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What has been achieved with GTM and how can the GTM enhance Security of Supply?

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CEER Annual Conference
Brussels, 26 January 2016

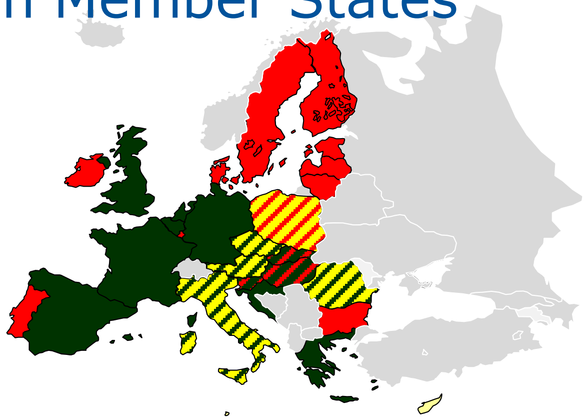
DISCLAIMER: The opinions expressed in this presentation do not necessarily represent the official views of the Agency.

Security of Supply Status quo (2013)

IEM as precondition for enhanced security of supply
- Priority of market-based measures
- Intervention only in specific cases (limited)

Criteria GTM 2011:
- Residual Supply Index (RSI) > 110%
- At least 3 supply sources

➢ 14 Member States do not meet the GTM target. These include almost all Eastern European Member States

