

## ENAGAS and TIGF consultation on the STEP project

### EFET comments – 12 April 2018

The European Federation of Energy Traders (EFET<sup>1</sup>) welcomes the opportunity to provide comments to the joint ENAGAS & TIGF consultation on the STEP project.

In general terms, giving access to new sources of gas backed by strong commercial interest is key to support a diversified EU gas market. Projects that are not supported by commercial interest will have their costs socialized and consequently increased transmission tariffs paid by network users. Where such projects are proposed on security of supply (“SoS”) or other non-commercial grounds, it is essential that they are accompanied by a thorough Impact Assessment including cost-benefit analysis showing the quantified benefits of the proposed investments and how its costs will be recovered. The assumed duration of the benefits and the amount of financial support being sought should also be shown. Furthermore and for reasons of responsibility and objectivity, public consultations related to projects proposed based on SoS arguments are better conducted by the relevant regulator(s) rather than by the concerned TSOs.

First of all, we notice the complete lack of numerical analysis regarding the historical cross-border flows as well as numbers regarding the utilization of the existing infrastructure.

Second, as stated in the consultation, the demand indication for incremental capacity at VIP Pirineos requested by the TSOs in April 2017, though non-binding, did not receive interest from the market. The mere fact that some auctions (not even all of them) cleared with premium over the reserve price, cannot be a solid and standalone argument for a new investment project. In fact, an auction premium materialising in a given moment does not necessarily translate to a value over the longer year life of an infrastructure. Moreover, we highlight that due to the planned merger of the French North and South market areas as of 1<sup>st</sup> November 2018, price dynamics with a single gas market area in France are uncertain and should be modelled.

Hence, our position is that where the decision to build a new infrastructure is not clearly backed up by commercial commitments, it could still be justified on the ground of security of supply concerns. In this case, it should be up to National Regulatory Authorities to intervene. Nonetheless, whether a project is proposed on the basis of SoS or other non-commercial grounds, it is essential to include an impact assessment, open to consultation, together with a cost-benefit analysis explaining the expected costs and values and the impact on existing revenues and tariffs. Clearly, we would not support projects that are not backed by a positive and transparent cost-benefit analysis, as such projects would be counterproductive for European gas market integration.

**In light of the above, we therefore strongly request that a thorough, transparent cost/benefit analysis is performed by an independent party before TSOs submit their final proposal to**

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<sup>1</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)

**NRAs/Ministries. This analysis should include the publication of relevant indicative tariffs for at least three alternative booking scenarios.** At European level and throughout the Quo Vadis study

and Tariff Network Code discussions, EFET has repeatedly expressed concerns about assets that are currently stranded and potential new infrastructure that is not underwritten by the market which may add to tomorrow's stranded assets.

We recommend instead to work on improving the access to LNG terminals, where needed, on both sides of the border as redirection of cargoes would seem to be a cheaper substitute of a new infrastructure, at least up to the point where the terminals in the more expensive pricing zone are full.