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**Council of European
Energy Regulators**



**Workshop on the role of LNG to improve
regional SoS in Europe
LNG markets and Security of Supply**

Fostering energy markets,
empowering **consumers**.

Tom Farmer
Madrid, 17 March 2015

LNG can be an important source of gas supply and flexibility

- **Part of the supply mix**
 - ▶ Alongside indigenous production, pipeline gas and storage
 - ▶ Role of LNG varies from country to country
- **Also provides flexibility**
 - ▶ Timing of deliveries + temporary storage in terminals
 - ▶ Competes with storage, flexible production.
 - ▶ To what extent can we see these as substitutes?
 - ▶ Are there limits to LNG flexibility?
- **Benefits both markets with terminals and connected markets**
 - ▶ Increased LNG flows (eg, into GB) reduces demand for pipeline gas, so more available for countries without LNG access
 - ▶ How do we ensure these benefits can be realised?

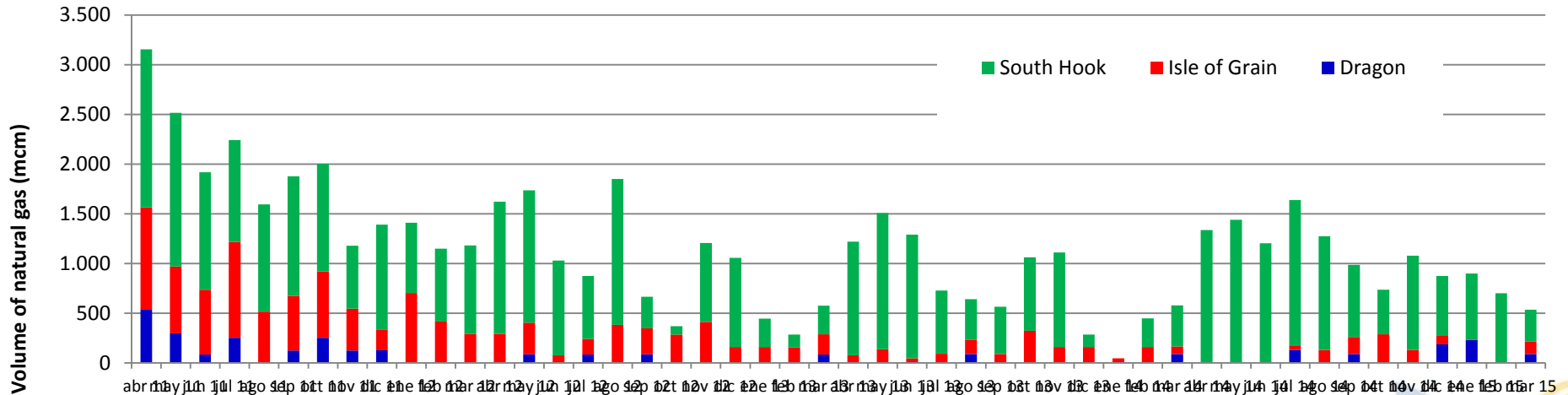
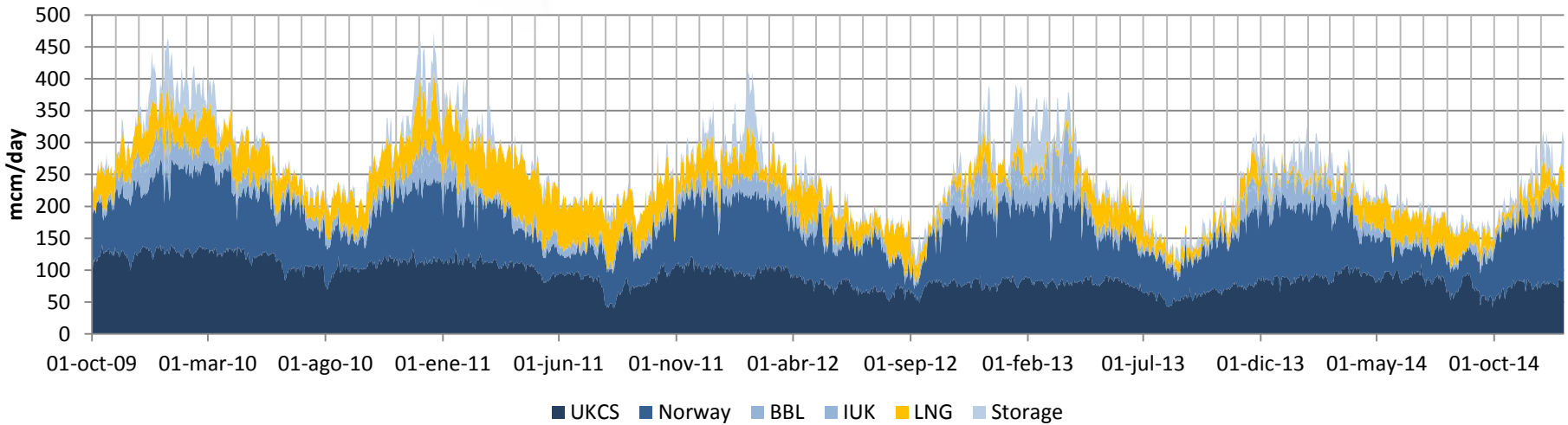


LNG is a global market

- Global supply and demand will influence price and availability of LNG
 - ▶ Does this imply price convergence?
 - ▶ Other factors are also important – shipping constraints, import/export capacity, etc...
- Market dynamics can change quickly
 - ▶ And are subject to uncertainties
- Price signals will determine where LNG goes
 - ▶ Differentials between market areas



An example: GB trends in LNG deliveries



Market design should ensure we are able to attract the gas we need

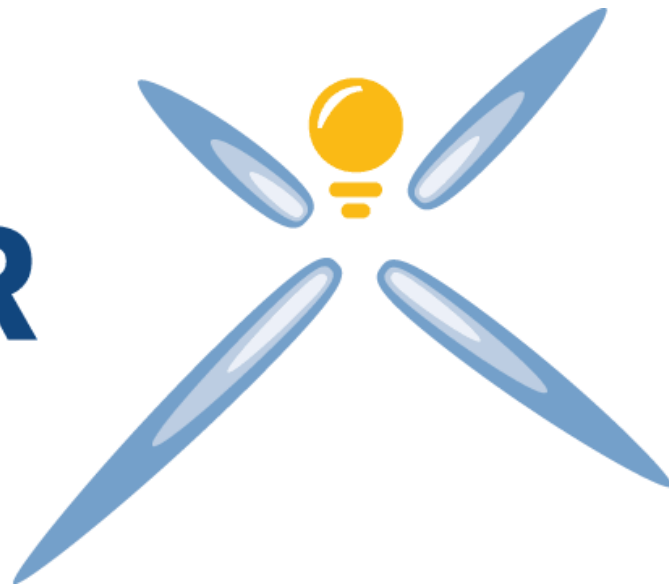
- Liquid, well-functioning markets
 - ▶ Attractive places to land cargoes and trade gas
 - ▶ Also encourages infrastructure investment
- Can wholesale prices attract LNG in an emergency?
 - ▶ Balancing incentives place onus on market participants
 - ▶ Ensure market values security of supply – create effective price signals to attract cargoes from the global market when needed
 - ▶ What can Fukushima experience teach Europe?
- Are there circumstance where alternative measures could be needed?



Thank you for your attention!

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