

**Conclusions of the
GLE Workshop, jointly organized with the European Commission
Bilbao, 13 March 2009**

1. Workshop participants thanked European Commission and GLE for the organisation of this workshop and for the opportunity to discuss with them the EC Draft discussion paper by DG TREN Staff presented to the Madrid Forum of 6-7 November 2009.
2. All stakeholders agreed that LNG is increasingly traded on a global scale and that any new rules and regulations at the European level should improve the regulatory framework ensuring that the European market remains competitive and is able to attract LNG supplies thus contributing to increased security and diversification of gas supply for the whole EU.
3. It was noted by all stakeholders that any possible future regulation derived from the EC draft staff document would need to be accompanied by necessary modifications at national level. Otherwise, LNG terminal operators (LSOs) and LNG terminal Users (TUs) (mainly those working under a strongly regulated framework) will face regulatory inconsistencies which could be harmful and costly for both LSOs and TUs and diminish the attractiveness of the European market.
4. Participants stressed the importance of reflection on the coexistence of regulated and exempted terminals with respect to investment and access to capacity in particular UIOLI rules.

Regulatory Approach and Tariffs

5. Workshop participants welcomed the initial findings of ERGEG presented on the monitoring of the GGPLNG expecting that the monitoring will lead to further discussion and consensus-building among stakeholders. The results reveal that users prefer more transparency on cost-reflectivity of tariffs and that the services offered should be compatible with gas market developments.
6. Stakeholders remarked that the monitoring results should be assessed considering the different regulatory frameworks and other particularities of each national market while taking into account the evolving regulatory framework at European level in particular in the perspective of the implementation of the 3rd IEM Package to be adopted as soon as possible.
7. GLE remarked that tariff setting is not always a responsibility of LSOs and therefore transparency regarding tariffs is also a task for national regulatory authorities. Comprehensive tariff setting, including specification of services, will tend to reduce current complexities and make existing differences more transparent. It has been acknowledged however that a conclusive comparison is complex and has to take into consideration local circumstances. It has also been noted that LNG terminal's tariff represents a very minor part of the whole gas chain.

Capacity Allocation Mechanisms and Anti-Hoarding Rules

8. Regarding the application of CAM principles to capacity bookings, stakeholders emphasized the interest of existing LNG terminal users regarding the stability of their contracts and drew attention to the existence of different access regimes in the EU, i.e. exempted and non-exempted terminals.
9. Workshop participants stressed that capacity allocation mechanisms and anti-hoarding rules need to balance the rights and obligations of both primary and secondary capacity holders. Optimal use of terminals should be driven by the market and, where applicable, it should take

into account security of supply provisions. Therefore regulators should be prudent when concluding on under-utilisation.

10. GLE stated that roles and responsibilities of both terminal operators and terminal users should be more closely assessed. Moreover, definition of anti-hoarding should be further investigated by ERGEG and stakeholders. ERGEG proposed to prepare in consultation with stakeholders a study on CMP and anti-hoarding rules taking into consideration different market situations, to propose, for example a common definition and the principles to establish notification periods for anti-hoarding mechanisms.
11. It was also emphasized that anti-hoarding measures is a backstop measure and that much emphasis should be put on developing capacity and stimulating secondary markets (gas-exchange and/or capacity) to facilitate access to unused capacity/gas volumes in a way which is acceptable to both primary and secondary users.
12. Participants agreed that there is at this stage no overriding need for notification periods to be harmonised at European level. However, the application of some common principles and criteria for setting the notice period would be beneficial for the market allowing for more harmonised terminal use across the EU.

Transparency and Services

13. Participants agreed that the objective of transparency and clear definition of the range of services to be offered is to facilitate in general access to capacity in the primary and secondary markets. ERGEG stated that a common understanding (definitions, contents...) of all commercial services and technical requirements in Europe is a priority.
14. Stakeholders noted that GGPLNG already provide for a large range of information to be published by the LSOs. Workshop participants agreed that as a minimum and a first step transparency provisions included in the GGPLNG should be implemented, where it is not already the case, and that commercially sensitive information has to be protected or published on an aggregated basis. It was agreed that the provisions of the GGPLNG regarding transparency to be ensured by LSOs may be quite limited and that there is a need to assess the possibility for expanding these provisions.
15. With regard to the transparency level for services offered at the LNG terminals, workshop participants remarked that the market needs timely information to be able to react. Trading markets (upstream, downstream and secondary), would largely benefit from having an appropriate level of transparency.
16. Stakeholders emphasised that diversity and choice of unbundled and bundled services should be encouraged. However, it was also noted that it might not always be possible to offer certain services as unbundled. Additionally, it was pointed out that tariff design for these services should be cost reflective and avoid cross subsidization. Stakeholders welcomed the opportunity to further discuss jointly which services could be offered either as unbundled or as bundled. LSOs are encouraged to engage with shippers and, where applicable, with regulators on the market relevance and demand for any new services to be offered by LSOs in this regard.
17. GLE offered to analyse the current situation with regard to the range of services offered and the potential for harmonisation in the area of transparency, confidentiality, roles and responsibilities, terminology and minimum content in contracts. Participants referred to the existing national differences noting that an overly prescriptive standardisation could hamper the development of innovative services and capacity products. Eurogas and EFET agreed to compare access regimes and propose a list of services for which convergence could be relevant for the market. The findings of this work will be presented to the next Madrid Forum.
18. CNE announced that the South Gas Regional Initiative will look at the need of prospective transparency once the results of the GGPLNG implementation monitoring have been analysed.

Gas Quality and TSO-LSO Coordination

19. Regarding gas quality, stakeholders agreed that further action in this area needs to be based on the results of the ongoing work by CEN on gas quality standards. This work should involve the stakeholders and take into account the international gas trading.
20. In the meantime, stakeholders drew attention to the fact that a broader national gas quality spectrum would allow shippers to download any cargo at any LNG terminal. In this way, trading would be stimulated and the European market would enjoy of a higher level of security and diversification of supply, while remaining an attractive market for new LNG imports. However there should be a balance between cost and benefits. Costs incurred by LSOs as a result of gas quality adjustment / conversion should be passed on to stakeholders benefiting from that service.
21. Participants welcomed the European Commission's emphasis on improving TSO-LSO coordination in order to facilitate investment decisions for LSOs, to solve interoperability issues between LSOs and TSOs and to facilitate users' access to the downstream gas markets. For this purpose, stakeholders underlined the role of NRAs in ensuring that national regulatory frameworks allow infrastructure providers to successfully cooperate and to create favourable conditions for the connection of LNG terminals.
22. The need for close cooperation between GLE, GTE+ and ENTSOG was recalled during the workshop. Stakeholders see as appropriate and useful that LSOs collaborate with ENTSOG in the development of network codes and on the drafting of the Ten Year Network Capacity Statement.