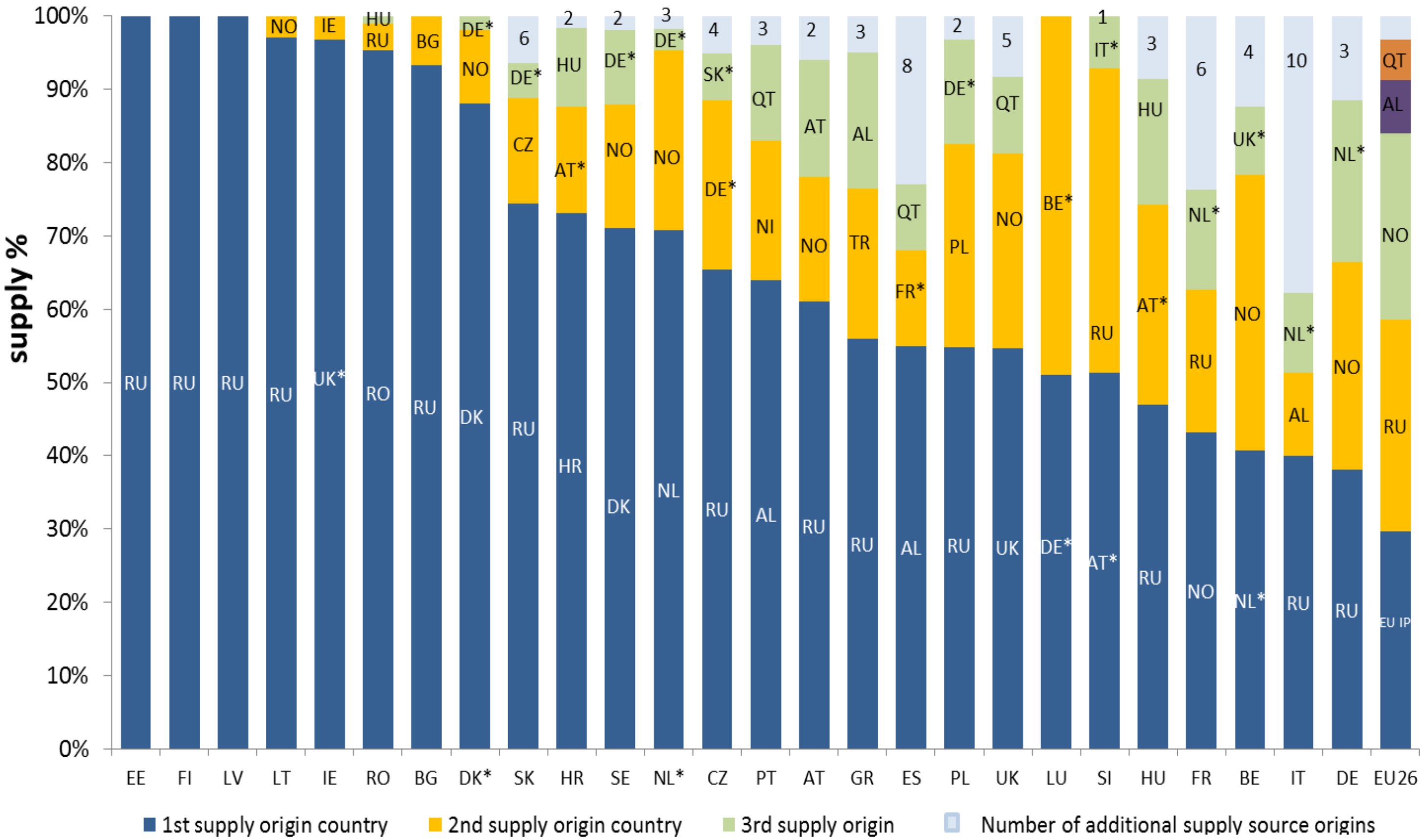


Member State	Number of sources	RSI
Austria	3	143%
Belgium	8	279%
Bulgaria	2	13%
Croatia	5	125%
Czech Republic	3	159%
Denmark	2	22%
Estonia	1	0%
Finland	1	0%
France	13	137%
Germany	4	116%
Greece	9	131%
Hungary	4	60%
Ireland	2	8%
Italy	12	108%
Latvia	1	0%
Lithuania	1	0%
Luxembourg	4	0%
Netherlands	6	189%
Poland	3	56%
Portugal	2	93%
Romania	4	104%
Slovkia	2	369%
Slovenia	5	74%
Spain	12	159%
Sweden	1	0%
United Kingdom	11	142%
GTM target	≥ 3	≥ 110%

Gas Source Diversification in the EU

GTM recommends MSs to have at least three different origins for their sources of gas supply – some MSs are still dependent on one or two sources

Estimated diversity of origins of gas supply in EU MSs (2014)



Developments in 2014

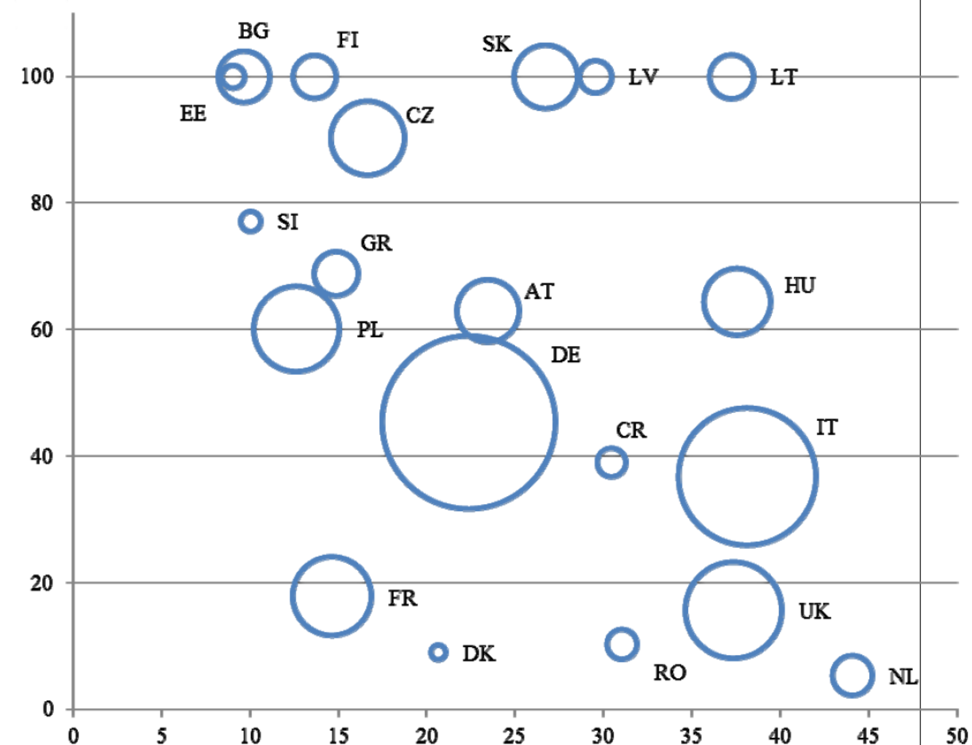
- Domestic EU gas production decreased. Flows from Russia declined in 2014 (but rose again in 2015). Imports from Norway increased.
- Lithuania ended dependency on a single source through the commissioning of the Klaipeda LNG terminal
- Notable imports from Russia movements include: e.g. DE saw an increase while other MSs saw a decrease (e.g. SK, GR, HU, SI)
- Some countries saw changes in the order among their largest suppliers (e.g. SI, ES, HR)

