

Briefing for Director-General Juul Jørgensen

Request (ENER/6631) – Meeting with Gabrielle Gauthey, TotalEnergies

SCENE SETTER

Who	Ms. Gabrielle Gauthey, Total Energies
When	17 May 2022 at 11:30
Where	08/84
Why	<ul style="list-style-type: none"> Your role: Main interlocutor on DG ENER side Purpose: Discuss the main topics that might be relevant for Total Energies
Topics	<ul style="list-style-type: none"> Gas security of supply Energy Platform Gas package and regulatory framework Energy prices

KEY MESSAGES

On gas security of supply

- As decided in the conclusions of the European Council (EUCO) held at the end of March in Versailles, the **European Union should aim at phasing out its dependency on Russian gas, oil and coal imports as soon as possible**, bearing in mind national specificities, as set out in the Versailles Declaration.
- Gazprom’s unilateral decision** to stop delivering gas to certain Member States (Poland and Bulgaria – check against time of delivery regarding Finland) is Russia’s latest attempt to use energy as an instrument of blackmail. As President von der Leyen said, “this is unjustified and unacceptable”.
- We are working on **our detailed REPowerEU Plan, which will be presented in the coming weeks**.
- The Commission also brought forward the security of supply and affordable prices communication of 23 March and a **legislative proposal to introduce a gas storage obligation of 90% - and for this year 80%**.
- The Commission is working with the Member States to reinforce the preparedness of the EU and its Member States to possible large-scale disruptions of gas flows from Russia**. A first analysis of our winter preparedness for the last winter was done just after the start of the war. We are now doing a new review of **preparedness ahead and during the winter to come**.
- The goal is to **reinforce the security of supplies for all Member States**. To do this we have reassessed scenarios of partial and full disruption of gas flows from

Russia and are helping all Member States revise their gas supply contingency plans and better coordinate their efforts in a spirit of solidarity.

- **Our preparedness relies on our ability to substantially and effectively diversify supplies** from our main supplier and to fill our gas storages before the next winter begins. The more we develop biogas or renewable electricity to replace natural gas and gas fired power plants, the better it is.
- In case of partial or full gas disruption from Russia, **LNG and alternative pipeline supplies would need to play an even more important role to replace the missing gas in the short term.**

EU Energy Platform

- The European Council gave a clear mandate to the Commission and Member States to work together on **voluntary common purchase of gas, LNG and hydrogen, on security of supply and interconnectivity.**
- The Platform is articulated around three pillars:
 - The first one is the **aggregation of gas demand for (joint) purchase** to attract meaningful and timely supply volumes from the global markets;
 - The **optimisation of infrastructure usage** in the EU, be it LNG terminals, pipelines and storages in order to maximise contribution to security of supply, including through the replenishment of storage.
 - The **coordinated outreach to international partners** in order to prepare ground for stable long-term cooperation framework with international partners, looking beyond gas and including hydrogen and renewables.
- The Platform will also consider the specificities of the gas market in various part of the EU, through the **Regional Groups**. As a first operational case, a first Regional Group was established under the Platform in Sofia.
- When it comes to the aggregation of the demand and the possibility of joint purchase, there are multiple options are currently on the table. All of these options put the companies at the centre of the mechanism.
- The **Platform will also include the expertise of the private sector**, potentially through the establishment of a dedicated advisory group. The practicalities in that respect still have to be defined but the inception shall happen in the coming weeks
- There is a **clear progress on the coordinated outreach** where the dialogue with the US is already delivering concrete results in terms of LNG deliveries

Gas package and regulatory framework

- **Renewable and low-carbon gases**, including **biomethane** and **hydrogen**, will help the EU to decarbonize its gas system.
- They represent a sustainable alternative to importing fossil gas increasing energy security and EU's energy system resilience.

