

Gas Coordination Group  
2 April 2009  
Brussels



European Federation of Energy Traders

## Improvements to EU Gas Security of Supply

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# Improvements to EU Gas Supply Security

## Lessons from January 2009\*

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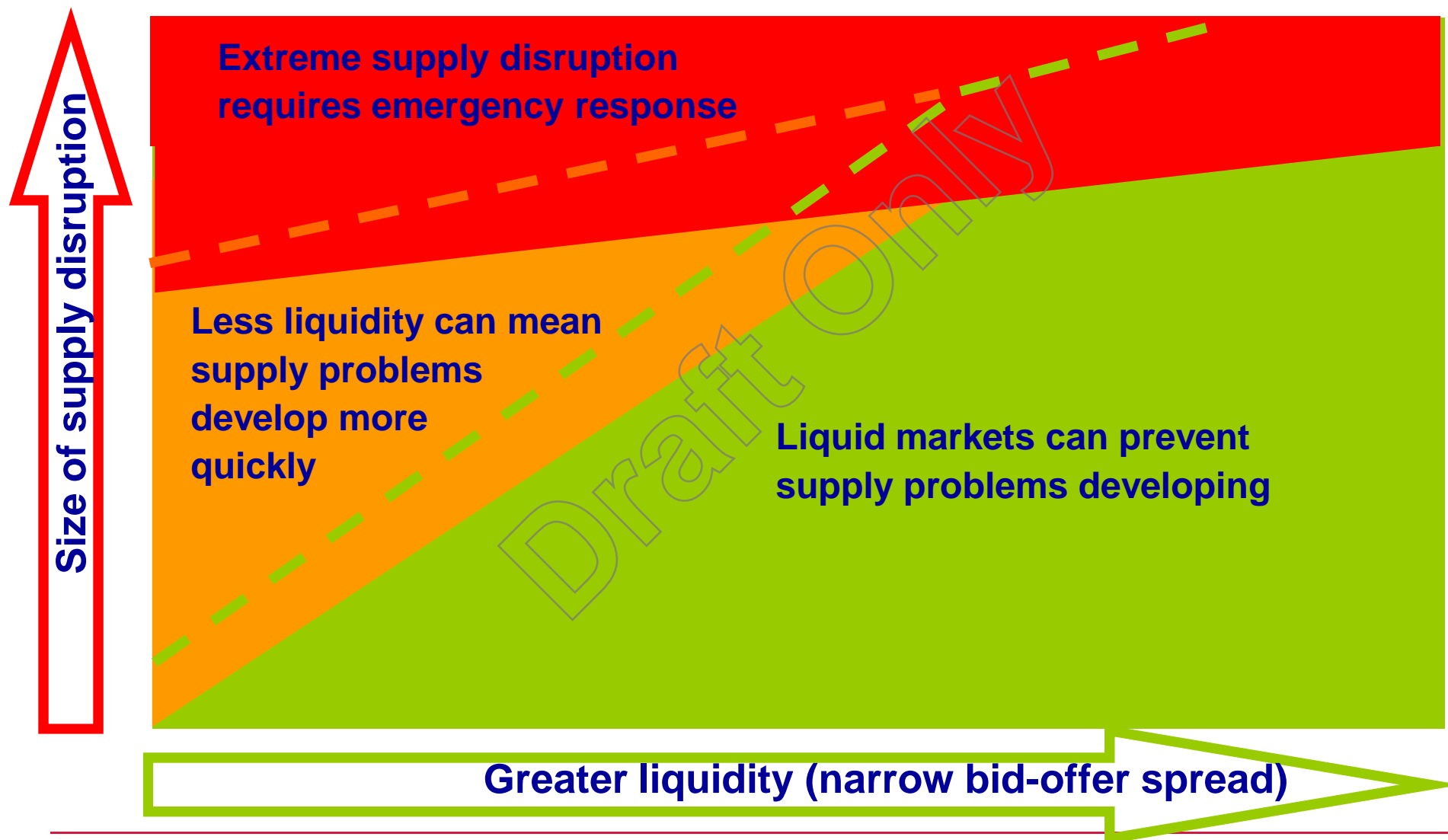


- Integrated markets are more secure.
- Three key areas to address:
  - Better information provision by infrastructure operators
  - Emergency declaration and Government intervention
  - Regional Co-operation

