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Council of European Energy Regulators

01.F The role of LNG in SoS
01.F.01 Presentation by IEA
→ CEER Intervention

Fostering energy markets, empowering **consumers**.

Rocío Prieto, chair LNG TF

26th Madrid Forum ,15 October 2014

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The role of LNG in SoS

- CEER welcomes the works done to reinforce EU's energy security of supply

- **It is common understanding that LNG plays a key role in terms of security of gas supplies through diversification of gas sources and routes**

- **Also in Europe? If a mayor disruption occur?**

YES

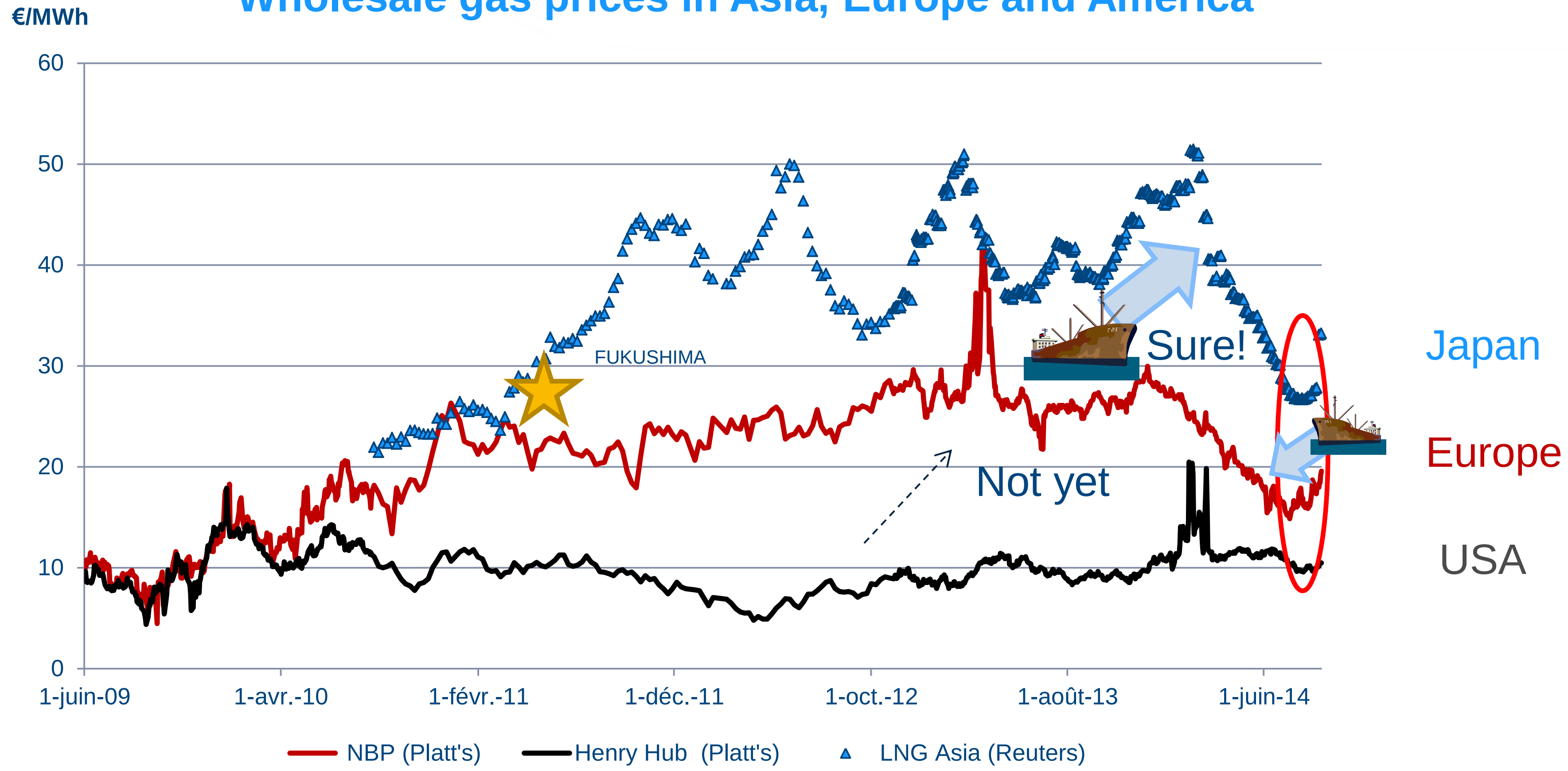
Why?

