



**EREGG Consultation Paper on
Congestion management procedures
& anti-hoarding mechanisms in the
European LNG terminals**

Evaluation of Responses

**Ref: E10-LNG-11-03c
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INTRODUCTION

At the XV Madrid Forum (6-7 November 2008), the European Commission called for the analysis of the need for harmonising anti-hoarding rules in the European LNG terminals¹.

ERGEG's (European Regulators' Group for Electricity and Gas) previous monitoring of the compliance of different European LNG regimes with the Guidelines of Good Practice for Third Party Access for LNG System Operators (GGPLNG²) provisions confirmed that it was necessary to further develop the understanding of congestion management procedures (CMPs) applied in LNG terminals. At GLE Bilbao Workshop (March 2009) and at the meeting with the European Commission (June 2009) GLE, stakeholders (Eurogas and EFET) and ERGEG committed to launch a specific study on the current CMPs and anti-hoarding mechanisms in Europe, with special focus on the need for harmonisation and transparency at the EU level.

The draft "ERGEG study on congestion management procedures & anti-hoarding mechanisms in the European LNG terminals"³ was carried out during 2010. In this study, all energy regulators who currently have LNG terminals in their countries described them, explaining the rules and regulations in place and how the market is working. Moreover, to better understand the underlying principles of the different regimes and to be able to reach conclusions, the different operations and processes that users need to follow for unloading, storing, and regasifying a spot cargo have been described.

In order to finalise the study, ERGEG launched a survey in November 2010 to gather the opinions of LNG terminal users or potential users. The aim of this survey was to know the vision of the shippers on the draft study and to evaluate their views on the existing regulation and its effective implementation on CMPs, anti-hoarding mechanisms, secondary markets and transparency requirements in the European LNG markets.

The final objective behind this monitoring exercise is to build on the input provided by the shippers and feed in the conclusions and recommendations to be made by the study, therefore contributing to improving the efficiency, transparency and accessibility of European LNG markets by developing suitable regulatory and technical approaches.

Approximately 40 shippers from the EU market were invited to complete the survey. Responses were submitted by only 13 shippers, providing 57 answers on individual terminals located in seven different countries.

¹ Cf. the ten action points proposed by the European Commission in its „Discussion Paper on LNG“, presented at the XV MF http://ec.europa.eu/energy/gas_electricity/forum_gas_madrid_en.htm

² „Guidelines for Good Third Party Access Practice for LNG System Operators (GGPLNG)“, 7 May 2008, by ERGEG, Ref. E08-LNG-06-03, http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_CONSULT/CLOSED%20PUBLIC%20CONSULTATIONS/GAS/GGPLNG/CD

³ ERGEG study on congestion management procedures & anti-hoarding mechanisms in the European LNG terminals, Ref. E10-LNG-11-03, 15 November 2010, http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_PUBLICATIONS/CEER_ERGEG_PAPERS/Gas/2010/E09-LNG-11-03_CMP%20in%20LNG_final%2016.11.2010.pdf

Figure 1: Countries covered in the responses received

Table 1: Countries / LNG terminals covered by the responses

| | Terminals | Current users | Potential users |
|-----------------------|------------------|----------------------|------------------------|
| Belgium | Zeebrugge | 1 | 1 |
| France | Montoir | 2 | 1 |
| | Fos Tonkin | 1 | 2 |
| | Fos Cavaou | 1 | 2 |
| Greece | Revithoussa | 1 | 1 |
| Italy | Panigaglia | 1 | 0 |
| | Rovigo | 1 | 1 |
| Portugal | Sines | 1 | 2 |
| Spain | Barcelona | 5 | 0 |
| | Cartagena | 4 | 1 |
| | Huelva | 5 | 1 |
| | Bilbao | 5 | 0 |
| | Sagunto | 5 | 1 |
| | Mugardos | 4 | 1 |
| United Kingdom | Isle of Grain | 1 | 1 |
| | Dragon LNG | 2 | 1 |
| | South Hook | 0 | 1 |

Table 2: Shippers category

| | |
|---------------------|------------------------------|
| Wholesaler/Producer | 4 |
| Trader | 8 |
| Shipper | 12 |
| Big customer | 2 |
| LSO | 1 |
| Others | Supplier to end consumers: 2 |

Table 3: Shippers relation with the terminal operator

| | |
|-----|--------------|
| Yes | 6 responses |
| No | 32 responses |

Considering the number of answers received at each terminal concerned, and the degree of LNG market development in each country, ERGEG realises that the level of participation in this survey is low and that responses can only be partially used to raise conclusions on the key topics identified in the study.

An overview of the responses received for each topic is given in the first part of the document while the second part presents ERGEG's main conclusions and recommendations.

PART I

The purpose of this section is to gather and assess the responses received and to draw preliminary conclusions on each of the topics raised.

1. Capacity Allocation Mechanisms (CAMs)

This chapter evaluates the characteristics of the current Capacity Allocation Mechanisms (CAMs) in the terminals. Responses are treated independently for the different countries, as different mechanisms are applied in each.

1.1. What is the duration of capacity access rights owned by your company?

Table 4: Duration of capacity rights

| Duration of capacity access rights | |
|------------------------------------|--|
| 22 responses - | Long Term contract (more than one year) |
| 6 responses - | Short Term contract (less than one year) |
| 1 responses - | Spot (occasional cargoes) |
| 12 responses - | Not access currently |

Most of the capacity is committed to long-term contracts with companies based in the same country as the terminal. Very few shippers answering the survey download spot cargos.

1.2. Which is the primary capacity allocation mechanism (CAM) applied in the terminal?

Table 5: CAMs applied in each terminal

| | | | |
|----------|-------------|-------|-------|
| Belgium | Zeebrugge | FCFS | |
| France | Montoir | FCFS | Other |
| | Fos Tonkin | FCFS | |
| | Fos Cavaou | FCFS | Other |
| Greece | Revithoussa | FCFS | Other |
| Italy | Panigaglia | FCFS | |
| | Rovigo | Other | |
| Portugal | Sines | FCFS | |
| Spain | Barcelona | FCFS | |
| | Cartagena | FCFS | |
| | Huelva | FCFS | |

| | | |
|-----------------------|----------------------|-----------------|
| | Bilbao | FCFS |
| | Sagunto | FCFS |
| | Mugaros | FCFS |
| United Kingdom | Isle of Grain | Exempted |
| | Dragon LNG | Exempted |
| | South Hook | Exempted |

Respondents indicate that “*First Come First Served*” (FCFS) is the most common allocation mechanism applied in the terminals. “Other” applied allocation mechanisms are described in the additional comments.

Additional comments received from users:

(Clarifications from national regulatory authorities (NRAs) when needed)

Belgium

- **NRA comment:** The Third Party Access (TPA) regime at the Zeebrugge terminal is regulated. Capacities are fully subscribed under long-term contracts on the primary market. These capacities are sold via open season. The capacities still available upon conclusion of the open season are subject to a short-term allocation procedure, on FCFS basis.

France

- **Montoir:** In compliance with its commitments to the European Commission, GDF SUEZ released two batches of 1bcm/year, starting in October 2010 for the first batch and October 2011 for the second batch and ending in December 2035 for both. In February 2010, the LNG System Operator (LSO) launched an Open Subscription Procedure (OSP) for allocating these two indivisible batches. As one batch remained unsold after completion of the OSP, it was divided into ten slots of 1TWh spread evenly over the year and offered on a FCFS basis.
- **Fos Cavaou:** 10% of the terminal capacity (0.875 bcm/year) is to be offered to third-party shippers on the basis of short-term sales. In addition, as part of its commitments, GDF SUEZ requested the LSO to offer 0.175 bcm/year of the capacity it owned at the terminal, on the basis of short-term contracts as well. This enabled the LSO to organise an OSP in November 2010 for two indivisible batches of 1 bcm/year, one for January 2011-December 2011 and one for January 2012-December 2012. As the two batches remained unsold after completion of the OSP, they were each divided into 10 slots of 1TWh spread evenly over the year and offered on a first-committed-first-served basis.

GDF SUEZ also committed to make available two batches of 1 bcm/year for a period of 20 years after the commercial start of the Fos Cavaou terminal. An OSP was organised by GDF SUEZ in May 2010 and resulted in the transfer of one batch to a third-party shipper for the 2011-2015 period. The remaining capacity shall be offered again to the market once a year.

- NRA comment: Capacity is allocated on a FCFS basis under short-term (below 1 year) and long-term (above 1 year) contracts.

Greece

- NRA comment: The minimum duration of LNG contracts is one month. No upper limit is specified. Capacity is allocated on a FCFS basis.

Italy

- **Rovigo:** Allocation is granted on the basis of a ranking set by the law that depends on the final customers that the shipper is supplying and/or the percentage offered on the Gas Exchange. One respondent judges this system as highly inefficient.
- The system in place in Rovigo is somehow a “capacity release system”. The terminal code has not been approved yet. TPA is based on Open Season procedures combined with FCFS procedures.
- NRA comment: Rovigo is partially exempt (80% of the regasification capacity is exempt from TPA for 25 years and 20% remains under a regulated TPA regime). The 20% non-exempt capacity in Rovigo and the capacity in Panigaglia terminal are awarded to applicants through annual OSPs based on priority of access, defined by the Ministry.

Portugal

- Shippers have to sign an annual contract and then comply with annual programming and monthly, weekly and daily nominations. In case of congestion, the LSO organises an auction.
- NRA comment: All the available capacity is offered to the market in short-term periods (a year of duration). Capacity is booked by shippers in an annual Open Season procedure, and an auction mechanism is used to allocate capacity when demand exceeds offers.

Spain

- Nowadays, all the existing LNG terminals in Spain are regulated terminals. Accordingly, they are all bound by Royal Decree 949/2001, and particularly article 5 (FCFS capacity allocation system).
- There is a lot of free capacity in the Spanish terminals.
- NRA comment: The capacity allocation mechanism in place is FCFS. At least 25% of the total capacity is reserved for short-term contracts.

United Kingdom

- Current users are subject to a Use-it-or-Lose-it (UIOLI) mechanism.

- NRA comment: All GB terminals are exempt from the requirement to provide a regulated TPA. The capacity at terminals is sold via Open Season procedures. South Hook has kept capacity for its own use.

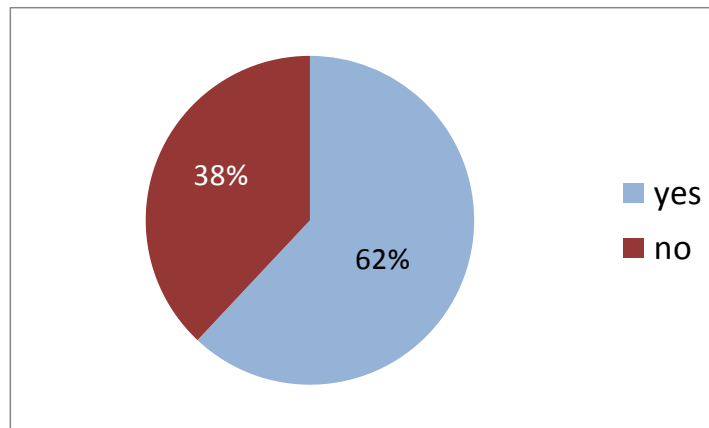
1.3. Are you satisfied with the applied CAM in the terminal?

The next figures illustrate the satisfaction level in relation to current CAM application.

Table 6: Satisfaction with the CAMs applied in each country

| | Number of positive statements out of all responses received |
|-----------------------|---|
| Belgium | 2/2 |
| France | 2/3 |
| Italy | 1/2 |
| Greece | 1/2 |
| Portugal | 1/3 |
| Spain | 3/4 |
| United Kingdom | 3/3 |

Figure 2: Satisfaction with current CAMs applied in the European terminals



Reasons given by respondents for their positive or negative answers

Portugal

- **Sines:** The terminal access rules are not compatible with the necessities of small importers, since short-term contracting is not available. It ends up being more convenient to conclude agreements with the biggest shipper than to buy capacity directly from the LSO.

- Tariffs for storing LNG in Sines terminal are very high and constitute the main access barrier, taking into consideration the large amounts of gas that a new shipper should maintain. This problem leads to the single presence of the incumbent in the terminal.

