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

Answers to questions prepared by Slovenian TSO, Plinovodi d.o.o.

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

Answers:

a) Yes, assessment regarding the regions is well designed. (Slovenia is member of NSI East and Southern gas corridor.)
b) There is lack of analyses regarding the optimal level of LNG/ pipe gas in the region. The reason for that is unattractive LNG prices and low interest for LNG. LNGs are not a part of market model jet.
c) All the market models in the region don't include LNG. They are based on "Baumgarten model", which do not include LNGs.
d) There are no detailed analyses for Slovenia or for neighbouring countries.

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?

Answers:

a) Such analyse do not exist for the region.
b) Regarding the LNG economics and CBA it is reasonable to have an appropriate gas transmission system for gas evacuation close to LNG terminal.
c) The cost of needed transmission system (evacuation pipelines) or upgrade of existing one for the LNG terminal evacuation to target markets could negative impact on terminal economic (CAPEX).

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.

Answers:

a) In general, Regulation 347/2013 is excellent document. It needs to be implementing in all cases of investment not only for PCI.
b) The uses of LNG terminals are strongly connected with storage facilities.
c) Regarding the LNG terminals and storage facilities it is needed to evaluate their economics regionally. They have to become a part of the regional market models.
d) The LNG terminal economics is depending on terminal utility rate and gas prices. This is why it is important to analyse the gas demand scenarios, define gas sources and storage capacities regarding diversification and include them in gas market model. Such market models include price prediction and reduce investment risks, as well as give opportunities to TSOs to forecast and develop sufficient regional network connections.

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?

Answer:

a) The LNG price is the main reason for low use rates of the LNG terminals only. Additional one could be the accessibility to LNG sources.
b) The risk of stranded assets should be and can be evaluated.
c) The risk of stranded assets depends on the regional (national) energy policy (non-carbon or low carbon policy) in each MS.
d) The security of regional (national) energy supply should be evaluated

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)?

Answers:

a) Not at the moment.
b) The national (Slovenian) energy strategy is in process to be redone and analyses will be done in the beginning of 2016. The draft concept of the national (Slovenian) energy strategy which is in public consultation stage still supports low carbon technologies, what does it means that gas will have a major role in cogeneration and transport sectors.

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.

Answers:

a) At the moment it is reasonable to use and implement existing Union legislation.
b) The solution (more effective role) for LNG terminals and storage facilities is in framework of existing regulation of the gas market and gas market model (they have to be defined). (Answer 4.d.)

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?

Answers:

a) The LNG terminal cost allocation is of crucial importance.
b) At the moment there are no existing economic methods and models to evaluate security of supply (SoS) and diversification of the sources. (SoS is a problem tackle the solidarity but in reality it is economic category)
c) The regulation has to define evaluation of security of supply and diversification as well the cost allocation. This is a fundamental for CBCA.

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?

Answer:

a) Union energy policy should promote LNG on economic base and in view of diversification of energy sources for SoS.

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?

Answers:

a) LNG market in Union will develop in next period regarding to the global LNG market. The expectation for further development of the LNG market is depending and related with Pacific, Asian and south American LNG markets. .
b) LNG will be or should be competent to pipe gas (probably).
c) Gas will shift away from oil index.
d) LNG will be independent from oil index.

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?

Answers:

a) Gas market is global market as well LNG market.
b) Union should take a dialog with international partners on gas and LNG. This is a security supply question.
c) We are still missing "one voice" and reliable and stable regulatory approach.

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?

Answers:

a) Union LNG security technical standards are USA based.
b) We are of opinion that quality and tolerances for use and efficient replacement should be set on a EU level.
c) We are of the opinion that environmental standards are subject of public concern. They impact on public acceptance. They have to be presented to public more practically on transparent way.

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.

Answers:

a) In the case of on shore and offshore LNG terminal on north Adria (Žavle, close to Trieste and off shore terminal) the main problem was an environmental unacceptance.
b) The new technologies for regasification help to public acceptance, but the safety problems (navigation problems, safety problems (explosion)) are still concern.

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 Answer

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)?

Answer:

a) Current market models are not sufficient to support usage of storages in a daily trading or in daily operational mode.

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

Answer:

a) The market model should define mandatory reserves and different sources.

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?

Answers:

a) The share of an optimal level /share of storage has to be defined on the base of gas demand scenarios and type of vulnerable customers.
b) The market participant has to participate to the storages and LNG terminals. (User pay but some sort of incentives should to be introduce optionally)

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

Answer:

a) In the framework of Regulation 347/2013: Only action on cost allocation issues, this means CBCA.

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?

Answers:

a) The main problem is prediction of energy demand and within gas demand. This is a Union problem, regional problem and problem which reflect on national level. We can't avoid uncertainties and connected risks. The future demand planning on Union level helps to lowering risks for infrastructure and operation.
b) The coordination of energy targets on union level is needed to reduce risks. (TYNDPs on coherent national data)
c) The national energy policy should be adequate defined for the long term perspective otherwise the risk of stranded assets could arise

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

Answer:

Market model: it has included gas from storages as market “product of daily” use or with adequate dynamic.

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?

Answers:

Union has to:

a) Debate on LNG terminals and storages relation questions has to be govern ambitious across the Union, not only in a regions. This is a wide Union question.
b) The LNG gas is a part of the gas market and as such a part of Union energy mix. The future role of the gas is needed to be more defined in the framework of energy climate policy.
c) The base for a) is a transparent, non-discriminatory and well-functioning energy market as well common energy policy based on national targets and strategies.
d) Based on existing legislation it is needed to establish Union policy on LNGs terminals and gas storages. They have to be treated in context of new supply routes for SoS and new diversification sources.
e) The regulatory model has to be defining for terminals and storages. Where a storage facility operates in a sufficiently competitive market, access should be allowed on the basis of transparent and non-discriminatory market-based mechanisms.
f) NRAs have to have unified approach regarding the legislation and regulation. Legislation for the LNGs and storages has to be oriented towards cost allocation system. This should include issues related to SoS, solidarity as well as questions addressed to incentives.
g) The gas market models have to be defined and include LNG and storages.

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?

Answer:

Such an assessment should be done on national level based on regional conditions, but EU should have the obligation to assure a common cross country harmonized tariff framework for storages which could meet the objective of the security of gas supply and solidarity mechanisms for EU MS with no gas storage facilities

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

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

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