Because Global LNG MARKET is market driven:

LNG flows are driven by prices where infrastructure exists

LNG & market prices evolution

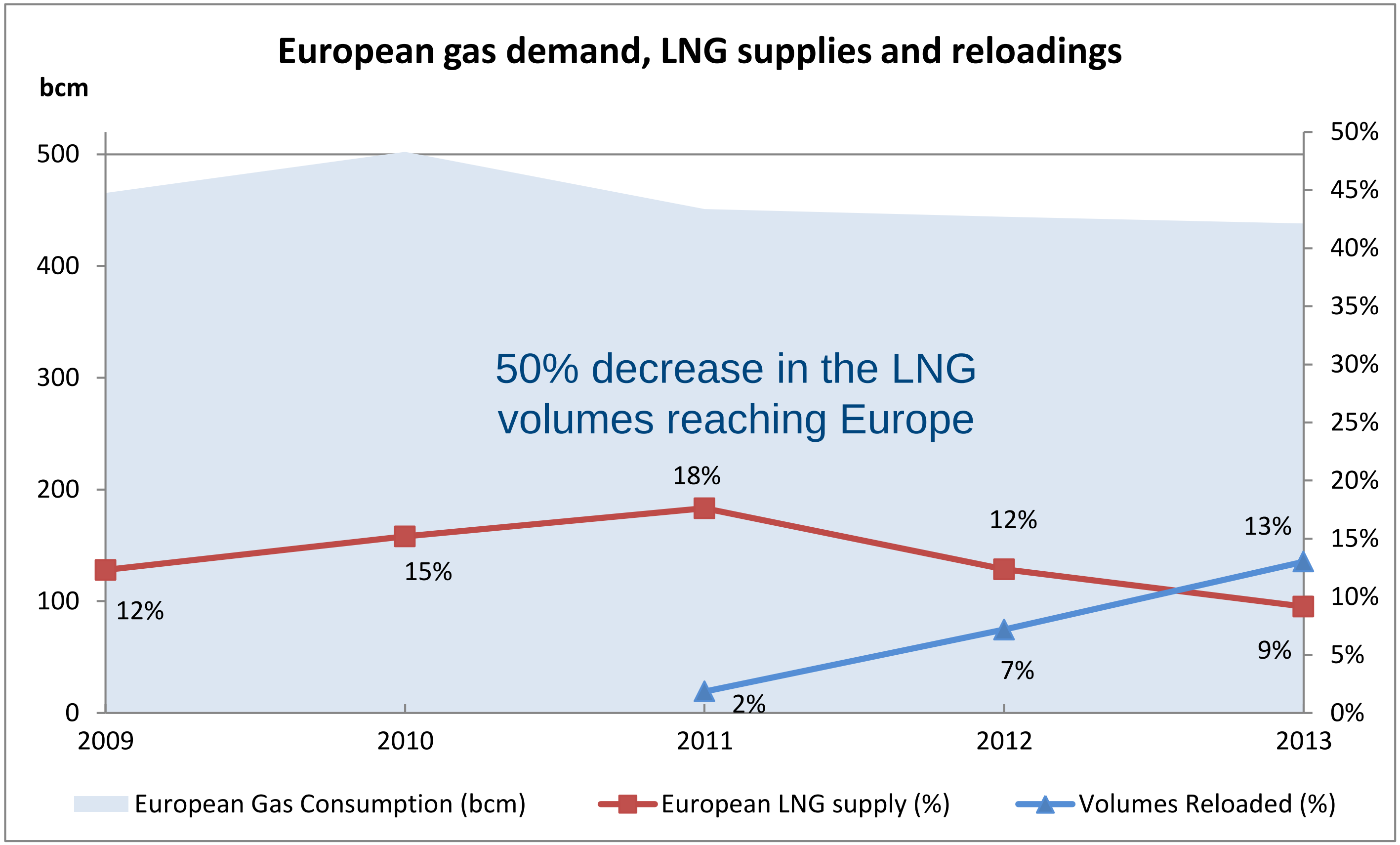
Wholesale gas prices in Asia, Europe and America