Italy

- **Rovigo:** Currently, access is not congested due to the out of market level of the regasification tariff and due to unfair access rules. In addition, the current CAM gives priorities that are not reflective of the usage of a regasification terminal by wholesalers and shippers. Use is not necessarily related to the supply to final customers, and wholesaler/shippers need to be free to act over the counter (OTC) or on a gas exchange.

Spain

- **Spanish LNG Terminals:** FCFS allocation could be considered as potentially discriminatory, particularly within the framework of situations where congestions arise.
- Since there is available LNG capacity in Spain, FCFS is the most effective mechanism.
- There is free capacity for everybody and access is easy. Since there are no congestion problems, the FCFS mechanism works fine.

France

- **Montoir:** As the batch of 1bcm/year is indivisible into smaller products, small players are unable to contract individually during the open subscription procedure (OSP). This is linked with the operational rules of the terminal that do not permit operators to have a continuous service if the contracted quantity during one year is below one bcm.
- NRA comment: This criterion of one bcm/year has been established in order to encourage continuous subscriptions for capacities of a suitable size thus enabling a smooth operation of the terminals. Additionally, the NRA recalls that small players also have the opportunity to conclude agreements and subscribe collectively to this offer.
- **Fos Tonkin:** As capacity is still available, the FCFS mechanism is a reactive way for the supplier to optimise his decision.
- **Fos Cavaou:** The short-term OSP did not allow for contracted capacities under one bcm/year, which is not sized for the smaller players in France. Also, the OSP was settled in October 2010 to start capacity use in January 2011. This short time between the OSP and the beginning of the service did not permit organisation of a new LNG chain.
- NRA comment: The OSP for short-term capacities could not be organised before October 2010 because the LSO received the authorisation to run at full capacity in late August only.

United Kingdom

- **Dragon LNG:** The applied CAM is satisfying because the unutilised slots are made available to the market.
- Another user indicates satisfaction due to the fact that all long-term capacity has been fully sold, enabling the import terminal to be constructed.

General Comment

- **Montoir – Paniaglia – Zeebrugge – Revithoussa:** One respondent indicates that they are satisfied with the FCFS mechanism applied in these terminals as other mechanisms could not be easily applied (in this shipper’s view, prorata is not suitable for LNG capacities).

EREGG’s comments:

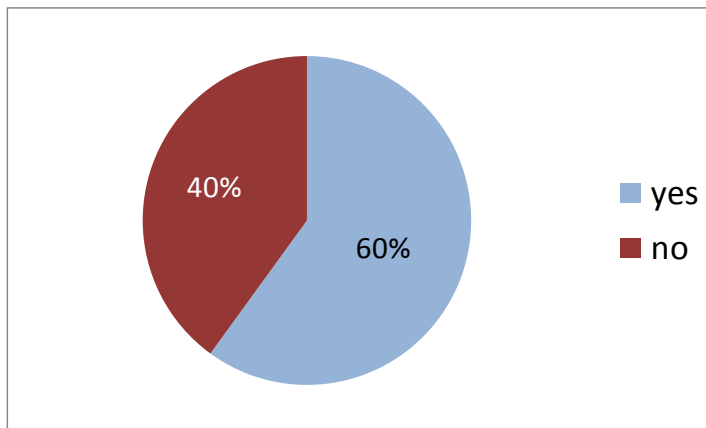
There is a good level of satisfaction regarding the CAMs applied in the European terminals. Among the reasons provided by respondents to explain their concerns, only one is directly linked to the allocation mechanism itself and refers to the priorities of access in place at Rovigo. The other explanations are related to the conditions for accessing the terminal, mainly the level of tariffs and the design of the products offered.

1.4. Do you consider that the applied CAM fosters the optimisation of the terminal utilisation rates?

Table 7: Optimisation of the terminals utilisation rates in each country

| | Number of positive statements out of all responses received |
|-----------------------|---|
| Belgium | 2/2 |
| France | 1/2 |
| Italy | 1/2 |
| Greece | 1/2 |
| Portugal | 1/3 |
| Spain | 3/4 |
| United Kingdom | 3/3 |

Figure 3: Optimisation of the European terminals utilisation rates



Reasons given by respondents for their positive or negative answers

United Kingdom

- **Isle of Grain:** One respondent recalls that the Isle of Grain terminal is exempt from offering open access to third parties.
- **Dragon LNG:** A surveyed terminal user gave a positive answer because the unutilised slots are made available to market.

France

- **Montoir – Fos Cavaou:** In France the utilisation rate of LNG terminals is quite high, therefore a user reports that they are satisfied with the CAM established.
- **Montoir-** Slots can be booked easily when available.
- **Montoir – Fos Tonkin – Fos Cavaou:** One respondent explains that the allocation of indivisible batches of one bcm/year during the OSP or open season prevents small players accessing capacity in the terminals.

Belgium

- **Zeebrugge:** One respondent answered positively to the question because of the very high utilisation of the terminal and because slot availability is published online.

Portugal

- **Sines:** A surveyed user indicated that without agreements with the biggest shipper, mentioned in 2.3, the terminal operator "forces" small shippers to re-gasify their gas in very short periods of time (one to two weeks), which is not possible for a small agent.

- In order to foster the utilisation of the terminal, suppliers with a portfolio of customers above three TWh can download a cargo, and the incumbent must take the gas and give it back within a period of 3 months. The threshold of three TWh is quite high, and is not adequate for smaller suppliers.

Spain

- **Spanish LNG Terminals:** The applied mechanisms provide great flexibility regarding capacity booking of different time periods (years, months, weeks, days).
- There is free capacity at the terminals.

Italy

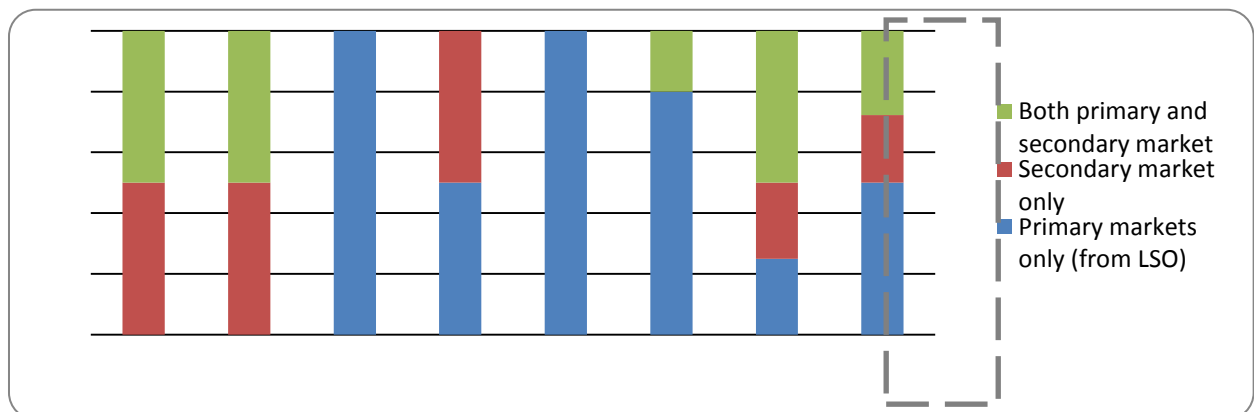
- **Panigaglia:** The only problem is the availability of slots as the booking procedures are efficiently applied. The surveyed user mentions the UIOLI system used for pluri-annual booked capacity in order to discharge capacity overbooking.
- **Rovigo:** One respondent considers that optimisation of the terminal is hindered by onerous and unfair access rules.

ERGEG’s comments:

With regards to the relation between CAM and terminal utilisation rights, the level of satisfaction is good; a majority of users and potential users consider that the CAMs applied foster the use of capacity in European terminals. Reasons for concerns are again related to the level of tariffs and the design of the products offered, which are sometimes judged as unfavourable to small players.

1.5. By which means does your company try to get capacity?

Figure 4: Means to get capacity



Additional comments received from users

France

- **Montoir, Fos Cavaou:** For one respondent, there is no difference between getting capacities from primary or secondary market.
- **Montoir:** A respondent says that they have obtained capacity via a GDF SUEZ capacity release in 2010.

Belgium

- **Zeebrugge:** A respondent indicated that he sometimes buys secondary slots from other shippers at the terminal.
- Another respondent explained that obtaining constant capacity is only possible when commercial arrangements are made with primary capacity holders.

Italy

- **Rovigo:** A respondent recalled that there is no secondary market available.

Portugal

- **Sines:** One respondent reiterated that the LSO “forces” small players to re-gasify their gas within very short time periods (one-two weeks) unless they find an agreement with the biggest shipper.

Spain

- **Spanish LNG Terminals:** One respondent considered that secondary capacity markets need to be fostered in Spain, as they would provide (when conveniently implemented) real flexibility and enhance competition in the LNG terminals. Indeed, the capacity access mechanisms applied in Spain represent, under certain circumstances, entry barriers for newcomers. Besides, the secondary capacity market is currently not attractive for operators due to the following, for example: not interesting enough; prices in secondary capacity markets always remain at the same level and do not fluctuate enough.

United Kingdom

- **Isle of Grain, Dragon, South Hook:** A surveyed shipper reiterated that it is only possible to obtain capacity through commercial arrangements with primary capacity holders.

EREGG's comments:

Figure 4 shows a varying degree of utilisation of secondary capacity markets from one country to another. From the responses received, it can be concluded that several shippers holding primary capacity in the Mediterranean terminals, try to book capacity in the secondary markets in Northern Europe; their interest for the secondary capacity market seems to increase when their downstream market share is low.

2. Congestion Management Procedures (CMPs)

2.1. What CMPs are applied in the terminals?

Table 8: CMPs applied in each country

| Belgium | Zeebrugge | UIOLI – firm loss of capacity | | Secondary market | |
|----------------|---------------|------------------------------------|------------------------------------|--|------------------|
| France | Montoir | UIOLI – firm loss of capacity | UIOLI – temporary loss of capacity | – Use It or Sell It – Use It or Lend It | Secondary market |
| | Fos Tonkin | UIOLI – firm loss of capacity | UIOLI – temporary loss of capacity | – Use It or Sell It – Use It or Lend It | Secondary market |
| | Fos Cavaou | UIOLI – firm loss of capacity | | Secondary market | |
| Greece | Revithoussa | UIOLI – firm loss of capacity | UIOLI – temporary loss of capacity | Secondary market | |
| Italy | Panigaglia | UIOLI – firm loss of capacity | | | |
| | Rovigo | UIOLI – firm loss of capacity | | | |
| Portugal | Sines | UIOLI - temporary loss of capacity | | | |
| Spain | Barcelona | UIOLI – firm loss of capacity | | Secondary market | |
| | Cartagena | UIOLI – firm loss of capacity | | Secondary market | |
| | Huelva | UIOLI – firm loss of capacity | | Secondary market | |
| | Bilbao | UIOLI – firm loss of capacity | | Secondary market | |
| | Sagunto | UIOLI – firm loss of capacity | | Secondary market | |
| | Mugardos | UIOLI – firm loss of capacity | | Secondary market | |
| United Kingdom | Isle of Grain | UIOLI - temporary loss of capacity | | Secondary market | |
| | Dragon LNG | UIOLI - temporary loss of capacity | | Secondary market | |
| | South Hook | UIOLI - temporary loss of capacity | | Secondary market | |

EREGEG's comments:

Table 8 shows that secondary markets and firm UIOLI mechanisms are the most commonly applied CMPs in European terminals.

It is also to be noted that different users have indicated different CMPs for the same terminals. This could reflect that a variety of procedures is applied or, more likely, that users have different understandings of the current CMPs scheme, probably because the CMPs have not yet been applied.

