

CEER workshop on
Access to European LNG terminals
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Influences on LNG in Europe and EU LNG Policy

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European Federation of Energy Traders



- **Introducing EFET**
- Influences on LNG in Europe
- EU LNG Policy

INTRODUCING EFET

Our Vision:



We foresee sustainable energy markets throughout Europe,
in which traders efficiently intermediate in the value chain
on the basis of clear wholesale price signals,
thereby optimising supply and demand and enhancing security of supply,
to the overall long-term benefit of the economy and of society.



INTRODUCING EFET

Our Mission:



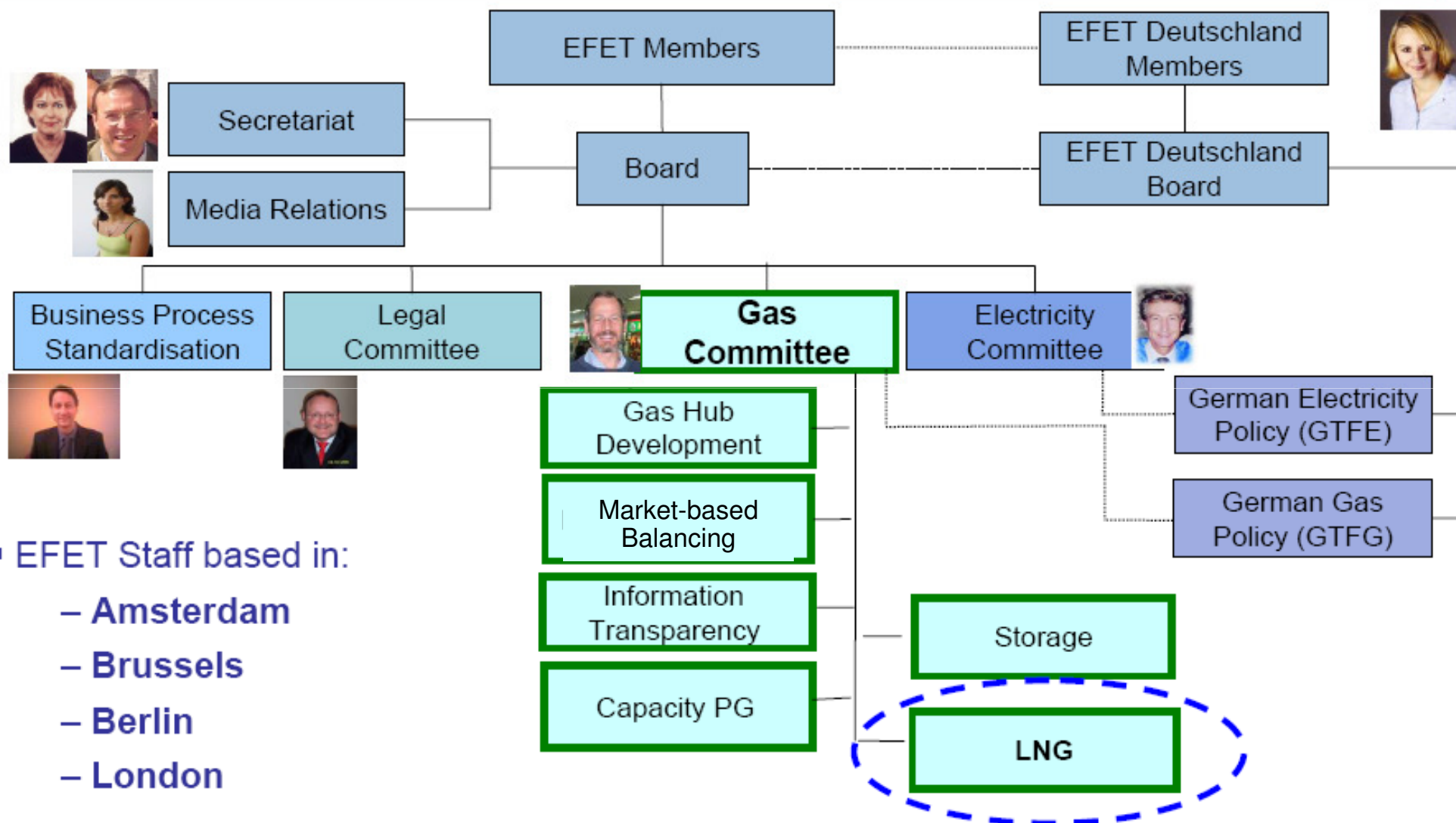
EFET promotes and facilitates European energy trading in open, transparent, sustainable and liquid wholesale markets, unhindered by national borders or other undue obstacles.

