

Our date  
27/11/2010

Our reference

Administrative officer  
Helga Franse

Your date

Your reference

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ERGEG

Attn.:

gastransparency@ergeg.org

Dear Sir, Madam,

Statoil is pleased to provide ERGEG with our views on the questions from the gas transparency consultation.

<b>Question 1</b>
Do the existing legally binding and soon-to-be legally binding transparency requirements for transmission, LNG and storage satisfy your needs as a market participant? In case your answer is no, please specify what is missing in your view and why.
<b>Response</b>
The content of such requirements is satisfactory. However, their implementation by system operators is not in all cases satisfactory. See Q2.

<b>Question 2</b>
Are you satisfied with the current level of transparency provided for by system operators? In case your answer is no, please specify whether this is the case due to the lack of transparency requirements or the quality of publication.
<b>Response</b>
Partly. Although the level of transparency from TSOs has increased significantly over the past years, there are still areas that can be improved. The full implementation of the 3 <sup>rd</sup> package will solve some of the outstanding issues. We believe that other difficulties, such as comparing data across EU borders, result from a lack of harmonised definitions of the terms for transparency. We believe that a European definition of technical, available, booked capacity and other relevant terms, in addition to increased transparency in the methodology used for calculation of these values, will improve the understanding of the market of the published data. We understand that a similar initiative is already undertaken for the electricity market and suggest initiating a similar process for gas.

<b>Question 3</b>
Do the existing voluntary GGP for LNG System Operators (E08-LNG-06-03 (May 2008)) and GGP for Third Party Access for Storage System Operators (E04-PC-01-04 (March 2005)) satisfy your needs as a market participant?
<b>Response</b>
NA

<b>Question 4</b>
Do you think that those transparency requirements in the GGP LNG and GGP SSO which are not covered by the 3rd Package should become legally binding?
<b>Response</b>
NA

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### Question 5

Do you think that the voluntary GGP for LNG System Operators and GGP for Third Party Access for Storage System Operators shall include further transparency requirements? In case your answer is yes, please specify what is missing in your view.

#### Response

NA

### Question 6

Is there an area along the gas value chain (production, transmission, LNG, storage, distribution, wholesale market) where in your view additional transparency requirements are needed? Please specify what you miss in your answer.

#### Response

Statoil generally supports a high level of market transparency and in particular measures focusing on those areas of the value chain where data to assess and obtain market access is not readily available to all market participants.

At this point in time we believe it particularly difficult to conclude on additional need for transparency requirements, due to the plethora of data will become available to market participants as a result of the third market liberalisation package. Time is needed for market participants to integrate such data availability into operations and market behaviours and to assess the effects of this increased transparency on the gas markets.

In addition to a rapid and correct implementation of the third liberalisation package throughout the EU, Statoil would welcome focus on accompanying measures that facilitate and speed up the process whereby market participants make better or easier use of the wealth of information that is available. An increased harmonisation of the current and planned published data regarding grid-balance should in particular be pursued, as such information is vital to allow all market participants to assess physical and financial risks and take appropriate ensuing actions. Harmonisation of definitions of transparency elements, as mentioned in our answer to question 2, should be pursued, as this will increase the possibilities to utilise and compare data across IPs.

### Question 7

Do you think that further transparency is required for the production (upstream) sector? If your answer is yes, please specify what is missing in your view, and what specific additional transparency requirements you would want to see? If your answer is no, please explain why.

#### Response

Statoil believes the current availability and granularity of data on European natural gas production to be appropriate for a well functioning European market for natural gas. Field and transport system design characteristics are widely available as is monthly field-by-field data for production.

Upstream transparency requirements and practices have developed over the years, adapting to the gradual development of the internal market for gas. A particularly important feature of this adaptation has been the need to cater for a level playing field between those upstream operators with assets in the EU and those with assets outside the EU but which supply gas to the EU and in regulatory regimes very different to those of the EU. It must be a priority to continue to protect such a level playing field.

From operating in Europe's energy markets it is Statoil's experience that the long term supply side of the

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market is linked to investment levels and will track companies' investment decisions and project delivery capabilities. Conversely, the short term supply side of the gas market is driven by the availability of market access and supply at the entry points to the downstream networks throughout the EU and not by individual field production availabilities at any given time. This because gas systems, in contrast to electricity, do not require immediate balancing to avoid blackout externalities. In case of a production shortfall a number of alternative mitigating operational actions can be carried out by producers, so as to honour delivery obligations at entry point to or into downstream systems. Some producers may dispose of built-in flexibility mechanisms in their long-term contractual arrangements with customers taking their gas at the entry point of downstream markets and might also dispose of downstream storage capacities upon which to call, were upstream flexibility options to be exhausted.

Importantly, producers build such mechanisms of flexibility in response to the development of their production asset portfolio, transmission system balancing costs and commercial obligations. These mechanisms hence reflect more individual than system needs.

Because of these features Statoil believes that, in addition to harbouring a significant scope for irrational exuberance by certain market participants, an upstream directed transparency initiative with undue granularity at an inappropriate level in the value chain could expose the portfolios of individual producers, impact the value of investments made and prevent new investments, thereby undermining security of supply for European consumers.

Statoil would in conclusion like to caution against the publication of data that impacts commercial confidentiality and could allow for collusion.

We trust ERGEG will take our views into account and would welcome to further discuss the above statements with ERGEG. Please don't hesitate to contact us, should you have any questions.

Kind regards

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