

# IOGP Europe opposes any extension of the EU gas storage target to 31 December 2027

The Russian invasion of Ukraine in 2022 triggered an unprecedented energy crisis in recent years, prompting the introduction of mandatory gas storage targets<sup>1</sup> through amendments to the Security of Supply Regulation.<sup>2</sup> The target mandates a 90% storage filling target by 1 November each year, including intermediate targets, and is due to expire on 31 December 2025.

The European Commission proposes extending the storage target until 31 December 2027. However, in light of the absence of an immediate energy crisis, any extension should be justified and proportionate, based on a clear impact and risk assessment covering cost and benefits per market region, and justifying the proportionality and adequacy of the instrument chosen (EU obligations vs. no instrument, national targets or coordination of measures at regional level). Prolonging the provision<sup>3</sup> without thorough cost-benefit analysis and detailed impact assessment could lead to unnecessary market distortions and financial burdens on Member States.

**Gas storage is used by market participants for balancing seasonal demand fluctuations - contributing to security of supply, particularly during winter when energy consumption peaks, in competition with other assets.** However, current market conditions, including low or negative summer-winter spreads, discourage natural market-based storage filling. The mandatory storage and intermediary target at EU level amplifies this issue by artificially increasing summer demand for gas storage, leading to higher prices for the consumers and exacerbating seasonal price distortions. In turn, this reduces the economic incentives for suppliers to store gas voluntarily, forcing additional market interventions and potential cost burdens on Member States. A more flexible, market-oriented approach such as enhanced regional coordination and incentivised storage mechanisms could minimise market distortion and unnecessary costs. Ensuring that storage requirements and intermediary targets do not inadvertently inflate costs or undermine market efficiency is crucial for maintaining a well-functioning EU gas market.

The European Commission's recommendation to Member States recognizes the importance of securing gas supplies for the upcoming winter.<sup>4</sup> However, **the recommendation falls short of providing the necessary flexibility to reflect current market conditions.** While it acknowledges the challenges posed by the negative summer-winter spread and suggests coordinated approaches to optimize purchase conditions, it does not go far enough in reducing the rigidities imposed by mandatory filling target.

<sup>1</sup> Gas Storage Regulation (EU) 2022/1032.

<sup>2</sup> SoS Regulation (EU) 2017/1938.

<sup>3</sup> European Commission proposal for 'Amending Regulation (EU)2017/1938 as regards the role of gas storage for securing gas supplies ahead of the winter season', 5 March 2025.

<sup>4</sup> European Commission recommendation 'on the implementation of the gas storage filling targets in 2025', 5 March 2025.

## IOGP Europe Recommendations:

- **Flexibility and burden sharing:** Leverage market efficiency and flexibility by not extending the storage filling target obligation or, if the extension is contemplated, at least substantially lower overall storage filling targets, remove intermediary targets and increase the minimum cross-border storage obligation for Member States without underground gas storage facilities from 15% to 25%.
- **Impact assessment:** Assess the necessity and risks of a prolongation based on gas demand, supply conditions and cost-benefit impact, and determine if the EU would benefit from an extension beyond 2025. The adequacy and necessity of an EU wide instrument should also be demonstrated.

Efficient gas storage remains a cornerstone of EU energy security. However, extending the current regulation without necessary adjustments risks creating long-term inefficiencies leading to higher security of supply costs than necessary. A distinction must be made between the emergency or supply shortage situation experience in 2022 and the current market situation seen today. **Thus, European Commission should conduct a thorough cost-benefit analysis, leverage all measures supporting security of supply to ensure efficiency, and ensure that any extension, if needed, aligns with market realities in order to preserve competitiveness and affordability for consumers.** In future, regional flexibility would enable more efficient delivery of supply security. Rules for provision of solidarity between Member States could be better defined. As a step in this direction, we encourage Member States' authorities not to focus on restrictive and mandatory measures.