MARKET PRICING
FOR LNG TERMINAL
CAPACITY

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- About EFET
- The EU Gas Market
- The LNG capacity problem
- A market solution
EFET:
The voice of energy traders in Europe.

The European Federation of Energy Traders (EFET)

- Represents over 80 trading companies operating in about 20 countries
- Promotes pan-European energy trading in open, transparent and liquid wholesale markets.

Main activities include:
- Advocacy for liberalised markets
- Promotion of energy trading in Europe
- Standardisation of contracts
THE EFET MISSION: improve conditions for energy trading in Europe.

“... fostering the development of an open, liquid and transparent European wholesale energy market”.

Through better:

- Information transparency
- Data exchange
- Products and procedures
- Laws
- Regulation
- Taxation
- European Contracts
- Organised market
TRADERS’ PRIMARY LNG CONCERN:
To ensure there is fungibility with pipeline gas

- It should be possible to buy and sell LNG interchangeably with pipeline gas without any undue physical, commercial or legal barriers.
THE DEVELOPING EU GAS MARKET:
Regulated infrastructure, traded supplies

- Gas Interconnectors
- LNG Interconnectors
- Hub
- Trading Hubs set Market Prices
- Regulated, Independent Network Operators
- I/O
- LP Distribution
- Demand management
- Industrial & Commercial
- Customer Choice of Suppliers
- Residential

Competing Producers
Competing Suppliers
EUROPEAN LNG TERMINALS ARE REGULATED:
but most new LNG terminals will be exempt

“I consider that a derogation from the requirements of TPA should be the norm not the exception for new LNG terminals”
EU Energy Commissioner Andris Piebalgs
(@23rd WGC June 2006)
EXPANSION OF INTERNATIONAL LNG TRADE: Providing choice and Connecting Markets
BIGGEST LNG INVESTMENTS ARE UPSTREAM: Downstream bottlenecks should be rare

Production | Liquefication | Shipping

Regasification | Marketing & Trading

90% of costs
10% of costs
THE LNG CHAIN USED TO LOCK IN CARGOES: Increasingly, suppliers (& buyers) have choices.

Regional choices across the globe

Choice of terminal within a region
THE EU’s DUAL REGIME: regulated and partially or fully exempt access creates several problems

Regulators must fix or approve prices for some terminals

Operators face different regulatory requirements

Users must tackle different procedures and uncertainties

No clear economic signals for investment

Poor optimisation of assets

Distortions in the market result in inefficiencies and higher costs for consumers

Few are happy with the current Position:
OLD SUPPLY CHAINS UNSURE: But market solutions will allow access regimes to converge

Three common actions are a) improve information transparency b) use opportunities to sell capacity and c) harmonise business rules

Some basic requirements should be the same for regulated and unregulated LNG terminals

β Improved transparency – daily publication of aggregate use of terminal capacity

β Operators aim to make available all unused capacity (at market prices)

β Business rules should be harmonised to remove undue barriers to trade
MARKET-BASED ALLOCATION: can develop as number of participants increases

EU & US regas utilisation has been c.60% in recent years and may well fall in the future. Downstream market players can help to optimise and enhance the value of storage and sendout.
IN CONCLUSION: Market-based allocation brings wide benefits to most participants

Market pricing for unloading, storage and send-out capacity has wide benefits

- ‘Regulated’ terminals can use market prices
- Operators of ‘unregulated’ terminals know the market value of their capacity
- Users (upstream & downstream) access capacity at market prices
- Better economic signals for investment
- Better optimisation of assets
- More efficient market resulting in lower costs for consumers
Thank you. 
Any Questions?