

GIE/GLE position on the

final report on the Follow-up study to the EC's LNG and storage strategy published on 13th September 2017

GLE believes that further remarks should still be raised on the final report on the Follow-up study to the EC's LNG and storage strategy.

Indeed:

- ✓ The real first trigger for the development of a commodity trading market is the perceived need among the concerned stakeholders. Market crisis or other major changes in themselves are not triggering.
- ✓ Large scale LNG trading is totally different from the trading of LNG as a fuel; this should be implied in the definition of a hub. The analysis and recommendation should take this into account.
- ✓ For large scale LNG trading hubs the possibility of notional hubs should be seriously considered (e.g. LNG North West Europe, or LNG West Mediterranean) vs. physical hubs located on a port area.
- ✓ The liquidity is brought by all market players, and not only by short term traders.
- ✓ There shouldn't be any confusion between regulated and exempted terminals within the meaning of the EU Directive.

On the specific recommendations:

1. **Contracts:** it shouldn't be the role of the EU to investigate in the contractual options for LNG supply, especially as the LNG market is a worldwide market.
2. **LNG hubs:** it shouldn't be the role of the EU to interfere with the various operators; discrimination shall be avoided, in particular with respect to LSOs.
3. **International:** GLE is prepared to provide its expertise and to exchange with the European Commission on the topic. Question: what is the "Gas Buyers Forum"?
4. **Transparency:** What is it meant by "improving information on a regulated terminal by terminal basis"? Indeed, regulated terminals are the most transparent and do publish on their website a lot of information, including access conditions and tariffs.
5. **Terminal access:** the proposals of the consultant regarding regulated and exempted terminals should be rebalanced between each other. It makes no sense to ask for more transparency from the LSOs that are already the most transparent, on the one hand, and to propose only to consider how to do for the others, on the other hand.

Last but not least:

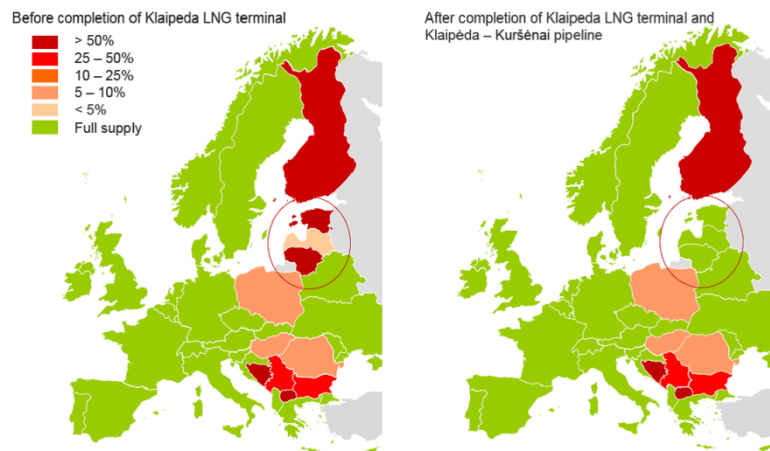
- ✓ A simple manner for attracting more LNG in the EU (which is one of EU's aims) is the necessity to reduce the entry tariff from the LNG terminals into the network down to zero.
- ✓ LNG should be recognized for its contribution as a flexibility source for security of supply shocks. (The final report states the opposite: "Assumption is based on Tractebel expert view, LNG storage is not considered to be a flexibility source for security of supply shocks."). Klaipeda LNG terminal in the Baltic region is the clear proof for that. In addition, the peak shaving service that regasification terminals offer in Italy is one of the emergency measures established by the Ministry of Economic Development to increase security of supply during the winter period.



SECURITY OF SUPPLY FOR THE BALTIC STATES

Gas supply disruption 6 months, cold spell scenario

- Baltic states are now protected against a major gas supply disruption from the east
- Security provided by a combination of key infrastructure elements
 - Alternative gas import route via Klaipeda LNG terminal
 - Seasonal storage in Incukalns
 - Upgraded transmission pipeline network
- Full supply in cold winter
 - District heating operating as usual
 - No interruption to either residential or industrial customers



Source: Energy Security Stress Test 2014 coordinated by the European Commission: Joint report by Estonia, Latvia, Lithuania and Finland (adjusted by Klaipėdos Nafta to reflect post-Stress Test conditions)