2.2. Features of the CMPs currently applied

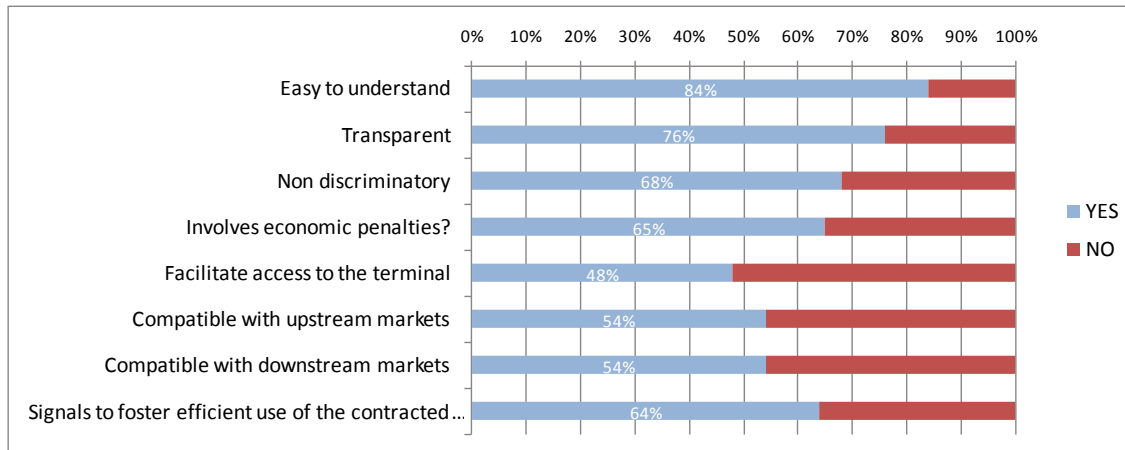
The following figures illustrate shippers' views on the adequacy of CMP design in each country.

Table 9: Features of the CMPs applied in each country

| | Belgium | France | Italy | Portugal | Spain | United-Kingdom |
|---|---------|--------|-------|----------|-------|----------------|
| Are easy to understand? | 2/2 | 7/8 | 2/3 | 2/3 | 5/5 | 3/4 |
| Are transparent? | 2/2 | 7/8 | 2/3 | 2/3 | 4/5 | 2/4 |
| Are non-discriminatory? | 2/2 | 4/8 | 2/3 | 1/3 | 4/5 | 4/4 |
| Involve economic penalties? | 1/2 | 6/8 | 2/3 | 1/2 | 5/5 | 0/3 |
| Facilitate access to the terminal? | 1/2 | 3/8 | 0/3 | 1/3 | 3/5 | 4/4 |
| Are compatible with upstream market? | 1/2 | 4/8 | 2/3 | 1/2 | 3/5 | 1/3 |
| Are compatible with the downstream markets? | 2/2 | 3/8 | 1/3 | 0/2 | 3/5 | 4/4 |
| Provide signals to foster efficient use of the contracted capacity? | 1/2 | 6/8 | 2/3 | 1/3 | 3/5 | 3/4 |

**Number of positive statements out of all responses received.*

Blue colour (Positive statements >50%) Red colour (positive statements <50%)

Figure 5: Features of the CMPs applied in the European terminals

EREGEG's comments:

Responses are very different from one country to another which makes it difficult to draw conclusions at a European scale. However, it is still worth noting that – on average – 84% of respondents see the CMPs in place as easy to understand, 76% see them as transparent and 68% as non-discriminatory. On the other hand, shippers seems to suggest that there is also room for improvement, as only 48% of them consider that the CMPs in place facilitate access to the terminal. This is an important finding, as the design of CMPs should, in the end, facilitate access to non-used capacity.

Reasons given by respondent for their negative answers:
Belgium

- The former notice of available slots makes it extremely difficult to deliver a cargo.

Italy

- The current CMP, not allowing a secondary market for the sale of unused capacity, limits the ability for shippers to seek buyers for their unused capacity, therefore limiting access to the terminal on a commercial basis. We believe users are more capable of valuing and negotiating capacity rights among themselves.

Portugal

- It is more costly for small suppliers to use the terminal.

- It is not compatible with the downstream market as it depends on the size of the supplier customer portfolio. It does not foster efficient use of the contracted capacity as it is too expensive for small suppliers.

Spain

- A too rigid CMP does not foster access to terminals.
- A shipper declared that although there is a flexible capacity payment mechanism (which establishes a minimum payment of 85% of the contracted capacity tariff, independently of minor real use of the capacity, and a significant overprice if a shipper uses more than 105% of its contracted capacity), in its view this mechanism does not foster efficient use of the capacities.

United Kingdom

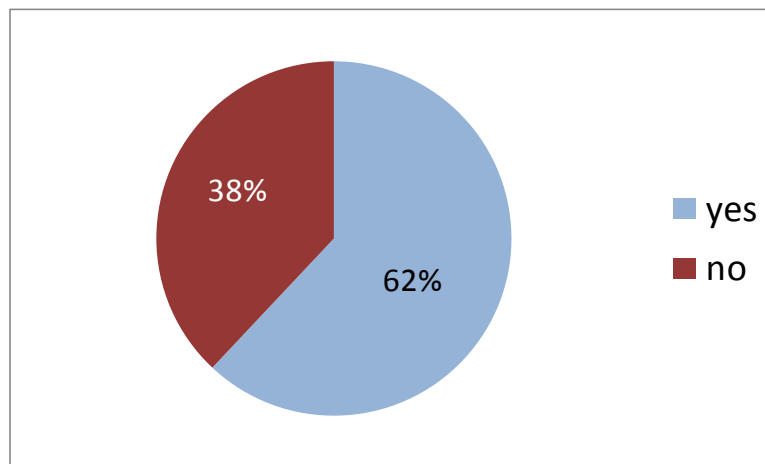
- The notice period of available slots makes it difficult to deliver a cargo.
- There are no economic penalties, only a compensation to be provided to the shipper obliged to empty its gas into the tank in order to make space available for another user.

2.3. Are you satisfied with the applied CMP in the terminal?

Table 10: Satisfaction with the CMPs applied in each country

| | Number of positive statements out of all responses received |
|-----------------------|---|
| Belgium | 2/2 |
| France | 2/3 |
| Italy | 1/2 |
| Greece | 1/1 |
| Portugal | 1/3 |
| Spain | 4/5 |
| United Kingdom | 2/4 |

Figure 6: Satisfaction with CMPs applied in the European terminals



Reasons given by respondent for their positive or negative answers

United Kingdom

- **Isle of Grain:** There is no access to redelivery capacity from the terminal.
- **All UK LNG terminals:** The only problem is the notice period of slots availability which is only 15 days. One respondent indicated that three months would be more convenient for potential users to arrange their supply programs and make the spot use of those slots feasible. Also, a default procedure for spare slot assessment and notification by the LNG operator would be needed.

France

- **Montoir:** One respondent had unloaded three cargos in Montoir in 2010 buying slots after the 25th of the previous month, which shows – according to this respondent – that the current UIOLI system works.
- **Montoir:** - A Use It or Sell It system would be a good incentive for shippers to identify any unused capacity at an early stage.
- **French LNG terminals:** One respondent considered that the CMPs applied in the French terminals are not satisfactory as the services offered are not well designed. Firstly, the surveyed shipper reiterated that the rule for contracting a minimum of one bcm/year favours incumbents and players with a strong position in France over the new players and does not foster efficient use of the terminal capacities. Secondly, this respondent regretted that shippers who contracted a “30-day band emission service” have to send out their unloading within these 30 days with no flexibility. On the other hand, shippers that contract “continuous services” benefit from a certain degree of flexibility but they are conditioned to other shippers’ emission (send-out sharing) and therefore lack visibility on their own emissions. Another difficulty is that the rules to split the regasification emission between several continuous shippers are not clearly defined.

- NRA comment: Precise rules for sharing regasification capacity among users with a continuous send-out service are currently being elaborated and will be tested in the terminals soon.

Belgium

- **Zeebrugge**: Slot visibility is high – it is published online and discussed between shippers monthly. The respondent indicated that they have purchased slots not being used by other shippers, and have posted their own slots when they are not going to be used, therefore the way in which capacity is freed up works well.

Portugal

- Regulation still foresees that long-term gas contracts belonging to the incumbent have priority access to the terminal.
- In case of congestion, the incumbent nominations related to some LNG purchase contracts are not subject to CMPs.

Spain

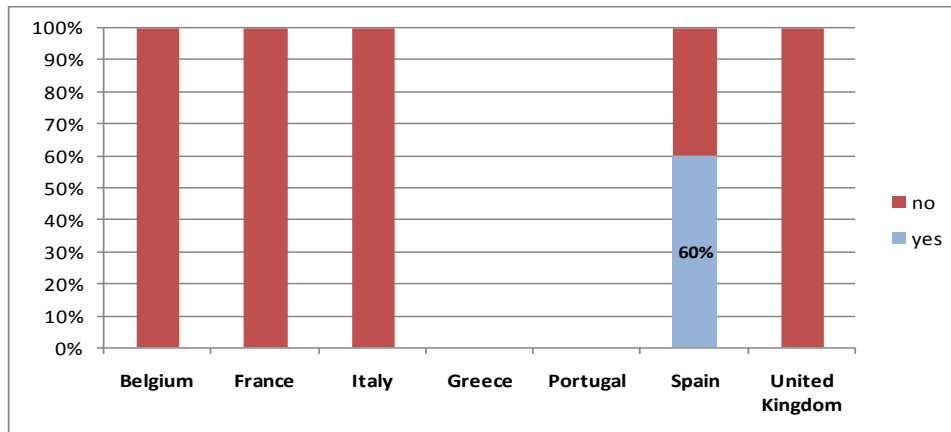
- According to a respondent, the application of ex-ante UIOLI mechanisms (such as those applied in the UK, where capacity holders are encouraged to sell their unused capacity in the secondary market – under the penalty of being stripped of those rights) would promote real secondary capacity markets in Spain. That system would be more flexible, adapting itself more adequately to the needs of the operators as well as to the real situation of congestion (or the lack of it).
- As there is available LNG capacity in the Spanish terminals, CMPs are not considered the key issue.

ERGEG's comments:

A majority of current / potential users expressed satisfaction regarding the CMPs applied in the European terminals. Respondents raised different issues and reported certain concerns such as: absence of CMP definition, services offered, and too short notice period for spot availability.

2.4. Has a CMP ever been applied to you? If yes, please indicate how many times:

Figure 7: Frequency of application of CMPs



| Spain | Number of times |
|---|-----------------|
| Primary Capacity holder definitively loses capacity | 2 |
| Primary Capacity holder temporarily loses capacity | 3 |

Spain

- A user complained about the application of the CMP to the company in the terminal of Bilbao. Given the reduced regasification capacity booked by this user its downloading ship capacity was drastically limited for the whole duration of the contract. The user believes that this measure was not linked to any kind of actual congestion situation, but was just an arbitrary preventive decision.

EREGG’s comments:

Figure 7 shows that CMPs have rarely been applied to users, Spain standing as an exception in the European landscape. It could be concluded, from these results that respondents use their capacity in a way which does not require the application of CMPs or, as suggested by some respondents, that there is a relaxation in the application of the CMP by the LSO.

2.5. Which CMPs do you prefer? (for each CMP, please provide a rating from 1 to 4, with 1 being the most preferred CMP and 4 the least preferred)

The following table summarises the average rating received by each CMP option according to the respondents’ preference evaluation. Values closer to 1 indicate a higher preference.

Table 11: CMPs Preferences

| | Average rate given by respondents |
|---|-----------------------------------|
| Secondary capacity markets | 1.2 |
| Use it or sell / lend it | 2.0 |
| Primary Capacity holder temporarily loses capacity | 3.2 |
| Primary Capacity holder definitively loses capacity | 3.5 |

Please justify the reasons for your preferences

- **United Kingdom:** One shipper preferred secondary markets for upstream and UIOLI interruptible mechanisms for downstream.

Another user preferred to agree on the commercial / operational terms when accessing unused capacity before resorting to UIOLI.

- **Belgium:** Above all mechanisms, one user preferred a secondary anonymous market of capacity with a price of selling / buying determined as a result of the market. In their view, the LSO should not be paid twice for the same capacity.
- **France:** A new entrant said that they are not interested in capacity hoarding. If capacity is unused, it is more valuable to sell it than to keep it.

Other respondents preferred UIOSI, as there is no reason for the LSO to be paid twice for the same capacity. In any case, the UIOLI must be “firm”. A secondary market is a good solution if transactions can be made anonymously.