\*EFET replied to Commissioner Andris Piebalgs' on 30 March 2009 regarding his request for information on the lessons from the Russia-Ukraine gas crisis. The letter is available on [www.EFET.org](http://www.EFET.org)

# Improvements to EU Gas Supply Security

## Integrated markets are more secure



# Improvements to EU Gas Supply Security

## Key issue – allowing the market to operate\*

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- Competitive markets help to maintain secure supplies because the gas flows respond to price differentials as far as physically and economically possible
- Barriers to the flow of gas between Member States only exacerbate supply disruptions
- Improvements are needed in three areas:
  1. Information – for confidence, ability to respond, good decisions
  2. Declaration – consistency, at the right time and effective
  3. Regional Co-operation – to allow gas flows, optimal solutions

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\*NB EC/2004/67 Article 8.2 already states that “Member States' emergency measures shall ensure, where appropriate, that market players are given sufficient opportunity to provide an initial response to the emergency situation”.

# Improvements to EU Gas Supply Security

## Information provision by Infrastructure Operators

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To enable markets to respond, and supply disruption to be mitigated:

1. TSO daily load forecasts of internal and external **gas demand** on their system, and the level of interruption available to the TSO.
2. TSO daily **supply forecasts** of aggregate nominated supplies.
3. TSO daily statements of any **capacity limitations** included in the supply forecasts.
4. Daily data from LNG and Storage Operators on gas in store and site **delivery potential**.
5. **Immediate updates** if there is a change that might lead to an emergency declaration or the end of an emergency.

# Improvements to EU Gas Supply Security

## Emergency declaration and Government intervention

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Definition of an Emergency situation must be clear in advance and consistent between adjacent TSOs

1. The procedures must be known to market participants, in particular the point at which a market would be suspended.
2. National measures should be designed to encourage the efficient working of the wider market so that gas is able to reach the areas of greatest need.
3. The steps of an emergency procedure should include compensation provisions, for example in the event of Government intervention.

# Improvements to EU Gas Supply Security

## Possible Criteria for declaration of an emergency

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- o An emergency procedure shall be initiated if the firm demand forecast for the affected TSO system(s) exceeds the maximum forecast aggregate supply from all pipeline, LNG, storage and other sources within the affected transportation system(s) to such an extent that the pressures in the TSO system(s) would fall to unsafe levels.
- o The declaration of an emergency situation shall not take place if the continued operation of the traded market would be reasonably expected to keep the pressures in the TSO system(s) safe.
- o The decision to declare an emergency shall be subject to checking, at least after the event, by ACER to ensure that adequate consultation took place and that every chance was given for the market to help provide sufficient gas.

# Improvements to EU Gas Supply Security

## National restrictions can be unhelpful

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See the EFET paper  
**“Improvements to EU Gas  
Security of Supply  
Legislation”** 26 March 2009,  
for examples

[www.EFET.org](http://www.EFET.org)

1. The Italian border constraint
2. The Slovakian storage constraint
3. National TSO responsibilities



# Improvements to EU Gas Supply Security

## Regional cooperation would be more effective

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Allow traded markets to function for as long as possible.

- Price signals help to mitigate some aspects of supply disruption without Government intervention.
- Robust markets allow short-term optimisation and also reduce compensation problems in the event of supply shortfalls

Operator responsible across several transmission systems.

- Comprising one large balancing zone
- Operational flexibility is increased because there are less physical and contractual interfaces
- liquidity is enhanced because of the larger number of participants, supply and demand sources and market size

# Improvements to EU Gas Supply Security

## Two practical steps on investment and operation

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### **ENTSOG 10 year investment plan**

