San Donato Milanese, 29/09/2015

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

## Introduction

This document has been prepared by Snam with the aim of answering to the Consultation Paper issued by the European Commission, in view of the preparation of an EU strategy for liquefied natural gas and gas storage.

The vision of Snam exposed in this document is based on the following points:

- LNG and storage are essential elements of a European energy strategy, in order to ensure market liquidity and facilitate the convergence of gas prices between different geographic areas worldwide as well as within the EU, and to support the security of supply.

- Natural gas is well placed to take an important role in the EU future energy mix. It is thus important that EU Energy and Climate Policy recognise this role, so that the EU gas market remains attractive in the medium/long-term future.

- The definition of optimal levels of regasification and storage capacity to be made available to the integrated EU market is a complex task, considering the need to find the right balance between European energy goals (i.e. security of supply, competition, market integration and sustainability) and respecting at the same time the subsidiarity principle.
  Nevertheless, Snam believes that it is necessary to define such optimal levels and to support the effective and efficient realisation of the corresponding infrastructural capacities, where needed.

- In Snam view, LNG and storage capacities should be defined taking into account their capability to act as a market stabilizer in case of spikes in demand as well as their positive effects on energy security. A possible

approach on the latter has already been suggested in Snam answer to the Consultation on the revision of Regulation (EU) No 994/2010.

- Once the optimal levels are defined, the choice on how to satisfy it at European or regional level may be left to the market in first instance, favouring at the same time the optimal use and sharing of existing infrastructure through the removal of bottlenecks and the harmonization of technical regulations as well as regulatory requirements, limiting any residual "administrative" measures in case a missing gap appears.

Snam is open to any further contribution or discussion on the issues addressed in this public consultation and offers the European Commission its profound experience of integrated infrastructure operator in the gas sector in all forms of cooperation in which the Commission deems to involve her.

**Answers**

*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 neighboring 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 assessment provided by the European Commission in the consultation document represents a good picture of challenges and needs to allow potential access to LNG for all Member States.
It is however worth noticing that, further to the elements identified in the document, also the development of new interconnections along the south-north direction would enable Eastern European countries to access, via the reverse flow through Austria-Slovakia (already available) and Switzerland-Germany (realization ongoing), also LNG unloaded in Italy.
As for the analysis on "optimal levels/shares of LNG", it's indeed challenging to identify upfront an optimal level/share of the "correct" LNG contribution in a Region or in a Member State, as in general terms this depends on a number of different

elements, diversified in nature: national/regional energy policy goals, geographical localization, level of infrastructure and market development. An additional complexity is the time horizon of the analysis and how planned infrastructures could eventually contribute to the selected objective.
It has however to be noticed that, especially for those countries which cannot have a direct access to LNG, the development of effective interconnections among Member States represent, together with access to (regional) storage, the only practical and efficient way to increase the diversification of sources and the security of supply.

On a SoS point of view it should be considered that LNG implies a diversification of supply sources by itself, on a long term and a short term basis, which is an insurance against supply disruptions of a given country/producer and an effective tool in addressing supply shortfall or demand spikes.

*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?*

Compared to the construction of a new LNG terminal, the optimisation and, where needed, the realisation of increased interconnections would have the benefit to allow any Member State/Region connected to the integrated transportation system the diversified access to many LNG terminals, thus reducing the risk of relying on a single infrastructure, with a positive impact also from cost optimisation due to the utilisation of the existing regasification facilities. Moreover, investments in interconnections are expected to have a lower realisation cost compared to green-field infrastructures and would also enable access to other sources of flexibility (e.g. storages, other import sources, etc.) in case LNG not being available for technical or commercial reasons.

*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*

TEN-E Regulation is crucial to ensure European security of supply and market integration and it could be useful to accelerate the actions aimed at achieving the energy priority corridors already identified.
As mentioned in the consultation document, LNG import capacity in Europe is at present around 200 bcm/y, compared to a European total yearly demand of around 450 bcm, with an average utilization rate of around 25%. Therefore, rather than creating new LNG import capacity, it should be further improved the use of LNG (e.g. for the so-called "small-scale services") and of existing regasification infrastructures by means of a better integration of European infrastructures and by removing any network bottlenecks. A concrete action in this regard would be to increase transportation capacity along west-east and south-north corridors to allow the use of western European countries LNG also in other countries that don't have direct access to own LNG sources. Examples of the infrastructural intervention needed are the investment necessary for the operation in reverse flow of import pipelines in Northern Italy and transit pipelines (TENP) in Germany as well as the construction of the MIDCAT pipeline between Spain and France and its connection to the Central EU network.
Also existing infrastructures are relevant in this respect: the Interconnector UK, for instance, is the essential facility that, already today, allows UK LNG to be available for the Continental market.