- **Italy:** A user stated its preference for a secondary anonymous market of capacity with the price of selling / buying made in that market. The LSO should not be paid twice for the same capacity.
- **Portugal:** A shipper declared that since in Sines, the number of operators is reduced, pure market solutions would not guarantee access at a fair price. So, "use it or sell it" or temporary UIOLI, under pre-defined rules, would be preferable.
- **Spain:** A UIOLI temporary mechanism (as well as secondary capacity markets) would suit a system that is supposed to be flexible enough and would eventually maximise the capacity utilisation rate on a non-discriminatory basis.
- **UK:** Capacity holders pay for the capacity regardless of throughput so have an incentive to make unused capacity available, either through secondary market transactions (taking cargo DES delivery ex ship) or UIOLI (temporary loss of that cargo slot). We could not support the situation where you permanently lose a regular cargo slot going forward (if this is what is meant by definite loss).

ERGEG's comments:

As showed in table 11, shippers clearly point to secondary markets as the preferred CMP to be applied in the European terminals. Use it or sell / lend it is second most popular although very few shippers report that this mechanism is currently used. These preferences are understandably influenced by respondents' current situation regarding access to capacity (if they already have capacity, apparently for the fear of losing it, they prefer secondary markets. When they are asking for capacity they are keen on use it or sell / lend / lose it.)

3. Transparency

The next figure shows what information is available and how the information is published, summarising the eleven aspects analysed in each country. Partial results indicate the publication of referred issues in only several terminals of the country, or unequal responses received from shippers.

Figure 2: Availability of published information in European LNG terminals

| | Belgium | France | Italy | Greece | Portugal | Spain | UK |
|---|---|---|---|---|---|---|---|
| Necessary licenses or agreements to be obtained for operating in the terminal | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, On the Internet, Free of Charge | In national language, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge |
| Technical parameters and procedures for operating in the terminals | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge |
| Existing terminal capacity for the different services provided* | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, On the Internet, Free of Charge | In national language, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge |
| Future terminal capacity for the different services provided* | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, On the Internet, Free of Charge | In national language, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge |
| Contracted/Available capacity of each service provided* | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, On the Internet, Free of Charge | In national language, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge |
| Price of each bundled/unbundled service provided* | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, On the Internet, Free of Charge | In national language, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge |
| Short-term available capacity | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, On the Internet, Free of Charge | In national language, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge |
| Deadlines for submitting short-term capacity requests | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, On the Internet, Free of Charge | In national language, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge |
| Relevant conditions for participating in the secondary markets | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, On the Internet, Free of Charge | In national language, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge |
| Clear rules describing CMPs functioning | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, On the Internet, Free of Charge | In national language, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge |
| Penalties applicable to terminal users as antihoarding mechanisms | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, On the Internet, Free of Charge | In national language, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge | In national language, In English, On the Internet, Free of Charge |

*Non mandatory requests under 3rd Package Provisions

In national language

In English

On the Internet

Free of Charge

Additional comments received from users

- **United Kingdom:** the price of each bundled / unbundled service, may be under a ship or pay mechanism.

Since the Isle of Grain terminal is exempt from offering open access to third parties, some information is not open to the market. Several stages and project phases may imply several arrangements. There is no public access to this information.

The reserve price for the UIOLI auction is known. Contracted and available capacity is publically available.

- **France:** all the documents are published on the Internet, in French and English.
- **Belgium:** all the tariff information and costs are available on the Fluxys website and have been approved by CREG.
- **Greece:** information is only published in the national language

NRA comment: All information is published on the internet and is free of charge.

- **Italy-Rovigo:** A user stated that the price of each bundled / unbundled service is published in Italian, English and is accessible for free through the internet, except for shipping service.

The rules describing CMP are published, in English and on the internet, but they are not clear nor approved by the Authority.

The penalties applicable are published as they are in the code of the terminals, but they are not clearly expressed on the internet.

- Rovigo's code is pending approbation by the Italian Authority. A code was initially published which raised a lot of comments by potential users. Those comments have been put together and analysed by CCR (Comitato di Consultazione per l'attività di rigassificazione) and the regulator who has asked Rovigo to modify its code.

ERGEG's comments:

Figure 8 shows significant differences between countries in terms of availability of information. It seems important to improve transparency in a number of countries. The publication of information in English is a priority to allow new entrants into the national markets.

In addition, it can also be concluded from the users' diverging descriptions of the different rules in place, that certain information may not be sufficiently clear.

4. Secondary markets

The following figures reflect shippers' views on the effectiveness of the secondary capacities markets – where they exist – and on how these markets should be functioning in the European LNG terminals.

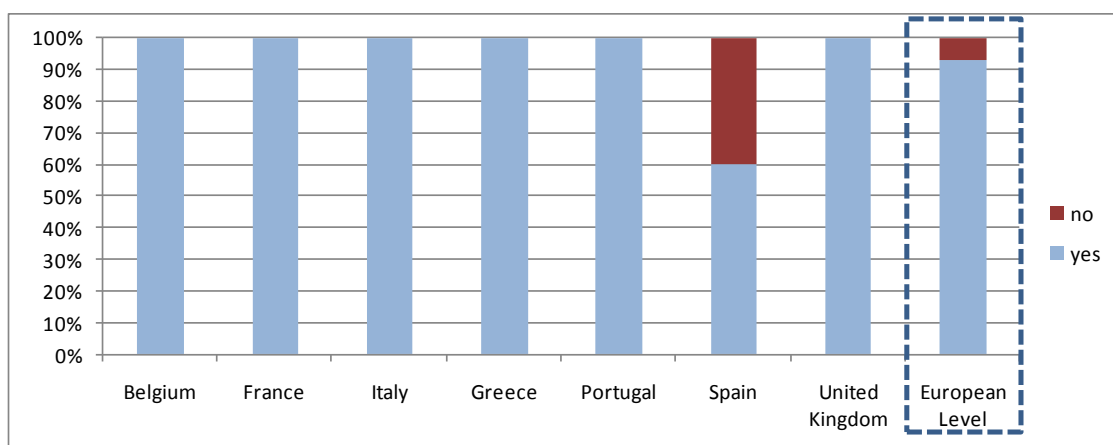
4.1. Is there a secondary capacity market functioning NOW in the LNG terminal(s)?

Table 12: Existence of a functioning secondary market in each country

| | Number of positive statements out of all responses received |
|-----------------------|---|
| Belgium | 1/2 |
| France | 3/3 |
| Italy | 0/2 |
| Greece | 0/2 |
| Portugal | 0/2 |
| Spain | 3/5 |
| United Kingdom | 2/4 |

4.2. As a user is it desirable to establish secondary capacity markets in the LNG terminal(s)?

Figure 9: Preferences for the establishment of secondary capacity markets



EREGEG's comments:

It is clear that respondents highly support the establishment of secondary capacity markets.

4.3. Are there obligations to trade unused capacity on secondary markets?

Table 13: Existing obligations to trade unused capacity on secondary markets

| | Number of positive statements out of all responses received |
|-----------------------|---|
| Belgium | 1/2 |
| France | 1/2 |
| Italy | 1/2 |
| Greece | 0/1 |
| Portugal | 0/2 |
| Spain | 0/5 |
| United Kingdom | 2/3 |

Respondent's descriptions of the obligations in place

- **France:** There is no obligation but the ship or pay clauses (90% of the booked capacity) encourage players to try to sell it on the secondary market.

If booked capacities are not used for the month ahead, Elengy publishes a bulletin board on its web site to resell this unused capacity.

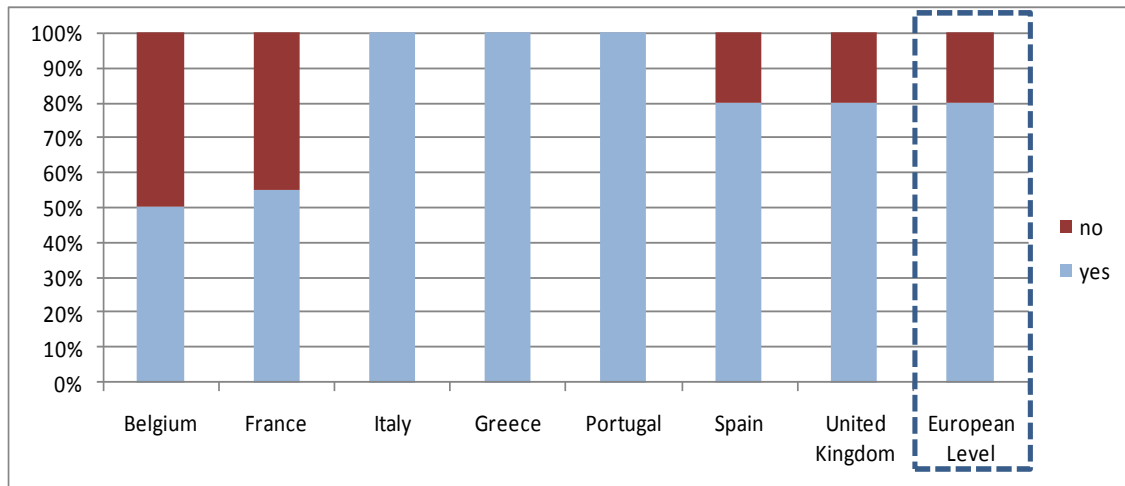
The only obligation is to declare the unused capacity during monthly scheduling. If not done, the shipper can lose its LT capacity.

- **Belgium:** If a user doesn't use its capacity, an obligation exists to market that capacity, and by default the LNG operator is obliged to market that capacity on behalf of the primary user. The LNG operator makes an assessment of feasible spare capacity and markets this as well.
- **Greece:** If a user doesn't use its capacity an obligation exists to market that capacity.
- **Italy:** Rovigo does not have an obligation to declare the unused capacity. Users can sell it or will lose its LT capacity at the end of the year. Currently, the LSO has the obligation to offer unused capacity to the market. Primary capacity holders must release unused capacity to the LSO or they lose it. They have no possibility to sell capacity themselves.
- **UK:** If a user doesn't use its capacity, an obligation exists to market that capacity. The LNG operator makes an assessment of unused capacity and informs users and authorities.

A UIOLI mechanism (obligation under exemption) is established although currently remains untested in practice.

4.4. Is it desirable to have obligations to trade unused capacity on secondary capacity markets?

Figure 10: Preferences for obligations to trade unused capacity on secondary markets



If yes, please describe which obligations

UK: A user stated that secondary markets ensure better access to unused capacity.

Another indicated that there should only be obligations if there is no available LNG capacity (constant and short-term) under a functioning secondary market.

- **Portugal:** Rules have to be established in order to guarantee access on a fair basis.
- **Spain:** In general terms, the lack of obligation to trade unused capacity results in secondary markets that are rarely brought into play.

There should be obligations if there is no available LNG capacity.

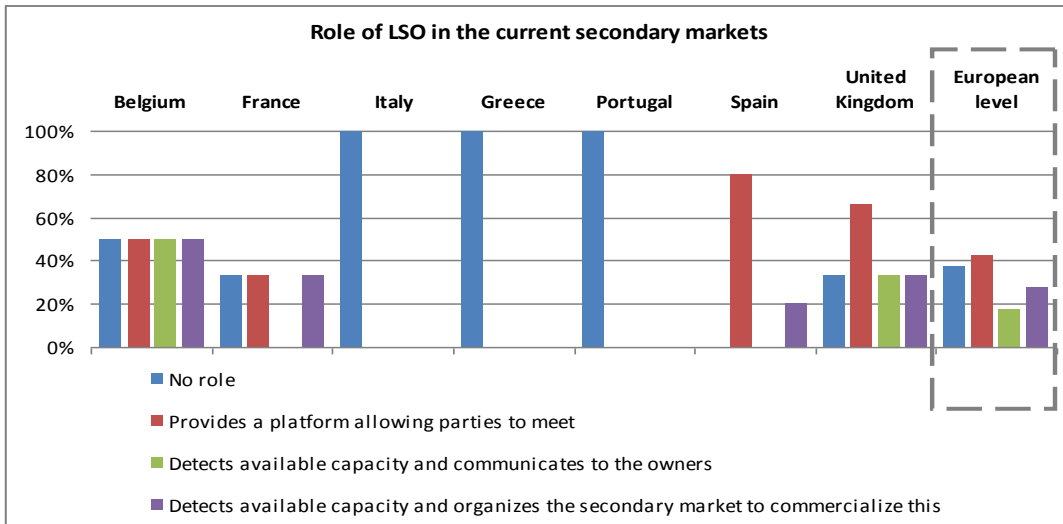
- **Italy:** It would be desirable to have obligations to trade unused capacity if there were an efficient and functioning secondary market, preferably not organised by the regulator or fully regulated.
- **France:** The system in France seems to be efficient with the ship or pay clauses and the release of capacity the month before (when booked capacities are not used).

