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## **EFET Response to EC Consultation on an EU strategy for liquefied natural gas and gas storage**

### **Introduction**

The European Federation of Energy Traders (EFET)<sup>1</sup> welcomes the opportunity to respond to DG Energy's public consultation on an EU strategy for liquefied natural gas and gas storage.

EFET considers that this consultation raises a number of pertinent questions regarding the use of gas infrastructure and security of gas supply at a time of change in both the gas and electricity markets. As we make clear in this response, EFET remains of the view that the market is the most efficient means to continue delivering security of supply efficiently. In that regard, we would draw your attention to the following points.

Firstly, we do not believe that policy makers should aim for an ex-ante 'optimal level' of infrastructure utilization for either LNG import terminals or storage facilities. Rather, this is a decision that should be left to market participants. They will have a portfolio that allows them to make efficient trade-offs not only between LNG and storage flows but also other sources such

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<sup>1</sup> The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent, sustainable and liquid wholesale markets, unhindered by national borders or other undue obstacles. We currently represent more than 100 energy trading companies, active in over 27 European countries. For more information, visit our website at [www.efet.org](http://www.efet.org).

as pipeline supplies and demand-side management. It is therefore important that a level playing field allows these various supply options to compete fairly with each other:

In that context, while current LNG import terminal access arrangements have proved flexible enough to provide capacity products as required by the market, EFET does not believe this to be the case with storage. In particular, we would point to the negative impact of the ongoing use of measures such as mandatory and minimum reserves combined with a lack of commercial freedom and incentives for storage facility operators.

Secondly, greater commercial freedom for infrastructure operators could help reduce the risk or at least the scale of stranded assets. LNG terminal and storage facility operators must be allowed to compete not only in their own market but also regionally to help ensure the efficient use of infrastructure.

The final and perhaps most important point in response to this consultation is the need for completion of the Internal Energy Market. Providing the most attractive circumstances to enhance LNG and storage flows (and hence utilization rates) requires improved interconnectivity between markets to enhance cross-border flows.

As such, speedy and complete implementation of the Third Package, including appropriately drafted Network Codes and Security of Supply Regulation is required.

**Question 1: Do you agree with the assessment for the above regions in terms of infrastructure development challenges and needs to allow potential access for all Member States, in particular the most vulnerable ones, to LNG supplies either directly or through neighbouring countries? Do you have any analysis or view on what an optimal level/share of LNG in a region or Member State would be from a diversification / security of supply perspective? Please answer by Member state / region**

We generally agree with the assessment on infrastructure challenges. Additionally, we believe that security of gas demand is important for long-term infrastructure investment and enhancing supply diversity.

With regards to LNG, it is essentially another source of gas and in that sense no different to pipeline or storage flows. Therefore, the extent to which any or all of these sources of gas contributes to overall supply is best and most efficiently determined by the market. In other words, the optimal share of any one source must be determined by the market; the demand for LNG will depend on its price relative to other gas sources, and the price of gas relative to other fuels.

The role of the market in this context requires implementation of the Third Energy Package and appropriately drafted and implemented EU Network Codes, namely those covering Capacity Allocation Mechanisms (CAM) & Congestion Management Procedures (CMP) to help increase liquidity and facilitate cross-border gas flows.

**Question 2: Do you have any analysis (cost/benefit) that helps identify the most cost-efficient options for demand reduction or infrastructure development and use, either through better interconnections to existing LNG terminals and/or new LNG infrastructure for the most vulnerable Member States? What, in your view, are reasons, circumstances**

**to (dis)favour new LNG investments in new locations as opposed to pipeline investments to connect existing LNG terminals to those new markets?**

The market remains the best indicator of efficient investment in new infrastructure.

EFET is not aware of any cost/benefit analysis that would favour one alternative over another, although we note the shift of CCGT operation from baseload to load-following in support of intermittent renewable electricity generation. This reduces average but not peak utilization of pipelines and is therefore a driver of lower efficiency of gas networks.