Through better:

- Information transparency
- Data exchange
- Products and procedures
- Laws
- Regulation
- Taxation
- European contracts
- Organised market

INTRODUCING EFET

A wide range of interests – Gas is a core area



■ EFET Staff based in:

- Amsterdam
- Brussels
- Berlin
- London

INTRODUCING EFET

Our members' interests in the LNG supply chain



Involvement along (nearly all) the supply chain

Purchasing cargoes for supply portfolio and sales

Trading cargoes

Merchant regas & sale to market

Purchasing LNG and wholesale/trade at hub

(And others)

EFET MEMBER COMPANIES



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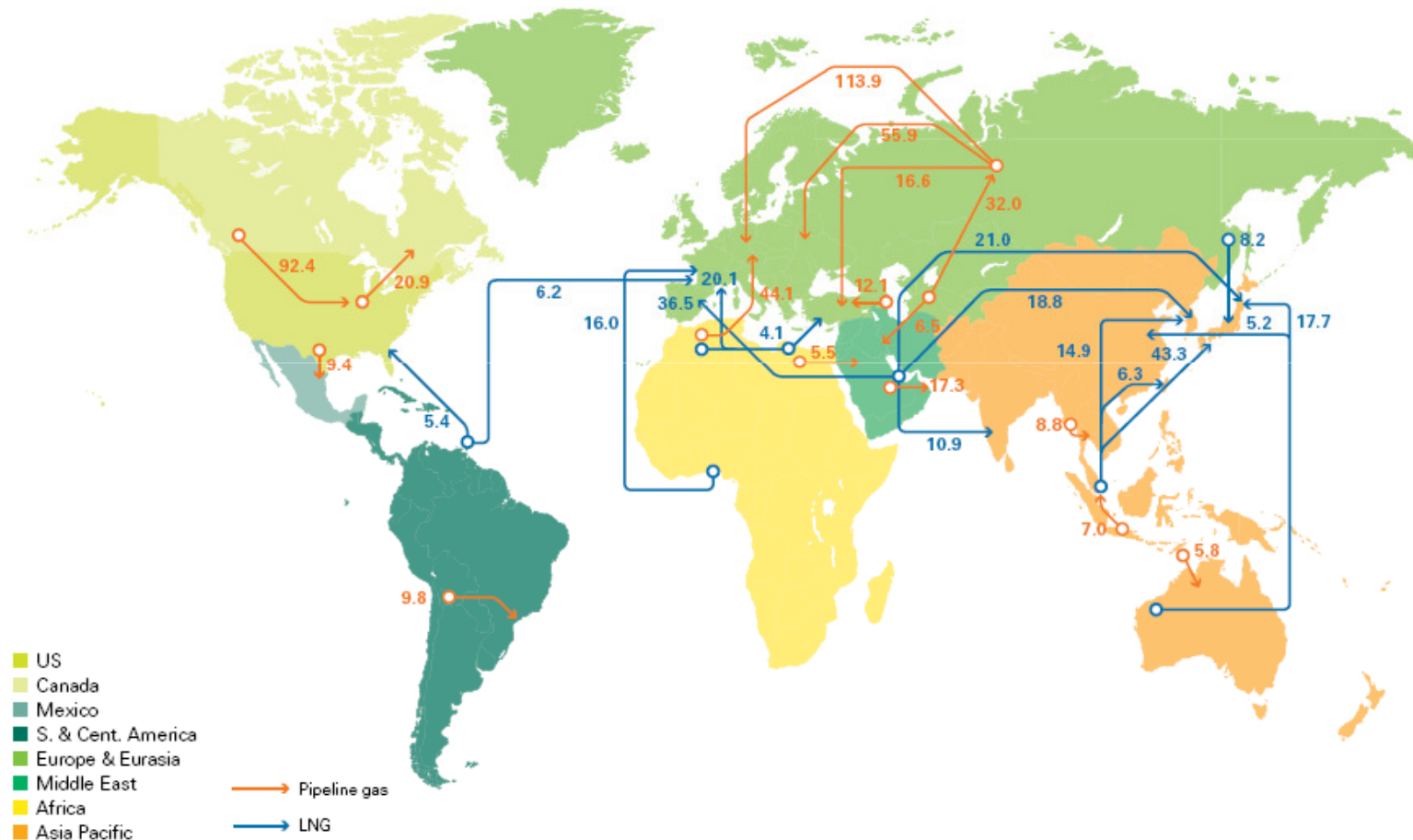
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INFLUENCES ON LNG IN EUROPE