ERGEG's comments:

Respondents seem to acknowledge that a self-regulatory approach leads to a situation where secondary markets are rarely used. A majority considers therefore that regulating the obligation to re-sell unused capacities is a necessary step for developing secondary trade.

4.5. What is the role of the LSO in the establishment of the current secondary capacity market?

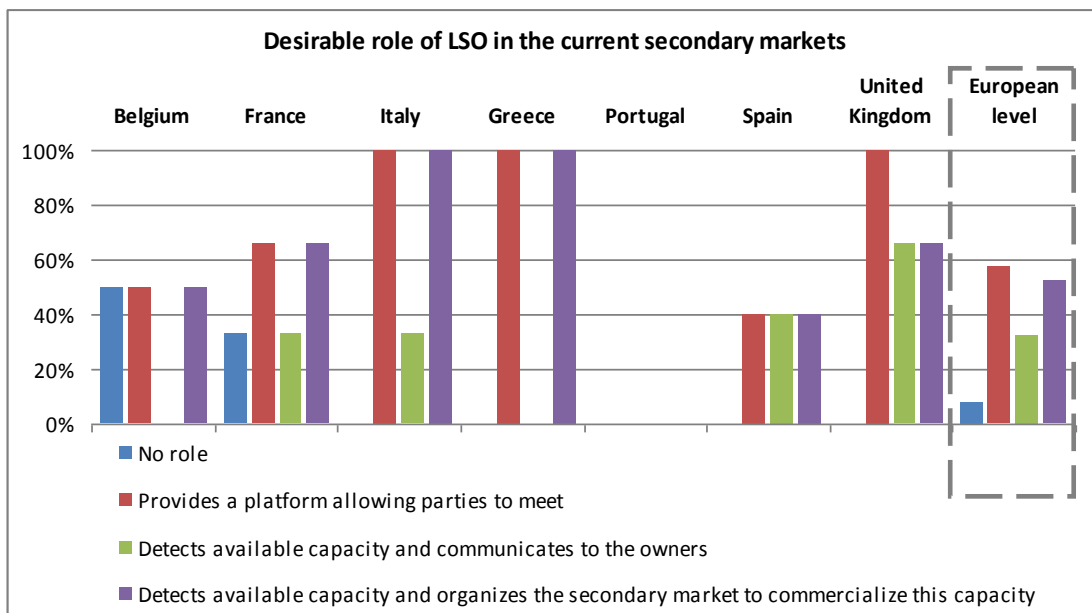
Figure 11: Current role of LSOs in secondary capacity markets



The answers in some countries indicated confusion among users when describing the role of LSOs in the establishment and functioning of secondary markets.

4.6. Which is the desirable role of the LSO in the establishment of the secondary capacity market?

Figure 12: Desirable Role of LSO in secondary capacity markets



If LSOs do not have a role, please describe the role of primary capacity holders in secondary markets

- **France:** The primary capacity holders have to market their unused capacities.
The capacity holder should as soon as possible notify the availability of some of its capacity.
- **Belgium:** The primary capacity holders have to market their unused capacities.
- **Portugal:** Since the LSO is integrated with the grid operator, and taking into account the specificities of the Portuguese market and Sines terminal usage, the LSO should act as a guarantor that the terminal is open and available at competitive prices to all kind of users, including small importers.

ERGEG's comments:

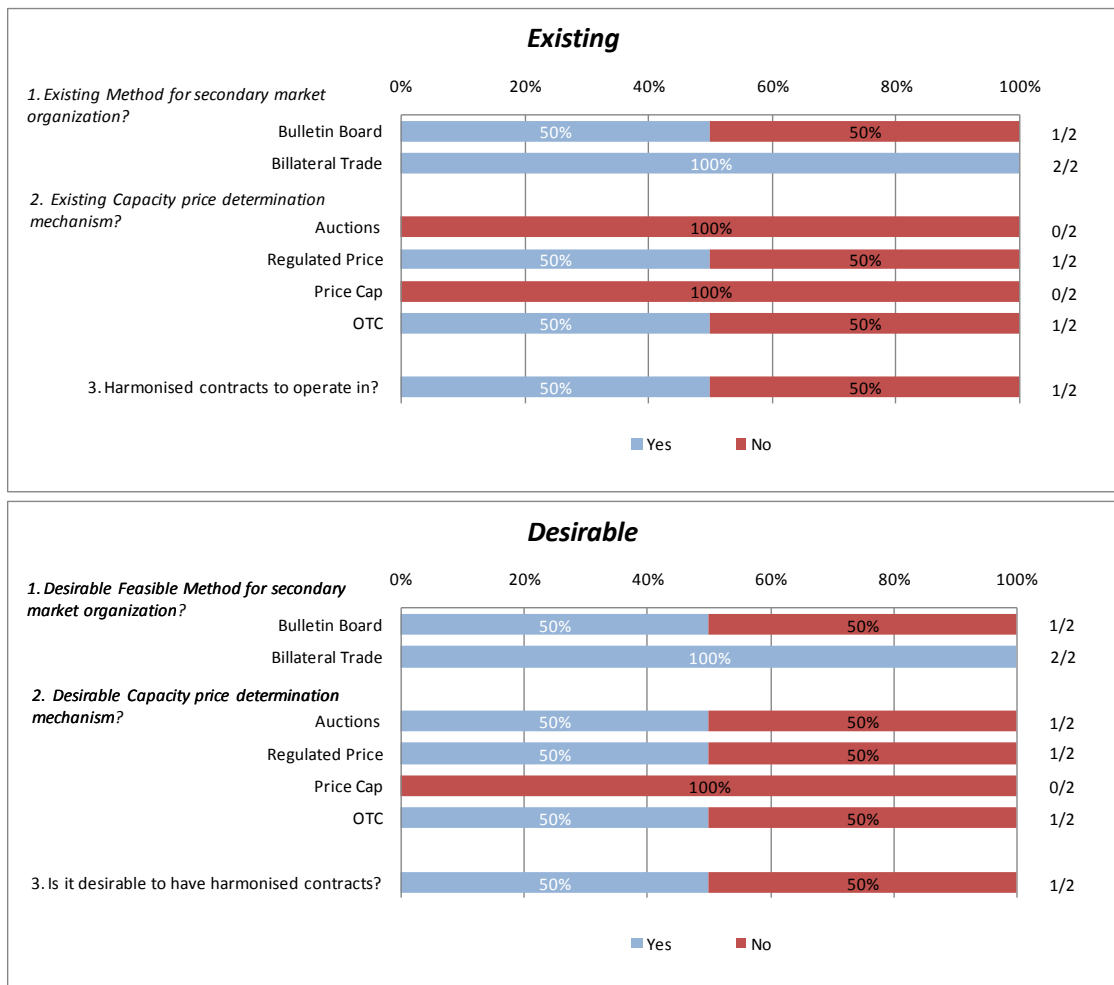
The received responses indicate that most shippers would like to see – in their respective countries – a stronger involvement of the LSOs in the organisation of secondary markets. In addition, it is to be noted that in countries where LSOs have currently no role, shippers are the more likely to call for a strong implication of the LSO.

4.7. Description of the existing / desirable secondary market structure

Belgium

The following table summarises the responses received on the description of the existing / desirable secondary market structure of Zeebrugge terminal in Belgium. Occasionally, shippers provided different descriptions of the existing structure, which reflects diverging interpretations of the rules in place.

Table 14: Existing and desirable structure of secondary capacity markets in Belgium

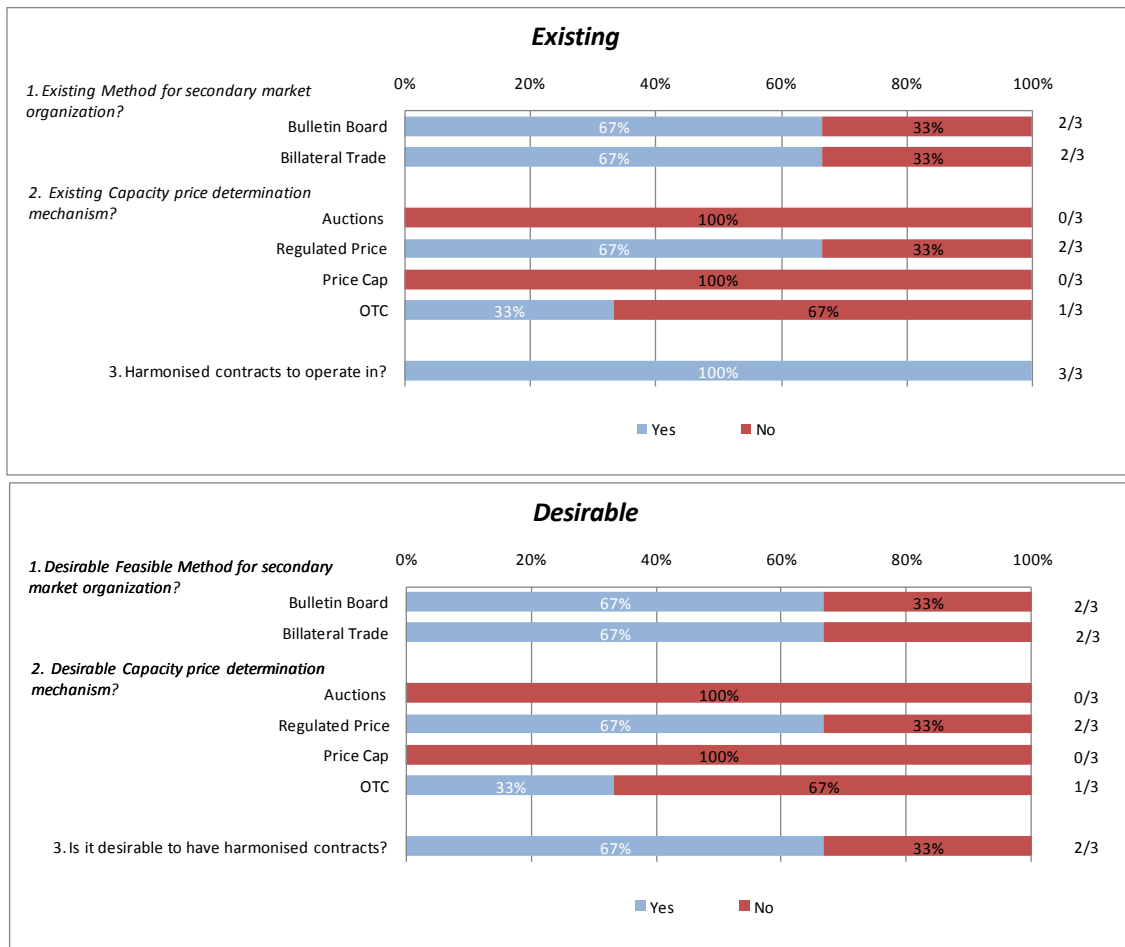


Apparently the only change required is the use of auctions to determine the price of the capacity. This request is formulated by one user only.

France

The following table summarises the responses received on the description of the existing / desirable secondary market structure of Montoir, Fos Tonkin and Fos Cavaou terminals in France. Again, shippers sometimes provided different descriptions of the rules applied in the same terminals.

