

European Commission
DG Energy - ENER.B.4
'Internal Energy Market: Security of Supply'
DG Energy - ENER.A.3
'International Relations & Enlargement'
Rue De Mot 24-26
B-1049 Bruxelles
Belgium

29th September, 2015

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

OMV Gas & Power

Dear Madam/Sir,

We kindly thank you for the possibility to participate on the objective consultation.

Please find below mentioned the comments of OMV Gas Storage GmbH as a storage service provider in Austria.

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3 Responses to consultation – Storage

3.1. Internal market constraints and challenges for storage

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?

Natural Gas still plays a very important role in the energy world not least because of its better environmental characteristics compared with other fossil energies. In our opinion it will do so for the next decades too. Nevertheless gas demand has decreased in Europe during the last years. However, gas can play an important role for a transition to renewable energy. In order to achieve this, a stable legal European environment, which allows reasonable returns, is required.

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)?

No, in our opinion it needs several measures to ensure that storage is allowed to contribute its share to security of supply as well as a stable technical energy infrastructure.

Nowadays market value of storage services diminishes due to the availability of other flexibility sources which are more attractive in respect of economic aspects as these sources are not faced with energy regulation but have free competition on the market. In respect of the complete change of the storage market (from monopoly markets to demand-driven market) it should be thought about a deregulation (e.g. more flexibility regarding sales of services).

Furthermore fair and low transmission tariffs should be allowed for storage, which do not further reduce the value of storage (customers are only willing to pay a certain amount for storage services: if transmission fees increase, fees which are paid for storage services will be reduced to the same extent). A relief from transmissions fees for storage could be a possibility to compensate the disadvantage due to regulation compared with other flexibility instruments keeping in mind the positive effects of storage on the gas market system and the insurance value against unexpected events (e.g. supply disruptions etc.). Without necessary adjustments storage operators will have to continue with closures especially in cases where significant maintenance investments are required.

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

Responsible Storage Customers should have to prove a certain part of physical availability. Furthermore the costs to be paid for the gas balance are a potential tool to adjust the value of Storage Services.

3.2. Storage infrastructure

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?

No comment

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

No comment

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?

Regrettably stranded assets are no more a risk but they are strong reality for underground gas storages.

3.3. Regulatory framework and potential barriers for storage

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

Facts that lower the use of storage services are

- **High Transmission Fees**
- **Competition disadvantages compared to other flexibility sources**
- **Restricted access to/from storage facilities**
- **the non-ability to offer customized products on a free competition market**

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?

No comment.

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?

Special transmissions tariffs for the use of storage facilities should be launched considering the value of storage for the whole energy system at least at national level.

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 comment.

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 comment.

A handwritten signature in blue ink, appearing to be 'Erich Holzer', written over a light blue horizontal line.

Best regards

OMV Gas Storage GmbH

Erich Holzer
Managing Director