

CRE consultation on the new tariffs for the use of LNG terminals (ATTM6)**EFET response – 25 September 2020**

The European Federation of Energy Traders (EFET) thanks CRE for the opportunity to present its view on the amended tariffs methodology for the use of French LNG terminals (ATTM6). We also thank CRE for making this consultation once again available in English.

Question 1 Are you, like CRE, in favour of de-regulating the loading activity of small-scale LNG carriers?

Considering that the service for loading small-scale LNG carriers does not use the facilities to regasify LNG in direction of the transmission network, and thus this LNG does not access the European internal natural gas market via the terminals, we agree with de-regulating this activity. We agree with CRE that de-regulating this activity should come together with specific scrutiny (e.g. with regard to jetty use) to avoid cross-subsidisation.

Question 2 Are you in favour of the principles for the allocation of charges between regulated and non-regulated services as envisaged by CRE?

We support CRE's approach to the treatment of charges between regulated and non-regulated activities (tanker-truck loading and LNG transshipment activities).

Question 3 Are you in favour of limiting the depreciation period for Montoir and Fos Cavaou assets commissioned from 2011 to 20 years?

The new rule would change the depreciation of elements from the terminals originally set at 40 years to a depreciation of 20 years. In practice, this rule would not concern the Fos Tokin terminal. It would concern about 11% of the elements with a 40-year

depreciation plan at Fos Cavaou, meaning that the share of capital charges remaining to be covered at the end of long-term contracts is virtually unchanged. For Montoir, the amount of investments made since 2011 is bigger, with around half of the residual capital charges at the end of the long-term contracts being covered.

We understand that the new rule is trying to align the depreciation periods to expectations with regard to the future role on gas in energy supply. However, more thorough details would be needed to understand the impact of this change of rule on the tariff level.

Question 4 Are you in favour of adapting the specific premium as envisaged by CRE?

As indeed the commercial risk borne by the LNG operators would be reduced with a 20-year depreciation period instead of 40 years on certain elements, the risk premium should also be reduced.

However, as noted in our response to Q4, while this measure is good to make sure that the LNG operators have the right incentives, it does not solve the question of possible increases in the tariff level borne by market participants.

Question 5 Are you in favour of the changes to the operation of the CRCP that CRE is considering for the ATTM6 tariff?

We agree with the alignment of the CRCP functioning with that of other tariffs (ATRT7, ATRD, TURPE). We note the different timeline and clearing brackets (2 years, +/- 3%), and have no fundamental opposition to them. Appropriate monitoring should be performed to ensure that the functioning of the CRCP is fit for purpose.

Question 6 Are you in favour of the tariff schedule and the principles for changing the tariffs envisaged by CRE for the ATTM6 tariff?

We approve the CRE proposal.

Question 7 Are you in favour of the scope of the revenues and expenses covered by the CRCP envisaged by CRE for the ATTM6 tariff?

No comment.

Question 8 Are you in favour of the investment incentive-based regulation mechanisms envisaged by CRE for the ATTM6 tariff?

We consider the measures planned by CRE as appropriate:

- lowering the threshold of investment incentives from EUR 20 to 10 Million with a neutrality band of +/-5% of the budget, and both a positive and negative incentive of 20% bonus/penalty
- removing the incentive for new gasification equipment, considering the evolution of the market (mentioned also as a reason for shorter depreciation periods, see Q3)
- new incentives for non-infrastructure investments (vehicles, IT equipment)

Question 9 Are you in favour of the incentive regulation of the quality of service envisaged by CRE for the ATTM6 tariff about introducing indicators concerning the two priority issues, which are the effect of maintenance programmes on availability of terminals and the monitoring of greenhouse gas releases and methane leakages?

We agree with the introduction of an incentive regulation mechanism for quality of service of LNG terminal operators and the follow-up of both the objective of improving the efficiency of the maintenance of the terminal and their environmental footprint.

Question 10 Do you have any comments on the regulatory framework concerning innovation and R&D envisaged by CRE for the ATTM6 tariff?