Europe is part of an expanding global LNG market

Major trade movements

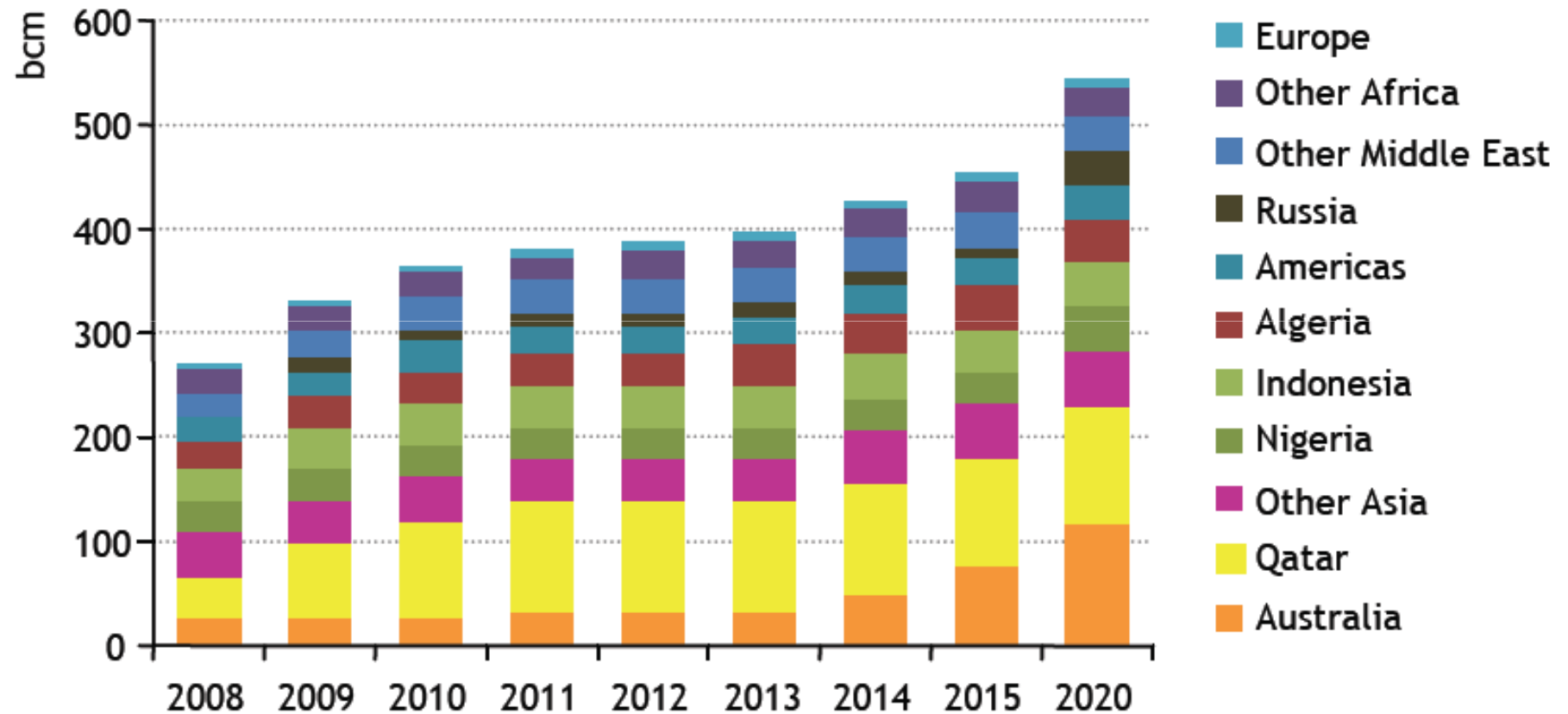
Trade flows worldwide (billion cubic metres)