LNG is driven away from Europe to the higher-paying markets in Asia and S. America

LNG leaving Europe following prices

LNG is being diverted directly or unloaded in Europe and then reloaded



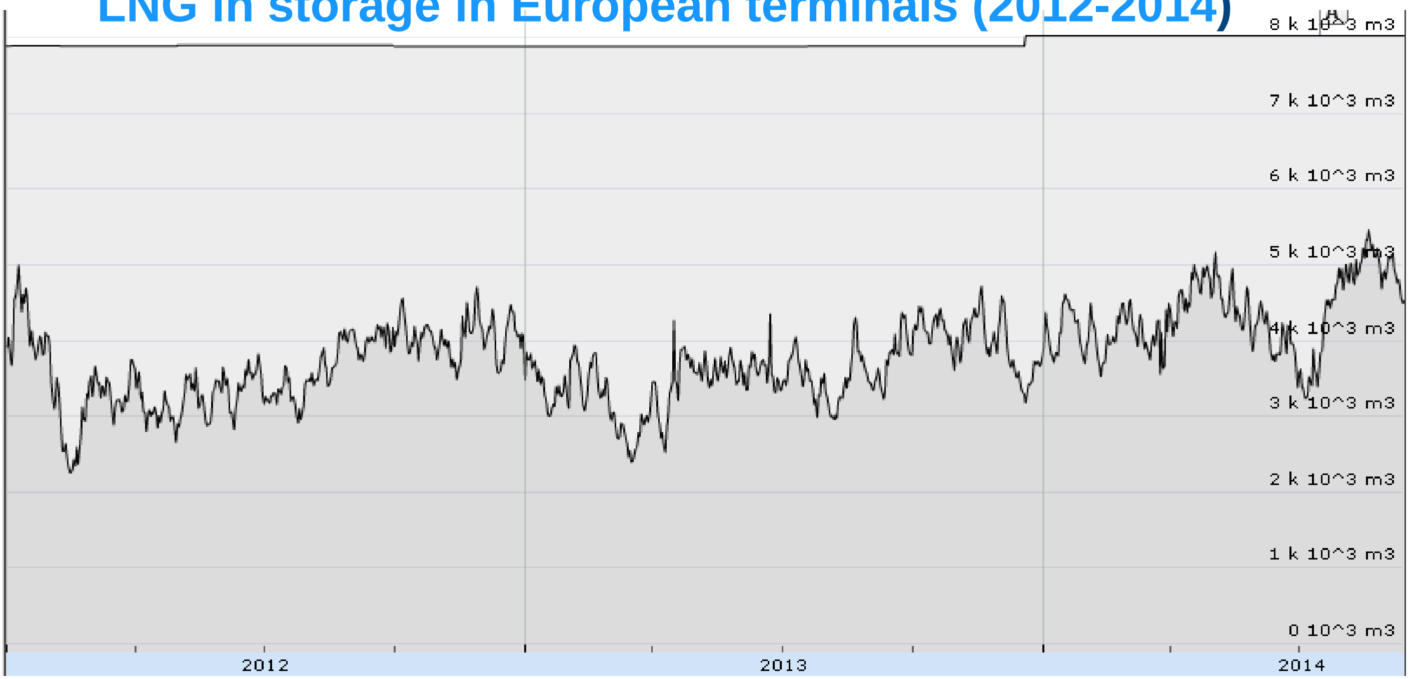
Source: BP Statistical review 2013 and CEER Status review on monitoring access to LNG terminals in 2009-2013

LNG returning to Europe this summer

This summer, **market spread narrowed** allowing more LNG into the European terminals:

- Price decreased in Europe.
- Higher level of LNG in storage at the beginning of the winter
- More gas has been used in electricity generation, specially in UK

LNG in storage in European terminals (2012-2014)



