The role of natural gas in the Energy Union

Member States Gas Forum

European Commission, Energy
Internal energy market: Security of supply

Brussels, June 23rd 2015
The Energy Union

- Energy security, solidarity and trust
- Competitive ness
- Research, innovation and competitiveness
- A fully integrated internal EU-wide energy market
- Sustainability
- Security
- Transition to a low-carbon society
- Energy efficiency as an energy source in its own right
1 Energy Security, solidarity and trust

We have to **diversify** energy supply

This means an increased variety of sources, suppliers and routes; increasing transparency on gas supply; working together on security of supply and developing a stronger European role in global energy markets.
TYNDP 2015: Russia and (potentially diverse) LNG dominating EU future gas supply

- Increasing import needs
- Regions not sufficiently integrated often suffer from a lack of supply security and competition
  - Baltics, CEE & SEE – security of supply issue
  - SWE – exposure to global LNG price

Cooperative supply source dependence towards Russian (red) and LNG (blue) supplies.
Source: ENTSOG TYNDP 2015
We've conducted an Energy Stress Test

Progress has already been made:

- Third Energy Package - better functioning internal market
- Gas Security of Supply Regulation (Reverse flow, Gas Coordination Group)
- New, additional infrastructure e.g. Under EEPR
- Some regional work as in Baltics, BG-EL
Efficient use of gas infrastructures in mitigating disruption depends on:

- *ability of impacted countries to send price signals to attract gas and* ... 

  - In a functioning market, *price signals* will attract new deliveries of gas, mainly LNG, and limit demand; the commercial use of storage will help ensure the demand-supply balance.

- * ... on the cooperation between Member States* 

  - *Regional* production, storage and LNG will not take full benefit of existing interconnections in case of sub-optimal crisis management
Energy Security, solidarity and trust
Concrete actions

- Security of gas supply
  - EU Energy and climate policy diplomacy
  - Comprehensive LNG strategy
  - Intergovernmental Agreements
  - Alternative suppliers: Southern Gas Corridor and Mediterranean
Revision of the Gas Security of Supply Regulation

Stress test
- Remove barriers to market functioning
- Ensure implementation of the SoS Regulation
- Coordinating measures
- Reverse Flows Exemptions, Investment projects

Public consultation
- Preference for market-based measures
- Need for harmonization
- Regional differentiation?

Mitigation - Prevention

Implementation 994/2010
- Solidarity
- Cross-MS issues, parallel functioning of markets

Stakeholders
Voluntary demand aggregation mechanisms for collective purchasing of gas during a crisis

Energy Union
- Common crisis management
- Preventive and emergency plans at regional and EU level
- Solidarity has to be strengthened
Opportunities on the LNG supply side

Global LNG markets are set to expand with new volumes entering from US and Australia in particular.

Asian LNG prices are starting to align with EU ones...

Source: BP
Important tools for diversification: LNG and storage strategy

LNG
• Current import capacity sufficient to cover all gas import projections by 2040
  • But: bottlenecks
  • Supply outlook: new potential suppliers

Storage
• Is storage capacity sufficient?
  • Decreasing summer-winter spread
    • Risk of viability of storages
Reviewing the IGA Decision

What works?

• Useful to receive information on IGAs landscape and features

What does not work?

• Not sufficient to cure the problem:
  – Commission not informed of ongoing IGAs negotiations
  – No voluntary compatibility check before concluding an IGA

Next steps

• Assessing options (ex-ante checks)
Thank you for your attention!