



# The role of natural gas storage in the changing gas market landscape

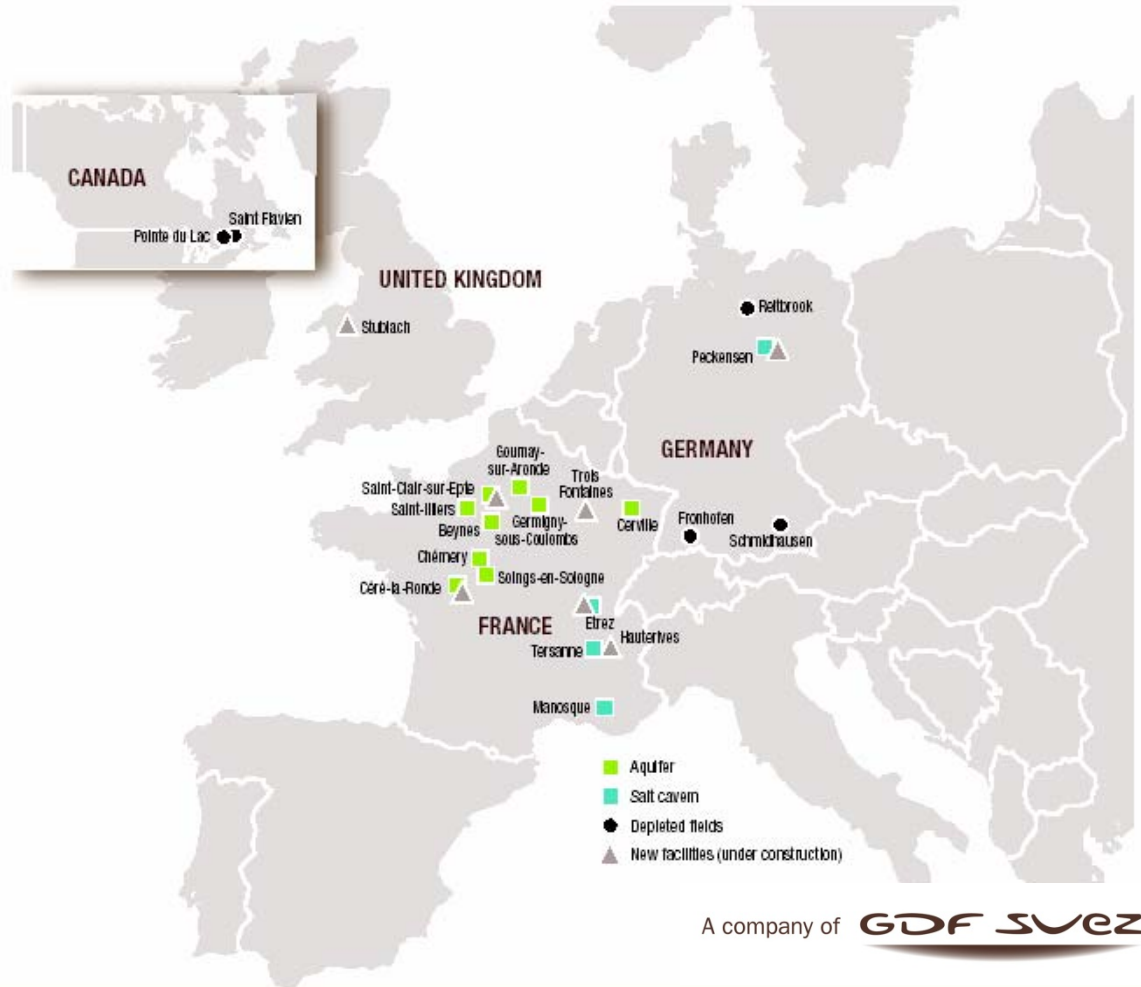
**Jean-Marc Leroy**  
GSE President, CEO of Storengy





storengy

[www.storengy.com](http://www.storengy.com)



A company of **GDF SUEZ**



gse

Gas Storage Europe



## GSE represents the interests of:

- ✓ 33 Storage System Operators,
- ✓ with 110 storage sites in 16 countries in Europe,
- ✓ representing approximately 85% of Europe's technical storage capacity.



