



Press Release

"Fit for purpose - storage market for a sustainable energy future" - workshop on 4 October 2018

15 October 2018

On the 4th October, GIE in collaboration with FTI-CL Energy organized a workshop "Fit for purpose - storage market for a sustainable energy future" with the aim to discuss the main findings of the study amongst stakeholders.

The FTI-CL Energy study on the 'Measures for a sustainable gas storage market' was commissioned by GIE to respond to the EC request to provide a sound analysis on the framework that will enable the unlocking of the full potential of gas storage whilst avoiding simultaneously market function distortions.

In his welcome speech, GIE Board member Lubor Veleba said, "*A fast-changing world, where different sectors of our economy are interlinking with each other at high speed, also requires a changing framework*".

"Gas infrastructure, including gas storage, can provide the flexibility the energy system requires," underlined Zsuzsanna Szeles from the European Commission at the workshop.

The relevance of the study focuses on bridging the EC's market-based approach with its long-term vision, through introducing the concept of capturing externalities in the energy system.

It is widely accepted that gas storage generates inherent positive externalities such as system and insurance services that are not revealed by the market up to now. To address this, the study tracked the challenges that energy system users may face in the coming years – such as increasing balancing needs, triggered by the increased development of renewable energy – and advises that the hidden services above will become even more valuable in the future integrated energy system. It is further advised that such services should be introduced and designed to respond well to market participants' latent demands.

The study called for a revisit to the regulatory framework. As its foundation, the study promotes a market-based approach by suggesting that Storage System Operators (SSOs) move to market-based pricing. Additional proposed measures include the internalisation of externalities that cannot be captured, by definition, by the market. Different business model solutions were presented to address these externalities and to ensure long-term sustainability of gas storage. It was also highlighted that in order to move towards 'coupled regulation' to support efficient sector coupling, a holistic approach should be adopted to optimise and plan investment across the full energy system.

The study outcome triggered lively debates between panel members (representing Eurogas, EFET, Eurelectric, CEER and FTI-CL Energy) and the audience. European stakeholder views were complemented by concrete examples of INES and Storengy representatives who provided German and French perspectives on the topic. The debate also addressed the readiness of gas and electricity systems to cope with security of supply risks and to what extent an individual or collective response is needed. "*Insurance value involves, by definition, a collective response and system value is related to the efficient operation and investment planning across the whole energy sector,*" stressed Fabien Roques from FTI-CL Energy.



GIE welcomes the FTI-CL recommendations and preliminary external views. GIE supports SSOs' move to market-based pricing wherever the current framework does not already recognise or reward the full value of the gas storage. This would maximise efficient gas storage use on a level playing field and enable SSOs to respond better to shipper's expectations.

In addition, there is a need for an assessment of positive system and insurance externalities created by gas storage. Without an assessment, too much storage will close and/or close in wrong locations.

Government and NRAs need to ensure that values are adequately captured in the evolving regulatory framework. In doing so, GIE evokes a dynamic and modern approach where 'silo' thinking is abandoned and instead a holistic view is kept, so that all relevant energy system users continue to benefit from the insurance and system value of gas storage. The adoption of a holistic approach is, in GIE's opinion, the chief strength of the study as it offers a useful reference point for those seeking to fill the "missing link" between gas and electricity in the energy framework.

While the overall principles could be recognised at EU level, GIE is convinced that there is 'no one size fits all' solution. Consequently, any specific measure would need to be tailored to the local market, depending on the MS energy-mix, role of storage in different local markets and the decarbonisation process. The final measure adopted should not hinder innovation and security of supply.

"The development of the renewables has started reshaping the energy market and with phase out of oil and coal, there is an increasing need for balancing at a large scale and at a right speed. This can only be met if gas and electricity systems are better integrated," said GIE Board member Torben Brabo, *"Gas storage is particularly key as it delivers a very cost-effective large-scale responsiveness in case of extreme events, and system services,"* Torben Brabo continued, *"Therefore, it's timely to stress that the evolving framework should recognize the full value of gas storage".*

GIE is committed to engaging in a constructive dialogue with relevant stakeholders and policymakers and address the evolving regulatory framework which is in line with EU's long-term vision.





Note to Editors

Gas Infrastructure Europe (GIE) is an association representing the interests of European natural gas infrastructure operators active in natural gas transmission, storage and LNG regasification. GIE is a trusted partner of European institutions, regulatory bodies and industry stakeholders. It is based in Brussels, the heart of European policymaking.

GIE currently represents 69-member companies from 25 countries. Its internal structure has three columns corresponding to the three types of infrastructure activities represented: GTE (Gas Transmission Europe), GSE (Gas Storage Europe) and GLE (Gas LNG Europe), all of which fall under the umbrella of GIE. This structure allows member companies to speak with one voice on infrastructure topics as well as to build positions on column-specific issues.

To find out more about GIE's structure and activities, please visit our website at www.gie.eu.

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