

GIE initial reaction to the Commission Communication on European Energy Security Strategy

1 Who is GIE ?

Gas Infrastructure Europe (GIE) is an association representing the sole interest of the infrastructure industry in the natural gas business such as Transmission System Operators, Storage System Operators and LNG Terminal Operators. GIE has currently 69 members in 25 European countries.

One of the objectives of GIE is to voice the views of its members vis-à-vis the European Commission, the regulators and other stakeholders. Its mission is to actively contribute to the construction of a single, sustainable and competitive gas market in Europe underpinned by a stable and predictable regulatory framework as well as by a sound investment climate.

2 GIE general comments

Affordable, reliable and sustainable energy are of crucial importance for a competitive Europe. As a result of the tensions between Russia and Ukraine the European Council requested the European Commission to present a European Energy Security Strategy. GIE welcomes the effort by the Commission to depoliticise the energy debate and providing a framework of short and medium term actions to increase energy security in the EU.

A well-functioning internal energy market is the best guarantee for energy security. The EU should therefore concentrate its efforts to enhance the integration of Europe's energy networks. Over the past decades gas infrastructure operators have invested to create an efficient and reliable energy system. Since the gas supply crisis of 2009, additional investments have been carried to enhance the interconnection of the EU's gas market. Further 'missing links' have been put forward by infrastructure operators as priority projects under the new TEN-E Guidelines.

GIE would like to highlight some specific comments on various elements of the Communication of the Commission.

2.1 Immediate actions to increase the EU's capacity to overcome a major disruption during the winter 2014/2015

GIE and its member companies support measures taken at the EU, regional and national level to enhance gas market integration and advance the security of gas supply. In this regard GIE contributes to activities of the Gas Coordination Group (GCG) by sharing its experience and up-to-date information on the functioning of gas infrastructure in the EU, including transmission systems, LNG terminals and storage facilities. The transparency platforms and related databases¹ which allow actual monitoring of natural gas flows, storage inventories and utilisation of LNG terminals throughout the EU in an effective and user-friendly manner are examples of this.

¹ The platforms and databases on transmission, UGS and LNG infrastructure is available at: <http://www.gie.eu/index.php/maps-data>

GIE is ready to continue with supporting the European Commission and the EU member states, including at the upcoming GCG meetings and with the proposed energy security stress tests.

GIE and its members offer to the EC their assistance in running stress tests and risk assessments and will continue providing information on transmission network, natural gas storage inventories and LNG regasification capacities in the EU.

2.2 Review of the SoS Regulation 994/2010

GIE supports the Commission initiatives to evaluate the existing regulatory framework regarding supply security taking into account the strategic importance of gas storages. However GIE would like to underline the importance of ensuring the effective implementation of key elements of the existing Regulation 994/2010 before considering additional rules and regulations. Such a review should include:

- The necessity of a review of the supply standard and its potential extension;
- Guidance on acceptable means of fulfilling the supply standard (for example are only hub-based supply contracts sufficient in case of an import disruption) and recognizing the importance of storages and sufficient storage levels.

GIE is ready to contribute to the review of the existing provisions of the Security of Gas Supply Regulation which the Commission is scheduled to finalise before the end of 2014.

2.3 Building a well-functioning and fully integrated internal market

In recent years GIE members have invested substantially in cross-border interconnections, reverse flow projects, storage projects and LNG-regasification projects. The network codes which are currently being implemented will further enhance the integration of the gas markets. All these measures contribute towards significant progress in terms of gas market integration and security of supply in many parts of the EU. For example, gas can now also be transported from West to East, and from South to North. Nevertheless, there are still pending reverse flow projects which can further enhance Europe's supply security and therefore deserve further support to ensure timely and efficient implementation.

And further actions are needed to ensure all EU member states can benefit from the internal gas market. Whereas convergence among different areas has increased, certain regions - in particular those which are completely dependent on the single gas supplier (Baltic states and Finland) or lack supply diversification are exposed to supply disruptions via their main import routes (e.g. countries in the CEE and SEE region).

GIE believes that investments in gas infrastructure should primarily be market-based. However we acknowledge that some investments which are not fully supported by the market might still be needed due to externalities (e.g. security of supply, solidarity, etc.). They would require targeted support, such support should however not be to the detriment of existing infrastructure and market based projects. Therefore, GIE welcomes actions currently taken by the European Commission and relevant authorities in the member states with regards to TEN-E and CEF Regulations. Timely implementation of both legal acts is of primary importance, as they can greatly contribute towards streamlining administrative and regulatory procedures at the pre-investment stage and incentivising gas infrastructure projects. This, as a result, can lead towards accelerated construction of key gas investments with the highest potential for the gas market in the EU. Finally, the need for highly capital intensive new gas infrastructure as mentioned by the European Commission while

simultaneously considering displacing gas by other sources increases the risks for infrastructure operators and could be to the detriment of new investments.

3 Conclusions

GIE believes that gas infrastructure in the EU is now more resilient than in 2009 and better capable to address security of supply concerns. There are however still important infrastructure projects to be implemented to strengthen SoS, enhance diversification and integrate gas markets in the EU. An appropriate investment climate and incentives are needed as well as the full implementation of the TEN-E and SoS regulation.

GIE is available for discussions within GCG and strongly supports a dialogue between the related parties.

GIE supports the Commission's proposal to review the existing regulatory framework for security of supply.

GIE welcomes actions by the European Commission which recognize the strategic importance of gas storages and would like to highlight the important role of LNG terminals in enhancing supply diversification and security of supply.

Fully integrated European natural gas networks will provide aligned price signals, necessary flexibility and proper solutions to the market needs from any supply direction and/or source in any market situation.

In the short term GIE and its members offer to the EC their assistance in running stress tests and risk assessments and will continue providing information on natural gas storage inventories and LNG regasification capacities in the EU.

The policies of energy security and the transition towards a low carbon economy should provide a level playing field to all energy sources to compete in the internal market.