Greater physical interconnectivity remains the most likely policy tool to help improve security of supply. Clearly, this aim may require new investment but carries with it the possibility of inefficient investment and an increase in stranded assets, the costs of which may ultimately be borne by consumers – especially when such infrastructure is not underwritten by the market. It is therefore important first to ensure that existing assets and infrastructure are being used efficiently.

Finally, any demand reduction measures need to be considered carefully. In particular, EFET wonders whether such a policy measure would likely fit with subsequent calls for investment in gas infrastructure.

**Question 3: Do you think, in addition to the already existing TEN-E Regulation, any further EU action is needed in this regard? Do you think the use of LNG gas and existing LNG infrastructure could be improved e.g. by better storage possibilities, better network cooperation of TSOs or other measures? Please give examples**

As stated above, an overriding aim should be to ensure that existing LNG infrastructure is used more efficiently. There are improvements that could be made to current arrangements and we would draw your attention to our answers to questions 6, 7 and 8 for further details.

**Question 4: What in your view explains the low use rates in some regions? Given uncertainties over future gas demand, how would you assess the risk of stranded assets and lock-in effects (and the risk of diverting investments from low carbon technologies such as renewables and delaying a true change in energy systems) and weigh those against risks to gas security and resilience? What options exist in your view to reduce and/or address the risk of stranded assets?**

As a general observation, we note that there is little on the distinction between what constitutes a ‘low’ rather than an *appropriate* utilization rate. Further thinking on this point would help inform the debate. In any event, EFET would reiterate its view that the market is best placed to make efficient choices regarding the choice of infrastructure.

With regards to import terminals (and as with infrastructure generally), the utilisation rate will depend on several factors. As suggested above, a market may have multiple sources of supply, so an import terminal will face competition from pipeline gas or storage flows. Indeed, there may also be competition from other terminals. It is the economics of each infrastructure that will determine its utilization rate.

There should also be recognition of the fact that the LNG chain is inherently characterized by regasification capacity levels which are currently estimated to be more than three times the level of those for liquefaction. Average utilization levels worldwide will therefore be around 30% and LNG will be drawn to those markets that value it most highly. It is precisely this situation that provides the optionality required to support international LNG trade and for flows to respond to price signals.

Regarding the question of stranded assets and exposure to costs, there may be a distinction to be drawn between 'exempt' terminals and those subject to regulated third party access. In the case of regulated terminals funded via regulated tariffs (and this includes exempt terminals that subsequently applied for funding via regulated tariffs), the risks and costs of stranded assets are with consumers or shippers, in the case of the latter when they hold long term capacity contracts, eg. through an open season process.

In contrast, with an exempt terminal the exposure is with the terminal developers.

To reduce the risk of stranded assets, the following may be relevant factors:

- Is the design and operation of the downstream market attractive and certain enough to attract LNG flows and hence terminal use (a point we make elsewhere in this response)?;
- Are regasification tariffs and capacity product design making terminal use unattractive?; and
- Are CMP provisions effective?

**Question 5: The Energy Union commits the EU to meeting ambitious targets on greenhouse gas emissions, renewable energy and energy efficiency, and also to reducing its dependency on imported fossil fuels and hence exposure to price spikes. Moderating energy demand and fuel-switching to low carbon sources such as renewables, particularly in the heating and cooling sector, can be highly cost-effective solutions to such challenges, and ones that Member States will wish to consider carefully alongside decisions on LNG infrastructure. In this context, do you have any evidence on the most cost-efficient balance between these different options in different areas, including over the long term (i.e. up to 2050)?**

EFET notes that original concerns over reliance on imported gas were primarily related to high levels of market concentration from a very small number of external suppliers and/or the reliability of some parties. Concerns in both areas have been significantly mitigated by more widespread gas discoveries in recent years and the availability of a wide range of sources of gas via LNG.