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# Agenda

- 1. European gas storage market – Overview**
- 2. Gas storage development and opportunities**
- 3. European legislative framework**
- 4. European gas storage market: main issues**





# 1. European gas storage market - Overview





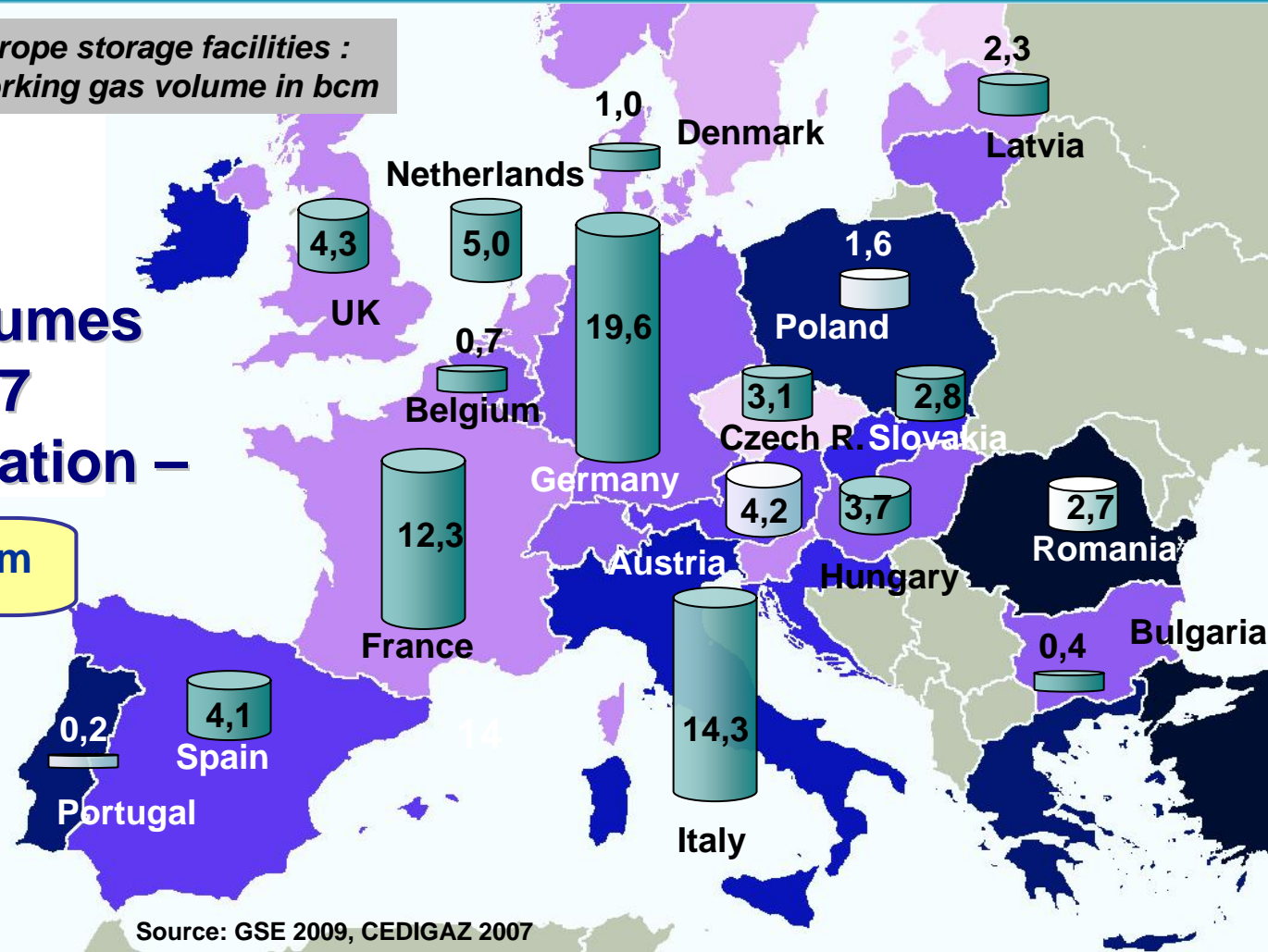




Europe storage facilities :  
working gas volume in bcm

## Storage volumes in EU-27 – current situation –

around 80 bcm



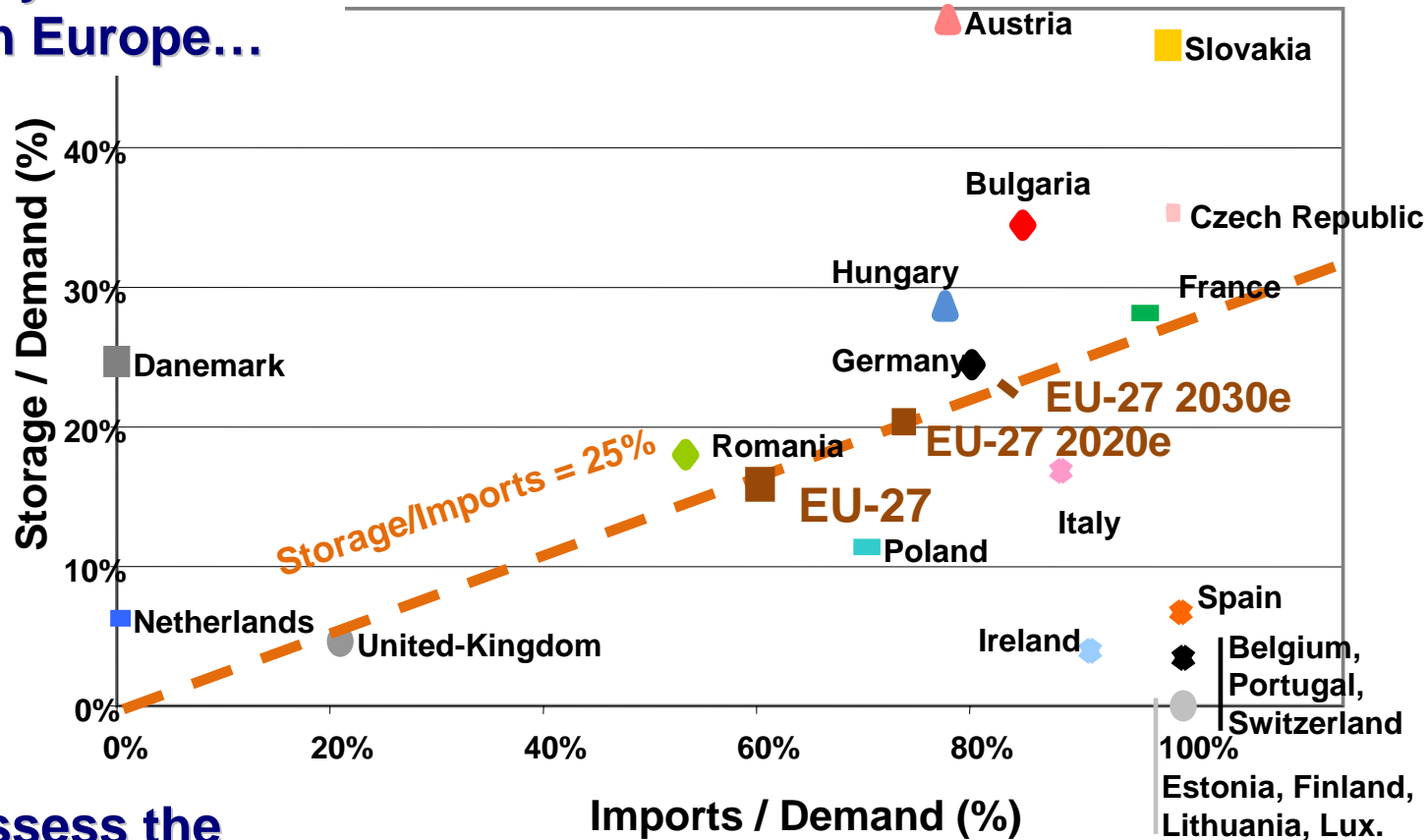
Source: GSE 2009, CEDIGAZ 2007





## Another way to look at storage in Europe...

**EU storage volumes need to be expanded by 30 to 50 bcm until 2025!**



... and to assess the need for new storage

Source: SG Equity Research / Eurogas / GSE 2008





- Commercial storage play a key role in security of supply
- Strategic storage is not the appropriate solution
- The main issue for security of supply is diversification. Gas is paramount in this perspective
- Gas flexibility should be improved





