

IOGP's response to the public consultation on 'Securing the EU's winter gas supply (storage measures)'

IOGP believes that an efficiently functioning, interconnected and liquid energy market with free and transparent price formation for competing energies from a diversity of domestic and global suppliers, intelligent demand-side solutions, and with a stable legislative framework will best ensure cost-efficient, secure supplies to consumers. We acknowledge the exceptional circumstances leading to these proposals, but we suggest that any measure is carefully assessed and that market interventions are minimized and are limited in time.

Under the current market circumstances (lower future gas prices for the winter than for summer), there are no economic incentives for market participants to fill gas storages in the summer. In this context, we understand why the Member States want to implement measures which require or incentivize that seasonal storages are sufficiently filled by the start of the winter. We note that the historical filling levels of gas storages were, in average, about 90% at the beginning of November and thus consistent with the aggregate 90% filling target for 1 November 2023. For this year, that target will be challenging to reach, and hence a filling target of 80% in aggregate is appropriate.

We believe it is important to maintain the flexibility that storages offer to ensure continued gas supply during cold spells in winter. These cold spells may occur at any time during winter, and this should be recognized when considering the establishment of intermediate targets. Based on public information, historical filling levels for 1 February have ranged from 40% to 71%, and filling levels for 1 May have ranged from 26% to 63%.

Possible filling level requirements should be established at the Member State level, be incentivized by appropriate market-based mechanisms, and allow for sufficiently flexible filling trajectories. Where filling level requirements and possible risk-compensation opportunities impact existing contractual relationships, affected parties should be given the option to adjust or terminate existing contracts to reflect the revised regulatory framework to ensure a level playing field between market parties.

We agree that the storage obligations do not apply to LNG storage tanks as those are used to manage terminal operations to receive LNG vessels. We suggest that multi-cycle storages are also excluded from the filling obligations in order to maintain their important role in the short-term balancing of the gas system and recognize their limited role in seasonal storage. Without the ability to balance the system with multi-cycle storages, end-user demand response must balance the system at much higher costs.

Domestic gas production within the EU/EEA helps to improve the security of supply and reduce dependence on external supplies. Policymakers could help to build investor confidence by embracing indigenous production, removing barriers to exploration and production, and expediting licensing and permitting procedures. In addition, we suggest that the proposed 100% tariff discounts for gas storage and for LNG facilities is extended to include capacity-based transmission tariffs at production entry points and entry points from upstream pipelines connected to production from EU/EEA Member States or to other sources which enhance security of supply. Such discount should be implemented in a way that it does not lead to a tariff increase for other entry points and/or for cross-border exit points. Therefore, a mechanism to allocate the costs of such discounts to the beneficiaries of security of supply, such as domestic end consumers, should be implemented.

We acknowledge that the Member States designate gas storage facilities within their territory as critical infrastructure and introduce a certification procedure as an additional safeguard to ensure that the influence over these facilities does not put at risk the security of energy supply.

Proposed amendments to the Proposal for a Regulation amending Regulation (EU) 2017/1938 concerning measures to safeguard the security of gas supply and Regulation (EC) 715/2009 on conditions for access to natural gas transmission networks

IOGP suggests the following amendments:

• Definitions:

AMENDMENT 1	
Text proposed by the Commission	Amendment proposal
Article 1 Amendments to Regulation (EU) 2017/1938	Article 1 Amendments to Regulation (EU) 2017/1938
<p>Regulation (EU) 2017/1938 is amended as follows:</p> <p>“(27) ‘filling trajectory’ means several intermediary targets for each Member State as listed in Annex Ia and Ib;</p> <p>(28) ‘filling target’ means a binding target for the filling level of storage facilities for non-liquefied natural gas;</p> <p>(29) ‘strategic storage’ means storage of non-liquefied natural gas which is subject to public authority authorisation for release, cannot be sold to the market but only released in case of supply scarcity, a supply disruption or emergency.”</p> <p>(30) ‘strategic stock’ means non-liquefied natural gas purchased, managed and stored by transmission system operators exclusively for carrying out their functions as transmission system operators and for the purpose of security of supply. Gas stored as part of a strategic stock shall be dispatched only where required to keep the system in operation under secure and reliable conditions in line with Article 13 of Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC or in case of a declared emergency under Article 11 and can otherwise not be sold on wholesale gas markets;’</p>	<p>Regulation (EU) 2017/1938 is amended as follows:</p> <p>“(27) ‘filling trajectory’ means several intermediary targets for each Member State as listed in Annex Ia and Ib;</p> <p>(28) ‘filling target’ means a binding target for the filling level of storage facilities for non-liquefied natural gas;</p> <p>(29) ‘strategic storage’ means storage of non-liquefied natural gas which is subject to public authority authorisation for release, cannot be sold to the market but only released in case of supply scarcity, a supply disruption or emergency.”</p> <p>(30) ‘strategic stock’ means non-liquefied natural gas purchased, managed and stored by transmission system operators exclusively for carrying out their functions as transmission system operators and for the purpose of security of supply. Gas stored as part of a strategic stock shall be dispatched only where required to keep the system in operation under secure and reliable conditions in line with Article 13 of Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC or in case of a declared emergency under Article 11 and can otherwise not be sold on wholesale gas markets;’</p> <p>(31) ‘multi-cycle storage’ means a storage facility which allows the injection of the full storage volumes and its withdrawal multiple times within a year (as listed in Annex x);</p> <p>(32) ‘seasonal storage’ means a storage facility which normally injects full storage volumes during summertime and allow its withdrawal in wintertime (as listed in Annex x).</p>

Justification: The filling obligation should only apply to seasonal storages.

There are basically 2 different types of gas storage facilities: seasonal storages and multi-cycle storages:

Seasonal storages can store large volumes of gas, mostly in depleted reservoirs or aquifers, and it takes several months to completely fill the working gas volume. By its design, these facilities are used to store gas in the summer and withdraw during winter peak demand.

Multi-cycle storages can be filled in a shorter period of time (1-2 months) and generally store smaller volumes of gas. This design allows these storages to have multiple filling-withdrawal cycles per year. Caverns are mostly used for multi-cycle storages.

We recommend that multi-cycle storages are excluded from the mandatory filling obligations in order to maintain their important role in short-term balancing and recognizing their limited role in seasonal storage. Without the ability to balance the system with multi-cycle storages, end-user demand response has to balance the system at much higher costs.

• **Mandatory filling targets:**

The proposed mandatory filling of gas storages for next winter may reinforce security of supply for the winter 2022/23, but the measures also influence current market sentiment (by increasing perceived supply risk and summer gas demand).

