

**Proyecto de Real Decreto por el que se modifica el Real Decreto 1716/2004, de 23 de julio, por el que se regula la obligación de mantenimiento de existencias mínimas de seguridad, la diversificación de abastecimiento de gas natural y la corporación de reservas estratégicas de productos petrolíferos**

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**EFET comments – 28 February 2019**

The European Federation of Energy Traders (EFET) welcomes the opportunity to provide comments to the Miteco public consultation prior to the modification of the Royal Decree 1716/2004. We are providing our feedback limited to the aspects of our interest, namely the measures for the security of gas supply and market-based operations.

***Strategic storage obligations***

EFET firmly believes that a well-functioning market is the most suited mechanism to respond adequately to security of supply concerns. In this respect, market-based measures are in our view the most efficient means to deliver security of supply efficiently. Imposing obligations on shippers represents a burdensome requirement and a key barrier to entry and to the development of a secure, liquid and competitive gas market in Spain. This holds true for both strategic storage provisions and for the Winter Plan ones, whose obligations limit shippers ability to fulfil delivery of gas to the system when mostly needed in the most cost-effective manner.

As we have already said in our previous statements on the matter<sup>12</sup>, we believe that storage obligations requirements should be at least reduced in the short term, with the view of removing them in the medium-term. Therefore, letting market dynamics ensure an adequate and flexible gas supply based on the existing obligations to guarantee supply on shippers with end consumers.

With this in mind, we think that the extent of all sort of obligations imposed on shippers should be thoroughly justified and accompanied by a comprehensive study to present alternative options aimed at minimizing the burden for both market participants and consumers. The study should consider at least: seasonality of the obligation, required stock holding and alternatives for shippers to comply.

In the absence of shippers individual market-based management of strategic reserves, a second best solution that could be considered as a temporary measure is the voluntary transfer of part of the existing strategic reserves from shippers to the public corporation, CORES. CORES would temporarily assume the establishment and management of stocks, notwithstanding that its role should be limited in time and in favour of market based alternatives.

Going into the specifics of the strategic storage mechanism, we believe that in general any imposed obligation should be neutral in relation to the impact on the ability of market players to compete. With the view of maximizing flexibility and efficiency in the procurement of reserves, cross-border access to flexibility should be facilitated: hence, reserved storage capacity (LNG or underground storage) in a

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<sup>11</sup> The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. EFET currently represents more than 100 energy trading companies, active in over 27 European countries. For more information: [www.efet.org](http://www.efet.org)

<sup>2</sup> See for instance [EFET reaction to the Minetad Gas Winter Action Plan 2017/2018](#), 20 October 2017

neighbouring EU country should also be considered valid in order to fulfil this obligation. Therefore, reserved withdrawal capacity from both underground storage and regasification plants could be also considered to fulfil the obligations.

## **Final comments**

In our view the Ministry should, once establishing the seasonal efficient stock holding levels, consider introducing mechanisms to release the required volume of reserves if, based on weather predictions and analysis, these will not be necessary to ensure the security of supply over the remaining mandated period i.e. April to March.

Notwithstanding the mitigation measures discussed above, we reaffirm our firm opposition to both strategic storage and Winter Plan as measures to ensure security of supply, which should cease to exist in its current form in the medium-term in favour of market-based alternatives. Therefore, we recommend the initiation of a process of gradual phase-out of these measures, aimed at progressively reducing the extent of the restrictive and expensive obligations imposed on shippers.

As a final note, as it concerns information provision obligations, we believe that no additional burden should be imposed on shippers whilst there is margin for improvement of efficiency of systems already available.