



GEODE's reply to the European Commission Consultation on an EU strategy for liquefied natural gas and gas storage

Question 1

GEODE supports the regional approach in assessing the current security of supply and resilience level and the need for further infrastructure developments. In GEODE's view, it is sufficient and more cost-efficient to assess the need for additional LNG infrastructure on a regional level.

In order to ensure that gas is transported across borders when it is most needed, e.g. in a tense supply situation, Regulation (EU) No 994/2010 concerning measures to safeguard security of gas supply needs to be amended. This is a necessary prerequisite for a regional approach. In this context, the following modifications are crucial:

- The preventive action plans as well as the emergency plans need to be harmonised and it is imperative that they are available in English.
- Restricting the flow of gas across borders should only be possible in scenarios that are set out explicitly in the emergency plans and agreed upon by the affected Member States; it should also be subject to specific conditions defined in the SoS regulation and undertaken in a clear and transparent manner.
- The definition of protected customers should be further specified. The final definition should include all household customers, district heating installations which supply households and the providers of essential social services. In addition, small companies and stores should also be included in the definition. These customers are often technically inseparable from the aforementioned customers in "meshed" distribution networks.

Question 2

LNG forms part of a source diversification strategy. In contrast to pipelines, LNG terminals facilitate gas imports from any LNG exporting country. LNG can also be used as a fall back in the event that no pipeline gas is available.

GEODE – The Voice of local Energy Distributors across Europe

Avenue Marnix 28 - 1000 Brussels - Tel. +32 2 204 44 60 - Fax +32 2 204 44 69

info@geode-eu.org - www.geode-eu.org



It should be noted that the use of LNG is subject to clear market rules. LNG capacity is only used when the price for LNG is lower than the price for available pipeline gas. The price trends for LNG cannot be reliably predicted in advance. Therefore, there is a risk of stranded investments in LNG terminals and transportation capacity connecting LNG terminals to the existing grid.

GEODE, therefore, is in favour of an in-depth analysis being carried out before any transport capacities to new or expanded LNG terminals are constructed. Such an analysis should be carried out in line with the provisions set out in the network code on capacity allocation. A rise in transport tariffs without positive effects on either the market or security of supply has to be prevented.

Question 10

As already mentioned in the answer to Question 2, LNG can be used as a fall back when no pipeline gas is available. In GEODE's opinion, it should only be used as an additional security of supply measure since the availability of LNG at times of stress is a matter of price and time. It takes days or even weeks and high prices to attract additional cargoes delivering LNG to European terminals.

Question 13

The timeframe for ensuring the funding of new gas storage capacities usually exceeds the timeframe in which reasonable supply and demand projections can be made. Thus, funding is not easily ensured; the final decision on the investment might be delayed or cancelled. The reason for this may be oversaturation of storages in some regions, alternative providers of flexibility services, such as demand-side management, and a decline in demand. Furthermore, if existing storage facilities are shut down for economic reasons, this can immediately affect the security of supply level.

GEODE would like to stress the importance of storage capacities for balancing the capacity demand, especially in distribution networks. This should be taken into consideration in the regulatory framework in order to enable (individual) solutions to ensure the further existence and operation of storages in distribution networks.



operation of storages in distribution networks.

Question 15

GEODE supports market-based initiatives instead of mandatory reserves. Minimum filling levels in storage facilities could, for example, be ensured by harmonised tariffs for entry and exit capacities to/from storage facilities. To improve the economic value of storage facilities, the nomination lead time should be assessed and, if possible, reduced. Strengthening the internal energy market further will also have a positive effect on the European gas storage market.

Question 16

GEODE would like to point out that the relevant parameters for an optimal level of storage are the overall withdrawal rate and the total working gas volume. An example for such an analysis in a number of specific scenarios and based on the existing storage capacities was recently published by the Federal Ministry for Economic Affairs and Energy of Germany¹.

Question 19

See answer to question 1

Brussels, 30 September 2015

¹ <http://www.bmwi.de/BMWi/Redaktion/PDF/Publikationen/Studien/moeglichkeiten-zur-verbesserung-der-gasversorgungsicherheit-und-der-krisenvorsorge-durch-regelungen-der-speicher-kurzfassung-englisch,property=pdf,bereich=bmwi2012,sprache=de,rwb=true.pdf>