Department
of Energy &
Climate Change

United Kingdom Response to Commission Consultation

An EU strategy for liquefied natural gas and gas storage

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Executive summary

The UK welcomes the opportunity to respond to the Commission's consultation exploring the challenges and opportunities for LNG and gas storage in ensuring a secure, affordable and sustainable EU energy system.

The international gas market is evolving and LNG has a key role in providing a much more flexible market. Europe overall is well-served by LNG terminals and we encourage Member States to consider how we might make best use of existing capacity which, with improved connectivity to neighbouring markets, would increase gas diversity and resilience within Europe.

The UK is connected to global gas markets through 3 modern LNG regasification terminals, which were commercially built and are managed in response to signals from the market, equipped with the latest technology and combined have 54 bcm/annum of capacity representing approximately a quarter of Europe's existing capacity. Any LNG imported into the UK has access to a liquid and well-functioning gas hub (NBP) and is well connected to continental Europe via the IUK with potential to export up to 20 bcm of gas per annum.

LNG and gas storage are valuable sources of flexibility. In a commercial market such as GB's these sources of supply will compete with each other. The necessary consequence is that in such a situation all sources of flexibility must be treated equally, as changes in one area may have unintended consequences. Policies should, therefore reflect the characteristics of each Member State's market including the degree of market development and the degree of interconnection.

We welcome the strong emphasis that the Commission places on the importance of a well-functioning and liquid market to ensure security of supply and the clear intent that any new measures should be consistent with the internal market and competition law. These must remain fundamental principles. Measures and obligations should not in any way inhibit the progress towards full liberalisation of the Union's energy markets nor risk creating barriers to commercial investment as a consequence of non-market-based interventions to address particular short-term problems in some Member States.

However the UK agrees with the Commission's assessment that there are still energy islands in Europe, particularly in the Baltics, Central-Eastern, and South-Eastern Member States, which have been historically vulnerable to disruption by a single supplier. In many cases these vulnerable states can best be supported by putting reverse flow in place on existing pipelines. Where existing infrastructure connects a Member State with only one supply source it is critical that we explore new and creative ways to remove supply

bottlenecks. We welcome the strategic use of 'Connecting Europe Funding' to help reduce the isolation of these markets.

LNG

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

The UK supports measures to facilitate cost effective improvements to develop infrastructure across the EU, to enhance security of supply and ensure that Member States are less dependent on dominant suppliers in future. The UK agrees with the Commission's assessment[1], that there are still energy islands in Europe which have been historically vulnerable to disruption by a single supplier. In many cases, improvements may be facilitated by putting reverse flow in place on pipelines where existing infrastructure connects a Member State with only one supply source or via limited routes. LNG facilities (or shared LNG facilities) could also be beneficial.

Increasing access to LNG terminals needs to be encouraged, but there is no 'optimum share' for LNG across the EU. Financial support for infrastructure that better connects Member States to LNG markets needs to be based on robust cost-benefit analysis. This should include the overall cost-benefit of interconnection across Member States to existing LNG import infrastructure, including if appropriate socio-economic costs, versus the costs and benefits of building new terminals (floating facilities or on-shore) or other alternatives. We recommend the Commission conducts such a review as part of its response to the Consultation.

To date, UK security of supply has been delivered through an effective gas market with investment in infrastructure driven by price signals. Through these price signals, the GB market has responded to declining domestic gas production and has delivered an increase of

[1] https://ec.europa.eu/energy/sites/ener/files/documents/LNG%20consultation%20-%20publication.pdf

more than 500% in the UK's gas import capacity and a 16% increase in storage capacity since 2001[2].

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?

We recommend the Commission conducts such analysis. The UK supports the process of improved interconnection between Member States, where this is economically justified. In functioning markets, such as the UK, market signals should underpin the necessary investment.

Each Member State's gas market, and infrastructure needs will vary, but access to LNG whether by having a terminal in the country, shared facilities or access to existing underutilised terminal like those in the UK will add diversity of supply options to all Member States.

In addition to access to LNG there are other options in the medium to long term that would contribute to increased security of supply for the most vulnerable Member States (e.g. west-east gas flow, indigenous reserves like shale, or Central Asia piped gas).