*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?*

As better detailed in answer to question 10, the European LNG regasification market has been deeply affected by the energy world dynamics in the recent years but it will indeed remain an essential source of flexibility and competitiveness for the system.

In particular, current low utilization rates experienced by various EU LNG regasification terminals can be mainly explained by two factors: the past years' weak European gas demand and the LNG price, set at relatively high levels by the competition on the global market (i.e. price levels in Far East Markets). Should one or both factors change in the near future - gas demand is actually slightly recovering while LNG prices near halved in the course of the last year - it might be expected also an increase of the EU LNG terminals activity.

On top of this, the security of gas supply is a target that implies necessarily a level of "apparent redundancy" in gas infrastructures, but it is not appropriate to consider stranded the costs related to assets aimed at guaranteeing security of gas supply and flexibility of the market.

For this reason, for new infrastructures, it is important to define a process of investment selection that allows identifying the most suitable ones for improving flexibility of and integration among the European infrastructure systems and maintaining or developing the desired level of security of supply at least at a regional level.

Finally, it is of utmost importance that the Commission avoids stating that investing in gas and gas infrastructures has a "*risk of diverting investments from low carbon technologies…*". Gas is a low carbon technology and is and will remain essential in the energy mix for the future of an efficient and effective European growth. In this respect, the Commission should be instead more active in addressing actions to reduce coal rather than potentially implying that gas is not needed in a "green energy mix". It should also be considered that an extensive and widespread infrastructural system is already in place and investments needed in additional capacity and/or interconnections for the reasons of SoS would be relatively limited and would not [necessarily] imply the distraction of financial resources from renewables.

*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)?*

While it is for sure essential to pursue ambitious targets for greening the EU economies, it is nonetheless essential to follow also economically efficient and timely consistent paths to achieve such targets. Indeed, when addressing the issue of energy efficiency and sustainable economy a full set of interlinked considerations should be taken into consideration.

In terms of contributions that natural gas can bring to meeting the ambitious EU targets on greenhouse gas, a major element to consider is the immediate positive effects on the carbon footprint derived by the substitution of coal and oil with gas both in the electricity generation and transportation sectors. This without mentioning the high flexibility of gas-fired power plants, which can cope with the intermittency nature of RES contributing to their development.
These features make natural gas as the strongest enabler of renewable energy sources in a properly functioning energy market.

In terms of efficiency, a first element which should be considered is the cost of a full electrified energy system, both in monetary terms and for possible reliability issues. Investment in electricity sectors to guarantee the supply adequacy for demand peaks are expected to be extremely high, in addition to the negative effect for customers exposed to price spikes or energy curtailment due to tighter demand/supply constraints.

Moreover, efficiency in demand is to be obtained but it is questionable that a gross reduction of effects that can be comparable to the dimension of – for instance – an 8 bcm LNG regasification terminal can be achieved, especially in growing markets in a medium term time frame. Longer time horizons should be also considered but in this case, if there is a potential risk of assets that could become not economic, then a question of regulatory depreciation timing should be addressed, not one of not pursuing the necessary investments to support demand and economic growth.
Therefore the two elements, careful evaluation on the real potential of demand moderation and the need for additional infrastructures, should go together, also recalling that additional LNG terminals or pipeline interconnectors, enlarging the capabilities of a given domestic market to increase its links to a larger market area, allow the avoidance of high price spikes exposure, which are not connected to import levels per se.

*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 behavior? Please describe in detail.*

From an infrastructure operator perspective, the access to LNG through the realization of gas infrastructures has traditionally relied upon a clear and stable regulatory framework, on the basis of which commercial operators may take long-term commitments for the use of facilities and infrastructure operators may take investment decisions having a long -term visibility on their costs and returns. In this respect a policy option to develop new LNG regasification facilities could be the identification of "strategic/essential infrastructures" to be realized under clear legal and regulatory conditions, to be defined ex-ante with respect to the investment and maintaining validity throughout the whole economical life of the asset, delinking infrastructure investments from long-term contracts (which are "not the favoured option" in today's market) and allowing private investors to enter into the most effective financing for realising these facilities.

*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?*

LNG barriers can be potentially divided into two different categories:

1) for existing regasification facilities;
2) for new investments.

As for the first, it is important to stimulate the maximum flexibility in the commercial offer from terminal operators, so to allow interested parties to obtain the best optionality from using LNG, both in the traditional regasification services (e.g. through the possible development of better integrated/consistent regasification-transmission and storage-transmission products) and for the so-called "small-scale LNG".

