

An aerial photograph of a power line tower in a field. The tower is a lattice structure, and the field is a mix of brown and green. The text 'ACER' is overlaid on the left side of the image, with the European Union flag logo to its right.

**ACER**



European Union Agency for the Cooperation  
of Energy Regulators

## **Better access to European LNG terminals – Roundtable discussion**

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*Online meeting (organised by REKK) – 10 February 2021*

- During the past decade, the implementation of the **3<sup>rd</sup> energy package** has greatly improved the **functioning of European gas markets**:
  - » Development of a gas market target model (well connected hubs associated with entry-exit zones) thanks to **harmonised regulations applied to transmission operators** (CMP, NC CAM, NC TAR, NC BAL...)
  
- These better-functioning markets have **contributed to the increased attractiveness of Europe for LNG cargoes** observed over the last years.
  
- Should we develop **harmonised regulations for LNG system operators** as we did for transmission?
  - » A **broader perspective** is necessary to answer this question. The 3<sup>rd</sup> package aimed at organising our internal market (downstream).
  - » LNG facilities are a **link with the global upstream market**. We cannot assess their offers through the only angle of our internal market.
    - Maintaining the **European attractiveness / accessibility** in comparison with other consuming regions (Asia) is a priority
    - Favouring **competition between several upstream sources** benefits the European consumers (e.g. LNG vs pipes)
    - In the perspective of the Energy transition, **innovation** should be encouraged (storage, small-scale LNG...). **Risks of sunk costs** should be mitigated (if not, cross-subsidies could occur).
    - **Competition among LNG providers and among LSOs** is obviously important but should not undermine the above objectives.

- The Agency very much welcomes this debate and looks forwards its developments. The report published by REKK, Trinomics and Enquidity on behalf of the Commission offers valuable insights.
- Some of its main proposals should be broadly consensual:
  - » **more transparency** offered by LSOs (revenues, tariffs, capacities...)
  - » maintaining the effort to **improve European gas hubs**...
- Some other interesting ideas will face **more difficult trade-offs**. For instance:
  - » **Harmonised products** allocated through auctions **vs** development of **new services** (e.g. small scale LNG, storage).
    - Each LNG facility has distinct features and its role can be different from one market to another. This **heterogeneity** will have to be taken into account. **New services likely require flexibility** (e.g. a dedicated share of capacity in storage tanks).
  - » 10% reserved **quota for short term** bookings **vs** compliance with **existing LT contracts**
    - A quota could **improve competition** between LNG players but **regulatory uncertainty** is detrimental to markets attractiveness. LT bookings mitigate **risks of sunk costs**.
- More generally, the Agency usually supports the principles of **cost-reflectivity** and **cost-benefit analysis** to validate significant investments and changes. **Cross-subsidies and allocation of costs between services should be justified** (as mentioned in the Agency's report "[The internal gas market in Europe: The role of transmission tariffs](#)").