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

Security of supply is best met by open, transparent, market-based mechanisms, underpinned by robust price signals. The Third Package and TEN-E regulation provides the framework to complete the single energy market, facilitating efficient investment decisions by providing a clear, stable regulatory environment. The focus should be on fully implementing these regulations and directives to complete the internal energy market.

LNG forms part of a wider gas flexibility market. It is therefore important that the regulatory playing field between gas flexibility sources is as level as possible, enabling the market to deliver security of supply in the most economic and efficient way possible.

Where markets are still to develop, targeted interventions may be necessary. However, these should be tailored to the specific market in question and implemented with maximum transparency so as to minimise market disruptions/distortions.

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[2] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/318466/gas_risk_assessment.pdf

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?

Spare LNG capacity can give extra energy security as it provides a capacity margin to draw extra supplies from world markets in the event of disruption to pipeline supplies. However there is a risk of stranded assets. If decisions are made on a commercial basis in response to price signals, particularly in the more mature markets, this will reduce this risk.

Average utilisation of EU LNG regasification infrastructure was 20% in 2014[3] , compared with a global average of 32%, a figure skewed by the large number of Japanese terminals whose utilisation rate is 46%. A low utilisation rate is to be expected given that there is 2.5 times more regasification capacity than liquefaction capacity worldwide– so even if liquefaction was operating at full capacity the average utilisation rate would be 40%. LNG is often used to respond to seasonal demand so high utilisation rates throughout the year are unlikely.

In the absence of a commercial case to invest, it should be recognised that the European taxpayer or gas consumer will be the ultimate source of funding for LNG investment, with the risk that un-commercial infrastructure ends up as a stranded asset or only used in limited and exceptional circumstances. We also note the risk that where market signals have not indicated additional investment, Government intervention risks unintended consequences, such as damaging the commercial case for rival types of infrastructure.

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)?

In the IEA New Policies Scenario coal[4] is replaced by a combination of gas and wind power. The projections suggest that if only carbon pricing is used then this will lead to greater gas use. Our overall analysis remains that even with a smaller share of gas in the mix, there is a continued need for gas to meet spikes in demand and back-up for intermittent renewables. This will require investment in gas infrastructure and diverse supplier options to maintain competitiveness and security or supplies.

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[3] http://www.giignl.org/

[4] http://www.worldenergyoutlook.org/

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.

Increased transparency rather than regulation is needed. In the case of exempt infrastructure, ensuring well-functioning use-it-or-lose-it mechanisms will stimulate secondary markets for capacity and trading of cargoes before delivery.

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?

Supply infrastructure needs to be in place, with ability to trade gas across borders and a well-functioning gas market. These conditions are not in place across Europe. When they are in place, LNG allows the flow of gas to the most attractive markets, decisions are made commercially.

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?

We welcome the strong emphasis that the Commission places on the importance of a well-functioning and liquid market to ensure security of supply and the clear intent that any new measures should be consistent with the internal market and competition law. These must remain fundamental principles. Measures and obligations should not in any way inhibit the progress towards full liberalisation of the Union's energy markets nor create barriers to commercial investment as a consequence of non-market-based interventions to address particular short-term problems in some Member States. We are looking forward to revisions to 994/2010 on this basis.

Any policy interventions in this regard should be targeted to situations where there is clear evidence of market failure. Further, interventions should be transparent, non-discriminatory, publically known and regularly reviewed in order to minimise disruptions to the development of wholesale markets.

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?

LNG is creating a more geographically complex and interconnected global gas market. The major growth of LNG demand will be in Asia and a number of new regions will be competing to supply (N. America, East Africa, Australia and Russia). Over the next five years we expect to see a loosening of the LNG market and a lower price for LNG. However the extent to which this continues into the 2020s will depend on the number of

LNG projects that reach FID in the next few years[5]. Energy Aspects (an external commentator) projects that Europe will import 55bcm of LNG in 2015 and 90bcm in 2016, compared with 52bcm in 2014.

The pricing structure of new LNG contracts is a decision between the seller and the buyer. However the UK supports the growth of liquid and well-functioning hubs which can support alternative price mechanisms to oil-indexation.

In coming years, the extent to which LNG can play a role in European security of supply will depend partly on developments in the global LNG market. New LNG supplies from Australia and North America are set to come on stream by 2020, which will create more global supply of LNG which is likely to lead to a greater availability of supply in Europe from a range of sources. Supplies from the US, which would likely be indexed to US Henry Hub prices, should add to the liquidity and flexibility of global LNG supplies. However, falling oil and gas prices could result in the postponement or cancellation of major LNG supply projects, which could in turn limit the growth of alternative supplies.