With respect to the second, it is important to guarantee a well-defined remuneration scheme, as – for instance – the proposal under previous question 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?*

As for the on-going EU policy initiatives, it is crucial – for LNG developments and for the gas infrastructure industry in general – to stress the commitment to using natural gas, both fossil and bio, as one of the central sources for the energy mix of the foreseeable future for the European market.

Natural gas (both piped and/ LNG) can, in fact, considerably contribute considerably to improve the quality of the environmental sustainability and partner effectively with renewables to achieve the "decarbonisation" targets set by the EU, fordue to its chemical and physical properties as well as its possible applications in highly efficient technologies and lowering emissions in growing economies.

Therefore, with the objective both to stimulate additional efficiency in final consumption and a better utilisation of fossil fuels, a further evaluation of potential measures to increase the cost of $CO_2$ is required, especially to replace coal – given its intrinsic higher pollution contents – with natural gas.

A policy aimed at encouraging the use of NG (as mentioned, the cleanest burning fossil fuel to be also supplemented by biomethane) instead of other fossil fuels such as coal, oil etc. - or even nuclear power - would result in a smoother achievement of European environmental objectives. The review of the mechanisms underlying the formation of the cost of "CO2 emission rights" as per Emissions Trading Directive could be used for this purpose with no direct cost for public finance.

Finally, with respect to additional initiatives regarding natural gas and LNG in specific, it is furthermore vital to avoid any consumption related tax increase, especially considering the "new uses" for LNG in a low oil price environment. In this respect it is essential that excise duties are kept at a favourable level, providing the necessary legal stability for allowing a reasonable return of the investments for the development of this sector.

*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?*

As better detailed in the next answer, the LNG market has been subject to deep modifications in the recent years and we do believe additional changes will materialise, also in connection to the oil price dynamics that will affect the investment decisions and developments.
Having said that, we continue seeing a robust price and demand competition from Asia in terms of LNG flows and from domestic demand growth in certain exporting countries (e.g. Algeria) that will affect the availability of LNG to Europe.
The US availabilities could potentially contribute to the European mix but would possibly not be a game changer in the market dynamics.
On top of this, when considering the EU market, it is potentially important to recall that the LNG – considering the present LNG regasification infrastructures – would have an impact on the Western markets, both North-West (UK, Belgium, Netherlands) and West (France and Spain), rather than Eastern countries.
As for piped gas, we do expect LNG to be subject to different prices formulae and indices.

*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?*

The LNG market has proven in the past quite price reactive to stress situations given the limited availability of non-contracted cargoes (e.g. Fukushima crisis). Notwithstanding this, the most recent liquefaction capacity additions in the South-East Pacific region and the less pronounced demand growth in Asia has provided the LNG market with some additional supply flexibility, allowing the European market to benefit again – at least in some regions – from new LNG flows. This new market pattern is anyhow subject to (again) rapidly changing conditions, especially due to the structural demand growth in Asia that could in any case absorb large LNG volumes, limiting therefore European attractiveness.

In this respect, it is also important to recall that – especially as a consequence of the strong reduction of oil prices – some new liquefaction investments could be postponed or cancelled, creating a situation where the combination of demand and supply stress will be difficult to predict in terms of additional economic availability of LNG to Europe in the medium and long term.

With these potential elements in mind, it is therefore essential to allow maximum flexibility in the offer of the existing regasification terminals, to provide optionality for shippers, and to increase connectivity of the same terminals (or of new ones) to the largest potential market, improving the interconnections among markets so to avoid that any (positive) stress situation is only felt in a limited area or that any (negative) stress can't be limited by the existence of adequate source and routes diversification.

In terms of enhanced flexibility it is nonetheless crucial to remember that LNG regasification terminals are sensitive systems that need to be kept running at least at the technical minimum to avoid structural damages and be in fully operating conditions in case of necessity or in emergency. Given the volatile scenarios of international energy markets and considered the political instability of some of the most important supplier countries, European Union should increase the use of stress analysis, for example conducting them on a regular base or at least with a higher frequency, stimulating – where needed – investments to increase operational and technical flexibility.

| 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? |
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As for technological developments, the LNG market is proving an extremely dynamic one. Given the most recent experiences, without having the possibility to anticipate additional developments, it is nonetheless essential to keep, or reinforce flexibility and support to any initiatives in the field.
More specifically, in addition to maintaining a convenient taxation, as advocated in the answer to question number 8, it would also help:

1. having clear rules and technical specifications clearly defined for the implementation and management of new facilities to use "small scale LNG";
2. streamlining authorization processes by reducing the time necessary for obtaining permits; also, Member States should not be allowed to derogate European rules with local regulations.
3. establishing equal rules for interchangeability of gas in Europe;
4. further encouraging (with economic/fiscal incentives) the development of joint ventures between vehicle manufacturers / vessels using LNG and infrastructure operators of LNG for the construction of prototypes or projects of common interest.

