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Energy Regulators**



LNG Role in Increasing Diversification and SoS in the EU

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GLE workshop on the EU Strategy for LNG
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Fostering energy markets,
empowering **consumers**.

European strategy for LNG

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- 1) First insight to the CEER document in elaboration:

“CEER Analysis on the role of LNG to improve SoS”

The EU energy regulators investigate the **potential contribution of LNG to the security of supply of the EU**. How LNG can be prepared to reinforce SoS from the short to the long term.

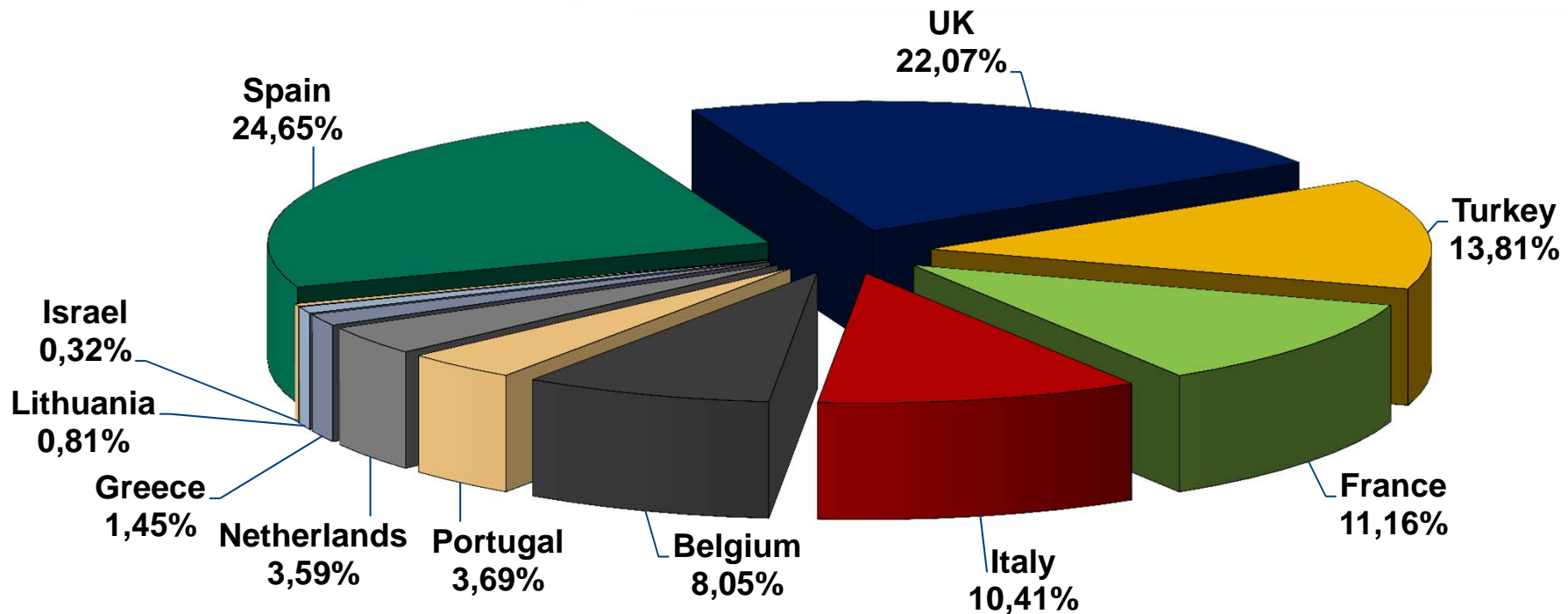
Two phases are being assessed: prevention and mitigation.

- 2) LNG contribution to SoS and diversification in the EU, including the regional approach: what **needs to be done to reveal the full LNG potential in the EU?**



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European LNG imports by country