#### **Potential entry barriers for LNG**

**Question 6: What in your view are the most critical regulatory barriers by Member State to the optimal use of and access to LNG, and what policy options do you see to overcome those barriers? Have you encountered or are you aware of any problems in accessing existing LNG terminal infrastructure, either because of regulatory provisions or as a result of company behaviour? Please describe in detail.**

EFET has not identified any significant concerns regarding the current access framework that may impact on terminal utilization rates. On a related point, ex-ship deals suggest that primary ownership of capacity is not the only way to access the market.

Clearly, there may be some merit in reviewing specific aspects of the current framework for accessing terminals, for example:

- Is all the necessary documentation available in English?;
- Does the duration of capacity rights granted under some RTPA regimes for LNG terminals, storage facilities or interconnection points have an impact on market development?;
- Are terminal operators given sufficient freedom and incentives to develop capacity products, eg. storage or reload services? and
- Is there adequate access to downstream markets including availability of storage services to convert LNG regas profiles into marketable products?

However, any improvements are likely to be incremental and not an indication of significant shortcomings. Indeed, such a view would appear to be backed-up by the conclusions of CEER's own Status Review on monitoring access to LNG terminals published in October 2014, which found that generally there was no contractual congestion and that all EU LNG terminals have properly functioning congestion management procedures.<sup>2</sup>

Rather, the issue that is likely to have a more substantial impact on LNG flows to Europe and therefore import terminal utilisation rates is the nature of the downstream market (see our answer to Q8 for further detail).

Finally, with regard to the construction of new LNG capacity, we would note that construction of regulated terminals with rates of return guaranteed through transportation charges may merely crowd out private investment in exempted terminals.

**Question 7: What do you think are the most critical commercial, including territorial restrictions and financial barriers at national and regional level to the optimal use and access to LNG?**

As LNG increasingly becomes a globally traded commodity, commercial access to LNG will become more readily available. As we have said before, optimal use of LNG will be determined by the price relative to other world markets.

**Question 8: More specifically, do you consider that ongoing EU policy initiatives and/or existing legislation can adequately tackle the outstanding issues, or there is more the EU should do?**

As indicated above, the most significant barriers regarding LNG (or any other form of gas) are impediments to the efficient flow of gas between markets. EFET therefore continues to emphasize the need for completion of the Internal Energy Market, mainly through

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<sup>2</sup> See 'Key Findings', 'CEER Status Review on monitoring access to EU LNG terminals in 2009- 2013' October 2014.

implementation of the Third Energy Package. Non-implementation slows moves towards market liberalization and allows for distortive arrangements such as storage obligations or diversification requirements to remain in place.

Related to the above point is a stronger policy emphasis on appropriately designed and implemented European Network Codes. For example, we would point to the widespread non-implementation of the CMP proposed mechanisms, despite a firm deadline of 1 October 2013, as well as delays in the implementation of NC BAL.

Moreover, with regards to NC CAM, while there is no doubt that the requirement for the bundling of capacity Art 19.5(a) of the CAM Regulation also refers to the circumstances in which unbundled capacity may be made available, EFET would request that TSOs and NRAs provide clarity on the implementation of Art 19.5(a).

Otherwise, the way in which bundling obligation is being implemented may be hampering progress towards development of an integrated and liquid European gas market. In particular, at points where there is a mismatch of capacity levels, there is the danger of a reduction in firm cross-border transportation capacity.

Additionally, unless implementation solutions are urgently provided by TSOs and NRAs, some shippers are faced with the choice of either having to amend existing transportation contracts - despite repeated assurances from regulators that they would be allowed to run to their expiry - or book new bundled entry/exit capacity rights, in part duplicating their existing unbundled capacity rights.

It is factors such as these that are likely to impact on the attractiveness and certainty of the European gas market for LNG flows.