*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.*

With reference to sustainability and its promotion through the most efficient utilization of existing infrastructures, we deem LNG is the best option and will be crucial for its uses in the transportation sector, both for heavy-duty vehicles and for maritime bunkering (not forgetting the potential deriving from CNG for light-duty vehicles, for instance considering the well-established Italian experience in this respect).
We deem therefore essential that the EU continues promoting LNG as a fuel (for instance keeping the existent taxation regime) in order to permit the industry to invest in this new field and contribute in an effective way to a more environmentally and economically sustainable path in the EU energy markets.

*Question 13: what opportunity 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?*

Storages are an essential element for the safe and efficient operation of the EU integrated energy market, in order to ensure market liquidity, facilitate the convergence of gas prices between different geographic areas and to support security of gas supply.

The existence of flexibility tools, such as the interconnection of networks, the increase of LNG import or the creation of new importation infrastructures, could also require further storage capacities to optimize the efficiency of the network (storage plants are usually closer to centres of consumptions than to production/import centres).
Storage, when available, is a key instrument necessary to match supply and demand in all Member States, both for peak demand (under severe weather conditions, emergencies or, with the increased role of renewables, to cover any non-anticipated CCGT power generation increase in supply) and volume (to optimize import flows and pipeline dimensioning), in particular considering a future market scenario characterized by a fall in domestic production and a growth in import dependency.

As for peak events, these have showed little correlation to the overall market dimension and seem not to have experienced evident reductions. On the contrary, the increase of summer peaks in demand deriving from power generation for air conditioning and/or RES back up, in a moment where storage operations are normally dedicated to gas injection, are also a new element to be considered in dimensioning the necessary storage capacity and flexibility.

For the above reasons, it is essential to keep and sustain storages as one of the fundamental tools for a balanced and flexible gas (and energy) market, well evaluating their insurance value which is progressively but constantly not incorporated (correctly to a certain extent) by market participants and could – alternatively – be in the responsibility of “public or quasi-public” entities in case of emergencies.

In a medium to long term horizon, the role of storage could also improve in relation to the progressive termination of the traditional long term gas supply contracts (TOP or SOP), with a request of additional flexibility close to the final markets, and to the technological potential of power to gas, exploiting the gas system flexibility and its economic effectiveness to accommodate excessive RES supplies without needing additional – and highly expensive – electricity network developments.

*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)?*

Current market and regulatory conditions might not be adequate to ensure the capability of storages to face disruptions or unforeseen events, as today the commercial operators are not always able or in the condition to give a proper "monetary" value to the role of storage, in terms of security of supply and flexibility provided for operating and balancing the gas system.
In particular, the current level of summer/winter spreads do not incentivize the commercial operators to fill the available storage capacities, with a risk that, under a cold spell or in emergency conditions, the storages will not be able to deliver their maximum technical performances, both in terms of volume and peak capacity. In addition, this situation – if not modified – could bring some storage capacities to being mothballed or indeed closed, with substantial technical and economic challenges to keep the capacities available for the future.

Under these circumstances, and to preserve the fundamental asset in the gas market for providing flexibility for market demand, it is urgent to consider whether "non-market" intervention should be adopted, at least to face the risk of extreme weather conditions or supply reduction or disruption. In fact, while it is important to stimulate market functioning as far as possible, it is nonetheless essential to evaluate potential market failures and their costs in a dynamic context. In this respect, the constitution of a sort of "European strategic reserve" of natural gas, to be established through a joint management at EU (or regional) level of part of the storage infrastructures can be a part of a solution aimed at guaranteeing the appropriate safety nets for the gas market.

The European strategic storage service should be used only in emergency situations (as per Regulation 994/10) and could also be provided as a storage, transmission and supply integrated service to be managed by a party independent from the commercial dynamics of the market. Such obligation can also be fulfilled through cross-border agreements, as it is possible to delegate it to another Member State, with a clear definition of rules and responsibilities. In order to avoid distortive effects on the gas market (i.e., such service should be governed by transparent and non-discriminatory rules and mechanisms and it should be kept separate by the commercial storage, owned by the users to satisfy their modulation needs in the coverage of peaks of consumption).