*Note: **Supply origin** indicates the **upstream gas producing country or**, where marked with an asterisk, **a MS featuring an organised market** where gas has been purchased. NL and DK splits refer to the origin of overall traded volumes. Both are net exporters by solely considering their indigenous production.*

SOURCE: Data analysis based on public sources i.e. Eurostat Comext, BP Statistical Report, Eurogas, MSs’ National Reports (2014) and ACER calculations

Dependency on gas from Russia

Dependency on Natural Gas Supplies from Russia (2013)



Horizontal axis: % of natural gas in the energy mix – Vertical axis: % of Russian natural gas in national natural gas consumption - Size of the circles: volume of imported Russian natural gas.

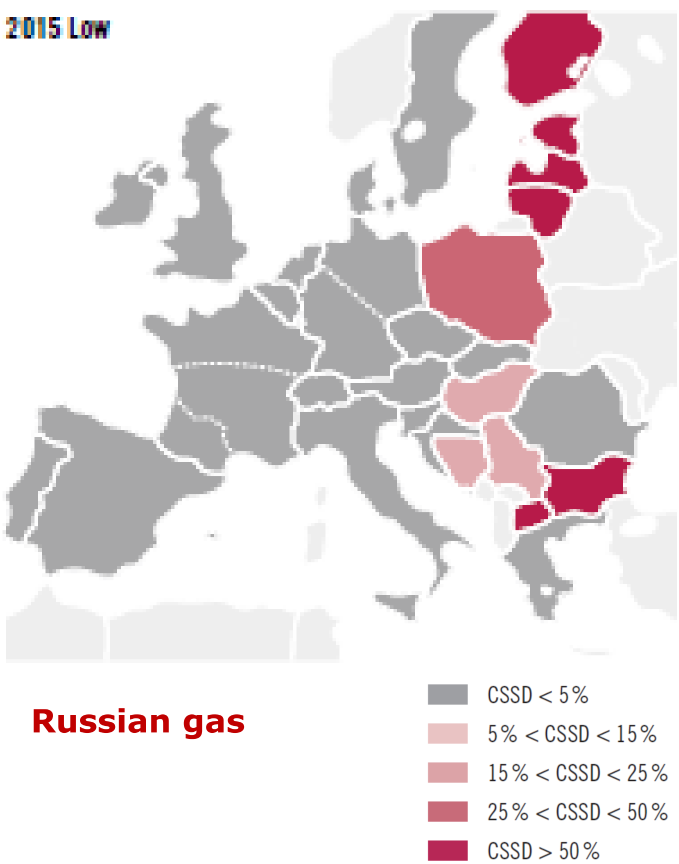
Estimates based on preliminary industry data for 2013 and including natural gas volumes traded by Russian companies not necessarily produced in Russia.

Limited gas supply diversity in Baltic Sea Region and Central Eastern and South Eastern Europe

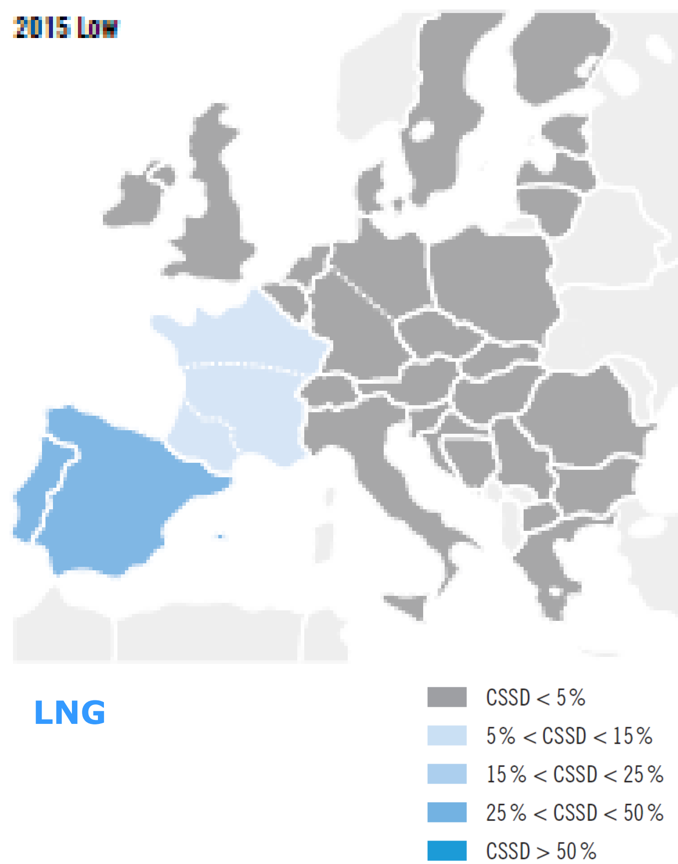
Source: EC Communication on European Energy Security Strategy (28.5.2014), ANNEX 1
http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52014DC0330&from=EN