- The Commission published last December the **Hydrogen and Decarbonised Gas Package**. These proposals cover the market design for gases, including hydrogen, and access to existing natural gas networks for renewable and low-carbon gases.
- Package has 5 objectives:
 - Enabling development of **dedicated hydrogen infrastructure** and market;
 - Facilitate access of **renewable and low-carbon gases** to existing gas network;
 - Fostering **network planning** electricity, gas and hydrogen;
 - Promote **consumer protection and engagement** in renewable and low-carbon gas markets;
 - Improve **resilience and security of supply**.

Energy prices

- Our goal is to **keep energy prices affordable** without disrupting supply nor disincentivising investment in the green transition.
- To address the current extraordinary circumstances, **options for emergency measures to limit the contagion effect of gas prices in electricity prices** are put on the table and discussed.
- The **REPowerEU Communication of 8th March contains measures to respond to soaring energy prices**. It includes guidance for Member States on **regulating retail prices in exceptional circumstances**, as well as redistributing revenues from high-energy sector profits and emissions trading to consumers.
- The Commission issued on 23rd March a **third Communication setting out options for emergency measures to deal with the impact of increased energy prices**. Measures can include a **financial compensation** (like the introduction of a cap price on the fuel price for fossil generators) and or be a **regulatory action** without financial compensation (like establishing a regulatory cap for the maximum price that certain baseload generators can charge).
- In the meeting of 24 and 25 March, the **European Council tasked the Commission to reach out to the energy stakeholders**, and to discuss, if and how, the options would contribute **to reducing the gas price and addressing its contagion effect on electricity markets**, taking into account national circumstances.
- We are also looking carefully at the design of our energy markets, assessing options to optimise the electricity market design to reap the benefits from low cost energy.

REPowerEU Plan

- Tomorrow, the Commission will adopt a REPowerEU Plan, with further details on how Europe intends to diversify its energy supplies and infrastructure in the years ahead.
- It will present further measures to (i) phase out dependence on Russian fossil fuels; (ii) limit the impact of high energy prices and; (iii) accelerate the transition to renewable energy and become more energy efficient.
- The European Green Deal will remain its central element. Full implementation of the European Green Deal's 'Fit for 55' proposals could reduce our annual fossil gas consumption by 30% by 2030. Together with additional gas diversification and more renewable gases, frontloaded energy savings and electrification, we have the potential to gradually remove at least 155 bcm of fossil gas use even before 2030, which is equivalent to the volume imported from Russia in 2021.
- The REPowerEU Plan would include:
 - a partial update to impact assessments on the renewable energy targets to support co-legislators as they negotiate the European Green Deal/Fit for 55 package.
 - coordinated actions to increase the production of hydrogen from renewable energy.
 - a legislative proposal and recommendation on faster permitting, together with a solar energy strategy, including a European Solar Rooftops Initiative, to support more projects on renewables. Measures on biomethane are also in the pipeline. We also foresee an EU-wide energy savings campaign.
 - measures to strengthen the supply chains of electrolysers, solar and wind technologies and heat pumps. This includes reinforcing the circular economy, and ensuring sufficient availability of skilled workers.
 - revised guidance to modify national Recovery and Resilience Plans. [In relation to this, the 2022 European Semester is likely to address some further country-specific challenges in the area of energy, taking into account measures in REPowerEU to curtail dependence on Russian energy and tackle high energy prices.]
 - a new strategy on EU external energy engagement in a changing world. It will explain how the EU intends to implement the external aspects of RePowerEU. It will focus on accelerating the global energy transition, diversifying Europe's fossil fuel imports and supporting partners most affected by the impacts of the current energy crisis. The strategy will present global energy priority actions that are mutually beneficial and reinforcing between the EU and international partners.
- In view of the electricity market system the Commission will carefully analyse the final ACER Report from 29 April and other contributions on the functioning of the electricity market and will propose a way forward.

DEFENSIVES

ON STORAGE PROPOSAL

Why is the Commission proposing a minimum gas storage obligation?

- Current EU rules on the security of gas supplies do not sufficiently equip us with measures to deal with today's security of supply risks and gas markets volatility.
- Gas storage has an important role to play in guaranteeing the EU's security of supply, covering, in a normal winter, 25-30% of gas consumed across the EU.
- In addition, gas storage sites owned by some third country operators have been particularly underfilled.

