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Subject: EFET views on *Parliamentary Document no. 653 to the Act of February, 16th 2007 on Reserves of crude oil, refinery products and natural gas (Dz.U. z 2014 r. poz. 1695)*

Dear Sirs/Madame

First of all, we would like to thank you for accepting EFET¹'s messages and the possibility to share with you our experience in the broader European gas market. During recent years we have enhanced our dialogue with stakeholders in Poland and we hope to continue contributing to the emergence of an open and transparent market in the country. In this respect we note a material improvement as highlighted by the increased number allowed to import and trade in Poland (37 in 2010 and 188 today).

¹ 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.

EFET is convinced that the commercial objectives of EFET members can make a positive contribution to Poland's energy policy priority of diversifying gas supply and enhancing its security of supply. We also see the development of liquidity and competition at the wholesale level as instrumental for the Polish gas market to the ultimate benefit of the Polish consumers. In fact, competition at wholesale level leads to competitive gas prices, aligned with Western European price levels, for large industrial end-consumers which are facing international competition.

For the above reasons we would like to address the recently proposed amendment to the Act on Reserve of crude oil, refinery products and natural gas with respect to the storage requirements for importers and highlight its potential negative impact.

EFET has long argued that the current storage obligation in Poland is inefficient and counterproductive. Storage obligations are expensive and operationally complex and are a key barrier to the development of a secure, liquid and competitive market. In particular, the obligation:

- Discourages even small additional imports from new entrants as the current exemption threshold is set at a very low level;
- Imposes extremely high costs to importers as storage in Poland is several times above the cost of storage in other EU countries;
- Limits the ability to utilize storage flexibly to respond to price variations or to react to a shortage in gas supplies;
- Distorts the market by discriminating against shippers who are importing for trading/reselling purposes compared to those importing for end user consumption;
- Reduces activity on the exchange and limits the potential for increased liquidity on the Polish gas market;
- Excludes any chance for LNG importers to contribute to security of supply via the new PLNG as it makes the new terminal commercially unattractive.

Moreover, the obligation remains difficult to be fulfilled by keeping gas in storage in other EU countries due to a number of regulatory obstacles.

The proposed amendment exasperates all the above in that:

- It takes the exemption away from importers that hold one, infringing an already existing right and affecting supply contracts that are already in place, potentially forcing their review or resolution;
- It repeals the possibility to obtain an exemption going forward *de facto* halting recent improvements in terms of competition and liquidity on the wholesale market and pushing out small players;
- It creates additional upward pressure on storage prices by artificially inflating demand while crowding out the flexibility available to the system;
- It fails to provide any clarity with respect to how to utilize storage in neighboring countries against the foreseen storage obligations;
- In allowing for procuring storage from third parties to comply with the security of supply obligations it further reinforces the dominant incumbent's position in the market.

In addition, we note taking into account the available capacity in Mallnow and the coming on stream of the new LNG terminal, Poland will have available sufficient free capacity

available to enable, in case of emergency, to import more gas than the proposed amendment is targeting to achieve.

In conclusion, EFET believes that the amendment proposal goes against the policy ambitions envisaged by the Polish government and contradicts the spirit of solidarity and regional cooperation fostered by the ongoing revision of the EU Regulation on Security of Supply. This draft proposal could discourage non-Polish companies from participating in the Polish market and be seen as ring-fencing Poland consumers from the possibility to benefit from trade and cooperation with neighboring countries.

On this basis it should be rejected and a comprehensive review of the security or supply framework, based on market principles, should be undertaken instead. This review could also envisage the possibility for market operators to evaluate flexibility tools other than storage to fulfill their security of supply obligations in line with Art. 8.4 of the European Regulation 994/2010 stating that "*The obligations imposed on natural gas undertakings for the fulfilment of the supply standards laid down in this Article shall be non-discriminatory and shall not impose an undue burden on those undertakings.*"

Whilst we appreciate the opportunity to hastily comment on this draft proposal, fundamental changes of this nature should typically be subject to more extensive consultation, including with neighboring countries, and a proper impact assessment. EFET would be happy to make itself available to provide further information or clarification before any decision is taken on the draft proposal and to participate in any wider consultation exercise.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Davide Rubini', written in a cursive style.

Davide Rubini
Vice-Chairman
EFET Task Force Central and South Eastern Europe Gas