Table 15: Existing and desirable structure of secondary capacity markets in France

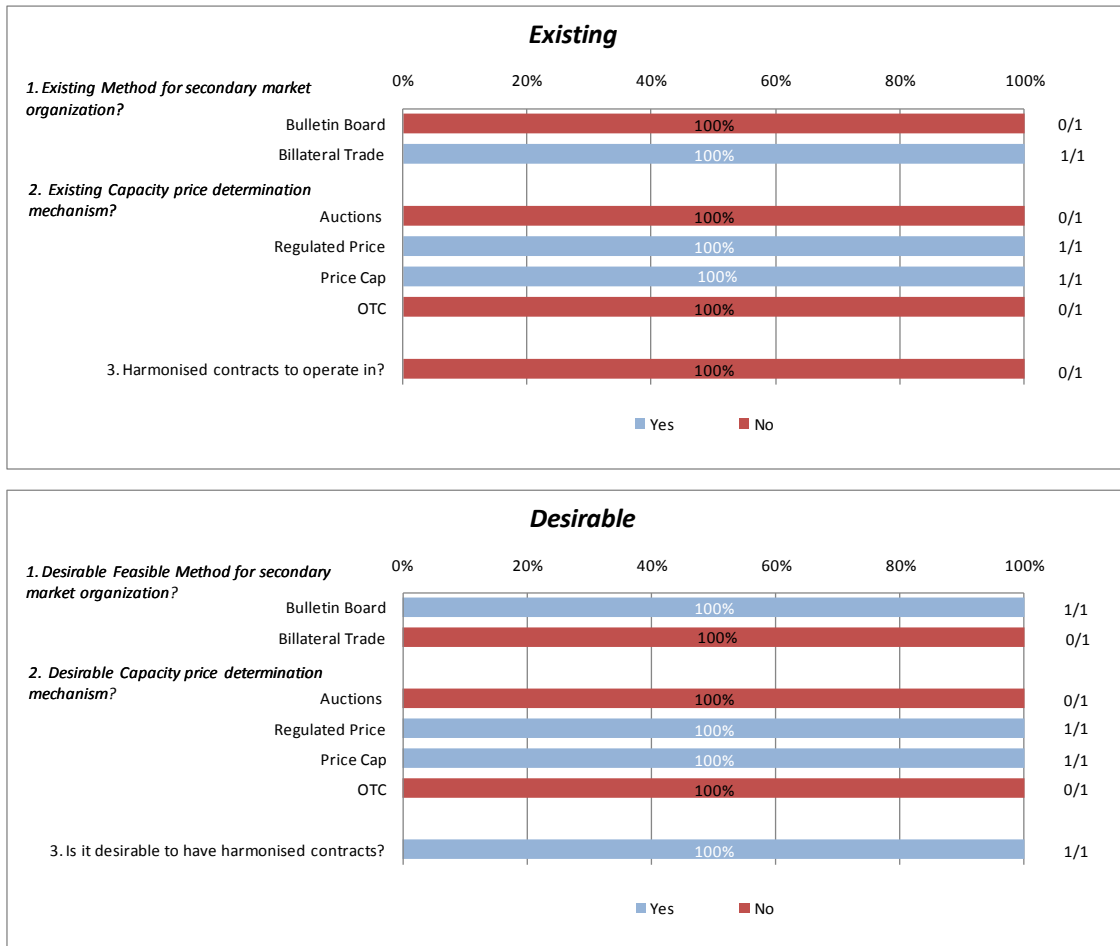


The existing structure of the secondary markets in France corresponds to what the respondents described as desirable, although one respondent indicated that harmonised contracts are not a necessity.

Italy

The following table summarises the responses received on the description of the existing / desirable secondary market structure of Panigaglia and Rovigo terminals in Italy.

Table 16: Existing and desirable structure of secondary capacity markets in Italy

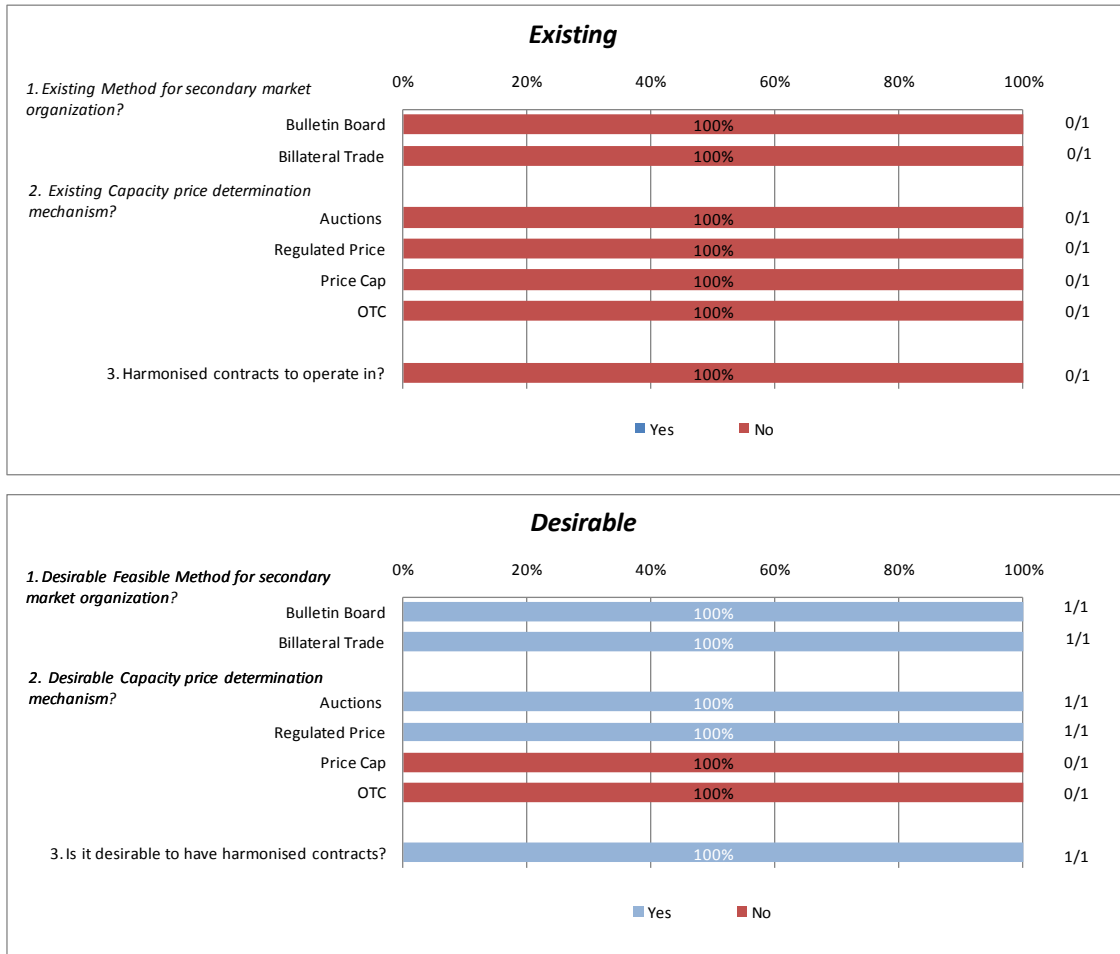


Respondents call for the use of bulletin boards instead of bilateral trade for organising the secondary markets in Italy. Also, one shipper called for harmonised capacity contracts.

Greece

The following table summarises the responses received on the description of the existing / desirable secondary market structure of Revithoussa terminal in Greece.

Table 17: Existing and desirable structure of secondary capacity markets in Greece

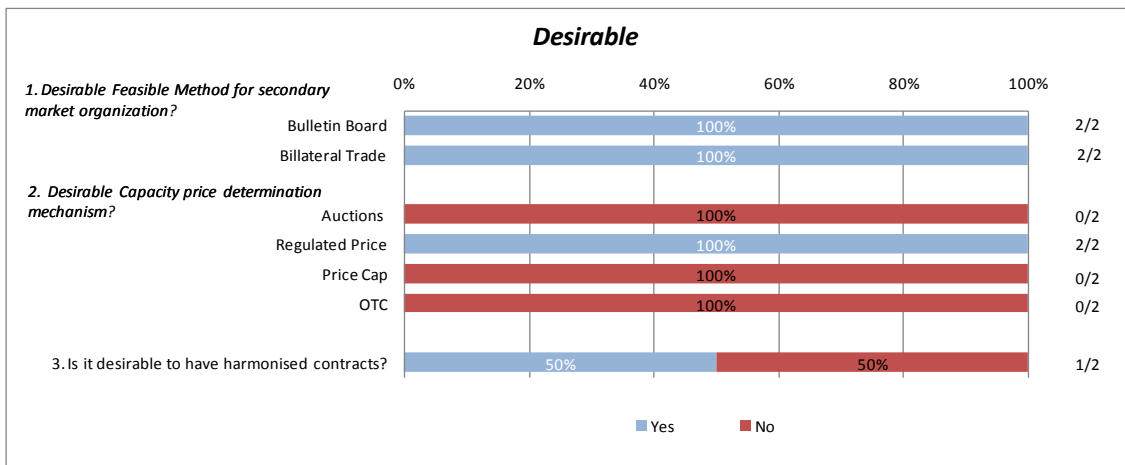
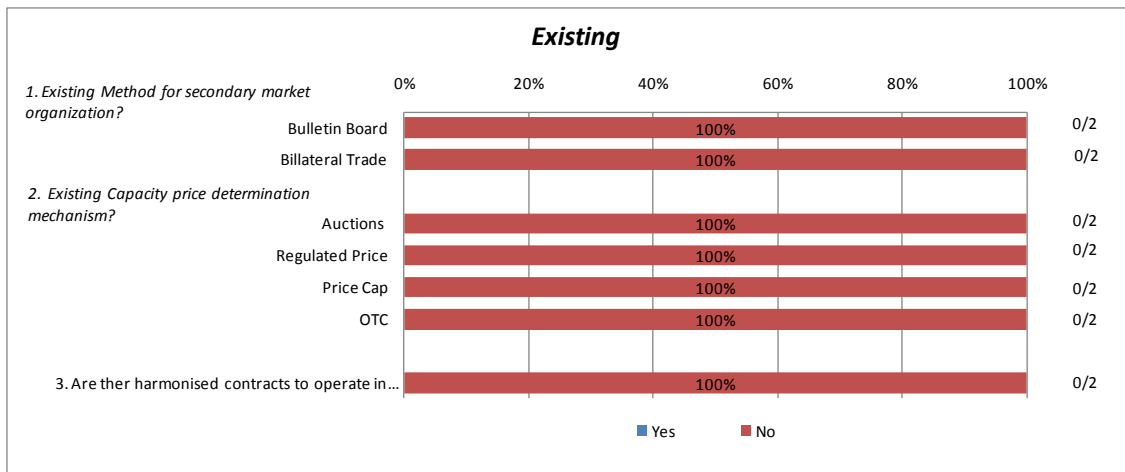


Respondents report that there is no secondary market in place in Greece. According to their description of a well-designed secondary market for Greek terminals, transactions should be organised through bulletin boards and bilateral trade, the price of capacities should be determined through auctions and/or a regulation and contracts should be harmonised.

Portugal

The following table summarises the responses received on the description of the existing / desirable secondary market structure of Sines terminal in Portugal.

