

Energy regulators report to the Madrid Forum on removing barriers to LNG and gas storage, and on gas quality

- **Enhancing the gas market's flexibility through storage**
- **Removing barriers to LNG is key for security of supply**
- **Need for further monitoring of gas quality and safety indicators**

Today, the Council of European Energy Regulators (CEER¹) presents to the Madrid Forum² (6-7 October, 2016) initial findings on removing barriers to LNG and gas storage innovation.

Enhancing the gas market's flexibility through storage

Identifying (in our 2015 Gas Storage Vision³) the need for a clearer understanding of any barriers to gas storage product innovation, CEER has surveyed Storage System Operators (SSOs) on the storage products available and has analysed any potential barriers to the development of products.

CEER President, **Lord Mogg**, explained the need to remove barriers to LNG and storage:

"Removing barriers to LNG and storage are important steps to ensure that they can compete on a level playing field and contribute to security of supply. What is needed is flexibility and innovation in storage product development to ensure that European gas storage markets are working in the interests of consumers."

Based on the responses of 22 SSOs, covering 58% of the EU's storage capacity, CEER has found that many SSOs are responding innovatively but that availability of different products differs widely across Europe⁴. CEER has not identified any pan-European barriers to gas storage product development. Where barriers do exist, these primarily relate to specific market conditions and national implementation of European storage regulation. The next step is a workshop on storage to gather feedback on the initial findings before publication of CEER's report.

Removing barriers to LNG is key for security of supply

Regarding LNG, CEER's dialogue with stakeholders (through a dedicated workshop and stakeholder questionnaire) identified a number of potential barriers to LNG including the lack of flexibility of LNG products to adapt services to market needs (unbundled services), high tariffs and demand uncertainty. There was also broad stakeholder consensus that there is no need for specific hubs for LNG. CEER's ongoing work on LNG and storage supports the effective implementation of an EU strategy⁵.

On the broader issue of market design, **Artur Trindade**, CEER Gas Working Group Co-Chair, said *"the fundamentals of natural gas are different from electricity and need to be carefully taken into account when developing policies and market rules which should ultimately promote safety, security and value for money for gas consumers. Looking forward, the role of gas in Europe's overall energy policy must be considered. CEER plans extensive work on this issue, from a whole system view, in 2017."*

Need for further monitoring of gas quality and safety indicators

Tomorrow, CEER presents to the Madrid Forum the results of its first-ever monitoring of gas quality. Ahead of the Forum, CEER published an in-depth (6th) benchmarking report of the quality of (electricity and gas) supply⁶.

Finding noticeable variation in gas quality monitoring across countries, CEER's 6th benchmarking report recommends expanding the coverage of monitoring of gas continuity of supply indicators and safety indicators, so as to enable effective comparison for more countries in the future.

On gas quality⁶, CEER advises that attempts to harmonise gas quality firstly need to clarify the problem at hand, then consider the impacts of making the standard binding as it could add to additional costs, and lastly must avoid any unintended consequences on security of supply.

Brussels, 6 October 2016

Ends (see Notes for Editors)

Notes for Editors:

1. The Council of European Energy Regulatory (CEER) is the voice of Europe's national energy regulators. Its members and observers are the independent statutory bodies responsible for energy regulation at national level. Visit www.ceer.eu.
2. The [European Gas Regulatory Forum \(Madrid Forum\)](#), an annual or bi-annual meeting organised by the European Commission, discusses Europe's internal gas market issues. Chaired by the European Commission, the participants include representatives from Member State governments, transmission system operators, gas suppliers and traders, consumers, network users, gas exchanges, CEER, ACER and national regulatory authorities. At the 29th Madrid Forum meeting (6-7 October 2016), CEER presented regulators' views on removing barriers to LNG and to gas storage product innovation, and a presentation on the gas quality aspects of CEER's 6th Benchmarking Report on Quality of Supply (see the [regulators' presentations at the 29th Madrid Forum](#)).
3. In an effort to ensure that gas storage plays an important role for customers by competing with other sources of supply and by helping to deliver appropriate levels of security of supply, CEER published (in May 2015) its [vision for the regulatory arrangements for the gas storage market](#).
4. According to the responding SSOs, the main areas that affect gas storage product availability are transmission tariffs and access, restrictions on trading activities, and the regulatory framework.
5. CEER has contributed significantly towards a European strategy for LNG and storage including developing Gas Storage Vision, working with Gas Storage Europe (GSE) on GSE's Transparency Template and CEER monitoring report (2015) on the implementation of its Guidelines of Good Practice for Storage System Operators (GGPSSO) and Transparency Template. [CEER's Concept Paper on Security of Gas Supply \(July 2015\)](#) not only sets out high level principles to enhance Europe's security of supply, but also includes a suite of 16 recommendations to prevent gas supply crises in the so-called "prevention" and "mitigation" phase. Our Concept Paper follows on from the CEER's "[Vision on the Regulatory Arrangements for the Gas Storage Market](#)" (published in May 2015) which sets out how to improve the functioning of the gas storage market. It considers the role of storage both in efficient market functioning and in security of supply situations. Regarding LNG, we published (February 2016) a report analysing the role of LNG to improve security of supply. In addition we have responded to numerous European Commission consultations including the [CEER response to the European Commission's strategy for liquefied natural gas and gas storage](#) (May 2016), [CEER priorities for the Revision of Regulation 994/2010 concerning measures to safeguard security of gas supply](#) (May 2016), our [response to the LNG and storage strategy](#) (September 2015) and our (April 2015) [CEER response to the Commission's consultation on the revision of the Gas Security of Supply Regulation \(994/2010\)](#). See the [recent CEER gas papers](#).
6. CEER has published 5 benchmarking quality of supply since 2001. For the first time, this 6th edition of the CEER Benchmarking Report on the Quality Supply also covers gas supply (technical operational quality), composition (natural gas quality) and gas commercial quality. CEER's benchmarking reports on the quality of supply are an invaluable resource for assessing network performance. Expanding on previous reports, this [6th CEER Benchmarking Report on the Quality of Electricity and Gas Supply](#) includes data from National Regulatory Authorities (NRAs) from EU Member States as well as Norway and Switzerland. In addition, 7 countries from the Energy Community Regulatory Board (ECRB) also completed the benchmarking exercise. This report also includes case studies from 2 members of the Mediterranean Energy Regulators (MedReg), Algeria and Israel. This detailed report analyses data from 30 European countries and contributes to a better understanding of the quality of electricity and gas supply levels and policy throughout Europe.
7. The gas part of CEER's benchmarking report covers 3 aspects of gas quality: technical operational quality, natural gas quality and commercial quality. CEER's report includes data for 17 countries on the various technical parameters measured in each country. Wobbe Index is the most widely monitored quality parameter followed by Water/Hydrocarbon Dew Point and Methane.