The main barriers to LNG fulfilling this security of supply role in some Member States are the lack of both infrastructure providing access to LNG and effective price signals In order to attract LNG cargoes in an emergency, shippers will have to pay to attract gas largely from other markets. With limited volumes of LNG at present traded in the Asian market through short-term flexible contracts, LNG spot prices could rise significantly in the event of a sustained emergency.

If price signals are distorted, for example by ex-ante interventionist measures, illiquid markets, or commercial incentives which are not fully cost-reflective, the market affected by the stress event will not clear at a level to attract LNG cargoes. We also recognise that many of the countries most vulnerable to supply disruption lack access to their own or other Member States' LNG infrastructure, underlining the importance of the PCI process.

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?

LNG can play an essential role in security of supply in situations in business as usual and emergency situations. As a globally traded commodity, LNG is expected to respond best to effective market signals in an emergency. The exact role LNG will play will depend on the nature, extent, and duration of a market stress event. In the event of a short-lived market stress event (hours to several days) it is important to note that many traditional

[5] Bradshaw, M., Bridge, G., Bouzarovski, S., Watson, J. and Dutton, J. (2014) The UK's Global Gas Challenge - Research Report (UKERC: London).

LNG terminals hold significant quantities of gas storage which can respond immediately to a stress event. For example, the UK's three largest LNG terminals (South Hook, Dragon, and Isle of Grain) can hold more than 1bcm of gas in storage, compared with total traditional gas storage capacity in the UK of over 4bcm. However not all LNG terminals have stocks, or do so in much smaller quantities, particularly newer Floating Storage and Regasification Units.

In the case of a more prolonged crisis, LNG can provide a long-term response if the right price signals are there. Around 335bcm of LNG was delivered worldwide in 2014. While Europe imported 45bcm, making up a small portion of that market, the EU has significant LNG import capacity which is largely underutilised. There is therefore already significant scope for LNG to play a larger role in European security of supply. Generally, large-scale LNG response is likely during a crisis lasting longer than a week, allowing new LNG shipments from producing countries to arrive in Europe.

An example of this in practice is Japan's response to the Fukushima crisis, with extensive shut-down of nuclear power generation largely mitigated by gas-fired power generation and increased LNG imports. Japan's LNG imports increased from 93bcm in 2009 to a high of 123bcm in 2013. Whilst this has led to a well-documented era of LNG supply tightness, which would have limited LNG response to a stress event in Europe, there are signs that the LNG market is loosening, driven by increased supply from Australasia, and weaker demand in Asia.

The UK sees no merit in and would not support compulsory demand aggregation. If voluntary demand aggregation were to be proposed as a short term measure, it would have to be demonstrated that it is fully compliant with internal market and competition rules and in no way hinder the development of a fully functioning market in both mature and less mature markets.

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?

Gas vehicle technologies (LNG, CNG, or biomethane) have been identified as currently having the best potential to deliver emissions reductions in the heavy road freight sector.

The UK Government is currently supporting an £11.3m demonstration trial (match funded by industry) of around 350 low-carbon commercial vehicles and refuelling infrastructure, to inform future policies on gas. Most trial vehicles are using a dedicated gas or dual fuel system (diesel and gas). Data arising from the trials have shown that the potential reduction in overall GHG emissions can be somewhat off-set, or in extreme cases

reversed, due to the levels of unburned methane that can be emitted from the tailpipe of some trial vehicles[6].

It is therefore evident that further technological developments will be necessary to ensure that gas fuelled engines - and in particular aftermarket dual fuel conversions - meet Euro VI emissions limits as a priority. Early adopters of gas-fuelled trucks have shown that a viable business case exists for fleet users of these vehicles and with the roll-out of more Euro VI compliant product – and supporting refuelling infrastructure - we expect to see increased uptake within UK logistics operations.

Technical standards for refuelling and storage of gaseous fuels at a national and/or EU level will be important to ensure safety of operation, minimise adverse emissions effects and ensure a level playing field between fuel providers. Directive 2014/94/EC contains technical specifications for natural gas refuelling points that have yet to be adopted.