## 2. Gas storage development and opportunities





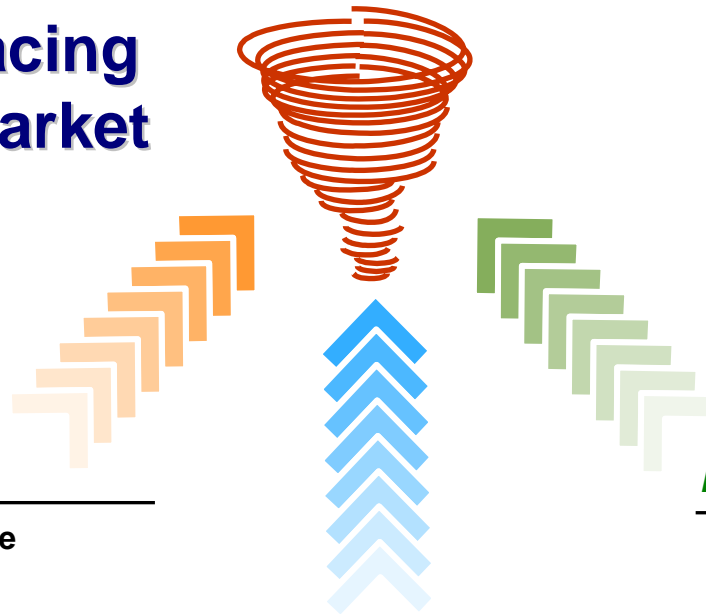
## New uncertainties facing the European gas market

### *SUPPLY*

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- LNG is flexible
- Transit
- Unconventional gas in Europe

... leading to  
opportunities in gas  
storage development



### *DEMAND*

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- Impact of crisis
- Role of 20/20 targets

### *COMMERCIAL*

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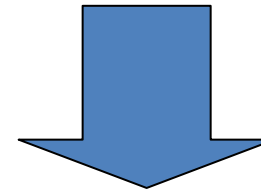
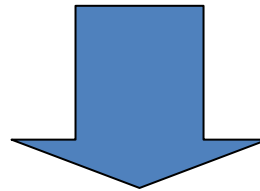
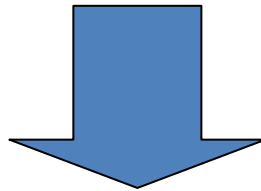
- What price for investment economics?
- Where will costs settle?
- Availability of debt

Source: Cambridge Energy Research Associates, 2009





## Why are gas storage needs increasing in Europe?



- ⇒ Longer transportation routes
- ⇒ Decreasing EU gas production
- ⇒ Increase of gas imports
- ⇒ Increase of interruptible renewable power generation installed capacity
- ⇒ Increase of gas-fired power generation installed capacity

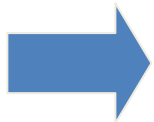




## Investment : Commercial Storage Operators are responding to market needs

### Database of EU storage investment projects :

- Working gas capacity in projet = **63 bcm** (February 2009)
- Grand total of around **110 projects**
- **The increasing role of new players :**  
25% of projects / 30% of planned new capacity (~19 bcm)



[http://www.gie.eu.com/maps\\_data/database/index.html](http://www.gie.eu.com/maps_data/database/index.html)







## 3. European legislative framework





2 directives  
for 2 objectives

- **European legal framework**

- Security of supply (2004)
- Internal market liberalisation (2009)
  - Ensures Third Party Access (TPA) to storage
  - Gives alternatives for Member states: Regulated / Negotiated

**GSE believes that :**

- the choice of access regime should be market oriented
- negotiated TPA should be the preferred choice wherever market conditions allow as this regime best facilitates investments and further development of the market





## 4. European gas storage market : main issues





→ **Development : a challenge**

developing as much over the next 20 years as over the last 40 years

→ **Competition with other flexibility tools :**

indigenous gas production swing, imported pipeline gas contract flexibility, peak shaving, spot markets, imported LNG, new transmission lines, interruptible gas, ...

→ **Attracting funding : an other challenge**

investing up to several dozen billion euros over the next 20 years

→ **A stable European Regulatory framework : a necessity**  
for encouraging new storage developments as well as the optimal use  
of existing storage facilities





**Europe's etymology :  
“the far-seeing one”**







24<sup>th</sup> World Gas Conference  
ARGENTINA | 2009  
5-9 October

The Global Energy Challenge:  
Reviewing the Strategies  
for Natural Gas

# Thank you for your attention!

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