

C.E. 157/15

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

Only by email: ENER-LNG-STORAGE@ec.europa.eu

Lisbon, 30th September 2015

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

Dear Sirs,

Galp Energia, SGPS, SA (Galp Energia)<sup>1</sup> through its wholly-owned subsidiary Galp Gás Natural SA, is a shipper operating in the Portuguese, Spanish, and French wholesale energy markets, being also in the retail Iberian gas markets through several of its subsidiaries.

Galp Energia welcomes the present Public Consultation, noting its relevance in the particularly uncertain European energy market, with a noted decreasing gas consumption and limitations to capital spending due to the debt crisis.

In the following text we present the comments that we deemed more relevant to the consultation, and would be at your disposal for any additional clarifications deemed necessary.

#### **General Comments**

As a basic standpoint, that Galp Energia already expressed in other Public Consultations, we note our preferred approach to market-based solutions for the development of the Internal Energy Market in its various dimensions, namely for investments analysis and decisions, since the infrastructures are to be considered as the operational arms of the market as a whole (operators, shippers, and consumers), not the opposite.

---

<sup>1</sup> Galp Energia, SGPS, SA is the holding company of Galp Energia Group and is registered in European Parliament and the European Commission Transparency Register with the identification number 959972115771-67





The same is to be said for some suggested political interventions related to agreements with potential supplying countries (Q10). It is not clear whether that would actually represent an increase in the negotiation position and in some cases – “demand aggregation” – could even be detrimental to competition in the final markets.

Also, Galp Energia reinforces the need to complete the Regulatory Framework harmonization in order to avoid artificial barriers that still exist. A timely implementation of the various Network Codes would be of relevance in the creation of a level playing field, increasing the liquidity of markets which would also contribute to the Security of Supply (SoS) in the sense that the shippers and consumers would have access to a larger number of supplies at competitive prices.

An overriding principle to be considered is the need to ensure a level playing field that allows all sources of gas to compete fairly. The optimal level of natural gas coming into European market via pipeline, LNG import terminals, domestic production or storage efficiently is mostly efficiently determined by market so we would like to reinforce the need for a level playing field for all sources of gas avoiding policy mandates benefiting infrastructural investments decisions whose economical rational is difficult to justify.

### **Specific Galp Energia Comments**

#### **(i) Investment in new Infrastructures**

Considering the burden that investments of LNG and Storage infrastructures would have in the access tariffs, especially if those facilities are under-used – and again the actual trend in the European gas consumption is to be considered<sup>2</sup> - we strongly advocate a cautious approach to new investments decisions, avoiding the creation of stranded costs that would finally be detrimental to gas competitiveness and consequentially to the economic activity in Europe.

Additionally, in what refers funding for the so called Projects of Common Interest (PICs), we have to note some apparent incoherent signals from the European Union: whereas the industry is encouraged to invest, to increase both the liquidity and security of supply; we note that no clear policy of European funding is present. The announced amount of available funds for the “Connecting Europe Initiative” is quite limited (some 5b€ to a total of *circa* 50b€ in the PICs approved), and some of the projects would hardly be justifiable under a market-approach. If those projects are considered of relevance in a pan-European context, they should also be entitled to a comprehensive common funding policy.

The above is especially relevant if one considers the particular situation of the Iberia Peninsula: some 50% of the existing LNG Terminals are located there, so we believe to be commonly agreed that in order to maximize its contribution to the overall European SoS - minimizing also investments in new LNG Terminals - it would make sense to increase the South=>North connections to France and to the more liquid Northern Europe hubs. However, the distribution of the investment effort has to be made according to their actual beneficiaries, and not be solely based on the geographical location of the infrastructures; otherwise the Portuguese and Spanish consumers would be paying for infrastructures whose ultimate users would have “exemption” of the related costs in their access tariffs.

---

<sup>2</sup> “Security of Gas Supply – A CEER Concept Paper” – Ref. C15-GWG-122-04; 21 July 2015



(ii) Strategic Reserves

Notwithstanding the need for regulatory harmonization above referred, Galp Energia notes that unless a clear and enforceable European legislation is approved, guaranteeing assistance between countries in case of serious supply failure, each Government should keep some degree of decision when establishing the levels of mandatory reserves.

Even though our preference for market-based approaches would naturally put the main responsibility on the suppliers, in the case of countries without indigenous gas production, is seems reasonable that the SoS regulation has a certain level of politic decisions, provided that the legislation would create limitations for competitions.

**Questionnaire**

Also through Galp Gás Natural SA, Galp Energia is a member of EFET – European Federation of Energy Traders – which has submitted a detailed reply to the Public Consultation Questionnaire.

Galp Energia agrees with the majority of the positions there presented and refers to them on the points not covered in our reply.

Yours sincerely,

Pedro Carmona de Oliveira Ricardo

Galp Energia Executive Board Member