Regulators must also recognise different gas quality standards in different markets and the range of qualities produced as LNG. Ballasting and on-system blending can be necessary to ensure that a market has access to a wide range of sources. Suitable services should be made available at LNG facilities. In addition, we support the creation of a European harmonized gas quality standard, but consider that the way the new standard specification is applied must not result in foreclosing future gas supplies coming into Europe so as not to cause detrimental effect on liquidity.

Finally, EFET would take the opportunity to question the assertion in 3.1 that infrastructure is not being built because of public acceptance, permitting or financing. It may be that infrastructure is not being built because of a lack of commercial justification to proceed, ie. the expected benefits do not provide adequate returns for foreseen costs and risks. It is therefore important to acknowledge this possibility prior to embarking on a programme of possibly unhelpful reform.

## **International LNG markets**

**Question 9: How do you see worldwide LNG markets evolving over the next decade and what effects do you expect this to have on EU gas markets? Do you expect a shift away from oil-indexed LNG contracts, and if so under what conditions?**

Due to the nature of these areas, this question is best addressed via members' own responses. However, EFET would observe the increase in the number of parties active in the international LNG market and the growth in the spot market. These developments suggest an increase in the various contractual options enjoyed by all market participants.

**Question 10: What problems if any do you see with the functioning of the international LNG market, particularly at times of stress? Are there specific actions the EU should take, in dialogue with our international partners, including in trade negotiations, to improve its functioning and/or to make the EU market more attractive as a destination for LNG? Could voluntary demand aggregation be helpful in some way?**

EFET notes that the response by the LNG market to the crisis in Japan demonstrates how well LNG markets work on a global scale. We have even seen innovative services and technologies developed for terminals offering reload and ship-to-ship transfers to aid response to price signals.

The EU should maintain and develop good relationships with international partners. However, EFET believes that as welcome as it is, such a dialogue should not extend to commercial negotiations and discussions – these activities must be left to market participants.

With regards to the subject of demand aggregation, there is a danger that this might reinforce the existence of energy islands. This would be a regrettable development and on that basis, EFET's clear preference should be to enhance moves towards market integration.

Where it does take place, demand aggregation should be a choice of market participants, subject to any relevant legal considerations. EFET would not support such measures being agreed at governmental level.

### **LNG technology issues including LNG use in transport**

**Question 11: What technological developments do you anticipate over the medium term in the field of LNG and how do you see the market for LNG in transport developing? Is there a need for additional EU action in this area to reduce barriers to uptake, for example on technology or standards, including for quality and safety?**

EFET does not have any specific comments to make regarding future technological developments or safety and quality standard. However, as a general observation, we note the extent to which costs have declined over recent years through technological innovation, for example through construction of larger vessels and terminals able to accept them. We also see a growing application of LNG for various forms of transport and would welcome further efforts to develop these markets.

### **LNG sustainability issues**

**Question 12: Do you think there are any sustainability issues specific to LNG that should be explored as part of this strategy? What would be the environmental costs and benefits of alternative solutions to LNG? Please provide evidence in support your views.**

We do not believe there are any issues relevant to LNG alone that need to be considered as part of this consultation.

## **Storage**

### **Internal market constraints and challenges for storage**

**Question 13: What opportunities or challenges do the supply projections for different sources, in particular LNG and pipeline gas and low carbon indigenous sources, present for the use of gas storage / for gas storage operators?**

One characteristic of LNG is that it is able to help bridge the gap between seasonal fluctuations in demand, ie. summer and winter. LNG can also help markets cope with a disruption in supply, although storage may be better placed to deal with a sudden disruption in supply or increase in demand.

Market participants are likely to have a portfolio of supply sources, including LNG and storage. They are best placed to make efficient choices regarding which source or combination of sources should be used to deal with the situations described above.

Aside from its role in helping maintain gas security of supply, the main challenge for storage will be in relation to the changing needs of the power market. Storage will face competition from other supply sources, namely LNG and demand-side response, to provide increasing flexibility requirements. In that regard, it is important that all flexibility sources should be provided with a level playing-field.