AMENDMENT 2	
Text proposed by the Commission	Amendment proposal
Article 1 Amendments to Regulation (EU) 2017/1938 Article 6a - Mandatory filling target and filling trajectory	Article 1 Amendments to Regulation (EU) 2017/1938 Article 6a - Mandatory filling target and filling trajectory
<p>(1) Each Member State shall ensure that the filling target set out in paragraph 2 for the aggregated capacity of all storage facilities in their territory is reached by 1 November each year.</p> <p>(2) For 2022, the filling target shall be set at 80% of the capacity of all storage facilities on the territory of the respective Member States. Unless the Commission decides otherwise pursuant to paragraph 4, the filling target shall be set at 90% for the following years.</p> <p>(3) Member States shall take the necessary measures to fulfil the intermediary targets as indicated in Annex Ia and Ib for each Member State. For 2022, intermediary targets shall only be set for August, September and October. As of 2023 Member States shall ensure that intermediary targets for February, May, July and September are fulfilled.</p> <p>(4) The Commission is empowered, after consultation of the Gas Coordination Group, to adopt a delegated act amending Annex Ib to specify the filling target and a filling trajectory from 2023 onwards, in accordance with Article 19. That delegated act shall be adopted no later than 31 December of the year preceding the year for which the new filling target is set. The filling target and filling trajectory set by the Commission shall be based on an assessment of the general security of supply situation and the development of gas demand and supply in the Union and individual Member States, and set in a manner that ensures security of supply while avoiding unnecessary burden for Member States, gas market participants, storage system operators or citizens.</p> <p>(5) Where a Member State cannot meet the filling target due to specific technical characteristics of one or more storage facilities within its territory, such as exceptionally low injection rates, the Member State shall be allowed to reach the filling target only on 1 December. The Member State shall inform the Commission before 1 November, providing reasons for the delay.</p> <p>(6) The filling target shall not apply where and for as long as the Commission has declared a Union or regional emergency pursuant to Article 12.</p> <p>(7) Competent authorities shall continuously monitor the filling trajectory each year and report regularly to the Gas Coordination Group. If the filling level of a given Member State is more than 2 percentage points below the level of the filling trajectory pursuant to Annex Ib, the competent</p>	<p>(1) Each Member State shall ensure that the filling target set out in paragraph 2 for the aggregated capacity of all storage facilities in their territory is reached by 1 November each year.</p> <p>(2) For 2022, the filling target shall be set at 80% of the capacity of all seasonal storage facilities on the territory of the respective Member States. Unless the Commission decides otherwise pursuant to paragraph 4, the filling target shall be set at 90% for the following years.</p> <p>(3) Member States shall take the necessary measures to fulfil the intermediary targets as indicated in Annex Ia and Ib for each Member State. For 2022, intermediary targets shall only be set for September. As of 2023 Member States shall set filling trajectories with intermediary targets for February, May, July and September and take measures to ensure that they are fulfilled. The intermediary target for February should remain indicative to allow that the flexibility that storages offer to ensure continued gas supply during cold spells in winter is maintained as these cold spells may occur at any time during winter.</p> <p>(4) The Commission is empowered, after consultation of the Gas Coordination Group, to adopt a delegated act amending filling target from 2023 onwards, in accordance with Article 19. That delegated act shall be adopted no later than 31 October of the storage year preceding the year for which the new filling target is set. The filling target set by the Commission shall be based on an assessment of the general security of supply situation and the development of gas demand and supply in the Union and individual Member States, and set in a manner that ensures security of supply while avoiding unnecessary burden for Member States, gas market participants, storage system operators or citizens. The Commission shall ensure that the flexibility that seasonal storages offer to ensure continued gas supply during cold spells in winter is maintained as these cold spells may occur at any time during winter.</p> <p>(5) Member States shall, following public consultation, submit to the Commission by [XX MMMM] a draft filling trajectory with intermediary targets for February, May and September. The Commission shall consult the GCG on the draft national filling trajectories and, where appropriate, issue recommendations to the Member States based on an assessment of the general security of</p>

authorities shall, without delay, take effective measures to increase the filling level. Member States shall inform the Commission and the Gas Coordination Group of the measures taken.

(8) In case of substantial and sustained deviation from the filling trajectories, the following measures shall be taken:

(a) after consultation of the Gas Coordination Group and the Member State in question, the Commission shall issue a warning to the Member State and recommend measures to be immediately taken;

(b) if the deviation from the trajectory is not significantly reduced within one month from the date of the warning, the Commission shall, after consultation of the Gas Coordination Group and the Member State in question, take a decision as a measure of last resort to oblige the Member State to take measures that effectively remove the gap to the trajectory, including where appropriate one or several of the measures listed under Article 6b(1), or any other measure to ensure the mandatory filling target pursuant to this Article is reached;

(c) when deciding upon the adequate measures pursuant to point (b), the Commission shall take into account the specific situation of the respective Member State, such as the size of the storage facilities in relation to the domestic gas consumption or the importance of the storage facilities for security of supply in the region. Any measures taken by the Commission to address deviations from the filling trajectory for the year 2022 shall take into account the short timeframe for the implementation of this Article at national level which may have contributed to the deviation from the filling trajectory for 2022;

(d) The Commission shall ensure that the measures do not go beyond what is necessary to maintain security of supply, without putting disproportionate burden on Member States, gas market participants, storage system operators or citizens.

supply situation and the development of gas demand and supply in the Union and individual Member States. Member States shall, where appropriate adapt the draft filling trajectories, taking into account recommendations received by the Commission, and publish the final trajectories by [XX MMMM].

(6) Where a Member State cannot meet the filling target due to specific technical characteristics of one or more **seasonal** storage facilities within its territory, such as exceptionally low injection rates, the Member State shall be allowed to reach the filling target only on 1 December. The Member State shall inform the Commission before 1 November, providing reasons for the delay.

