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

1. Introduction

2. LNG in the EU today

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

Answer 1: It is considered that providing access to LNG in terms of infrastructure development would be necessary in particular for the most vulnerable countries as Bosnia and Herzegovina, which is limited to a single source of supply as well as single transmission route. Bosnia and Herzegovina has not any analysis concerning optimal level/share of LNG. However, related to diversification/security of supply perspective it could be expected a level up to 100%.

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?

Answer 2: There is no analysis regarding this issue. Activities related to the provision of grant funds for the preparation of the FS, CBA and the ESIA for South interconnection BiH and Croatia (PECI List) with the possibility of connecting to the new LNG infrastructure (Krk, Croatia) are ongoing.

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.

Answer 3: In our view, all further EU activities related to improving of LNG use and existing LNG infrastructure could move towards better regional cooperation, i.e. cooperation among respecting TSOs. Better regional cooperation is very important for Bosnia and Herzegovina, especially from the reason that BiH has only one transmission route (Ukraine – Hungary – Serbia – BiH).

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 4: Bosnia and Herzegovina has not energy strategy, so currently it is impossible to give any assessment related to stranded assets and lock-in effects. However, because of an energy strategy lack, the natural gas sector is in the position that it is not able to adequately utilize all the effects that this source of energy has, in particular, taking into account the fact that BiH imports the natural gas. On the other hand, BiH has significant coal reserves and all electricity production is based on 50% production in thermal power plants and 50% production in hydropower plants.

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)?

Answer 5: Any evidence as well as the most cost-efficient balance between above mentioned different options is not available to BH-Gas.

3. Potential entry barriers for LNG

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.

Answer 6: As is well known Bosnia and Herzegovina has not LNG terminal, and all natural gas purchase is carry out by pipeline infrastructure.

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?

Answer 7: We do not have sufficient knowledge to be able to answer this question. (See answer 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?

Answer 8: We do not have sufficient knowledge to be able to answer this question.

4. International LNG markets

Gas prices on various markets (data from Eurostat, Thompson Reuters and Platts)

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?

Answer 9: We do not have sufficient knowledge to be able to answer this question.

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?

Answer 10: We do not have sufficient knowledge to be able to answer to this question. In any case, some voluntary demand aggregation could be helpful.

5. LNG technology issues including LNG use in transport

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?

Answer 11: We do not have sufficient knowledge about new technology issues for LNG use in transport, so we are not able to answer to this question.

6. LNG sustainability issues

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.

Answer 12: We do not have sufficient knowledge concerning this issue.

7. Storage

<u>Internal market constraints and challenges for storage</u>

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?

Answer 13: Currently, Bosnia and Herzegovina has not any natural gas storage and no experience about storage operating business, so we are not able to answer on this question.

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 14: We do not have sufficient knowledge to be able to answer this question.

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

Answer 15: We do not have sufficient knowledge to be able to answer this question.

<u>Storage Infrastructure</u>

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?

Answer 16: Optimum level of storage for Bosnia and Herzegovina, due to the current structure of consumption with high gas demand in the winter period compared to the summer period, as well as to cover peak demand in order to meet daily and hours demand of consumption, would be at least on the level

of 30% - 40% of annual natural gas consumption. Any regional initiative in terms of infrastructure development would be very important and useful for Bosnia and Herzegovina because Bosnia and Herzegovina has not possibility to construct a large storage capacity.

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

Answer 17: Bosnia and Herzegovina has no or enough experience to give answer to this question.

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?

Answer 18: see Answer 4

<u>Regulatory framework and potential barriers for storage</u>

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

Answer 19: Bosnia and Herzegovina supports any activities related to use of storage on the regional level.

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?

Answer 20: Taking into account that BiH does not have enough experience with 3rd package implementation, it is difficult to make any assessment of remaining outstanding issues, as well as further EU actions.

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 21: -

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.

Answer 22: We do not have any experience to be able to answer this question.

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.

Answer 23: We do not have any experience to be able to answer this question.