We agree with the introduction of an incentive framework for R&D in the ATTM6, along the lines of those used for other tariffs.

Question 11 Do you agree with the problems identified by CRE regarding the operating costs of LNG terminals?

We agree with CRE's general assessment

Question 12 Do you have any comments on the level of charges planned for the Montoir-de-Bretagne terminal?

Considering the level of information and data available in the consultation document, we are not in a position to comment in detail on the charges assessment. It is particularly difficult to understand how the various changes in policies (depreciation rates, incentive schemes, etc.) individually impact the charges for each LNG site, and in turn impact the tariffs.

Question 13 Do you have any comments on the expected load levels at the Fos Tonkin terminal?

Considering the level of information and data available in the consultation document, we are not in a position to comment in detail on the charges assessment. It is particularly difficult to understand how the various changes in policies (depreciation rates, incentive schemes, etc.) individually impact the charges for each LNG site, and in turn impact the tariffs.

Question 14 Do you have any comments on the expected load levels at the Fos Cavaou terminal?

Considering the level of information and data available in the consultation document, we are not in a position to comment in detail on the charges assessment. It is particularly difficult to understand how the various changes in policies (depreciation rates, incentive schemes, etc.) individually impact the charges for each LNG site, and in turn impact the tariffs.

Question 15 Do you accept CRE's starting assumptions for the rate of remuneration of the ATTM6?

We approve the CRE approach favouring stability in the assumptions and remuneration of the cost of capital.

Question 16 Do you have any comments on Elengy's planned capital expenditure for the period 2021-2024?

No comment.

Question 17 Do you have any other comments on the level of the charges to be covered for the ATTM6 period for Elengy?

No comment.

Question 18 Do you have any comments on Elengy's planned subscriptions hypotheses for the period 2021- 2024?

No comment.

Question 19 Are you in favour of maintaining the current tariff structure?

We agree with maintaining the current tariff structure. However, we are not in a position to comment directly on the level of the tariffs. It is particularly difficult to understand how the various changes in policies (depreciation rates, incentive schemes, etc.) individually impact the tariffs.

Question 20 Are you in favour of Elengy's proposal to abolish the discount in the spot tariff in connection with the creation of a unique spot tariff between the different regulated terminals?

No comment.

Question 21 Are you in favour of maintaining the conditions of integrated unloading services offered by regulated terminals?

We agree with the proposal to maintain the current conditions of integrated unloading services.

Question 22 Are you in favour of maintaining the list of services under the existing provisions?

We agree with the proposal to maintain the current list of additional services.

Question 23 Are you in favour of quarterly capacity reservations, according to the modalities envisaged by the operators?

We welcome the reflection by Elengy on the possibility to open quarterly capacity reservations, with a ratio of 50% of available capacities. We would support CRE's proposal that the inclusion of quarterly subscriptions in the annual delivery program be accompanied by a priority in the choice of unloading date for long-term capacity subscribers over quarterly capacity subscribers, in order to maintain the rights of long-term capacity subscribers while guaranteeing a slot for quarterly capacity subscribers.

Question 24 Are you in favour of dedicated and specific storage systems according to the modalities proposed by Elengy?

We support the Elengy proposals.

Question 25 Do you support the M+2 storage extension service, with pricing similar to that of the specific storage?

We support the storage extension service to M+2 for retail services. Though the impact of this service would be rather small, we support CRE's proposal to create a charge for it as it may impact the ability of wholesale shippers to conduct their activities.

Question 26 Are you in favour of the terminal's regasification capacity definition envisaged by Elengy?

We support the Elengy proposal.

Question 27 Are you in favour of setting up a virtual reverse-flow at the PITTM according to the modalities envisaged by Elengy?

We support the possibility for Elengy to offer reverse-flow capacity to all shippers on a within-day basis. We do not share CRE's concerns with regard to a possible disincentive of the use of LNG terminals by LNG cargos and shippers. We regard LNG terminals as sources of flexibility like any other. Considering the limited volumes foreseen for reverse-flow capacity, and the fact that such capacity would be offered within-day, we don't consider it a threat to the traditional activity of LNG terminals.