Why 80% refilling target this year and 90% from next year onwards? How the Commission came up with intermediate steps?

- The 90% target reflects average historic EU storage filling levels (with an average of 87% in the last few years). This is also the target used by Transmissions System Operators and the European Network of Transmission System Operators for Gas when they do contingency planning.
- For this year, we take into account that Member States will have less time to refill their storage facilities because although we count on your full support to ensure a quick adoption of our proposal, we do not know exactly when this will happen. This is why we propose that for this year the refilling target is of 80% on 1 of November.

Can we reach the 80-90% if there is a disruption of Russian gas?

- This of course depends on the exact circumstances, and I don't want to speculate on that.
- What is clear is that the sooner we start filling our gas storage and the sooner we get close to that filling target, the better prepared we are for the next winter.
- The Commission also stands ready to create a Task Force on common gas purchases at EU level. This Task Force could be instrumental to help Member States fill in the storage facilities.

What is the current storage level of gas in Europe?

On 9 May gas storage is at 36.16% in Europe.

RUBLES

Reports say some EU companies have paid in roubles for Russian gas, does this go against your guidance?

- First of all, we don't comment on press reports, as you are aware – in particular on anonymous comments by sources close to Gazprom.
- Our advice is for EU companies to continue paying for gas supplies in euros, as we believe this would still be possible in spite of the Russian Decree of 31 March.
- EU companies could make a clear statement that they intend to fulfil their obligations under existing contracts and consider their contractual obligations

regarding the payment already fulfilled by paying in euros or dollars, in line with the existing contracts.

How does this decree breach our sanctions?

- The Decree introduces a new payment procedure, whereby Euros or Dollars need to be converted into roubles for EU companies to be deemed to have fulfilled their contractual obligations
- This process is entirely in the hands of the Russian authorities and would allow Russia to involve the Russian Central Bank in the process.
- This is prohibited under the EU sanctions.

DIVERSIFICATION

How much additional LNG can we expect and where would it come from?

- Our assessment is that it's possible to ramp up LNG supplies by 50 bcm a year. We have already seen a significant increase in LNG deliveries, which reached record-breaking 10bcm in January and remained historically high in February.

GAS PACKAGE (Unbundling)

What is the objective of unbundling?

- Our objective is to create a hydrogen market with several players competing on a level playing field, with transparent and free access to the network, ensuring the most competitive price for consumers.
- To get there, we need to ensure that no one can use an initial position of advantage to acquire a market power that will prevent other players to get into the market or to set prices in an arbitrary way.
- This requires a clear separation of competitive activities, like supply or production, from natural monopoly, like transport through the network.

Will gas network companies be able to have hydrogen networks?

- Companies owning and managing hydrogen and natural gas networks should create a new legal entity to deal with the hydrogen networks (e.g. as subsidiaries of a parent company).
- This means that companies owning hydrogen and gas networks can therefore be owned by the same parent company. However, the two group entities should run separate accounts and, as a general rule, the development of hydrogen networks cannot be financed from revenues generated with natural gas network activities.

ACER FINAL REPORT: What are the main lines?

- ACER published its full assessment of **the benefits and drawbacks of the current wholesale electricity market design.**

- The market design must deliver the signals necessary to **incentivize investments in renewables** and to reach the objectives of the European Green Deal on one hand, and **mitigate price volatility to shield consumers** on the other hand
- In particular, ACER report:
 - Explains why and how the current market design brings benefits, and detail which challenges need to be addressed;
 - Proposes ways to improve the wholesale market design, in particular with competitive and liquid long term markets enabling better “insurance” against high prices
 - Addresses the retail markets with better consumer protection against price volatility and bankruptcy of suppliers.
- As tasked by the European Council, the Commission will follow up from this report and make proposals to address the excessive electricity prices, by end of May 2022.

BACKGROUND

[contains commercially sensitive business information of the company]