Given that the global warming potential of methane is much higher than that of CO2, even small quantities of methane escaping during storage or refuelling could negate the emissions savings achieved when using gas fuel. Standards should not be restricted to minimising safety and accidental risks however, but should also consider the quality standards necessary to mitigate the levels of greenhouse gas emissions that arise from the escape or venting of methane.

With regard to the shipping sector, natural gas is currently the only viable fuel alternative, and most policy development has occurred at the EU and international level.

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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.

The UK government does not have any specific analysis to provide.

[6] https://www.gov.uk/government/publications/low-carbon-truck-trial-executive-summary-2014

Storage

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?

We agree with the point, made in the consultation document, that storage is one of a number of options for flexible supply of gas. Other key sources of flexibility can include LNG, some gas fields (although field flexibility is often limited), and the ability to flex demand. In order to maintain a commercial market, all sources of flexibility must be considered, reflecting in particular, the characteristics of each MS' market and the degree of interconnection.

We do not have specific views on the future outlook for storage, which we consider is a question best answered by storage operators. However, the DECC-commissioned research on possible options to intervene in storage did provide some assessment of this[7]. We do note that predicting volatility (which is central to this question) is highly challenging and uncertain.

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)?

Overall, the UK thinks the most effective way to ensure sufficient flexible supply is to expose shippers to the costs of lost supply and thereby provide a strong commercial incentive to guarantee supplies. We believe this is cost-effective as it allows market participants to find the most efficient way to meet their supply obligations and encourages them to compete to do so; this might be increased investment in gas storage (either long range or short cycle), increased use of longer-term supply contracts or demand-side response products. If storage is the most cost-effective solution, then a sufficient incentive should drive a willingness to pay for it.

We have not identified regulatory barriers, in GB, which prevent storage responding to stress situations.[8] We consider that key factors in storage response include fair and open access to storage capacity for market participants (avoiding any situation of market

[7] For more information: Redpoint Energy 'The impact of gas market interventions on energy security' (2013) available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/236757/DECC_FI_Final_report_09072013.pdf

[8] In GB a very small quantity of gas is held in storage for **safety** purposes only; it is used to maintain adequate pressure in the pipeline in the event of an emergency (See UK response to the consultation on reg 994 for details). We do not consider this presents a barrier to storage engagement in the market due to the very small quantity involved.

dominance in flexible supply); and freedom for storage holders to flow gas in line with market signals.

We think there would be value in considering how public service obligations on gas stocks might affect gas flow both under normal system tightness and at times of emergency – for example, whether they can have spill-over impacts on gas flows and/or affect prices in neighbouring countries. In order to understand these, analysis should be extended across Europe and not just where Member States share common pieces of infrastructure.

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

We believe that, in a liquid, hub-based market, the most fruitful approach is to ensure that the right commercial incentives are in place. These should ensure that shippers are providing security, with the system operator acting as balancing market player. In GB, this incentive system is known as 'cash out'.

It is key that these commercial incentives are regularly reviewed to ensure that they are still fit for purpose as the market evolves. The UK has just completed a review process, known as the 'Significant Code Review'[9], to assess the effectiveness of the cash-out regime. This has resulted in several major changes to cash-out, which in summary are:

1. Factoring domestic Value of Loss Load (VoLL) into the cash-out price at £14/therm in the event that domestic consumer experience gas supply loss;

2. Changing cash-out so that prices are now dynamic throughout an emergency with no cap, rather than frozen at the point at which the emergency started; and

3. Tasking the system operator with developing a market-based mechanism to bring forward more demand-side response in the UK.

Such ad hoc reviews should also be informed by continual market monitoring to ensure they are delivering security.

We recognise that different EU markets are at different stages of development. Whilst not all Member States could introduce this in the near future, we think it should be an ultimate aim as part of the development of a liquid market.

The UK suggests that bringing forward more voluntary commercial demand-side response (DSR) can form an important and cost-effective security response in emergency situations. At the least, good understanding of DSR can enable better assessment of the real level of security risk. In the longer term, other MS may wish to

[9] For more information, see: Ofgem, Gas Significant Code Review Final Policy Decision (2014). Available at: https://www.ofgem.gov.uk/ofgem-publications/85992/140212gasscrfpd.pdf

consider whether a commercial DSR mechanism like the one described above could be replicated elsewhere.