Source: GLE Aggregated LNG Storage Inventory - ALSI platform

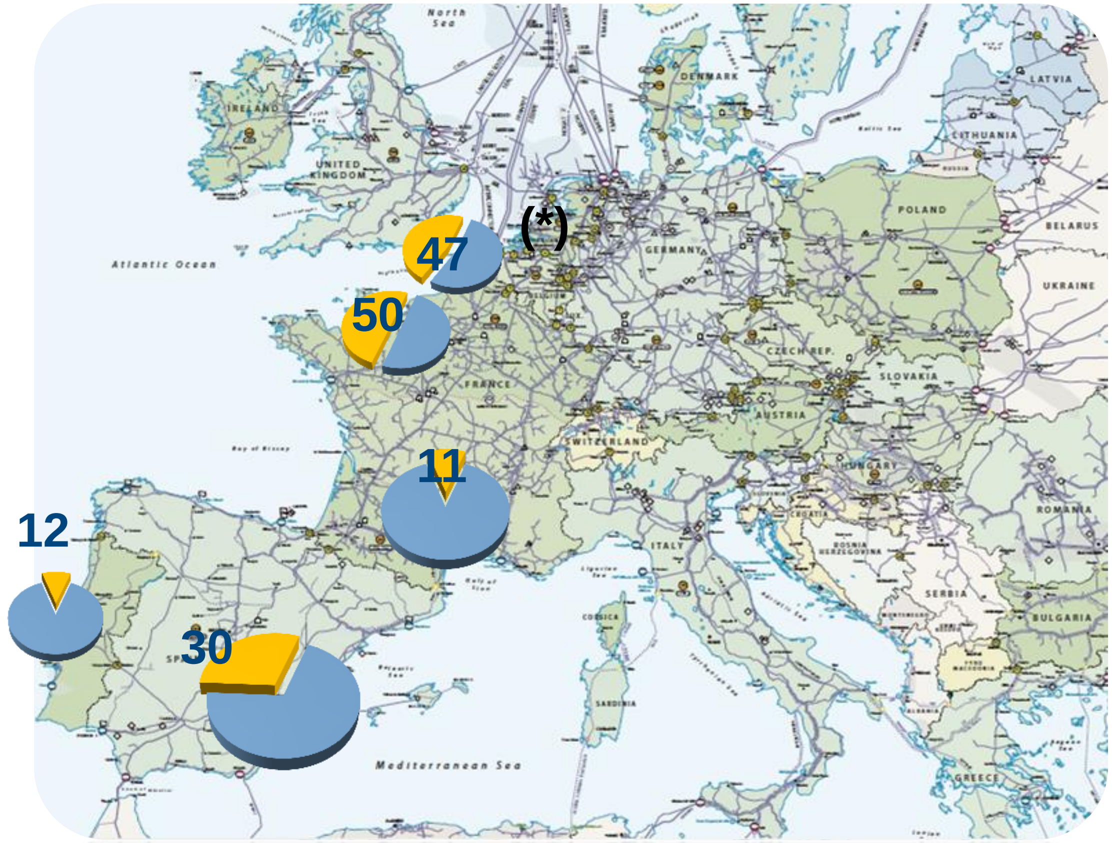
European LNG terminals flexibility

In 2013:

- 9 terminals in 5 countries offered reloading services
- Reloaded twice the 2011 volumes
- 94 out of 297 unloaded cargoes (32%) in these countries, were reloaded