**Question 14: Are, in your view, current market and regulatory conditions adequate to ensure that storages can fully play their role in addressing supply disruptions or other unforeseen events (e.g. extreme cold spells)?**

There are several areas where improvements could enhance the role played by storage. A key one is to provide storage operators with the freedom and commercial incentives to develop storage products that reflect market demand and so allow storage to compete with other flexibility sources. It is not clear that this is always the case and we would highlight the following points.

Firstly, it is crucial that all storage capacity is brought to market on non-discriminatory terms. While there are a number of market based mechanisms for doing so, EFET's preference would be the use of auctions. The process is not only clearly understood but would also be in line with the view taken by CEER.<sup>3</sup>

Secondly, to the extent that it is not already the case, storage should be made more 'tradable'. In particular, it should be possible to trade not only a standard storage product but also the

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<sup>3</sup> *CEER Report Monitoring Implementation of the Gas Storage Guidelines of Good Practice and of the GSE Transparency Template*, p47, July 2015

separate constituent parts: injection, capacity and withdrawal rights. The increase in flexibility of use will enhance the value of storage in itself and also in comparison to other flexibility sources.

Finally, EFET would point to the negative impact of national restrictions such as physical stock obligations or minimum inventory levels. In that regard, we agree with the conclusions of the European Commission's own report.<sup>4</sup> Impediments such as stock obligations or minimum inventory levels hamper the efficient regional use of storage and also its ability to compete with other flexibility sources. A broader point is that such restrictions are likely to increase the prospect of stranded assets.

The following are examples of our concerns with the current use of such mechanisms:

- In Poland a storage obligation on importers has acted as a key obstacle both to market entry supply diversification, the development of a well-functioning market and a block on greater cross-border trade;
- In the Czech Republic it has been disappointing to see an increase in the storage obligation from 20% to 30%; while targeted at certain segments of the residential market, it has nevertheless, this measure has taken an increasing amount of capacity out of the market;
- In France a process of reform related to the storage obligation and allocation rules is underway. EFET believes that this reform should be fully completed as quickly as possible, resulting in the removal of the current storage obligations and the introduction of auction with a very low reserve price to help ensure a high level of storage injection without imposing an undue burden on for market participants; and
- In Italy strategic storage is still a feature of the market and a strategic stock charge is levied at entry points on volumes of gas imported or injected in the grid from production sites. On the remaining capacity, storage auctions introduced in 2013 were a welcome development. However, centrally-imposed administrative limits on withdrawals of all storage products for security of supply purposes heavily hamper the contribution of storage to market flexibility as well as the commercial attractiveness of storage facilities.

Moreover, it is disappointing that Germany is currently considering the introduction of measures that may include a storage obligation. Such a move would be counter-intuitive given the levels of interconnectivity, supply diversity and commercial storage the German market enjoys.

Indeed, EFET would urge that the authorities in Germany take note of the conclusions of the recent study they commissioned, in particular the comment that:

*"The overall picture of the cases examined and documented within the scope of this study shows that there currently is a very high degree of security of gas supply in Germany."<sup>5</sup>*

The study went on to comment that security of supply is strongly dependent on storage filling levels but also correctly identified the lack of transmission capacity rather than gas molecules as the cause of the problem in Bavaria in 2012 (an event that prompted the current concerns in

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<sup>4</sup> <https://ec.europa.eu/energy/sites/ener/files/documents/REPORT-Gas%20Storage-20150728.pdf>

<sup>5</sup> "Possibilities to improve gas security and crisis prevention via regulation of storage (strategic reserve, storage obligations), including the costs and the economic effect on the market", Becker Büttner Held (BBH) study for the Federal Ministry for Economic Affairs and Energy – Bundesministerium für Wirtschaft und Energie (BMWi), June 2015

Germany). Consequently, a new widespread storage obligation requirement is not justified. Rather, the correct, appropriate and proportionate course of regulatory action would be the economic and efficient removal of the transmission network constraints.