(7) The filling target **or intermediary targets** shall not apply:

a) where and for as long as the Commission has declared a Union or regional emergency pursuant to Article 12 **or**
b) **where and for as long as the relevant Member State declared emergency or alert level pursuant to Article 11 or**
c) **for the time period required to refill storage facilities after the crisis situation described in a) or b).**

(8) Competent authorities shall continuously monitor the filling trajectory each year and report regularly to the Gas Coordination Group.

(9) In case of substantial and sustained deviation from the filling trajectories, the following measures shall be taken:

(a) after consultation of the Gas Coordination Group and the Member State in question, the Commission shall issue a warning to the Member State and recommend measures to be immediately taken;

(b) if the deviation from the trajectory is not significantly reduced within one month from the date of the warning, the Commission shall, after consultation of the Gas Coordination Group and the Member State in question, take a decision as a measure of last resort to oblige the Member State to take measures that effectively remove the gap to the trajectory, including where appropriate one or several of the measures listed under Article 6b(1), or any other measure to ensure the mandatory filling target pursuant to this Article is reached;

(c) when deciding upon the adequate measures pursuant to point (b), the Commission shall take into account the specific situation of the respective Member State, such as the size of the storage facilities in relation to the domestic gas consumption or the importance of the storage facilities for security of supply in the region. Any measures taken by the Commission to address deviations from the filling trajectory for the year 2022 shall take into account the short timeframe for the implementation of this Article at national level which may have contributed to the deviation from the filling trajectory for 2022;

	(d) The Commission shall ensure that the measures do not go beyond what is necessary to maintain security of supply, without putting disproportionate burden on Member States, gas market participants, storage system operators or citizens.
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Justification: We believe it is important to maintain the flexibility that seasonal storages offer to ensure continued gas supply during cold spells in winter. These cold spells may occur at any time during winter and this should be recognised in the intermediate targets for February and May, if such intermediate targets are set. Based on the ENTSOG dashboard, historical filling levels for 1 February have ranged from 40% to 71% and filling levels for 1 May have ranged from 26% to 63%. We suggest the implementation of specific measures which will enable the introduction of filling targets in the most efficient way. We would like to clarify that certain situations require individual approach and suspension of filling targets:

- the declaration of national emergency level (not only EU or regional-wide)
- the declaration of alert level (due to commercial stocks which should be applied as market-based measure)
- the time-period required to refill storage facilities after the crisis situation.

• **Platforms for the purchase of LNG:**

AMENDMENT 3	
Text proposed by the Commission	Amendment proposal
<p>Article 1 Amendments to Regulation (EU) 2017/1938 Article 6b paragraph 1 Implementation of the filling targets</p> <p>(1) Member States shall take all necessary measures, including financial incentives or compensation to market participants, to ensure that the mandatory filling targets pursuant to Article 6(a) are reached. These measures may, in particular, include:</p> <p>(a) imposing an obligation on gas suppliers to store minimum volumes of gas in storage facilities;</p> <p>(b) imposing an obligation on storage owners to tender their capacities to market participants;</p> <p>(c) imposing an obligation on a transmission system operator to purchase and manage strategic stocks of gas exclusively for carrying out their functions as transmission system operators and for the purpose of security of supply in case of emergency;</p> <p>(d) using coordinated instruments, such as platforms for the purchase of LNG, with other Member States to maximise the utilisation of LNG and to reduce infrastructure and regulatory barriers to the shared use of LNG to fill storage facilities;</p> <p>(e) providing financial incentives for market participants or compensation for the potential shortfall of revenues or for costs incurred by obligations on market participants which cannot be covered by revenues;</p> <p>(f) adopting effective instruments to set obligation on storage capacity holders to use or release unused booked capacities.</p>	<p>Article 1 Amendments to Regulation (EU) 2017/1938 Article 6b paragraph 1 Implementation of the filling targets</p> <p>(1) Member States shall take all necessary measures, including financial incentives or compensation to market participants, to ensure that the mandatory filling targets pursuant to Article 6(a) are reached. These measures may, in particular, include:</p> <p>(a) imposing an obligation on gas suppliers to store minimum volumes of gas in storage facilities;</p> <p>(b) imposing an obligation on storage owners to tender their capacities to market participants;</p> <p>(c) imposing an obligation on a transmission system operator to purchase and manage strategic stocks of gas exclusively for carrying out their functions as transmission system operators and for the purpose of security of supply in case of emergency;</p> <p>(d) using coordinated instruments, such as platforms with other Member States to maximise the utilisation of LNG terminal capacity and to reduce infrastructure and regulatory barriers to the shared use of LNG to fill storage facilities;</p> <p>(e) providing financial incentives for market participants or compensation for the potential shortfall of revenues or for costs incurred by obligations on market participants which cannot be covered by revenues;</p> <p>(f) adopting effective instruments to set obligation on storage capacity holders to use or release unused booked capacities.</p>
<p>Justification: The coordination of LNG purchases across multiple market parties would be a major intervention into the free competition of such parties and possibly in conflict with relevant rules under competition law. However, more transparency and possibly coordination addressing the utilisation of LNG terminals infrastructure may enhance their efficient utilisation thereby increasing supply capacities available to the EU market.</p>	

