

GIE Position Paper

CEER analysis on the role of LNG to improve security of supply

About GIE

Gas Infrastructure Europe (GIE) is an association representing the interests of European natural gas infrastructure operators active in natural gas transmission, storage and LNG regasification. GIE is a trusted partner of European institutions, regulatory bodies and industry stakeholders. It is based in Brussels, the heart of European policymaking. GIE currently represents 67 member companies from 24 countries.

One of the objectives of GIE is to voice the views of its members vis-à-vis the European Commission, the regulators and other stakeholders. Its mission is to actively contribute to the construction of a single, sustainable and competitive gas market in Europe underpinned by a stable and predictable regulatory framework as well as by a sound investment climate.

GIE comments

GIE takes note of the CEER Analysis on the role of LNG to improve security of supply published on February 2016 which investigates the potential contribution of LNG to EU Security of Supply. It recommends a list of measures to be taken in case of emergency and/or crisis situations in order to improve resilience to gas disruptions and protect the most vulnerable Member States.

GIE considers this paper is a good starting point for discussion. The global LNG market gives the EU access to a large variety of LNG sources and routes. For this reason, LNG will play a considerable role in ensuring security of gas supply for the EU. Even in the event of a supply crisis, market players should be given sufficient opportunity to respond to the situation with market-based measures. Given its key function in the internal energy market, the contribution of LNG terminals should be properly reflected in the preparation of the regional risk assessments and preventive/emergency plans.

GIE agrees with CEER that visibility and transparency are essential elements when dealing with security of supply and emergency situations. For this reason, GIE has put in place different transparency initiatives, on a voluntary basis, including the GLE Map, the Aggregated LNG Inventory Platform (ALSI), the Investment Database, the Small Scale LNG Map or the GLE Transparency template among others. These tools already make publicly available valuable information that can be used both in normal and emergency/crisis situations. GIE updates such information on a regular basis.

From a general perspective, GIE also agrees with CEER's principles aiming at increasing cooperation among the LNG/gas value chain, early preparation and coordination and harmonization in order to allow LNG to fully play its role in case of emergency and crisis situations.

GIE broadly agrees with the recommendations proposed by CEER but we understand that they still need to be further detailed and clarified. In particular, measures should be appropriate and proportional to the situation that they are designed to tackle. For instance, distinction should be

made between what is requested in emergency, crisis and normal situations. In addition, the costs connected to the implementation of the CEER recommendations should also be taken into account, especially in case where IT developments are envisaged.

Moreover, future works concerning the proposed measures should clearly distinguish between the roles and responsibilities of the LSOs and other parties. When defining and implementing the measures, it should be borne in mind that LSOs are operating under different business models and regulatory frameworks. It is paramount that the measures should be non-discriminatory and should comply with the existing regulations.

LNG may well play an increasingly important role in European gas markets in terms of security of supply, as LNG is well placed to contribute towards diversification of supply sources and can help to compensate a supply disruption (e.g. of pipeline gas). GIE notes that apart from the security of supply, LNG also adds to competition between suppliers and enhances market functioning.

EU LNG terminals are the entry points for LNG volumes which can enter the EU market and compete with traditional pipeline gas supplies (e.g. Russia). GIE believes that the potential of LNG should be explored in the whole EU. However, the positive role of LNG, in particular in the security of supply dimension, should be fully utilised in vulnerable EU regions that have a high share of supply dependency from the major supplier and lack adequate gas-to-gas competition (such as the regions located in the eastern part of EU). Deployment of LNG in these areas will be beneficial because the gas consumers will have the possibility to access LNG as a reliable and competitive fuel which is, in addition, the cleanest among the fossil fuels.

For this to happen, it is important to duly consider LNG terminals located in the aforementioned regions and, where appropriate, respond to the needs for infrastructure developments to enable effective transmission of LNG through the region to adjacent systems. In addition, EU regulatory framework and regulatory authorities should continue supporting the development of liquid wholesale markets and well-interconnected regional gas hubs in those parts of the EU.

Furthermore, GIE would like to point to small-scale LNG services that have seen significant development in the recent years. The clear advantages of LNG (in particular environmental benefits), supported by EU policies, have contributed to this process. As a result, LNG is gathering ground throughout Europe as fuel for maritime and road transport and energy solution in off-grid destinations. These developments respond in the first instance to emerging market needs and allow LNG to enter new market areas. From the security of supply perspective, small-scale LNG services are mainly important when supplying areas not connected to the gas grid (e.g. remote areas).

It should be reminded that ensuring security of supply depends on the whole infrastructure chain (i.e. LNG regasification terminals, transmission and storage infrastructure), as the combination of them has the required potential to ensure that the whole gas system properly fulfils its role.

GIE believes that, in case of supply disruption, collaboration between every actor is crucial and, therefore, GIE looks forward to further cooperation with CEER and other market stakeholders in order to ensure the right level of security of gas supply in the EU.