Finally, on a more positive front, we should recognize the effect of improved access to interconnection capacity that makes storage economic to operate in a wider geographical area. The subsequent and effective enlargement of the market in which storage can operate allows for existing levels of storage to provide greater security *ceteris paribus* (or the same security can be provided with less storage).

**Question 15: As an alternative to mandatory reserves, how could market based instruments ensure adequate minimum reserves?**

An overriding principle and one stated elsewhere in this response is the need to ensure a level playing field that allows all sources of gas to compete fairly. This is what will help enable shippers to make the most efficient use of their portfolio of gas sources, thus responding to price signals in the most efficient manner and removing the need to resort to mandatory reserves or stock obligations.

Moreover, the examples referred to in our answer to Q14 demonstrate why mechanisms such as mandatory reserves should be avoided, especially at an EU level. However, the reality is that this may not be possible at all times and in all markets. For example, in some cases there may be limited supply diversity or little immediate prospect of market development.

However, even then, it is important that such measures are considered a means of last resort. Equally, they should not be considered a permanent market feature, rather a time-limited means of addressing a specific issue. Finally, it is crucial that where such a measure is used, it should be via market-based approach, eg. auctions, tenders.

As such, where TSOs are required to ensure the maintenance of a specific reserve level, they should be required to do so via the market and not have privileged or prior access to any form of gas.

On that basis, TSOs could tender for maintenance of a pre-determined minimum reserve in terms of:

- flow commitments;
- minimum physical stock or availability of gas obligations; or
- demand-side response, eg. gas-fired power stations, energy intensive customers.

In that context, EFET notes and supports the planned reform of the French storage market, including the abolition of the current storage obligation and the introduction of a market-based procurement mechanism via auctions

## **Storage Infrastructure**

**Question 16: Do you have any analysis or view on what an optimal level/share of storage in a Member State or region would be? What kind of initiatives, if any, do you consider necessary in terms of infrastructure development in relation to storage?**

The optimal level of gas coming from any supply source, be it pipeline, LNG or storage is most efficiently determined by the market. As such, we would only reiterate the need for a level playing field for all sources of gas.

Moreover, a pre-determined 'optimal level' for storage is not only like to distort the market mechanism but also lead to increased costs for consumers. In the longer-term it could also potentially hamper security of supply by distorting investment decisions.

Additionally, it is more widely recognized that one size cannot fit all markets. The demand for storage will depend on accessibility of seasonal supplies, local production, penetration of gas, load factor of demand, and other local features. Similarly the availability of storage may depend on geological suitability for depleted fields, aquifers or salt caverns and interconnection with other markets. Desired levels of security may also be affected by the concentration of existing supplies. Regions must each be considered on the basis of their own requirements.

**Question 17: Do you think, in addition to the existing TEN-E Regulation, any further EU action is needed in this regard?**

We have not identified the need for any further action.

**Question 18: Given uncertainties over future gas demand, how would you assess the risk of stranded assets (and hence unnecessary costs), lock-in effects, the risk of diverting investments from low carbon technologies such as renewables, delaying a transition in energy systems and how would you weigh those against risks to gas security and resilience? What options exist in your view to reduce the risk of stranded assets?**

This question reveals an underlying confusion, especially in the context of this consultation. It appears to imply concerns about low utilization and possible stranding, but wants to encourage more investment at the same time as further reducing gas use.

With regards to the issue of stranded assets itself, this should only be an area of concern for price regulated facilities, where consumers would ultimately bear the costs of any inefficient investment. To help avoid or minimize this danger, we would point to the following:

- The need to create a level playing field for all forms of flexible gas – this will help storage compete with pipeline and import terminal flows;
- The more efficient use of existing facilities – operators should have commercial incentives to develop storage products required by the market; and
- The identification and elimination of barriers to enhancing storage flows between markets – this will help storage compete on a regional basis.

