



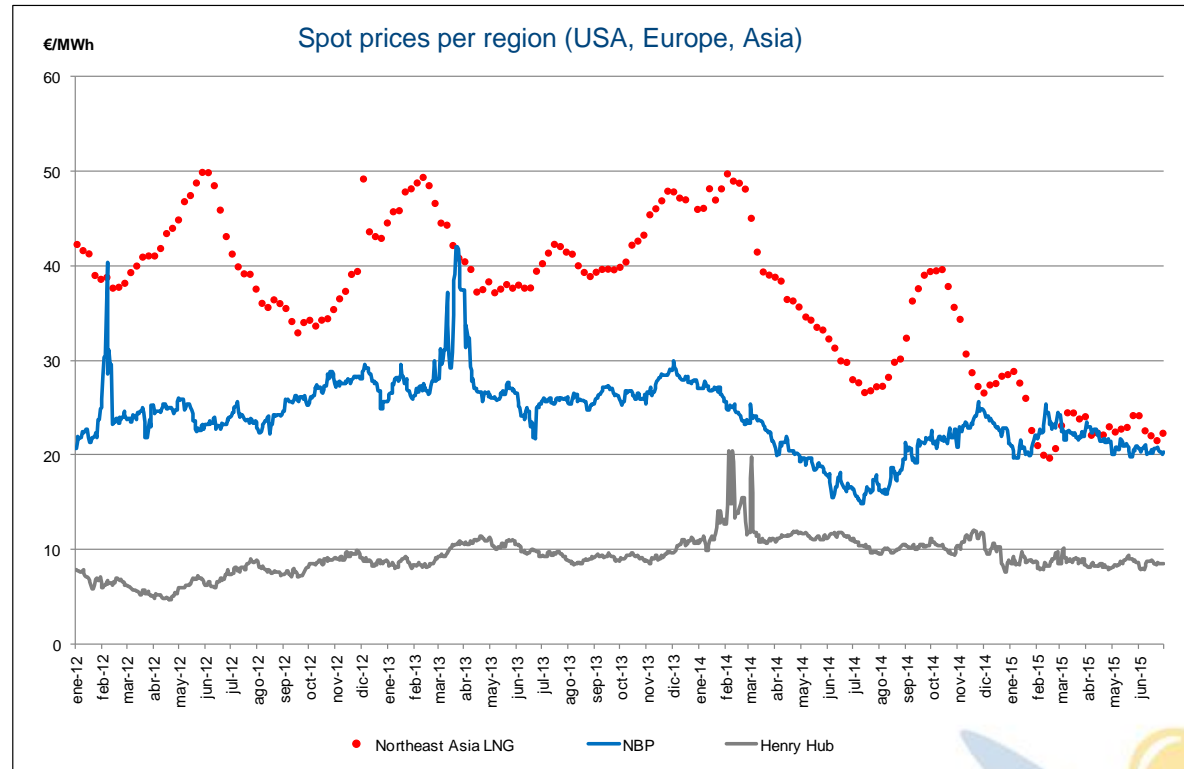
CEER Response to European Commission Consultation on an EU Strategy for LNG and Gas Storage

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European strategy for LNG 1/5

Latest facts about LNG ...

- ▶ Asia-Europe prices remain coupled: **no arbitrage**
- ▶ LNG **European imports** have grown 26% in the 1st **half year** 2015
- ▶ **Reloading** in European terminals has drastically **decreased**: new destination Middle East
- ▶ In the **short term no shortage** of LNG is forecasted
- ▶ Possible **delays in new projects** around the World due to low gas prices



European strategy for LNG 2/5

- **Infrastructure development** could allow **greater access to LNG supplies** either directly (regasification) or indirectly (internal pipelines development)
- Investments **driven by market signals** should represent the most effective way of balancing risks. Mechanisms such as **Projects of Common Interest (PCIs) are one option (among others)** to support expansion of interconnection capacity where market signals indicate a need
- It is **not possible (nor desirable) to define a single optimum level/share** of LNG in Europe/Region as it will be the result of strategies of market participants
- **Access to LNG supplies** occurs according to **market-based mechanisms** and price spreads, thus **prices attractiveness** (key to attract supplies)



European strategy for LNG 3/5

- **Price linkages:** It should be a **natural market development** that contract will stay oil-indexed LNG or will be probably (partially) replaced by **hub based contracts**
- Focus should be on **fully implementing the third package** and TEN-E Regulation, Directives, Network Codes and Gas Target Model, to complete the internal energy market, that would provide the right signals to producers and traders
- Beyond market fundamentals, **the attractiveness of an LNG** terminal will depend inter alia: market **liquidity**, level of **interconnection**, Third Party Access (TPA) **access** arrangements, secondary **trading**, standardisation and accessibility of use, etc.



