

GLE Workshop with the Involvement of the European Commission

Brussels, 20 October 2015



European Federation of Energy Traders

An EU Strategy for Liquefied
Natural Gas – Traders'
perspective



- Trading in LNG has been in ascendancy and is poised to grow further. Fallen LNG costs have created access to remote production and to remote markets.
- LNG contributes to confidence in supply security, increasing diversity of supplies available to Europe, helping promote a virtuous circle with Security of Demand.
- LNG has the potential to benefit not only countries with LNG regas capacity terminals, but also markets downstream – if they are adequately interconnected
- Japan crisis has demonstrated the effectiveness of the global market for LNG, leading to innovation in technologies, products and services.
- LNG hubs are emerging, and new technologies such as terminal reloading and ship-to-ship transfers allow bulk breaking of large cargoes and greater tradability of part cargoes.

EU is increasingly integrated with world gas prices and supply / demand.

- Currently low levels of infrastructure utilisation are not necessarily a sign of barriers to entry, but...
 - Documentation (and member state consultation) must be transparent, available and in English language
 - The duration of contracts must balance the need to underwrite the investment but not allow market foreclosure in the longer term.
 - LNG Facility Operators should have the freedom to develop new, market facing products, and should have the incentives to do so.
 - LNG importers must have access to the downstream markets – including access to downstream storage and flexibility tools – to convert cargos to usable or tradable profiles. This is especially important in markets without deep and liquid trading hubs.
 - LNG products must be harmonised with transportation and capacity products

Completion of IEM is still best way to promote LNG access

- Need to accommodate a variety of circumstances
 - Terminals – Different sizes, water depths, mooring, storages, product availability (e.g. Nitrogen production for ballasting, or blending capability for local gas quality)
 - Ships – New ships are typically of larger size and can only be landed at capable terminals in deep water locations. Ships must be vetted for particular facilities.
 - Gas Quality – there is a wide range of gas qualities – richer gas can be more economical to transport, but may require special ballasting / blending.
 - The size and value of cargoes additionally mean that LNG is less “commoditised” and contracts are more likely to be individually negotiated.

- Terminal services
 - Terminals are built by TSOs, Producers, Importers, Merchant infrastructure operators – with own drivers and incentives
 - Regulated vs Exempt terminals – is it ok to opt back into a regulated regime?
 - How to encourage development of new services in a regulated environment?
 - How to value and reward for Security of Supply?

The Market remains the best driver – if it is allowed to work properly



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