

Consultation on an EU strategy for liquefied natural gas and gas storage

Question 1: Do you agree with the assessment for the above regions in terms of infrastructure development challenges and needs to allow potential access for all Member States, in particular the most vulnerable ones, to LNG supplies either directly or through neighbouring countries? The assessment seems correct, and a more diversified supply to the regions outlined as vulnerable would be desirable, the suppliers mentioned in Western Europe should be utilized more, perhaps through ship based regasification with connection to the local grid. In addition there is a production facility for LNG on Melkoya on 70 degrees north in northern Norway producing approximately 4 mill. tons of LNG annually, meant for the international market based on export by ship. This can also play a vital part in the supply of LNG to these areas.

Do you have any analysis or view on what an optimal level/share of LNG in a region or Member State would be from a diversification / security of supply perspective? Please answer by Member state / region. The last year has shown us that we should not take everlasting peace in Europe for granted. The turmoil in the eastern regions both security wise and economically, shows that a region that is dependent on single gas supplier is not satisfactory energy wise due to possible exploitation by a monopolist. Therefore it is important to stimulate the diversity in suppliers into these areas. For some coastal states it may be beneficial to make use of seaborne supply of LNG and also floating regasification units may be contemplated to, in the short term, alleviate a monopoly situation. In the long term, the different regions should have access to terminals capable of receiving LNG and re-gasify it into the grid, or be connected to other gas grids/supplies.

Question 2: Do you have any analysis (cost/benefit) that helps identify the most cost-efficient options for demand reduction or infrastructure development and use, either through better interconnections to existing LNG terminals and/or new LNG infrastructure for the most vulnerable Member States? What, in your view, are reasons, circumstances to (dis)favour new LNG investments in new locations as opposed to pipeline investments to connect existing LNG terminals to those new markets?

No Comment / NA

Question 3: Do you think, in addition to the already existing TEN-E Regulation, any further EU action is needed in this regard? Do you think the use of LNG gas and existing LNG infrastructure could be improved e.g. by better storage possibilities, better network cooperation of TSOs or other measures? Please give examples

No Comment / NA

Question 4: What in your view explains the low use rates in some regions? Given uncertainties over future gas demand, how would you assess the risk of stranded assets and lock-in effects (and the risk of diverting investments from low carbon technologies such as renewables and delaying a true change in energy systems) and weigh those against risks to gas security and resilience? What options exist in your view to reduce and/or address the risk of stranded assets? Supply may be a factor in some areas, there needs to be a supply to the area where the industry is located, and at the same time there needs to be a reasonable pricing in competition with the other energy alternatives. As long as there is not a perceived steady supply with a predictable pricing LNG will not be able to compete. There may also be an issue with the pricing of the off-takers local LNG systems that together with the gas pricing may make the project cost prohibitive.

Question 5: The Energy Union commits the EU to meeting ambitious targets on greenhouse gas emissions, renewable energy and energy efficiency, and also to reducing its dependency on imported fossil fuels and hence exposure to price spikes. Moderating energy demand and fuel-switching to low

carbon sources such as renewables, particularly in the heating and cooling sector, can be highly cost-effective solutions to such challenges, and ones that Member States will wish to consider carefully alongside decisions on LNG infrastructure. In this context, do you have any evidence on the most cost-efficient balance between these different options in different areas, including over the long term (i.e. up to 2050)? *No Comment / NA*

Question 6: What in your view are the most critical regulatory barriers by Member State to the optimal use of and access to LNG, and what policy options do you see to overcome those barriers? Have you encountered or are you aware of any problems in accessing existing LNG terminal infrastructure, either because of regulatory provisions or as a result of company behaviour? Please describe in detail. Norway is not directly part of the EU but through the EEC, Norway is a part of the European market, and must thereby subscribe to most of the EU regulations. When looking at the LNG market in Norway, the following must be noted; One of the factors limiting the use of LNG in Norway is the immature infrastructure for LNG supply. The gas is not readily available, and because Norway previously has been given an exemption from the Gas Directive, the infrastructure is locked to single suppliers that are given near monopolies in their areas. This together with an immature market pricing where the given price is kept secret by contract requirements between supplier and customer, makes it difficult for the customer to achieve predictability when it comes to pricing of gas in comparison to other competing energy carriers that may have the benefit of a more open pricing regime. At a minimum the infrastructure should be opened to ensure that the off takers of the gas can get a transparent market with predictable competition. In addition this will deter the potential users of LNG or natural gas from investing in local equipment that uses LNG instead of other energy carriers that may not be as carbon friendly as LNG.