Physical dependence on Russian gas and LNG

Cooperative Supply Source Dependence (CSSD)



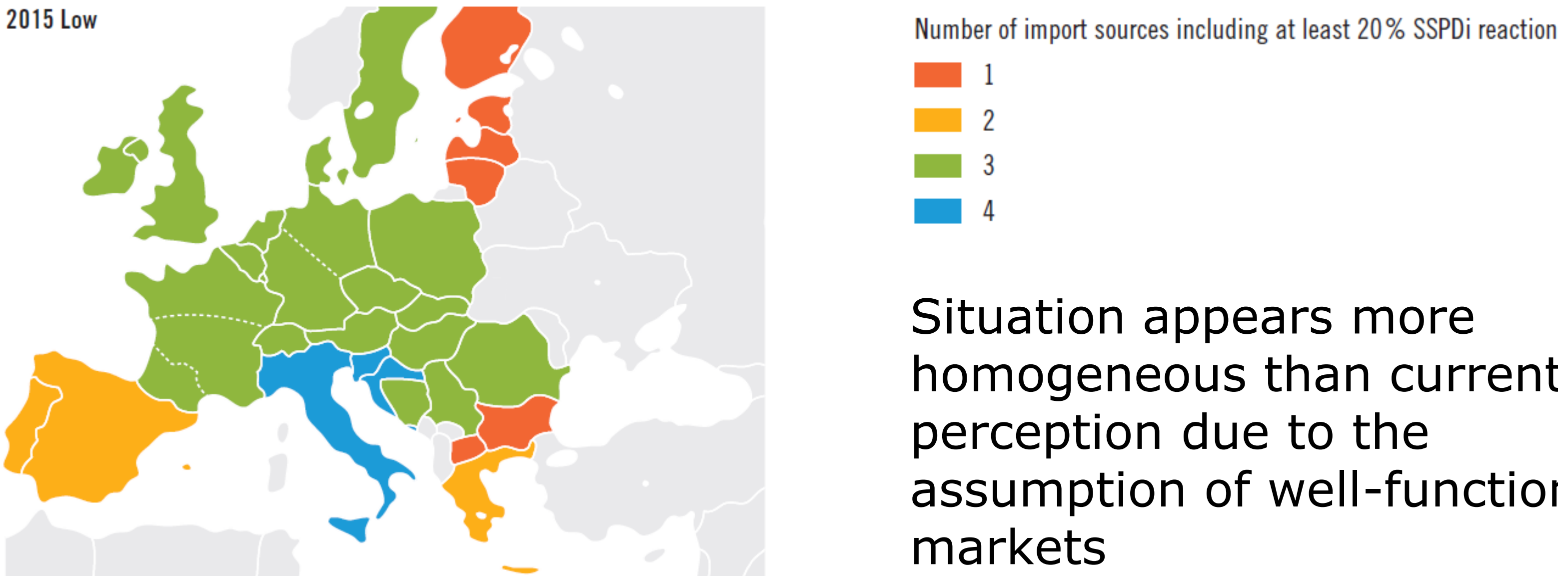
Russian gas



LNG

Influence of supply sources

Supply Source Price Diversification (SSPD) Indicator



Situation appears more homogeneous than current perception due to the assumption of well-functioning markets

The higher the number of import sources significantly affecting (by more than 20%) the SSPDi of a MS, the more diversified the supply to the MS is.