## **Regulatory framework and potential barriers for storage**

### **Question 19: What do you think are the most critical regulatory barriers to the optimal use of storage in a regional setting?**

Despite developed and well understood third party access rules there remain areas where the effective access to storage could be an issue, particularly in markets with an in-country physical stock obligation. Obligations on suppliers or traders that force certain booking behaviour or restrict certain types of access or usage of storage also tend to reduce the value of storage and distort market behaviour. In both respects, it will be to the detriment of supply security and market efficiency

Please refer to our answer to Q14 for examples. In each case, the measure is designed with a national market in mind. The measures are not designed to allow storage flows to be used in most efficient regional manner. On the contrary, some of the obligations restrict cross border trading and the movement of gas where it is most needed in case of a security of supply crisis. This is arguably the most crucial barrier for regulators to address.

### **Question 20: Do you think ongoing initiatives and existing legislation can tackle the remaining outstanding issues or is there more the EU could do? Do initiatives need to include additional issues further to the ones described here?**

A well-functioning, integrated energy market is key to enhancing energy security in a cost-effective way. Such an approach enables market-based responses to supply issues and in doing so provided for most the efficient use of commercial storage facilities. The speedy completion of the IEM based on the appropriate development of the various EU Network Codes is therefore a key requirement.

### **Question 21: Do you consider EU-level rules necessary to define specific tariff regimes for storage only or should such assessment be made rather on a national level in view of available measures able to meet the objective of secure gas supply?**

EFET recognizes that circumstances differ between facilities and member states and that some level of discretion may be necessary and preferable to a single constricting standard. Nevertheless, National Regulatory Authorities should take into account at least the following:

- Recognition of the fact that gas-in-store will already have paid one set of system entry/exit charges and should therefore not be subject to additional charges of this type, ie. double payment, on any subsequent flows to and from the network; and
- Recognition of the benefits storage may have in helping reduce the need for wider transmission system investment. Clearly, it may be that there is no such benefit and the subsequent tariffs would need to reflect this fact.

With that in mind, EFET would repeat its view that the EU Network Code on Tariffs (NC TAR) be reworded as follows:

## Storage

1. When the national regulatory authority sets or approves the transmission tariffs for the storage facilities, the following shall be taken into consideration:

(a) the net benefits that the storage facilities may provide to the transmission system;

(b) the need to promote efficient investment in the transmission system;

(c) the need to minimise detrimental effects on cross-border trade; and

(d) the need to avoid double charging of gas in store.

2. There shall be a presumption that network users are exempt from paying entry and exit capacity tariffs at storage facilities unless the national regulatory authority is able to demonstrate, following consultation with stakeholders and neighbouring NRAs, that a storage facility generates net costs to the relevant transmission system.

3. Only costs related to the integration of storage facilities into the transmission system and the variable costs related to the transportation of gas to and from storage shall be taken into consideration by NRAs.

4. When assessing the benefits of storage facilities, NRAs shall take into consideration any reduced investment in the peak capacity of the transmission system or entry facilities as a result of storage facilities, along with any reduction in OPEX.

5. In the event the NRA is able to demonstrate that a storage facility generates net costs to the relevant transmission system, non-discriminatory tariffs may be applied at storage facilities specifically to recover this net cost. The value of these tariffs cannot be lower than zero.”

**Question 22: Have you ever encountered, or are you aware of, difficulties in accessing storage facilities? Has this concerned off-site or on-site storage facilities? Please describe the nature of the difficulties in detail.**

Examples of access issues are listed in our response to Q14.

**Question 23: Have you ever encountered, or are you aware of, difficulties related to feeding LNG gas from the storage site back into the gas network? If so please describe the nature of these difficulties (regulatory provisions, company behaviour, technical problems) in detail.**

We are not aware of any such difficulties.

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