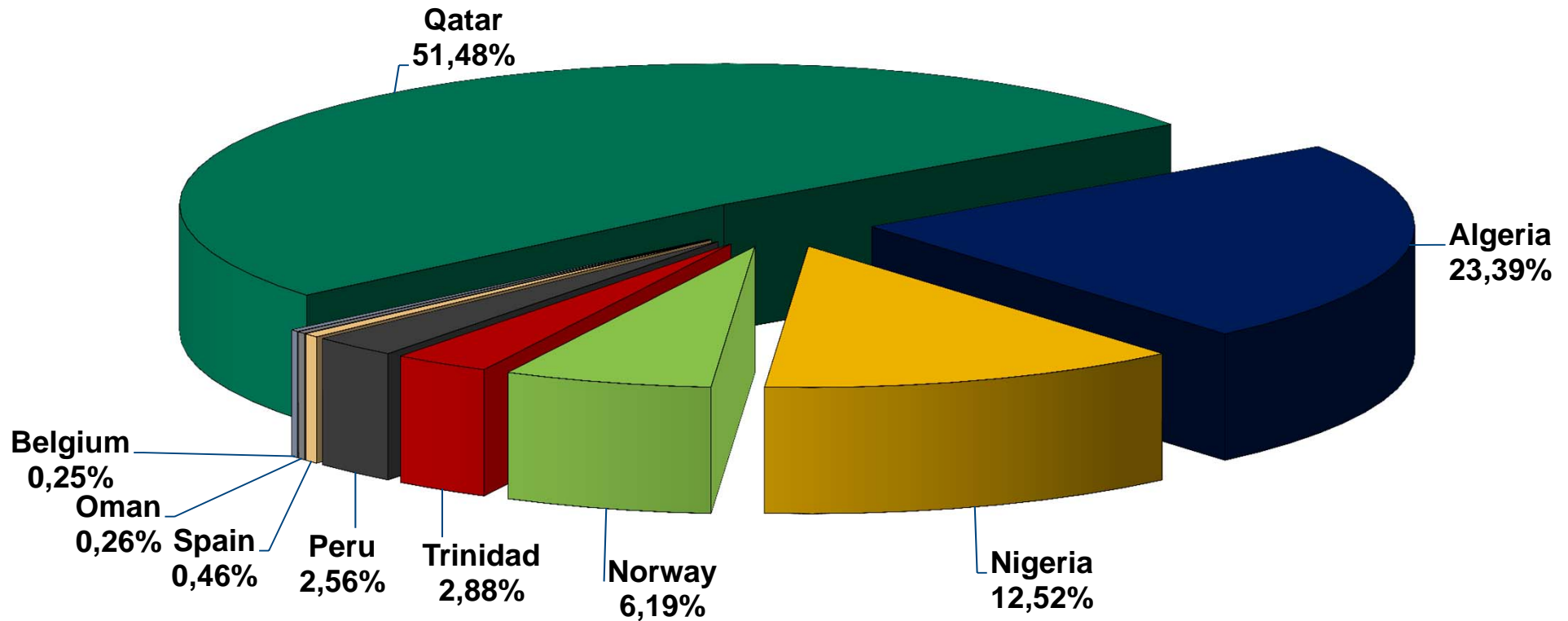


From January to July 2015
SOURCE: IHS ENERGY



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European LNG imports by source