Source: BP Statistical Review

INFLUENCES ON LNG IN EUROPE

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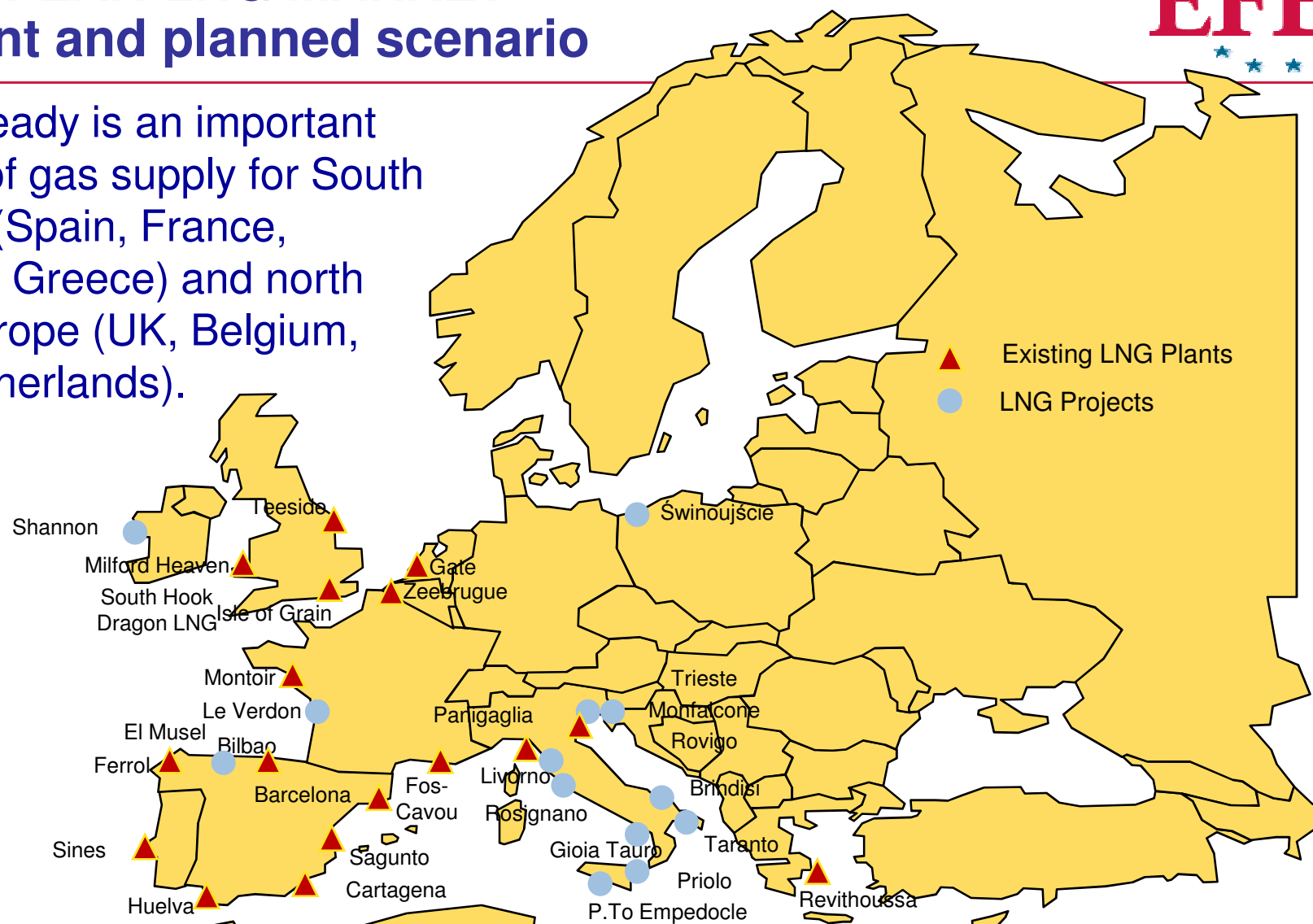
Source: IEA

EUROPEAN LNG MARKET

Current and planned scenario



LNG already is an important source of gas supply for South Europe (Spain, France, Portugal Greece) and north west Europe (UK, Belgium, The Netherlands).



