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LNG role in Security of Supply
A regulatory perspective

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Europe’s advantages in LNG

- **LNG is a strong asset in terms of security of supply as it offers access to diversified sources:**
  - 17 countries exporting LNG at the end of 2013
  - Key exporters for Europe are Qatar, Algeria, Nigeria and Trinidad
- **The EU has 19 regasification terminals with high unloading capacity available**
  - Total regasification capacity of 186 bcm in 2013
  - Additional regasification capacity (commissioned or near commissioning): 22 bcm
  - Good repartition among Member states, from South to North: 9 countries having a sea coast have at least a terminal
  - Total LNG deliveries in 2014 of around 34 bcm
- **The EU offers a flexibility which can benefit to security of supply in case of crisis**

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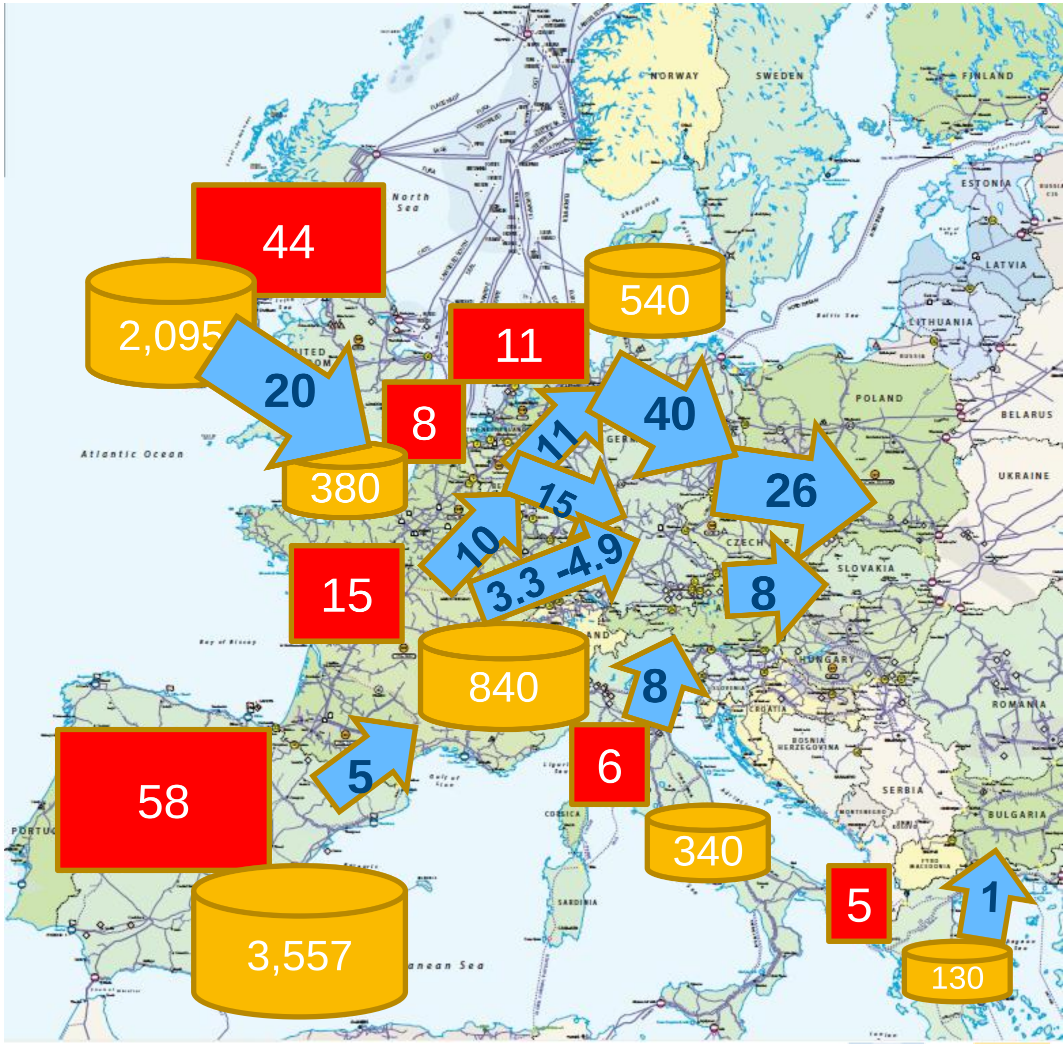
Regasification capacity available in Europe vs Russian gas imports

Year 2013

- ✓ 137 bcm of regasification capacity in Europe were not used in 2013 (73% technical capacity)



Regasification capacity not used in 2013 (bcm)

Technical transmission capacity at the Ips (bcm)

To be considered with caution; in a real crisis situation this capacity would be reduced
Requirements of odorisation harmonization not considered as an obstacle.

LNG storage capacity (1,000 m³ GNL)

Source: NRAs

Status of LNG terminals regulation

- General principle in EU legislation: LNG terminals are regulated and subject to open access
- TPA exemptions to promote investment, but without prejudice to competition and security of supply
  - Exempted terminals are subject to the application of congestion management procedures and transparency obligations
- LNG terminals contribution to security of supply
  - Diversification of supply sources on a long term and a short term basis
  - LNG tanks contribute to flexibility and peak shaving
- But recent experience has shown
  - Flexibility provided by shipping promotes global competition for gas
  - Areas providing higher remunerations tend to attract LNG flows
  - The time frame of LNG trades has to be taken into consideration

LNG and regional security of supply

- Important differences in terms of dependence on LNG among MS
  - Dependence regarding supplies
  - Dependence regarding system balancing
- LNG regulation is nationaly oriented, coherent with the general design of national markets
- Different kinds of solidarity in case of crisis
  - LNG deliveries sent by pipeline to neighbouring countries
  - Re-routing of cargoes to other EU destinations where gas is needed
  - Markets leading the diversion of flows
- What potential regulatory improvements?
  - Prices references arising in all countries/regions (GTM implementation)
  - Questions concern more shipping and supply contracts than rules on regasification
- The EC public consultation on the revision of the Regulation No 994/2010 is questioning LNG role in case of emergency situation

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Maximizing LNG contribution to SOS in a competitive context

- Regasification terminals are an interface between upstream and downstream parts of the gas chain
- Shippers behaviour depends largely on upstream and downstream market conditions
  - Destination clauses in contracts
  - Wholesale prices on hubs
  - Possibility to accede to a large market area: pipeline interconnections are an important complement to LNG
- LNG role should be addressed in a continental perspective with a view to
  - Infrastructure optimisation
  - Solidarity between member states
- Avoiding measures that might suggest public interferences with market fundamentals

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CONCLUSIONS

- In case of **supply disruption**, increased **LNG** deliveries in BE, ES, FR, GR, IT, NL, PL, PT and UK **will help covering Europe's needs** and free up pipe-gas for the other parts of the EU
- **Transmission capacity** seems to be a **limiting factor**; the European network has not been designed to flow gas from LNG terminals along Europe
- Due to the limited potential for **eastward flows** on the EU transmission network, the loss of Eastern gas supplies cannot be compensated only with LNG imports
- A **combined response** would be the most efficient (storage use, increased imports from all alternative sources, increased domestic production…)
- Attracting LNG in a global competitive context, **price is a key driver**, even though LNG seems to "be back"

Thank you for your attention!

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