From January to July 2015
SOURCE: IHS ENERGY

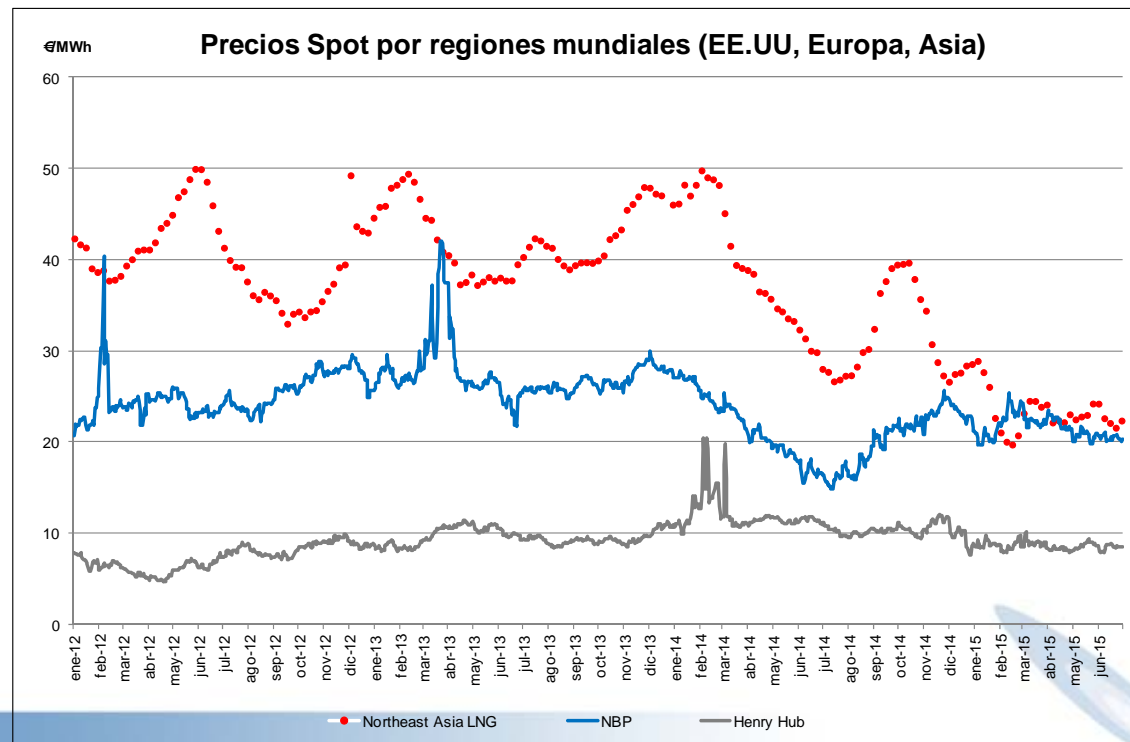


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First insight to new LNG document (I)

- ✓ LNG **European imports** have grown in 2015
- ✓ **Reloading** in European terminals has drastically **decreased**: only Middle East cargoes remain
- ✓ In the **short term no shortage** of LNG is forecasted
- ✓ Possible **delays in new projects** around the World due to low gas prices in the mid term

- ✓ This show how LNG move following prices



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First insight to new LNG document (II)

- ✓ LNG can improve the security of gas supply of a Member State → diversification.
- ✓ **Infrastructures development** could allow **greater access to LNG supplies** either directly (regasification) or indirectly (internal pipelines development)
- ✓ The use of LNG terminals will be dependent on **LNG prices** compared with other gas prices and on the **cost of the use of infrastructures**.
- ✓ Since the recovery of LNG infrastructure costs can be at **risk by lack of utilisation**, a **cost benefit analysis is needed, before investment**, taking into account all the necessary issues and hypothesis: competition with pipeline gas sources, liquidity of the gas market, forecasted demand growth.
- ✓ Investments **driven by market signals** should represent the most effective way of balancing risks. PCIs are one option (among others) to support expansion of interconnection capacity where market signals indicate a need.



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What can be done to unlock the full LNG potential in the EU (I)

- It is **not possible (nor desirable) to define a single optimum level/share** of LNG in Europe/Region: it will be the result of strategies of market participants.
- **Access to LNG supplies** occurs according to **market-based mechanisms** and prices spread, thus **prices attractiveness** (key to attract supplies) in every country/region
- Focus should be on **fully implementing the third package** and TEN-E Regulation, Directives, NCs and GTM, to complete the **internal energy market**, that would provide the right signals to producers and traders. (Reference price and a hub where LNG can be traded: UK example)
- Beyond market fundamentals, **the attractiveness of an LNG** terminal will depend inter alia: market **liquidity**, level of **interconnection**, TPA **access** arrangements, secondary **trading**, standardisation and accessibility of use, etc.
- **Key stakeholders** in the regions/countries **most exposed** to a probable supply disruption must be **prepared in advance**: LNG markets knowledge, producers and traders, agreements negotiated in advance...



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What can be done to unlock the full LNG potential in the EU (II)

- ✓ To face an emergency, the EU can mobilize different tools: **national emergency plans** (national gas system particularities), **regional emergency plans** (assessed to be adopted).
- ✓ **Harmonisation** of the scope, rules and provisions (and language) included in the prevention and action plans is needed to better cooperation at regional level.
- ✓ Where there is clear evidence of market failure, **interventions** may be necessary but they must be at a national/regional level and designed to minimise the impact on market functioning and not foreclose the growth of wholesale markets.
- ✓ Any intervention should be **reviewed regularly** to ensure that it is fit for purpose and be removed when market conditions allow. Any intervention must be transparent, non-discriminatory and publicly known.



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What can be done to unlock the full LNG potential in the EU (III)

- Effective **NRA oversight** should ensure that **regulated companies are investing** in an economic and efficient way taking into consideration the coexistence of regulated and exempted LNG facilities.
- NRAs should make sure that regulatory provisions included in the third package **apply to newly** commissioned **terminals** across Europe
- Regulators should focus on **overcoming barriers** that might be linked with fair access to European gas market and to the development of **new services** and the use of new technologies at LNG terminals.
- Regulatory arrangements should facilitate **new uses of LNG**. There is still a lack of harmonized **technical standards** regarding LNG for shipping. **Taxation** will also play a role in increasing new usages (fuel)
- Initially, further regulation not seem to be needed; close **supervision** and the right **incentives to follow market needs** should remain.



Thank you for your attention!

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