MOST NEW TERMINALS WILL BE EXEMPTED FROM TPA

INFLUENCES ON LNG IN EUROPE

EU political, regulatory and commercial influences



- Governments' national concerns
- Regulators' responsibilities for market oversight
- Shareholders' expectations for growth

Future LNG trading challenges in Europe

- Attracting cargoes in a global market
- Access from ship to trading hub
- Convergence of regulatory and exempt regimes through development of market mechanisms
- Fungibility of LNG with pipeline gas.

⇒ LNG encouraged as a source of diversification of supply (e.g. Poland)

⇒ Increasing influence of National Regulatory Authorities

⇒ LNG expansion provides new trading opportunities, but still mainly for large companies

⇒ Global changes, time for innovation in Europe ?

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Transparency (Information provision)



- ➔ Provision of information is an essential foundation of energy trading
- ➔ A lack of information can stop markets from developing
- ➔ Improved information provision increases confidence and reduces inequalities, this promoting liquidity.
- ➔ Information release needs to be consistent and in a user-friendly format.
- ➔ LSO's should consider what aggregate information they could provide regularly

Standardisation of contracts



⇒ **Rights purchased under a contract for LNG terminal capacity, should be assignable** (free to sell on to third parties not just back to the terminal operator).

- stimulates secondary trading

⇒ **Standard terminology reduces transaction costs,** fewer contract management issues, lower legal risks / fees

⇒ **Some Harmonisation of trading arrangements** at all LNG import facilities to stimulate development of trading on secondary markets

EFET Master DES LNG Sale and Purchase Agreement

Available on the EFET website: http://www.efet.org/Standardisation/LNG_6941.aspx#23735?urlID2r=15

“LNG is of increasing importance for the European gas supply. However an industry-wide standard, a balanced and robust agreement for LNG spot transactions was missing. This missing link has now been filled.

EFET offers an approachable and user-friendly document to the market.”



Dr. Jan Haizmann

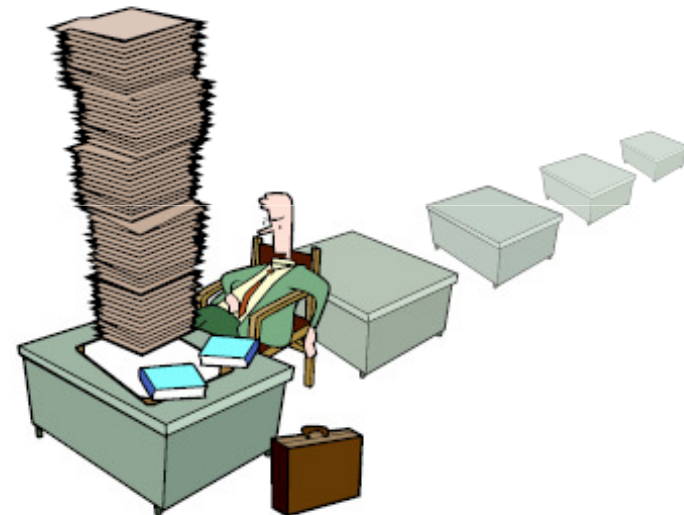
Co-Chairman and Secretary of the EFET Legal Committee

Anti-hoarding measures

➔ Maintaining a clear distinction between anti-hoarding measures and secondary capacity arrangements

➔ **Anti-hoarding is a backstop measure**

➔ **Notification period** for making available unused terminal slots is a key factor in ensuring effectiveness



Secondary capacity trading

- ➔ Focus should be on stimulating secondary trading in a way which is **acceptable to both primary and secondary users**
- ➔ There should be **freedom to deliver innovative products** to meet demand rather than imposition of prescriptive solutions.
- ➔ To facilitate a traded market **some product standardisation is essential**
- ➔ It is crucial that LSOs do not create barriers to the development of secondary markets. They must put in place the necessary arrangements to facilitate the market once there is a recognised need.





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