The Response of SPP - distribúcia, a.s. to the Consultation on an EU strategy for liquefied natural gas and gas storage

Bratislava, 10 September 2015

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 neighboring 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 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?

Ad: questions 1, 16:

In relation to the security of supply (SoS) standard we consider the result-oriented approach should be maintained, i. e. every EU member state should have the right to choose the instrument which is best-suited to safeguard the SoS standard taking into consideration its national specifics. At the first instance, market-based measures should be used when problems in gas supplies arise to avoid declaring an emergency situation. In an emergency situation for Slovakia the best-suited instrument to secure the SoS standard today and from the historical point of view seems to be the gas storage. We fully agree with the statement that "storage has a key role to play in crisis situation as it can react fast to sudden peaks and also because it is near to the consumption centres" and that "storage plays an important role in providing flexibility and reliability". Another advantage of storage to secure SoS is its nearness to the consumption points. Due to the uncertainties in gas supplies caused by the geopolitical situation between Russia and Ukraine it is advisable to consider the extension of duration of the SoS standard (laid down in the EU Regulation No. 994/2010) in order to reduce the risk of problems with gas supplies but with a careful impact assessment on the gas market. Generally, LNG can be a suitable instrument in EU's supplies diversification (when it is connected to existing or new transmission interconnections), but for inland countries it cannot be an instrument of the SoS standard. In Slovakia, we are aware of the role of LNG deliveries as a potentially important instrument of EU's source diversification in standard supply conditions, usage of LNG as an instrument to secure SoS standard (i.e. in an unordinary emergency situation) in Slovakia has in comparison to gas storage certain disadvantages, or simply, it cannot be used as such an instrument. The main reasons are that the necessary transportation infrastructure does not exist at this time in the full extent. The price of LNG is also currently relative high. The supply of LNG would need to be contractually agreed which could also lead to unexpected problems connected, for example,

to the liquidity of LNG market. Thus the potential expected flexibility of LNG supplies for the purpose of securing the SoS standard (which requires flexibility at the first instance) cannot at this time reach the standard flexibility of a storage facility. To sum up, EU's strategy for LNG should be:

1. to potentially support new LNG projects in seaside countries (cost-benefit and potential utilization analysis necessary),
2. to support subsequent transmission routes, especially those which simultaneously and synergetic will provide connection to other gas sources diversifying gas supplies for EU (e.g. Middle East natural gas).

part 5. LNG technology issues including LNG use in transport

Reaction to part 5:

In order to reduce carbon and pollutant emissions (e.g. SO_x) within Europe road transport, EU should favor primarily CNG, which is far more suitable for personal/public transport. In that respect, common (EU wide) system of economic incentives towards CNG should be established. Recent system of CNG support (e.g. Directive 2014/94/EU) is not a sufficient tool to significantly increase share of CNG within EU.

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