**GRTgaz**

6 rue Raoul Nordling
92277 Bois-Colombes Cedex

# GRTgaz response to the consultation on an EU Strategy for liquefied natural gas and gas storage

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## General remark

GRTgaz operates France's high pressure natural gas network, which covers most of the country. Its network is directly connected to French LNG and gas storage infrastructures. It offers entry or exit capacity with many adjacent countries and already bi-directional capacity with Spain.
As a transport system operator, GRTgaz would like to comment some assessments relating to gas transportation and infrastructures in France and consequently to answer to questions 1, 2 and 7.

## Responses to consultation

*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.*

France offers significant entry capacity for LNG import in Europe. Three LNG terminals are operational in France (Fos Tonkin and Fos Cavaou in South of France, Montoir in North of France) and by year-end 2015 Dunkerque LNG terminal should be operational which will increase the total LNG import capacity in France to 35 bcm. Furthermore, projects of extension of the existing terminals are on study (Capmax at Fos Cavaou terminal and extension of Montoir terminal).

Relating to the interconnection point between Spain and France, in the direction South to North, transmission capacity has nearly doubled since 2010 from 115 GWh/d (3.7 bcma) to 225 GWh/d (7.2 bcma) in December 2015 which will represent more than a quarter of the Spanish gas demand. The associated investments have amounted to 300 MEUR in France (98 MEUR for GRTgaz, 202 MEUR for TIGF).
This indicates that a significant level of interconnection has already been reached from Spain to France.
Nevertheless, for the time being, **there has never been any physical flow of gas from Spain to France**. On the contrary, the flow has always been in the direction from France to Spain, even in case

of cold spell or tension on the Russian gas import routes. Even when LNG supplies accounted for a significant part of Europe supplies, for instance in 2010 before Fukushima events in Japan, Spain was still importing gas from France letting the Spain to France capacity completely untapped as well as nearly half of the Spanish-French regasification capacities.
Therefore the sentence "*the LNG capacity available in the Iberian Peninsula cannot reach the rest of EU because of bottlenecks […] between Spain and France and within the French network"* does not reflect the actual situation.

Referring to the following sentence *"The current PCIs are addressing the internal South to North bottlenecks in France"*, GRTgaz stresses that its system currently undergoes neither physical nor contractual congestion in the South to North direction and is fully able to accommodate the current (but unused) 225 GWh/d physical firm capacity from Spain to France. Only in the case where additional entry capacities would be created in Southern France, several projects would be necessary in the French network to avoid any bottleneck. Besides, the only congestion that has appeared in the French network is from North to South (PEG Nord to TRS zone), especially when LNG prices were high and when transit from France to Spain was maximized.

Referring to the statement that lies in the paragraph 2.7 : "*The High-Level Group for South-West Europe looks at bottlenecks and infrastructure options to allow the substantial LNG regasification capacity in the Iberian Peninsula to be made available for the rest of the EU*", GRTgaz highlights this does not reflect the Memorandum of Understanding dated 30 June 2015, which states: *"The Implementation Plan for gas should focus on the development of the Eastern axis, allowing bidirectional gas flows between the Iberian Peninsula and the French gas systems, notably through the MIDCAT project and the third interconnection point between Portugal and Spain. Eliminating the existing bottlenecks within the three countries will also be considered. The development of liquefied natural gas (LNG) and storage needs in the North-South Corridor in Western Europe as well as the progress achieved in the development of the Iberian gas market should also be considered."*

From a wider perspective, increasing the transmission capacity from Spain to France to diversify European supplies has to be compared to LNG facilities in Eastern Europe (Baltic countries / SSE Europe). In its "Stress Tests Communication" relating to potential Russian gas crisis, the European Commission welcomes the contribution of Eastern LNG terminals, in enhancing diversification of supply and gas network flexibility.

*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?*

Cost/Benefit analyses performed in the framework of the 2015 PCI list with ENTSOG methodology gives useful elements. Indeed, the methodology focuses on valuing benefits in various cases (high or low price of LNG compared to pipe gas and security of supply cases) by assessing the impact a project would have on the reduction of the European gas bill due to the optimization of gas flows.
Therefore a Benefit over Cost ratio can be calculated, which is a classic investment criteria.
Besides, the ENTSOG methodology allows also to compare competing projects that serve the same purpose.

GRTgaz invites the European Commission to closely compare the results of the "GR 21A" MidCat project and "GR 21B" Fos Cavaou extension project, as an example of the compared merits of better interconnecting the existing LNG terminals versus building new LNG terminals.
As these results are confidential, GRTgaz will issue more details to Commission in a separate message.

*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?*

The global LNG market is very responsive to price signals. Therefore it is crucial that each European market is able to send transparent and undistorted price signals, as required per European regulation in order to attract LNG when necessary for arbitration or security of supply purpose. This will guarantee an efficient use of existing infrastructures and will help to identify potential missing ones based on market signals thus avoiding the risk of stranded assets, like in Spain.