• Provisions do not apply to LNG facilities used for storage:

AMENDMENT 4	
Text proposed by the Commission	Amendment proposal
<p>Article 1 Amendments to Regulation (EU) 2017/1938 Article 6e Scope of application</p>	<p>Article 1 Amendments to Regulation (EU) 2017/1938 Article 6e Scope of application</p>
<p>(3) The provisions of Articles 6a to 6d shall not apply to parts of LNG facilities used for storage.</p>	<p>(3) The provisions of Articles 6a to 6d shall not apply to parts of LNG facilities used for storage and to multi-cycle storages.</p>
<p>Justification: The filling obligation should only apply to seasonal storages.</p> <p>There are basically 2 different types of gas storage facilities: seasonal storages and multi-cycle storages:</p> <p>Seasonal storages can store large volumes of gas, mostly in depleted reservoirs or aquifers, and it takes several months to completely fill the working gas volume. By its design, these facilities are used to store gas in the summer and withdraw during winter peak demand.</p> <p>Multi-cycle storages can be filled in a shorter period of time (1-2 months) and generally store smaller volumes of gas. This design allows these storages to have multiple filling-withdrawal cycles per year. Caverns are mostly used for multi-cycle storages.</p> <p>We recommend that multi-cycle storages are excluded from the mandatory filling obligations in order to maintain their important role in short-term balancing and recognizing their limited role in seasonal storage. Without the ability to balance the system with multi-cycle storages, end-user demand response has to balance the system at much higher costs.</p>	

• Removal of TSO capacity tariffs to and from storage systems:

AMENDMENT 5	
Text proposed by the Commission	Amendment proposal
<p>Article 2 Amendments to Regulation (EC) No 715/2009</p>	<p>Article 2 Amendments to Regulation (EC) No 715/2009</p>
<p>(2) In Article 13, the following paragraph 3 is added: '3. A discount of 100 % shall be applied to capacity-based transmission tariffs at entry points from and exit points to storage facilities, unless and to the extent a storage facility which is connected to more than one transmission or distribution network is used to compete with an interconnection point. The Commission shall re-examine this tariff discount 5 years after entry into force of the Regulation. It shall assess whether the level of the reduction set out in this Article is still adequate in view of the storage obligation pursuant to Article 6a of Regulation (EU) 2017/1938.'</p>	<p>(2) In Article 13, the following paragraph 3 is added: (3) In addition to the provisions in Article 9 of Commission Regulation EU 2017/460 (NC TAR), which describe tariff discounts for gas storages and for LNG facilities, the following shall apply: (a) a discount of 100% shall be applied to capacity-based transmission tariffs at production entry points and entry points from upstream pipelines connected to production from EU/EEA Member States or to other sources which enhance security of supply. Such discount shall be established in a way that it does not lead to a tariff increase for other entry points and/or for cross-border exit points. A mechanism to allocate the costs of such discounts to the beneficiaries of security of supply such as domestic end consumers shall be established by the competent authority.</p>
<p>Justification: Domestic gas production within the EU/EEA helps to improve the security of supply and reduce dependence on external supplies. Policy makers could help to build investor confidence by embracing indigenous production, removing barriers for exploration and production, and expedite licensing and permitting procedures.</p>	

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