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?*

We do not consider that an optimal share of storage could be identified in isolation; it will be a trade-off against other possible sources of supply.

In a market-based system, the overall level of flexibility and the optimal share for different sources of flexibility is decided by the market and commercial players, based on costs/benefits of all supply sources.

In 2013, the UK Government reviewed the need for a security of supply intervention in the UK gas market. We considered a range of possible interventions: an obligation on the system operator to hold emergency volumes of gas in storage; public service obligations on shippers to book storage; and cap-and-floor funding support for storage facilities. We decided against intervention based on cost-benefit analysis conducted by independent consultants. There were three main reasons for this:

1. The risks to UK consumers of gas supply interruption under the current regime were calculated to be low;

2. The costs of intervening largely outweighed the benefits, sometimes significantly so;

3. Intervening in the storage market risked unintended consequences, such as damaging the commercial case for existing storage or rival types of infrastructure.

In particular, the Commission should note the high-level findings of the cost-benefit analysis, which show that the net present value of the interventions over ten years were largely negative. These costs would be recouped through gas consumers. In the case of the single positive cost-benefit result, we were conscious of the (unquantified) risks of unintended consequences and reasonable changes to the assumptions which might turn a positive into a negative result.

CBA Summary Positive = Benefit Negative = Cost	Non-specific obligation	Storage obligation		Storage Cap and Collar			
		Primary	Secondary	Short Range Storage		Long Range Storage	
	Stressed	Stressed	Stressed	Stressed	Gone Green	Stressed	Gone Green
Overall Net Present Value (£million over 10 years)	-£340	-£751	-£495	-£1078	-£605	£122	-£199

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

No new legislative provision is needed for TEN-E but the TYNDP methodologies need to be developed further to assess both EU wide benefit and cross-border benefit of storages (reflecting also whether fast cycle or long range storages) alongside pipelines and other gas infrastructure. The needs of peripheral markets such as the Island of Ireland, the Iberian peninsula and landlocked or otherwise isolated markets need to be appropriately reflected in any methodology.

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?

Any significant uncertainty other either future demand, or the future regulatory approach, will of course increase the risk of stranded assets. The challenge of low carbon transition is key and we are pleased to see the Commission start to link this work to wider work on low carbon heating and cooling.

Commercial market participants will assess the risk of stranded assets as part of their decision on whether to proceed on project. Avoiding supporting projects where the commercial case is not positive is the best way to avoid stranded assets. Market intervention could carry a high risk of stranding assets: either the project being supported or competing commercial projects which are rendered uneconomic.

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

We do not hold specific analysis on the regulation of other MS. However the UK is aware that the Commission has conducted some detailed storage analysis on Member States storage regimes. It would be useful to have this detailed analysis.

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?

As set out above, the UK believes that the long term solution to increased security is to fully develop functioning and well connected gas markets across Europe, and to ensure that gas companies are fully exposed to the costs of failing to deliver secure supply. We recognise the generally significant levels of change that this will require and the extent to which existing regulations have not yet been fully implemented. We recommend seeking to limit the level of further change, and focusing on embedding existing requirements.

EU markets are of course in various states of development and so we recognise that ex-ante security measures may be appropriate to deliver security of supply in some cases. We are also aware that, even where developed, markets do not always deliver socially optimal outcomes and intervention may be required. However, when considering the

need for ex-ante measures, we believe the Commission and other Member States need to consider the following criteria:

- An assessment of whether full development of a liquid market, implementation of the Third Energy Package, or meeting the Gas Target Model will address the market failure without recourse to intervention;
- Consideration of whether the intervention damages or delays the development of a functioning market not only in a particular MS' market, but in neighbouring ones too;
- A market failure is identified before an intervention is pursued;
- The costs and benefits of interventions are assessed;
- The unintended consequences of interventions are given due consideration;
- Consideration of impact on other Member States.

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?

We consider that specific tariff regimes for storage should be determined at the national level. Storage may impose different costs and benefits on different systems. For example, the extent to which storage may be necessary to ensure security of supply or the efficient operation of the system will vary. Each individual country can better assess the role of storage in its system.

We believe that the current proposed text on storage in Article 11 of the draft Tariffs Network Code is sufficient, and will oblige Member States to take into account the beneficial nature of storage when making such assessments.

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.

We have no specific evidence to support this

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.

We have no specific evidence to support this

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