In 2014 reloading could duplicate 2013 figures

% reloaded LNG volumes in 2013

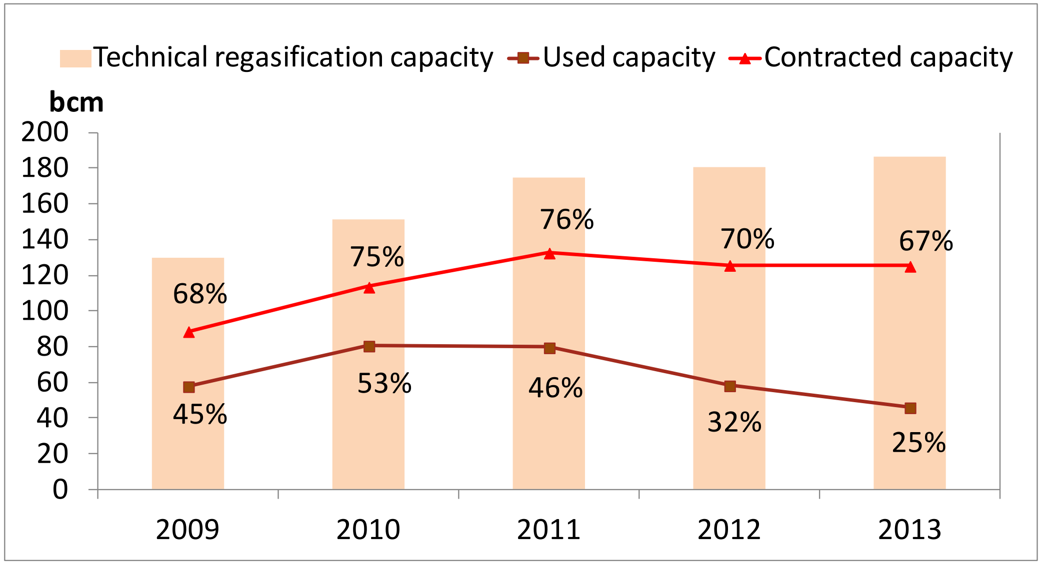


Source: CEER Status review on monitoring access to LNG terminals in 2009-2013
(*) Gate terminal data in number of cargoes

Regasification capacity in Europe Contribution to SoS

Europe has an important percentage of underutilized regasification capacity:

- **Transport capacity** from LNG terminals is often lower than regasification capacity – capacity increase should be analysed to transport gas regionally where is needed in exceptional circumstances
- Terminals serve as **storage/reload facilities.** Potential of LNG storage as SoS tool, to deliver the gas thought pipelines or ships towards other terminal
- If **prices differential** decrease between Asia/ America and Europe, LNG will return to Europe, so more gas will be available



Source: CEER Status review on monitoring access to LNG terminals in 2009-2013

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Do we need further measures? Regulation?

- **Investments?**

More terminals in East Europe?
More tanks in the current terminals + more transmission capacity?
Who will pay for that, if only this capacity is going to be used sporadically?
Who is going to storage the gas, in account of who?

- **LNG contracts?**

Do we really want to interfere?
We have already “forbidden” destination clauses inside of EU, but *what happen outside?*
Interventionist measures will banish LNG from Europe. *Who will be willing to risk that gas will be took over?*

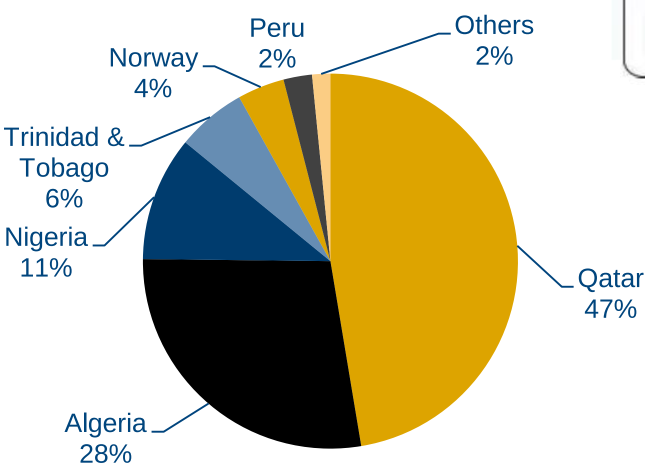
- **Redirection of gas flows in an emergency?**

Who will decide what to do?
Who will pay the cost?
At what price?

LNG markets in 2014

Europe is **well placed to buy spot cargoes** if needed: we do have several supplier choices from Middle East, Africa, America or Australia

World LNG Estimated Landed Prices
(August 2014, $US/MMBtu)



Price differentials set the flows.

The number of countries importing LNG is growing (from 16 in 2006 to 29 countries in 2013) whereas the number of exporting is rather stable (17 in 2013)

Conclusions

- LNG flows are market driven : Leave it!
- In case of supply disruption in Europe, price signals should drain supplies from other markets increasing LNG deliveries in BE, EL, ES, FR, GR, IT, NL, PT or UK (plus new terminals in Lithuania and Poland). More LNG should free up pipe-gas to supply countries without LNG.
- Regulators must supervise that access to LNG terminal keep working properly in a transparent a non discriminatory way, not distorting the market
- CEER will develop a study to consider a series of questions taking into account also the global LNG market and its impact on the EU LNG market.

Thank you for your attention!

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