliers to vulnerable customers should be obliged to arrange enough gas and capacity for their vulnerable customers, no matter which flexibility instrument they choose. A central buyer e.g. the TSO can be used to simplify the regulatory oversight but this depends on the situation. Since the Member States differ in climate and the way that e.g. houses are heated, the definition of vulnerable customers should be done nationally
16: <i>Do you have any analysis or view on what an optimal level/share of storage in a Member State or region would be? What kind of initiatives, if any, do you consider necessary in terms of infrastructure development in relation to storage?</i>	No, the market for flexibility should decide (and can decide when there is a level playing field) which flexibility instruments including storage will be needed to serve the demand.
17: <i>Do you think, in addition to the existing TEN-E Regulation, any further EU action is needed in this regard?</i>	No reasoned opinion this moment on TEN-E regulation
18: <i>Given uncertainties over future gas demand, how would you assess the risk of stranded assets (and hence unnecessary costs), lock-in effects, the risk of diverting investments from low carbon technologies such as renewables, delaying a transition in energy systems and how would you weigh those against risks to gas security and resilience? What options exist in your view to reduce the risk of stranded assets?</i>	The risk of stranded assets in general is a market risk. However, several regulatory instruments play a key role. The EU ETS needs an overhaul so that cleaner technologies such as natural gas can compete against less clean technologies such as coal on an equal footing, with external costs being taken into account.
19: <i>What do you think are the most critical regulatory barriers to the optimal use of storage in a regional setting?</i>	VGN considers that the level of transmission tariffs for storages is the most critical regulatory barrier. Storages prevent extra pipeline investments for the TSO. These avoided costs should be part of the transmission tariff specifically for storages. In parallel, transmission tariff differences for storages in adjacent countries should be minimized.
20: <i>Do you think ongoing initiatives and existing legislation can tackle the remaining outstanding issues or is there more the EU could do? Do initiatives need to include additional issues further to the ones described here?</i>	The NC Tariffs should harmonise the way that TSO's calculate transmission tariffs for storages.
21: <i>Do you consider EU-level rules necessary to define specific tariff regimes for storage only or should such assessment be made rather on a national level in view of available measures able to meet the objective of secure gas supply?</i>	If storage itself is meant: storage is one of the flexibility instruments. Let the market decide the price of storage unless a specific storage is necessary for all the suppliers in a market to serve gas customers. If transport tariffs for storages are meant: EU or regional rules are necessary to create a level playing field between storages.
22: <i>Have you ever encountered, or are you aware of, difficulties in accessing storage facilities? Has this concerned off-site or on-site storage facilities? Please describe the nature of the difficulties in detail.</i>	No
23: <i>Have you ever encountered, or are you aware of, difficulties related to feeding LNG gas from the storage site back into the gas network? If so please describe the nature of these difficulties (regulatory provisions, company behaviour, technical problems) in detail.</i>	No