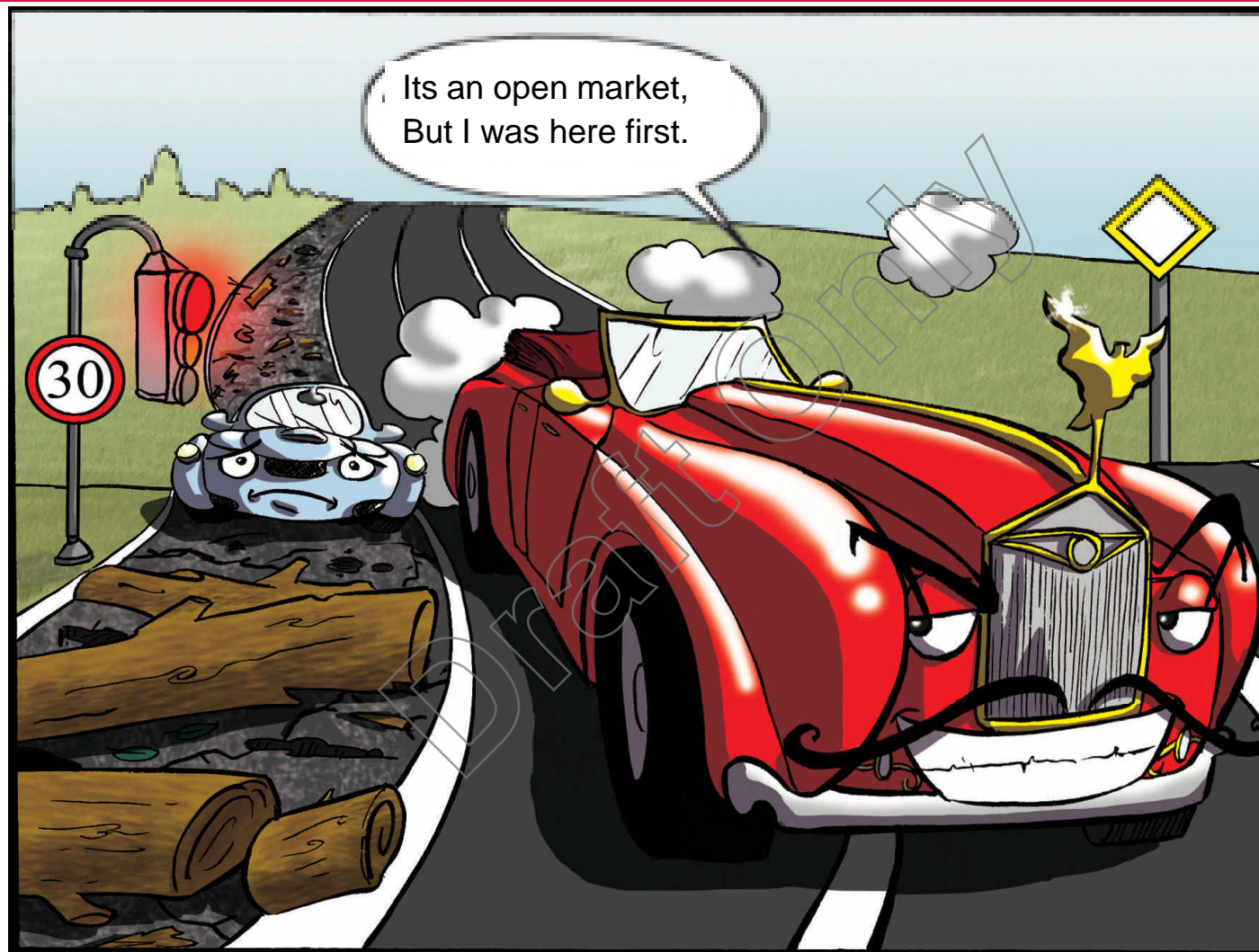
- “TSOs must plan to build sufficient capacity to enable the maximum supplies from each source to enter the EU market and that this investment is allowed in the regulated asset base.”

### **Security of Supply Directive (EC/2004/67)**

- “If a potential emergency declaration would affect more than one TSO system then the operators of each system shall endeavour to operate their combined infrastructures to maximise the opportunities for market participants to flow gas to the worst affected areas.”

# Improvements to EU Gas Supply Security

## Border constraints reduce gas flows!



# Improvements to EU Gas Supply Security

## In conclusion

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EFET Members have a direct interest in security of gas supply.

In our view, better implementation of EC/2004/67 and future improvements require:

1. Development of liquid (regional) gas hubs throughout Europe
2. Access to capacity to move gas from one hub to another
3. Clear definitions of forecast supply emergencies and agreed compensation mechanisms in the event of disruption

EFET is willing to work with other Gas Coordination Group members to help achieve these steps

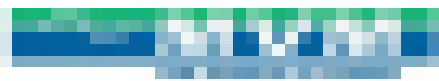


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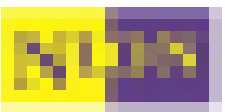
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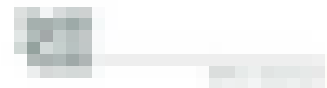
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