Table 18: Existing and desirable structure of secondary capacity markets in Portugal

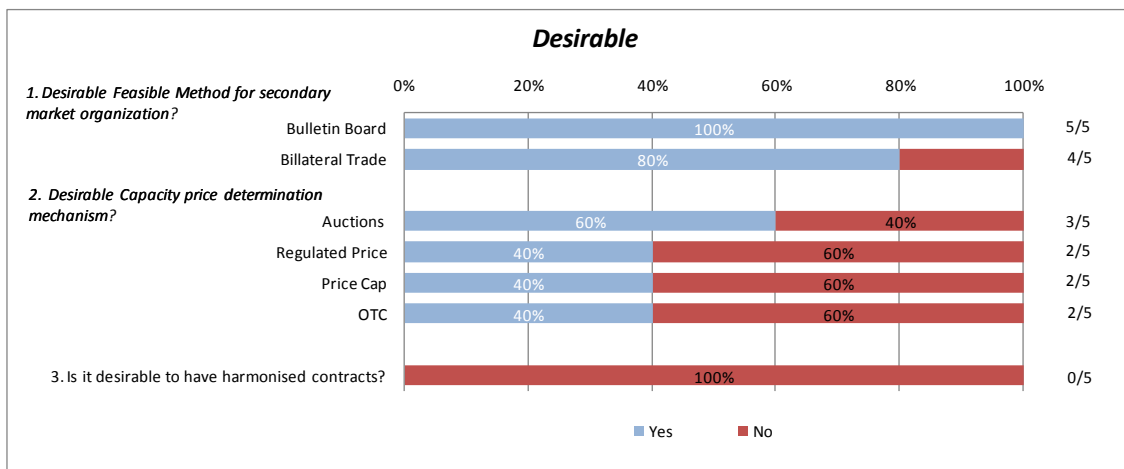
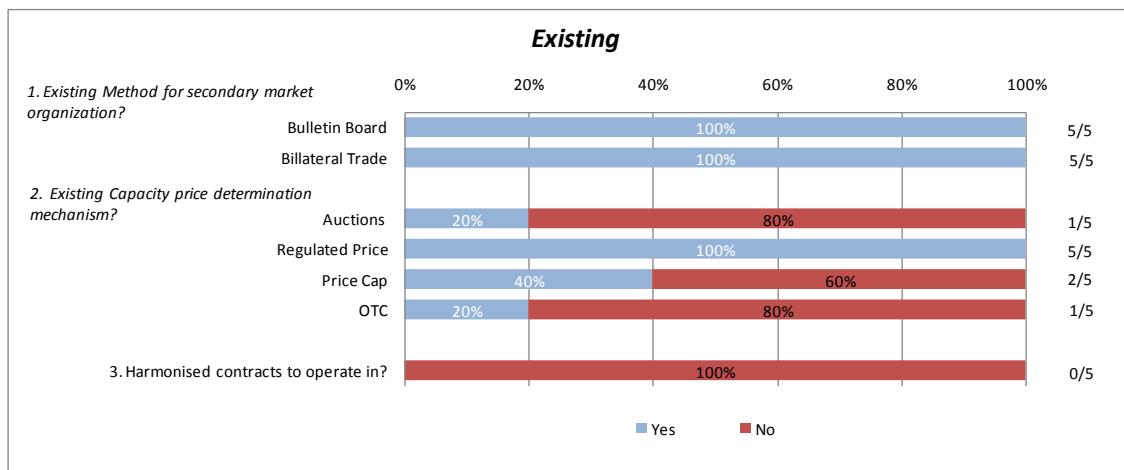


Respondents report that there is no secondary market in place in Portugal. According to their description of a well-designed secondary market for Portuguese terminals, transactions should be organised through bulletin boards and bilateral trade; a regulated price should be set up for capacities. Half of the respondents added that contracts should be harmonised.

Spain

The following table summarises responses received on the description of the existing / desirable secondary market structure of Barcelona, Cartagena, Huelva, Bilbao, Sagunto and Mugardos terminals in Spain. Shippers also provided different descriptions of the rules applied in the same terminals.

Table 19: Existing and desirable structure of secondary capacity markets in Spain

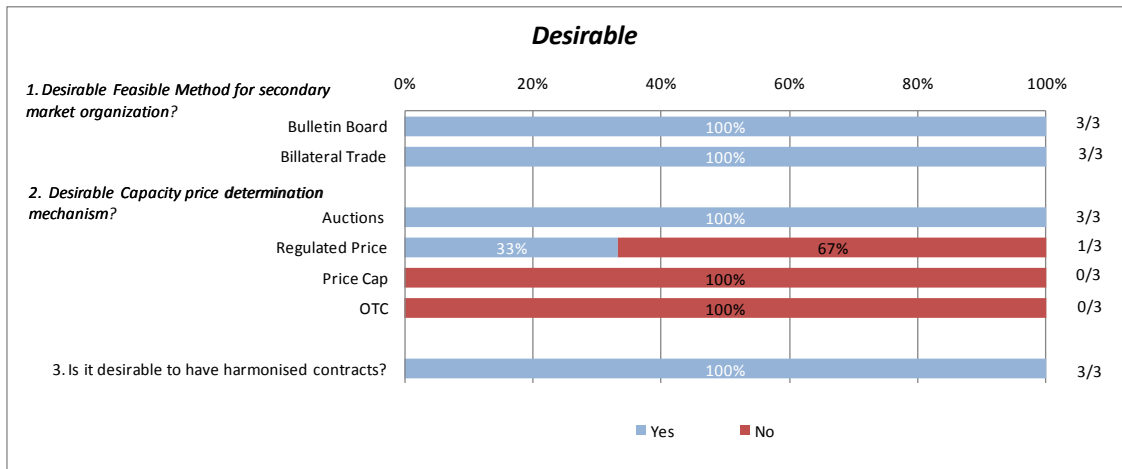
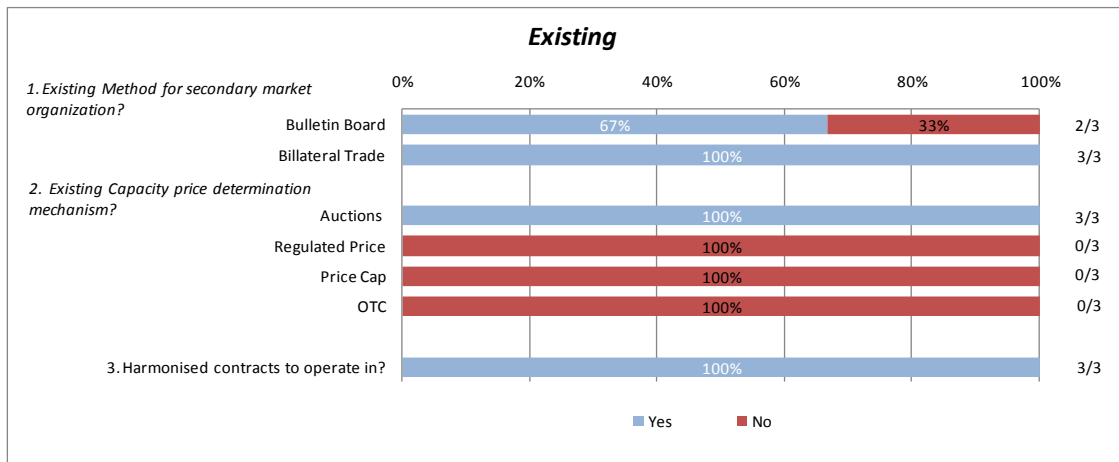


Responses related to the Spanish system indicated a preference for auctions as the desirable price determination mechanism.

United Kingdom

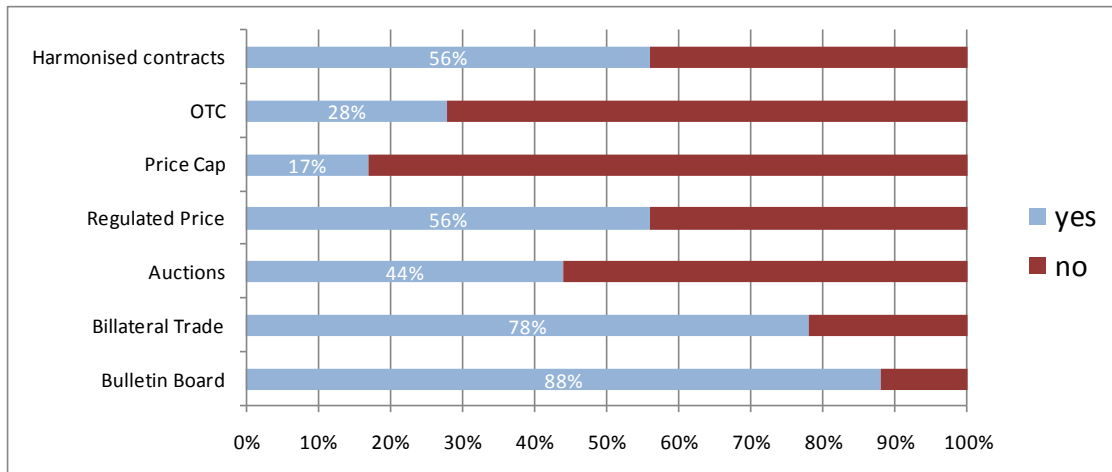
The following table summarises responses received on the description of the existing / desirable secondary market structure of Isle of Grain, Dragon LNG and South Hook terminals in the UK. Shippers also provided diverging descriptions of the rules applied in the same terminals.

Table 20: Existing and desirable structure of the secondary capacity markets in the UK



Very few changes to the current UK regime are requested by shippers. One respondent considered that it is currently not possible to use bulletin boards to make transactions and expressed the need for such a possibility. Another respondent declared that is desirable to use auctions and/or to have a regulated price for capacity.

Figure 13: Desirable secondary market structure in the European terminals



EREG’s comments:

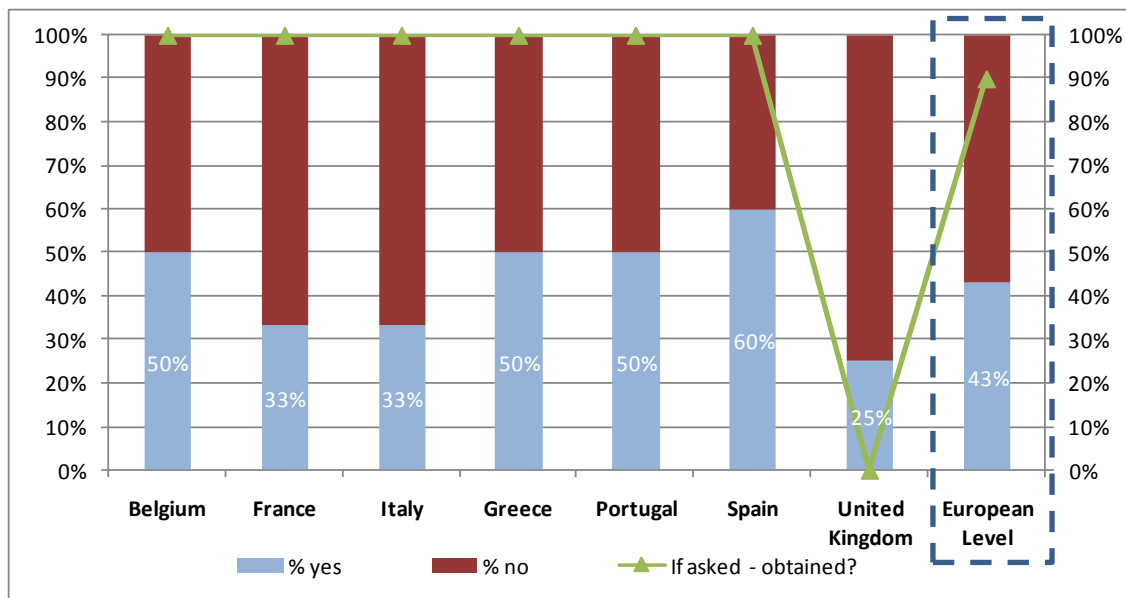
Responses show a strong support for the establishment of secondary capacity markets. When describing the desirable structure, a large majority of respondents consider that trades should be organised through both bulletin boards and secondary trade. Regarding how the price of capacity should be determined, setting a regulated price is the method supported by more than half of respondents, while auctions are also proposed by half of respondents. Finally, a majority of respondents consider that harmonised contracts are necessary.

5. Access to capacity (spot cargos)

The next questions refer to the accessibility and conditions for obtaining capacity for downloading spot cargos in the European LNG terminals.

5.1. Has your company ever asked for/obtained short term capacity access for downloading and regasifying a spot cargo?

Figure 14: Demand for spot capacity in European terminals



Additional comments received from users

- United Kingdom:** A shipper indicated that access to short-term terminal capacity could be improved as there is lack of information and some information is not free of charge.

Another indicates that spot access is a bilateral arrangement between the third party user and primary shipper.

- France:** A user encountered some difficulties in 2006, with the process of getting short-term capacities for spot cargos but the system has improved from that time. This shipper is interested in different durations of capacities: long-term, short-term and spot.
- Spain:** A user has considered the possibility of asking to download a spot cargo. However, the existence of numerous entry barriers (by means of administrative burdens and lack of transparency) has prevented this company from completing the operations.

