



How to Foster LNG Markets in Europe Case studies – CEER report

CEER LNG Work Stream
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Background

- Published in July 2019
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How to Foster LNG Markets in Europe

CEER Report

Liquefied Natural Gas Work Stream
of
Gas Working Group

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Link for download:

<https://www.ceer.eu/documents/104400/-/-/57d62db2-db0a-e611-2a49-85703d1d54d6>





Case studies

TARGET: to show how the adoption of different solutions in European countries has addressed changing market conditions and foster the LNG market.

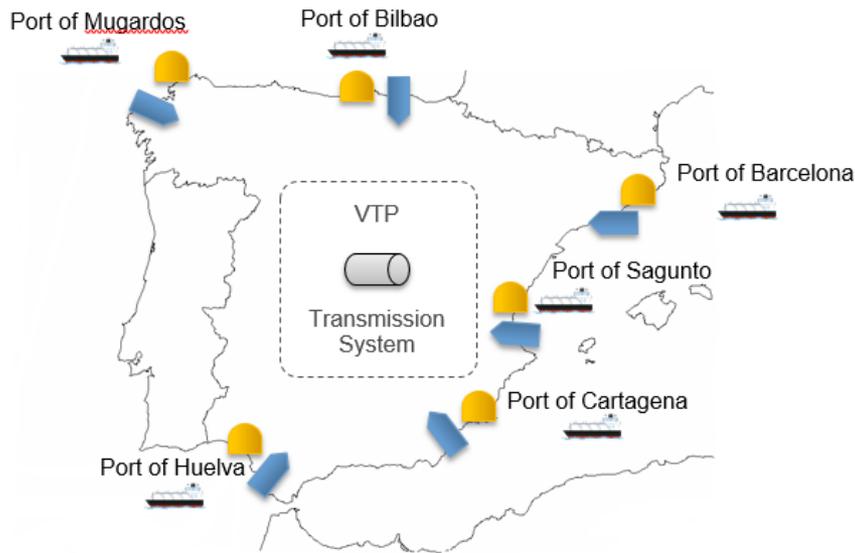
- **1. The Spanish case:**
 - ▶ Merging LNG plants. Virtual regasification and storage capacities.
- **2. The Italian case:**
 - ▶ Auction procedures for the allocation of regasification capacity. An exempted terminal become regulated
- **3. The Belgian case:**
 - ▶ Adapting infrastructures and services to an evolving market in a quick way
- **4. The Lithuanian case:**
 - ▶ LNG as a source of competition with pipeline gas and diversification.



1. The Spanish case

Merging LNG plants. Virtual regasification and storage capacities

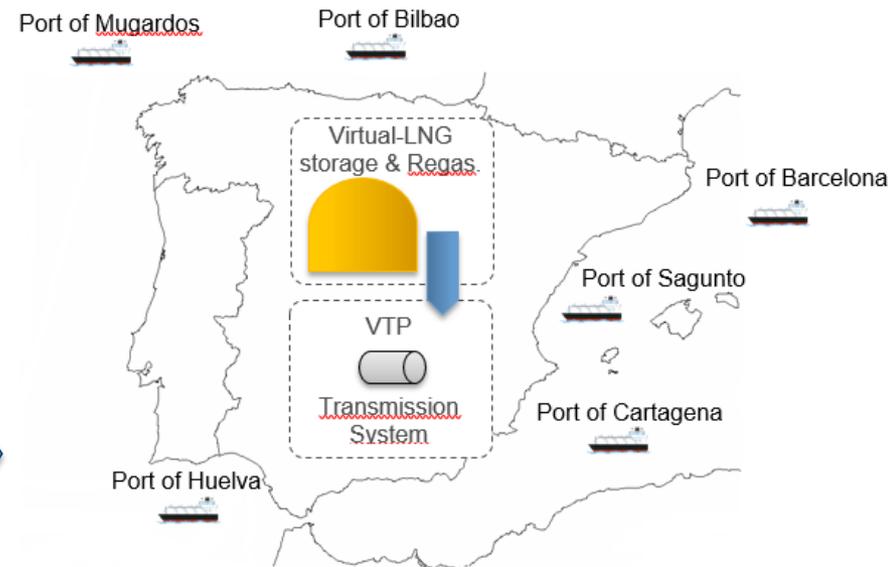
FROM (Current situation):



From the user's point of view:

- 6 different locations for loading/unloading LNG (freedom of choice)
- 6 LNG stocks / balances
- 6 LNG markets
- 6 regasification contracts
- 6 nominations

TO (New LNG model):



From the user's point of view:

- 6 different locations for loading/unloading LNG (freedom of choice)
- 1 LNG stock / balance
- 1 LNG market
- 1 regasification contracts
- 1 nomination

2. The Italian case

The introduction of auctions as capacity allocation mechanism

- **Initial situation:** underutilisation of the terminals, mainly due to decreasing the gas demand, cheaper pipeline gas and higher Asian gas prices.
- The previous capacity allocation mechanisms were based on priority criteria (holders of take or pay contracts, etc.) and pro-rata criteria.
- Those mechanisms were not in line with the criteria of efficiency and flexibility needed in a developed and liquid wholesale gas market.
- ARERA implemented **market-based allocation mechanisms** and favours the formation of clear price signals (reserve price reflects market conditions)
- After the introduction of the auctions, **Toscana terminal** (converted from exempted to r-TPA) has significantly increased its utilisation rate, allocating almost its entire capacity for 2018/2019.



3. The Belgian case

Adapting infrastructures and services quickly to an evolving market

- The new Code of Conduct (2010) was written in a philosophy that gave the **LNG operator the flexibility to develop new products/services** and offered simplicity to the shippers.
- **New infrastructures are the result of the additional regulated services** that have been developed by terminal operator. The new projects are developed via merchant approach which is based on customers' need.
- As a result, the terminal offers market based defined services.
- The regulated services are available on a long term and stable basis but also on a short-term basis at competitive tariffs.



4. The Lithuanian case

LNG as a source of competition with pipeline gas and diversification

- The Klaipėda terminal increased **competition** (before, single supplier) putting pressure on gas prices, and complying with N-1 rule.
- To ensure proper functioning, the **pricing scheme** based on **SoS**, approach was approved by the European Commission.
- The LNG tariffs are calculated by the LNG operator (approved by NCC):
 - ▶ The variable part should be covered by the users of the terminal.
 - ▶ The fixed part is included into the **security of supply component paid by all Lithuanian natural gas customers**.
- Visible **convergence** in prices for natural gas, comparing average import price in Lithuania to **TTF** and Gaspool pricing.





Main conclusions

- **LNG's importance will grow** in the future, as market is expanding.
- LNG is a relevant additional source of **competition**.
- The possibility to **attract LNG** into Europe would be further enhanced with the development of **price references**, sending reliable signals.
- Any market development that streamlines LNG arrival into Europe, like **supply contract clauses** flexibilisation, is welcome.
- New services definition, LNG regulation rules and concepts modifications **must follow market needs** and innovation principles.
- **Regulatory regimes must not hinder LNG market** development but adapt rapidly to changing conditions (Dynamic regulation).
- Further **coordination of regulators**, may be advisable, at least at regional level.
- There is **potential for optimisation** of existing LNG infrastructure.
- **Flexibility is key for LNG regulation**: it allows quick responses to changing conditions, and to adapt to them in different ways.

