



Directorate-General
for Energy



- **1st CEER WS on access to EU LNG terminals**

The 3rd package provisions on LNG

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● Role of LNG for EU market

- security of supply
 - » more LNG producers than number of countries from which gas can be delivered by pipelines
 - » flexibility of LNG-supply increases ability to respond to short term supply and demand variations
- competition in downstream markets
 - » more spot transactions could facilitate competition downstream – new opportunity for new entrants
 - » pipeline to LNG competition
- essentials to provide these benefits for the market:
 - » prevention of capacity hoarding
 - » transparency for services offered and tariffs charged

● 3rd Package on LNG – Gas Directive (1)

- Designation of LSO
- Tasks
 - Economic, secure, reliable, efficient operation of LNG facilities
 - Non-discrimination
 - Information provision
- Treatment of confidential information
- Connection to the system by TSO
- Separation of accounts – no cross-subsidization
- Ensure objective, non-discriminative TPA regime with approved, published tariffs
- Exemptions for new infrastructure
- Role of regulators (access, tariff)

● 3rd Package on LNG – Gas Regulation (1)

Scope (Art 1(b))

- „Setting of non-discriminatory access conditions to LNG facilities [...]"

TPA (Art 15)

- offer same services under equivalent contractual terms & conditions
- offer services compatible with use of interconnected gas transportation system → ref. to cooperation with TSOs
- make „relevant information” public on use and availability of services → meet users’ ”reasonable commercial needs”

• CAM/CMP (Art 17)

- ambitious and balanced provisions: efficient and maximum use of capacity & facilitate investment in new infrastructure
- Compatibility with market and network access system
- LSO to offer unused capacity on primary market
- Users should be able to re-sell capacity on secondary market

● 3rd Package on LNG – Gas Regulation (2)

• Transparency (Art 19)

- disclosure of information regarding services offered, conditions applied and technical information
- information on contracted and available capacities (regular, rolling basis, user-friendly, ...)
- disclosure requirements also for exempted terminals
- NRA to make public tariff derivation/methodology

• Trading of capacity rights (Art 22)

- LSOs to allow transparent and non-discriminatory capacity trade – shall ensure harmonized "contracts and procedures on primary market to facilitate secondary trade"

● The EU Regulatory framework

- overall:
 - » networks are natural monopolies: regulated access to the network + regulated tariffs
 - » specific power to energy regulators
- LNG:
 - » LNG-terminals are part of regulated infrastructure
 - » however, possibility to be exempted under Art. 36 of the Gas Directive

● Exemption conditions

- a) *the investment must enhance competition in gas supply and enhance security of supply;*
- b) *the level of risk attached to the investment is such that the investment would not take place unless an exemption was granted;*
- c) *the infrastructure must be owned by a natural or legal person which is separate at least in terms of its legal form from the system operators in whose systems that infrastructure will be built;*
- d) *charges are levied on users of that infrastructure;*
- e) *the exemption is not detrimental to competition or the effective functioning of the internal gas market, or the efficient functioning of the regulated system to which the infrastructure is connected*

● 11 LNG terminal exemptions since 2004

- 2004: Grain (UK), South Hook (UK), Rovigo (IT)
- 2005: Dragon (UK), Brindisi (IT)
- 2007: GATE (NL), LionGas (NL)
- 2009: Eemshaven (NL), Livorno (IT)
- 2010: Shannon (IE), Dunkerque (FR)

- Since 3rd Package: legally binding decisions that can be challenged in Court (as opposed to previous recommendations)

- Typical conditions applied:
 - » Exemption for maximum 20 years
 - » Application of UIOLI rules
 - » Capacity cap: no more than 50% of volume to dominant undertaking
 - » Mandatory Open season (already enshrined in Gas directive)

● Completion of the internal market – the role of LNG terminals

- February 2011 EU Council Conclusions call for ending isolated markets by 2015 – target date for Baltic Member States to connect their gas (and electricity) networks to EU and to establish functioning energy markets
- Estonia and Latvia still have derogations for gas sector under Third Package while Lithuania opted for full implementation
- BEMIP project is a very important forum taking forward key gas and electricity and issues; key goals for the gas sector are
 - » diversification of supplies and creation of national/regional market
 - » by building regional LNG terminal and interconnectors infrastructure

http://ec.europa.eu/energy/gas_electricity/index_en.htm

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