Speaking Notes

Mr Marcel Kramer,
Chairman of Gas Infrastructure Europe (GIE)

- GIE welcomes the new proposal but there is room for improvement;
- A good investment climate/regulatory framework is a sine qua non for security of supply; market mechanisms are the most efficient and effective way of dealing with the necessary investments. Only where the market cannot economically invest and there is still a need for investment for reasons of Security of Supply should Government intervention be considered. The proposed regulation should explicitly recognise these fundamental principles and the fact that security of supply is best guaranteed by a well-functioning market for which the Third Energy Package (agreed earlier this year) sets the framework;
- There is no guarantee that investments into security of supply will be fully taken into account when the tariffs are set by regulators (‘regulators shall take the costs into account’);
- There is no solution developed for investments in one country which enhance the security of supply in neighbouring countries. Neither for TSO’s nor for regulators;
- The last 40 years have demonstrated that natural gas is an extremely reliable source of energy even during times of political tension. This includes supplies from outside the EU. Nevertheless, in light of all the developments we are seeing in and around the EU, it is prudent to take measures to enhance the robustness of the European gas network and make it more resilient. For example diversification of sources and routes, including LNG. A higher degree of interconnection of the European gas grid, and storage, will also help in this regard. The January crisis was caused by a supply disruption and could not be mitigated due to a lack of infrastructure to transport gas from elsewhere in the EU to the affected countries.
- In the proposed regulation the Commission would increase its powers significantly; limiting the role of Member States (subsidiarity) and market parties, and even introducing the ability to force private companies to invest;
- The time schedule to meet N-1 (4 years) and bi-directional flow (2 years) is far too short. The process to get the necessary (environmental) permits would already take this time. This also the case for the development of the Preventative Action Plan and the Emergency Plan (both 1 year).
- The proposal states that a significant supply disruption is a realistic scenario and that therefore all Member States should meet the N-1 indicator. Furthermore, bidirectional flows will be generally required on all interconnections and significant additional investments will be required into the networks themselves to accommodate reverse flow. In order to deal with all these conceivable scenarios, investments without any market demand could potentially come up, which, if all executed, would, apart from potentially wasting money, seriously impact on normal market functioning.

- The N-1 indicator should be viewed as a first step only, an indication that potentially investments may be required. This should be followed by the formulation of scenarios based on possible supply disruptions. These should
- then be analysed using a risk/need assessment. The GTE study on reverse flow carried out upon request of the Commission could be used as a basis.
- In addition to this, there are certain technical issues related to the formula for the N-1 indicator which are still unclear or need to be solved. At the moment, different interpretations can give significantly differing results and the results are not yet consistent. For example, the N-1 indicator for Slovakia as calculated by the Commission gives a result of more than 100%, whereas Slovakia *did* experience some serious problems during the January crisis.