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

For the reasons described above, market based instruments could play an essential role but only to a certain extent because, even if providing correct price signals, they cannot guarantee that in an emergency condition the system will be able to provide the required answer.
In fact, the introduction of economic incentives – such as for example penalties for missing supply – would not guarantee the real availability of gas and in case would constitute a cost for the system. Also, the concept of "value of lost load" would be extremely difficult to estimate and to make it really applicable when considering the social and technical impact of a potential lack of gas supply to residential/protected customers.

*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 term of structure development in relation to storage?*

As already said, storage plays a key role both in a crisis situation, in order to grant security of supply, and as flexibility tool useful in the market. The definition of an optimal level of regasification and storage capacity is a complex task, which needs to find a right balance among the EU energy policy goals. Nevertheless, it is necessary to define such targets and to encourage the completion of the corresponding infrastructural capacity, where needed. Snam has already suggested a possible approach in its answer to the EU Consultation on the revision of Regulation (EU) No 994/2010. Once the optimized storage capacity is defined, every single Member State would be responsible to adopt the necessary measures to develop the above mentioned capacity, including a cooperative approach with neighbouring countries.

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

TEN-E Regulation – among other EU measures – is crucial to for achieving security of supply and market integration, and it could be useful to accelerate the actions needed to realize the energy priority corridor identified.

The development of interconnections by means of internal bottleneck removal may promote a better use of existing storage facilities even in the Member States that do not have sufficient storage capacity available in their territory.

*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?*

The uncertainties over the future of gas demand can be tackled by a clear definition of the EU energy policy, identifying natural gas role in a future low-carbon economy. EU action in this direction is key to ensure that gas industry and infrastructures will remain a key part of the energy system in the next decades. In fact, an open and strong recognition that gas, as the cleanest fossil fuel, is actually essential for an environmentally sustainable economic development would also reduce the risk of stranded assets, providing companies and investors with the right signals and long-term visibility needed to support infrastructure maintenance and new commissioning.

In this view, investments in natural gas infrastructure and renewable technologies must not be understood in contradiction, but as complementary efforts towards a sustainable economy.

More specifically, security of gas supply (together with flexibility and third party access) is a target that implies necessarily a peak design of the gas infrastructure system and therefore it is not appropriate to consider stranded in any way the costs related to assets aimed at guaranteeing security of gas supply.
As for new investments, for the above mentioned reason it is anyhow important to define a process of investments selection that allows to identify upfront the investments that are most suitable for improving flexibility and integration among the European infrastructure systems and, at the same time, contribute to maintaining or developing the desired level of security of supply. Once such investment are identified the related capital and operational costs shall be

guaranteed along the entire economical-technical life of the asset at conditions set and agreed before the investment is undertaken.

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

An increase of the harmonization of rules for the access and utilization of gas storages among the different countries will for sure constitute a basic element for ensuring a most efficient and effective use of the infrastructures. This of course will require also an optimized use of the interconnection infrastructures that might be pursued through a full implementation of the EU network Codes. In this respect it will be key to remove any obstacle to the free flow of gas, in particular with reference to the definition of rules on the gas quality and odorization, which should enable the smooth circulation of gas in the integrated EU infrastructural system without posing unnecessary burdens.

*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?*

Snam appreciates the general goals and architecture of the EU policy for an Energy Union and thinks that in this framework major improvements can be made on the issue of security of supply and the functioning of the gas market.
In general terms, Snam shares the views of others in the gas industry on whether the Commission should define a clearer strategy on gas and on its future role in energy supply, before moving on to identify specific legislative interventions. In this perspective, one further initiative that the Commission may take into consideration is the review of the tax legislation on the different energy sources, rewarding gas as cleanest fuels among fossils and ideal connecting element and back-up source for renewables

*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?*

The introduction of a strategic storage at EU level as a measure able to meet the objective of secure gas supply needs a regulatory framework ensuring the complete recognition of the costs (realization, maintenance and operational costs both in terms of gas stored and assets) through the application of tariffs adequately defined. This might be realized through the identification of a common set of rules for the determination of storage tariffs, as envisaged by Regulation 715/2009 for the European Tariff Network Code in the transmission activity, clearly identifying the repartition of the costs among the different countries benefitting of this measure.

*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.*
*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 behavior, technical problems) in detail.*

We are not aware of problems of this kind since our customers (shippers) have never reported difficulties in this regard.
As a regulated operator Snam, through its subsidiaries Stogit and GNL Italia, gives access to storage and regasification services to all customers on equal terms. Based on consolidated customer satisfaction surveys led since 2012, we have also verified that the market is satisfied with the activities managed by GNL Italia and Stogit.