Question 7: What do you think are the most critical commercial, including territorial restrictions and financial barriers at national and regional level to the optimal use and access to LNG? In Norway both may be an issue. The before mentioned near monopoly, and the non-transparent pricing of gas are hurdles that are delaying the implementation of LNG use in both land industry and in shipping. At the same time the suppliers are using the situation to recuperate the investment cost for their infrastructure faster than what they would be able to if they were in free competition. The result is that for LNG as ship fuel, the investments in LNG powered vessels have slowed down significantly. Since the extra build cost for a vessel using LNG as fuel is high, the companies need a predictable fuel price with an incentive compared to traditional energy carriers, to make the use of LNG economical viable.

Question 8: More specifically, do you consider that ongoing EU policy initiatives and/or existing legislation can adequately tackle the outstanding issues, or there is more the EU should do?
No comment

Question 9: How do you see worldwide LNG markets evolving over the next decade and what effects do you expect this to have on EU gas markets? Do you expect a shift away from oil-indexed LNG contracts, and if so under what conditions? We believe that the LNG market will evolve in Asia due to global sulphur restrictions from 2020 in shipping and the subsequently rise in bunker prices. But there are uncertainties given the low oil price today. Predictions are that the oil price will rise sooner or later, but the period of low oil price will seriously affect the future production of oil and gas and therefore the corresponding increase in oil price will most likely be high. Until we see an increase in oil price, the development of gas fields will be slowed down as well.

Question 10: What problems if any do you see with the functioning of the international LNG market, particularly at times of stress? Are there specific actions the EU should take, in dialogue with our international partners, including in trade negotiations, to improve its functioning and/or to make the EU market more attractive as a destination for LNG? Could voluntary demand aggregation be helpful in some way? *No Comment / NA*

Question 11: What technological developments do you anticipate over the medium term in the field of LNG and how do you see the market for LNG in transport developing? We believe that the use of LNG in various technical hybrid solutions will be the preferred solution in international shipping in the years to come.

Is there a need for additional EU action in this area to reduce barriers to uptake, for example on technology or standards, including for quality and safety? For shipping, LNG is a viable option. The technology is out of its infancy, and becoming mature, there is LNG available for bunkering in Europe. The hurdles are the increased installation cost, versus the pricing of the fuel. In the short term the LNG prices must be reduced so that the projects are economically viable in spite of the premium cost of the installation. The regulation and standards are already available through the IMO Gas fuel code.

Question 12: Do you think there are any sustainability issues specific to LNG that should be explored as part of this strategy? What would be the environmental costs and benefits of alternative solutions to LNG? Please provide evidence in support your views.

No comment

Question 13: 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?

No Comment / NA

Question 14: 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)?

No Comment / NA

Question 15: As an alternative to mandatory reserves, how could market based instruments ensure adequate minimum reserves?

No Comment/NA

Question 16: 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

No Comment / NA

Question 17: Do you think, in addition to the existing TEN-E Regulation, any further EU action is needed in this regard? As before mentioned, the market for gas in Norway should be opened for third parties and it should be enforced transparency on pricing of gas and LNG to end user.

Question 18: 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 and weigh those against risks to gas security and resilience? What options exist in your view to reduce the risk of stranded assets?

No Comment / NA

Question 19: What do you think are the most critical regulatory barriers to the optimal use of storage in a regional setting?

No Comment

Question 20: 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?

No Comment

Question 21: 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?

No Comment

Question 22: 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.

No Comment/ NA

Question 23: 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.

No Comment/NA