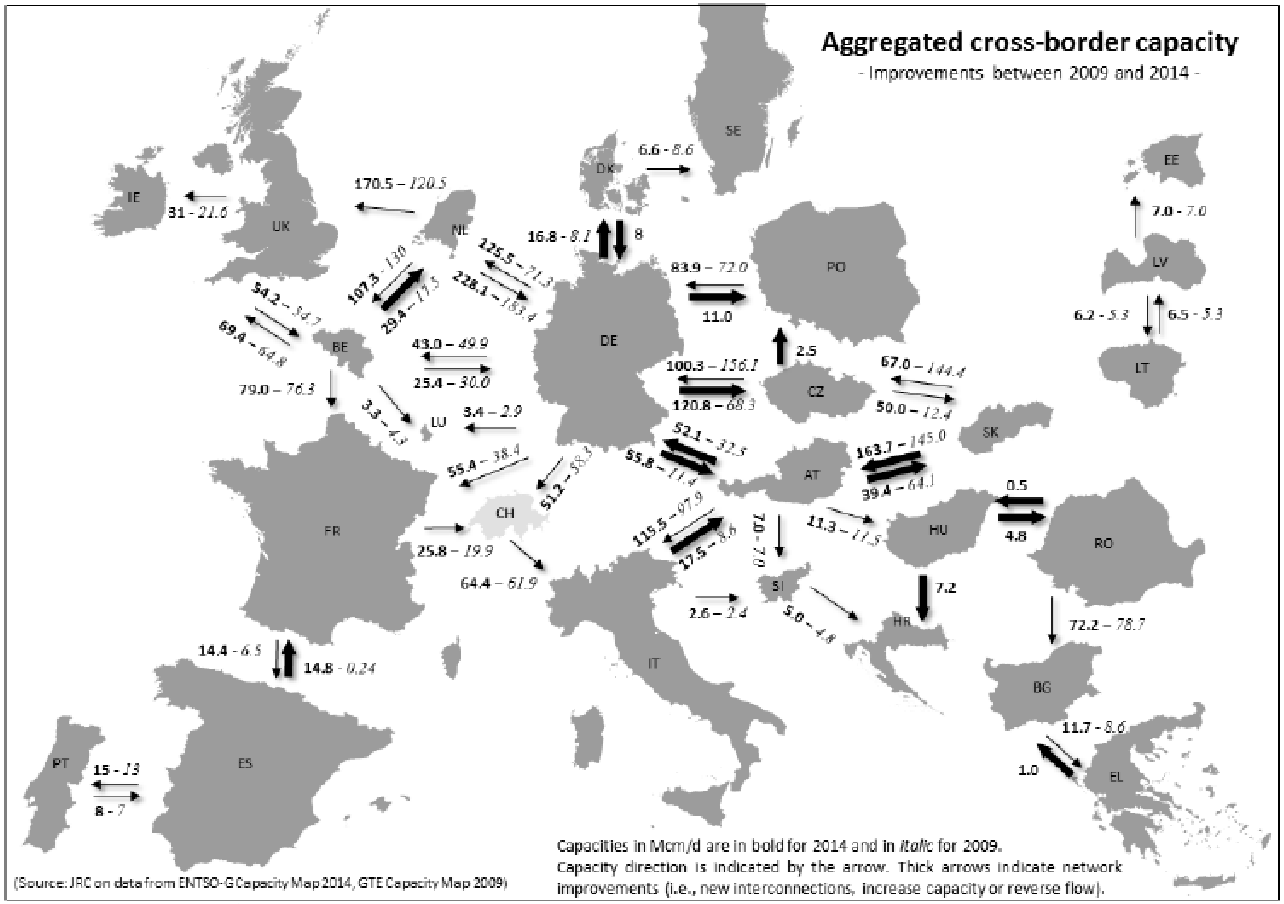
Gas Target Model SoS measures

- Infrastructure investment decisions adequately to reflect value of improved SoS + upstream competition
- Physical reverse flow, spare capacity
- Ensure that Member States cooperate fully in supply emergency, do not restrict cross-border flows
- Priority of market-based measures for storage and LNG
  - Unbundling of storage products
  - System balancing prices to reflect value of lost load
  - Entry-exit tariffs to recognize role of storage
- Regulatory intervention in the event of politically motivated physical supply interruption may be justified
- Diversify upstream supply sources by incentivising European TSOs jointly to develop highly complex projects

Cross-border Capacity Expansion

Gas supply diversity and intra EU-trade improved in part thanks to cross-border capacity enhancements - via reverse flows or via new IPs

Evolution of cross-border capacity: improvements between 2009 and 2014 (in bold)



Illustrations:

- Some CEE and SEE MSs increased their supplies from NWE hubs (DE and AT) by taking advantage of reverse flow capacity enhancements
- Cross-border capacity enhancements on the ES-FR border contributed to increasing gas imports from NWE into Spain

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Thank you for your attention

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