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? 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

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?

The challenge for the EU does not consist in building new capacity/facilities, but in allowing a more efficient use of the existing infrastructure by better interconnecting Member States, including the development of reverse flows.

Interconnections do not only contribute to a more efficient use of the existing infrastructure, but lead to increased security of supply, market integration, price convergence and competitiveness of the whole EU gas market.

New LNG and storage projects should be backed by a cost-benefit analysis (CBA) that properly assesses whether using existing LNG infrastructure (through enhanced interconnections) can be a better alternative option than building a new infrastructure.

When deciding on Cross Border Cost Allocation of new projects, then "No loser, no compensation" principle should continue to be applied. It streamlines decision process avoiding.

Moreover, the previous situation in terms of investments already done must be acknowledged in the CBCA analysis. It might be the case that a country has already prepared its network for an interconnection, requiring few additional investments to complete it.

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.

In the context of rapid changes in the global LNG market, the EU should ensure that the European market remains attractive by removing all technical, legal and regulatory barriers to global trade (i.e. LNG imports and re-exports), and by ensuring that, once LNG arrives into the EU, it is able to flow freely across the borders towards those areas where it is valued the most.

In order to attract more LNG supplies, it should be ensured that regulations are flexible enough to allow LNG terminals to offer in due time more innovative/flexible capacity products and services which meet market needs.

It must be noted that CEER Report of Oct 2014 found that "early all European LNG terminals have not denied access to capacity in the last five years". Besides, the report states that generally there was no contractual congestion and that all EU LNG terminals have properly functioning congestion management procedures.

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?

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)?

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.

The ongoing EU discussions on range of gas quality parameters could impact on the access to certain gas sources commercially available. In particular, a too narrow range of the Wobbe index accepted could be problematic for some LNG deliveries (e.g existing supplies from certain North African countries as well as US future supplies). Therefore, the development of an European standard for gas quality should avoid imposing technical and commercial barriers at national and regional level to the access to LNG into Europe

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?

See answer to question 6.

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?

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?

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?

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? 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?

LNG offers great advantages in terms of emission reductions, in particular in the transport sector (mainly heavy duty vehicles and maritime transport), and as enabler for renewables integration. The EU should design an EU Energy and Climate Policy which ensures a key role of gas in the future EU energy mix by promoting the development of new gas uses and the replacement of oil and coal by gas.

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.

See answer to question 11.

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?

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)?

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 of infrastructure development in relation to storage?

Question 17: Do you think, in addition to the existing TEN-E Regulation, any further EU action is needed in this regard?

Market-based prevention measures might not suffice to ensure security of supply in some Member States; in that case, non-market based measures would be justified. These measures need to be well designed to minimize its impact in the market and it must be proven that they are cost-effective. If any regulatory intervention, such as, storage obligation and strategic storage, is required by Member States, the third party access should be regulated. No storage obligation should be imposed with negotiated access. Stocks should only be kept in storages with regulated access tariffs.

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?

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

See answer to question 17.

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?

See answer to question 17.

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?

See answer to question 17.

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.

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.