

European Commission

**Consultation on an EU strategy for
LNG and gas storage**

Anigas comments

Milano, October 1st, 2015

Anigas is the biggest Italian Association of the Gas Industry, representing and supporting the interests of gas companies in Italy. The Association was founded in 1946 and since then it has been a member of Confindustria bringing together the managing operators of infrastructures (storage, transmission, distribution and regasification of LNG) and the trade companies on the wholesale and retail markets. Among the members are the largest national and foreign industry players, as well as small and medium-sized companies, which together represent more than 60% of the Italian gas market.

Anigas welcomes the consultation on an European strategy for liquefied natural gas (LNG) and gas storage, which the European Commission published just later on publication by the Italian Ministry for Economic of consultation on the Italian Strategy for LNG Development.

We are aware of the increasing importance of European institution in relation to energy policy since national political and energy policies are defined according to Regulation and strategies set out at European level, especially in the gas sector, whose liberalization was carried out through the implementation of EU Directives.

Anigas considers that an European strategy for liquefied natural gas (LNG) could set out recommendations and actions to enable Member States to benefit from access to the international LNG market and foster the use of LNG in the transport sector.

Therefore, we take the chance to submit some remarks to the consultation on an European strategy for LNG and gas storage and to stress the **key role of natural gas in the European energy system and to achieving the decarbonisation goals in an affordable and sustainable way.**

GENERAL REMARKS

LNG

Natural gas is set to play a key role in Europe

Natural gas will remain a central fuel in the EU energy mix in the next decades, due to its ability to meet affordability, security and sustainability objectives. In this regard, the EU should convey the right messages on future gas demand.

In particular, natural gas – including in the form of LNG – will be key in the path towards a low carbon economy, as it is a clean and very flexible fuel, which is able to complement renewable sources.

Natural gas can play an important role in all consuming sectors, including transport, where it will increasingly contribute to achieving the European environmental targets. The development of LNG use in the transport sector depends on a number of factors including a favorable fiscal regime and a consistent European technical and safety regulatory framework.

The EC consultation seems to reveal an expectation of extremely depressed gas demand in the coming years, due to the increase in renewables and energy efficiency (we refer to the graph reported in the annex to the consultation document which shows a sharp reduction in demand in Europe, from 410 bcm/y in 2014 to about 300 bcm/y in 2035).

These forecasts of future gas demand are not shared by the main international sources (IEA, IHS CERA, ENTSO-G), who see gas as a bridge fuel in the process of decarbonization of the electricity sector and foresee a growth, more or less steep, of demand and a simultaneous decline in domestic production. The programs for the phase-out of nuclear power plants, currently under discussion in several EU countries (e.g. France, Germany and Belgium), and the development of new sectors of gas demand, such as for ships and trucks, will also contribute to increased gas demand.

As a consequence, they forecast a rising trend in gas imports from non-EU countries (from the current 66% to about 80% by 2025).

The EU should promote the use of infrastructures

In a scenario of increasing needs of gas imports, the EU should be promoting an efficient use of existing and new infrastructures and supporting LNG as fuel in the heavy road transport and in the marine sector.

Italy has a pivotal role to play as a bridge between Europe and Africa and the Mediterranean area.

In particular, in order to fully exploit the South Mediterranean hub, it is of utmost importance to further develop the reverse flow project connecting Italy to France, Germany and Belgium and to ensure diversification of supply source for Europe both via LNG and pipelines.

On a related note, it is worth highlighting that the costs of projects that benefit more than one Member State should be allocated based on the distribution of benefits.

LNG and pipeline gas are complementary

LNG and pipeline gas contribute to the security of the European gas system on a complementary basis and they should compete on a level playing field.

The EU should create a favorable political context

The EU Institutions have a role to play in facilitating international cooperation and set a favorable political context able to strengthen partnerships. However, market players should have full control over commercial negotiations, which should remain their exclusive competence.

STORAGE

Gas storage should compete with other flexibility instruments

Gas storage is an important source of flexibility, particularly in a context of declining indigenous gas production in the EU and fast growing renewable generation, which will require an increasing amount of gas-fired back-up capacity.

Gas storage has to compete on a level playing field with all other flexibility instruments (i.e. flexible production and supply) and the market should be allowed to define the most efficient portfolio.

In order to optimize the use of existing storage infrastructures, a proper development of internal interconnections would be necessary, as it will allow storage located in one Member State to be used - based on market dynamics - for the security of other countries. A proper regulatory framework will also facilitate the efficient use of storage in a regional setting.

Pro-security “Market-based mechanisms” should be developed by Member States

Security of supply should be primarily achieved through a well-functioning, liquid and interconnected gas market.

As far as the commodity market is not able to provide the desired level of security, Member States should develop pro-security “market-based mechanisms”.

Interventionist measures, such as Storage Obligations imposed in some Member States, should be removed as more efficient alternatives are available, assessed on a case by case basis (e.g. the Italian approach to storage allocation, which is based on the use of auctions).