Other users said that they are quite satisfied with the current situation.

- Greece:** A shipper indicated that there is lack of information and existing language barriers.

- **Italy:** A shipper stated that in Rovigo terminal, the uncertainty of send-out capacity, linked to the characteristic of the Italian market (absolute lack and inefficiency of modulation instruments except for storage), make Rovigo's terminal very difficult to use.
- **Portugal:** A user said that it is necessary to negotiate with the existing incumbent shipper to access the terminal.

ERGEG's comments:

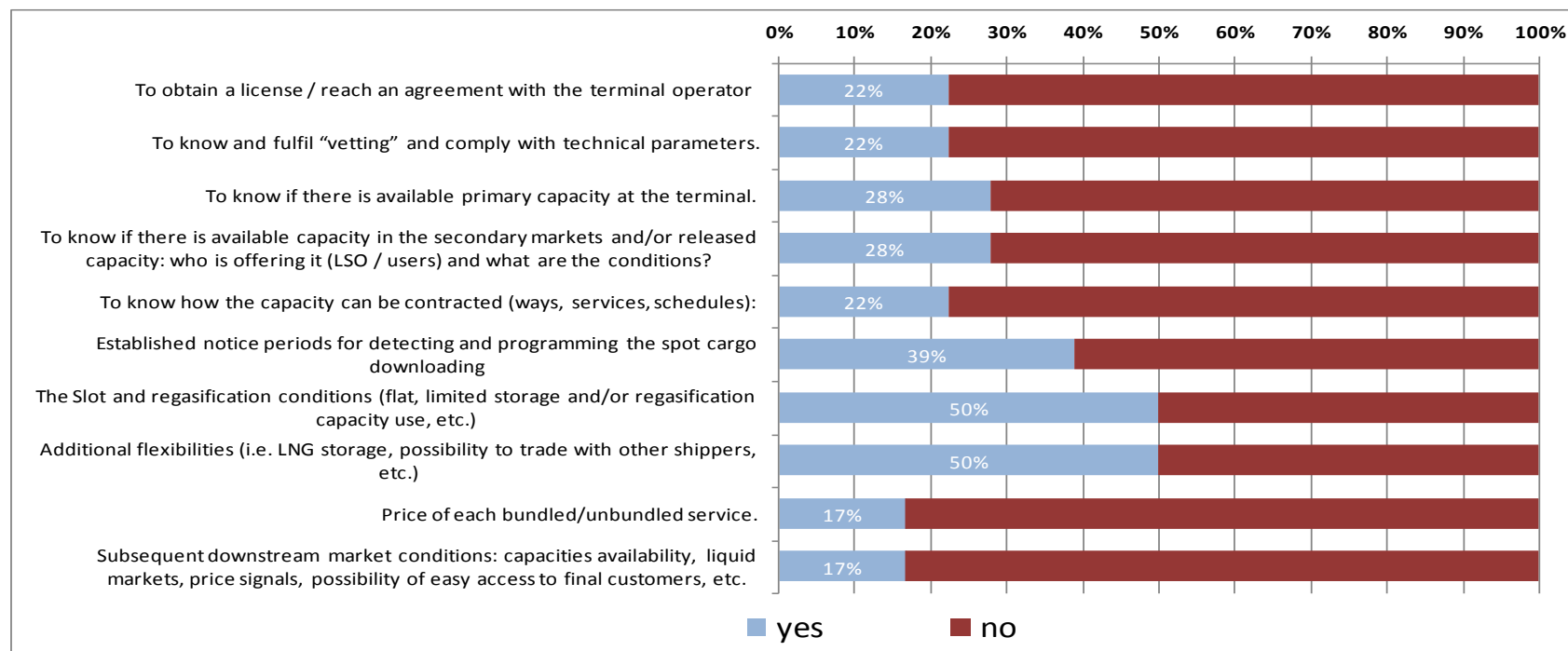
22 responses, from different shippers referring to different terminals, have been gathered indicating a demand for short-term capacity or spot cargos. 21 of them have obtained the capacity requested. According to these responses, access to capacity for spot cargos can be judged as very satisfying, at least in some terminals.

However, some shippers have also indicated that, existing regulation and a lack of transparency were hindering the access to spot capacity. Therefore, there is a possibility that some users have not even initiated the process for obtaining spot capacity in some terminals because the services offered do not suit their needs or expectations.

5.2. Which of these aspects constitute major difficulties when trying to obtain capacity, particularly for downloading a spot cargo?

The following graph summarises the responses received regarding the difficulties encountered when trying to obtain capacity for downloading a spot cargo. The responses have been gathered for all the European terminals, thus not specifying the difficulties encountered in each particular country / terminal.

Figure 15: Difficulties encountered for accessing spot capacity.



Among the potential obstacles suggested in the questionnaires, the two points that raise most concerns among respondents are the definitions of slot and regasification conditions (50%) and the additional flexibility offered (50%).

ERGEG’s comments:

From the responses received, there is no consensus regarding the most significant obstacles for access to short-term capacity: the definition of slots and the regasification rights, which are included, not fitting user’s needs and short notice periods are mentioned most frequently.

6. Any other comment or proposal

General comments have been received about the general scope of the monitoring exercise or the applied regulation.

- **United Kingdom:** Care must be taken to identify potential inconsistencies between the upstream business, the unloading capacity and the downstream delivery capacity when establishing terminal access rules. LNG imports / markets operate differently to pipeline gas, and it is not always possible or desirable to copy rules straight from transmission to LNG terminals. The rules established must fit the market characteristics and physical operation of LNG. A user would welcome the opportunity to discuss the content of this survey in more detail with ERGEG and be involved in further development of LNG terminal guidance / regulatory rules.
- **Spain:** The survey should have included questions regarding LNG services. Services are key for some players due to: the flexibility they provide, nominations, etc. Eurogas and EFET drafted a joint note in response to Commission request for suggestions on potential harmonisation with respect to European LNG terminal services and access conditions that should be taken into consideration when analysing this survey and future initiatives.

PART II

CONCLUSIONS

These conclusions have been written acknowledging that, given the number of answers at each terminal concerned, and the degree of LNG market development in each country, the level of participation to this survey is low and that responses can only be partially used to raise conclusions on the key topics identified in the study.

Conclusions on CAM

FCFS, the most commonly applied allocation mechanism across Europe, brings an overall satisfaction, as long as no congestion arises in the terminal. Respondents mainly consider that the CAMs applied in their systems foster the use of capacity. Particularly, capacity holders indicate that they are quite satisfied with the CAMs applied in the exempt terminals.

Some respondents however express their concerns on the applied CAMs, indicating, that in some situations, the terminal access rules are unfavourable to small players, because of the level of tariffs and/or the design of the products offered.

Responses show that – when given the possibility – shippers often use secondary markets in addition to the primary capacity or when primary allocation does not suit their needs. A detailed analysis reveals that several shippers holding primary capacity in the Mediterranean terminals try to book capacity in the secondary markets of Northern Europe, thus revealing that the shipper's interest for secondary capacity markets increases when its share in the downstream market is low.

Conclusions on CMP

Secondary markets and firm UIOLI are currently the most common CMPs applied in the European LNG terminals. The level of satisfaction regarding the CMPs in place varies greatly from one country to another. A majority of European current / potential users express satisfaction regarding the CMPs applied in their terminals. However respondents also report certain concerns, and point out that there is room for improvement regarding the design of CMPs in certain systems. Only half of the received responses consider that the CMP in place facilitates fair access to the terminal. Actions that could be taken are: designing more transparent CMPs, better defining the services offered and – for some terminals – lengthening the notice period for spot availability.

On average, shippers have a strong preference for secondary markets. In their view, ex-ante notice of unused capacities helps to promote the efficient use of a terminal's capacity. These preferences are understandably influenced by respondents' current situation regarding access to capacity (if they already have capacity, they prefer secondary markets. When they still do not have capacity in the terminals they are keen on use it or sell / lend / lose it).

Conclusions on Transparency

There is a varying degree of transparency in the terminals covered by the survey. It seems important to seek improvements in countries where information is lacking the most; publication in English is the key priority for facilitating access of third country agents. A conclusion to draw, from the users' diverse interpretations of the rules in place in each terminal, is that some of the published information may not be sufficiently clear.

Conclusions on Secondary Capacity Markets

Responses have shown a clear support for the organisation of secondary capacity markets at the European LNG terminals. However, respondents seem to acknowledge that a self-regulatory approach leads to a situation where secondary markets are rarely used. A majority considers, therefore, that regulating the obligation to re-sell unused capacities is a necessary step for developing secondary trade.

When describing the desirable structure of secondary markets, a large majority of respondents consider that trades should be organised through both bulletin boards and secondary trade. Regarding how the price of capacity should be determined, setting a regulated price is the method supported by more than half of respondents, while auctions are also proposed by half of them. Finally, a majority of respondents consider that harmonised contracts are needed.

The received responses indicate that most shippers would like to see – in their respective countries – a stronger implication of the LSOs in the organisation of secondary markets. In addition, it is to be noted that in countries where LSOs have currently no role, shippers are more likely to call for a strong implication of the LSO.

Conclusions on Access to short-term capacity for spot cargos

Shippers do not seem to ask for short-term capacities very often. Some shippers have indicated that existing regulation and a lack of transparency were hindering the access to spot capacity. There is also the possibility that some users do not initiate the process for obtaining spot capacity because the services offered do not suit their needs or expectations. However, results show that when asking for spot capacity, requests are almost always satisfied.

There is no consensus regarding the most significant obstacles for accessing short-term capacity: the slots and the regasification rights – included in the service – not fitting the users' needs and the shortness of the notice periods, are the most frequently mentioned reasons.

Annex 1 – ERGEG

The European Regulators for Electricity and Gas (EREG) was set up by the European Commission in 2003 as its advisory group on internal energy market issues. Its members are the energy regulatory authorities of Europe. The work of the CEER and ERGEG is structured according to a number of working groups, composed of staff members of the national energy regulatory authorities. These working groups deal with different topics, according to their members' fields of expertise.

This report was prepared by the LNG Task Force of the Gas Working Group.

Annex 2 – List of abbreviations

| Term | Definition |
|--------|--|
| bcm | billion cubic meters |
| CAM | Capacity Allocation Mechanism |
| CMP | Congestion Management Procedure |
| EFET | European Federation of Energy Traders |
| EREG | European Regulators Group for Electricity and Gas |
| FCFS | First Come First Served |
| GGP | Guidelines for Good Practice |
| GGPLNG | Guidelines for Good Third Party Access Practice for LNG System Operators |
| LNG | LNG |
| LSO | LNG System Operator |
| LT | Long-term |
| NRA | National Regulatory Authority |
| OSP | Open Subscription Procedure |
| OTC | Over-the-counter |
| TPA | Third Party Access |
| TSO | Transmission System Operator |
| TWh | Terawatt hour |
| UIOLI | Use it or lose it |
| UIOSI | Use it or sell it |

Annex 3 – List of definitions

| Term | Definition |
|------------------------------|---|
| Ex-ante mechanism | Each reserved capacity service that is not going to be used by the capacity holder must be offered to the market. In an ex ante system, transparency and updating of information are fundamental. |
| Ex-post mechanism | In an ex post system, the rate of utilisation of the capacity is supervised afterwards. Should the terminal user that has reserved capacity on the terminal not use a certain amount of it, for a certain period of time, the contracted future capacity rights (or a part of it) will be lost. |
| LNG facility | Definition in Article 2(11) Directive 2009/73/EC. |
| Regasification | The process of vaporising LNG in order to send out natural gas to the downstream system. |
| Spot cargoes | An LNG cargo contracted in discrete operations and downloaded in the terminal in a specific unloading window. |
| Standard bundled LNG service | A bundled service offered by a LSO consisting at least of a right to berth an LNG carrier during a certain window of time, the right to unload the LNG, a temporal LNG storage capacity, and a regasification service with the corresponding send-out capacity. |
| Terminal user | A customer or a potential customer of the LSO. |
| Unloading window | The period of time during which the terminal user has access to the infrastructure to unload the LNG cargo. |