European strategy for LNG 4/5

- CEER expresses **concerns** on concepts such as **demand aggregation**: demand aggregation through **common purchasing** could raise competition issues and thus distort the functioning of gas markets
- There is room for **improvement** when modelling of **LNG in the TYNDP**
- Effective **NRA oversight** should ensure that **regulated companies are investing** in an economic and efficient way taking into consideration the coexistence of regulated and exempted LNG facilities
- NRAs should make sure that regulatory provisions **apply to newly commissioned (regulated) terminals** across Europe

European strategy for LNG 5/5

- Regulators should focus on **overcoming barriers** that might be linked with the development of **new services** and the use of new technologies at LNG terminals
- Regulatory arrangements should facilitate **new uses of LNG**. There is still a lack of harmonised **technical standards** regarding LNG for shipping. **Taxation** will also play a role in increasing new usages (fuel)
- The European Commission could investigate how LNG, through **solidarity measures** (transparent, non-discriminatory and regulated), could be used to mitigate supply disruptions, **only in cases where markets cannot** ensure the continuity of supply



CEER storage vision: A strategy for the storage market

- ▶ CEER published “Vision on Regulatory Arrangements for the Gas Storage Market” in May
- ▶ This followed over a year of discussions and work with stakeholders

Key messages:

- Any framework should be transparent and must not distort the internal energy market
- Priority must be implementation of the European Network Codes to deliver robust price signals and access to cross-border capacity
- Agreement that “one size doesn’t fit all” when devising storage regulation
- Regulatory framework should promote innovation
- Different views on the extent to which storage was valued
- Defining an optimal level of storage capacity in a given Member State or region could prove very difficult, if not impossible
- Well designed and well-functioning markets are best placed to value and deliver security of supply; effective competition between different sources of flexibility should deliver the most economic and efficient solution
- Regulatory framework should allow storage to compete on a level playing field with other sources of flexibility

CEER Storage Vision: Creating an undistorted market

- Where possible, Storage System Operators (SSOs) to offer all storage capacity to the market on a non-discriminatory basis
- Regulatory framework should allow storage to compete on a level playing field with other sources of flexibility
- Regulation (and policy) should promote innovation and the development of new products
- Transmission tariffs should promote efficient use of storage; tariffs should consider the benefits and costs that storage facilities provide to the overall system
- Member States should adopt a clear competition test to enable NRAs to monitor the effectiveness of each TPA regime
- Users should be able to access storage capacity in adjacent markets without restriction on its use
- Market signals should be used, as much as possible, as the main driver to infrastructure development

CEER Storage Vision: Delivering security of supply 1/2

- Undistorted markets should be the most effective approach to delivering efficient levels of security of supply
- Security of supply across Europe should be assured through a regional approach. Any restrictions on the cross-border use of storage between Member States, including in emergency situations, should be reviewed. Free rider behaviour should not be allowed
- Interventions may be necessary but they must be at a national/regional level and designed to minimise the impact on market functioning and not foreclose the growth of wholesale markets



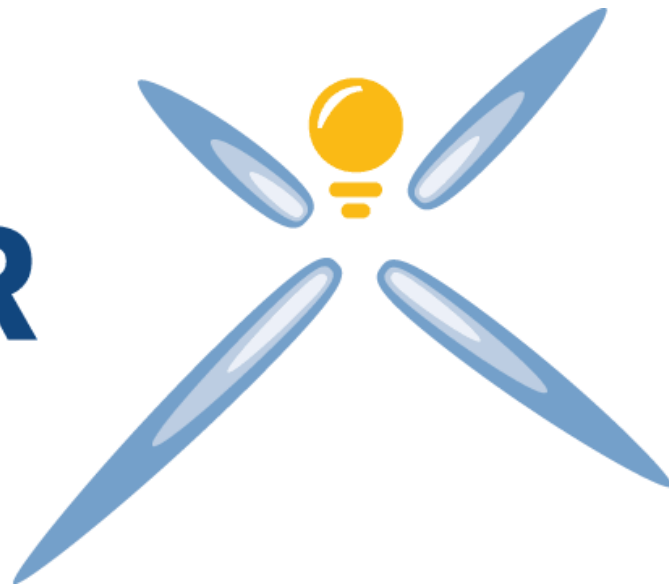
CEER Storage Vision: Delivering security of supply 2/2

- Cost benefit analysis should be conducted when considering interventions. Interventions should be reviewed regularly to ensure that they are fit for purpose
- Storage obligations/strategic storage can provide a degree of certainty regarding the level of storage bookings. When introduced, clear rules, responsibilities and boundaries are needed. They should take into account the national and regional contexts and the impact on the market should be understood and minimised

Thank you for your attention!

CEER

**Council of European
Energy Regulators**



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