

EUROGAS POSITION ON INFRASTRUCTURE PACKAGE

1. Need for recognition of role of natural gas in energy mix

Eurogas shares the European Commission's views that natural gas will continue to play a key role in the EU energy mix in the long term for numerous decades. In addition natural gas will further gain importance as a fuel to be used when renewable electricity generation is interrupted. We believe this implies a continuing need for the maintenance and expansion of natural gas infrastructure, and we would therefore welcome the proposals that indicate the Commission's intention to support and facilitate the developments of natural gas infrastructure. Eurogas wishes to further underline that the EU should also facilitate and enable the significant additional investments that are necessary to keep the high flexibility requested from natural gas (including gas storages). Since important investments are considered necessary in the gas sector (as stated in the Infrastructure Communication), the industry needs visibility and security about the future use of natural gas in Europe and therefore Eurogas calls for more political recognition and support for the role of natural gas in the future energy mix.

Whilst the Infrastructure Communication states that "the key role of natural gas should be recognized", Eurogas underlines the need for coherence by the EU on the role of natural gas in the future energy mix. The natural gas demand in the Communication's scenario is too low and very different from the expected increase in gas demand foreseen in IEA and Eurogas scenarios. A realistic view on the path to follow towards a more sustainable energy future should more vigorously reflect the main advantages of natural gas, namely its low carbon content, flexibility and the fact that increasing its use offers a low cost route to reduced carbon emissions.

In addition, the strong focus of the Communication on high and rising EU gas import dependency and on single source dependency in some regions does not well reflect the recent evolution of the world gas market. Its privileged geographical position enables Europe to import diversified gas supply from relatively short distance sources. Today, in addition to its domestic resources in nine Member States, the EU imports from more than ten countries. The role of LNG is also significantly increasing, bringing new suppliers of gas to Europe. Moreover the views on EU import dependency should take into account the potential of domestic unconventional gas which towards the end of the studied period could play a role.

2. Need in general for stable and predictable legal framework

Infrastructure investments generally require a stable, coherent and predictable political and regulatory framework in the long term, at national and EU levels, for investors and shippers. In this respect we request that infrastructure proposals should maintain clarity and focus on coherence with the existing Third Package and Security of Supply regulation.

Appropriate remuneration for investors and operators ensures the viability of the network which is required by shippers. This would facilitate the business climate. If, however, the risk attached to an investment is such that it would not otherwise take place, then some exemptions from the regulation may be considered in line with the Directive 2009/73/EC, Article 36.

For shippers, who are often required to make binding commitments, ensuring transparency regarding access tariffs and transmission services characteristics is key. The methodology to set tariffs and the way costs are allocated should be established ex-ante, should be transparent and should not be discriminatory. In addition, there must be transparency

regarding network investment costs which should be efficiently incurred. Finally, there should be clarity and common understanding on mechanisms of open season or equivalent economic test.

The primary objectives of the package should be to remove the obstacles to the development of a fully integrated EU gas market. These are related to:

- inappropriate grid tariff regulation rules,
- lengthy national authorization procedures, and
- lack of consent and acceptance among citizens for major infrastructure projects.

The package should bring the improvements required to ensure the continuation of market integration, and that vital projects can be carried out in a timely manner.

Eurogas welcomes the European perspective on infrastructure that is introduced by the Package. Lessons learned from the past demonstrate that some projects, included in the TEN-E, are still not fully developed and that projects affecting two or more cross border interconnections are not equally implemented across the borders.

3. Importance of economic analysis

The Communication contains data, which should be based on a comprehensive and fact-based analysis. The investment needs estimated by the Commission (both in the Communication and the accompanying documents) lack clarity on the methodology and assumptions used for their calculation.

4. Selection of projects of European interest

In general the definition of projects of "European interest" is not clear.

The criteria to identify the projects of European interest should build on a dynamic selection procedure, consulted with industry, based on transparent criteria and considering market requirements. The methodology, the evaluation and the ranking should be public.

With regard to the further clarification on the methodology to select projects of "European interest", a sound cost/benefit analysis is necessary. We strongly believe that the strength of an infrastructure project, assessed on market basis, should be recognised as a key criterion to identify those projects that can be of "European interest". Other criteria which could be taken into account are e.g. further diversification of sources and routes and further market integration (through for example enhancement of interconnections). The Communication might also take into account the Security of Supply regulation and prioritize additional investments that have been identified following its implementation with particular reference to isolated markets, as projects of "European interest". Any market distortion should be avoided, as keeping a level-playing field for infrastructure investors and users is key for the good long-term functioning of the integrated EU gas market.

In the Commission Communication, project development focuses mainly on TSO driven projects while project development by other project sponsors and possibilities for exceptions are not addressed. Particularly for multinational pipeline import projects in the gas sector and for LNG receiving terminal projects, project joint ventures of non-TSO-project-sponsors have proved to be an efficient concept for the realization of such projects. Thus, we believe that both TSOs and project joint ventures are useful to cope with the challenges of the development of the future infrastructure in order to secure security of supply. The selection process of European investment projects should consider both the 10YNDP and major new import infrastructure projects.

At this early stage of the process, no projects should be set prematurely in such a way as to exclude other subsequent options.

5. Permitting and other facilitation

Eurogas supports the Commission views on making it easier to build infrastructure, with regard to permitting procedures, further clarification on effective costs allocation between users and beneficiaries (in particular for cross-border projects) and, if appropriate, further regional coordination using the right platforms involving the relevant stakeholders and decision makers.

Eurogas believes that these aspects of facilitation of investment (such as for example improvement of cost allocation and authorization procedures) should be available and applicable to all infrastructure projects, whether or not projects are considered as priority corridors or labeled as "projects of European interest".

An acceleration of authorization procedures applicable to all infrastructure projects is needed and Eurogas approves the planned improvements of the permitting procedures for cross-border infrastructure projects. Moreover, public attitude towards large scale infrastructure projects may indeed delay even prevent projects implementation. Therefore this issue needs to be addressed. One possibility could be for the European Commission to play the role of facilitator by for example implementing awareness campaigns.

We believe that a closer cooperation between the European Commission and Member States concerning the alignment of national permitting and authorization processes will make permitting processes more efficient and thereby contribute to the fast realization of projects. This could be done via Guidelines for Good Practices in order to ensure generally accepted and well planned standards and rules across Europe.

Where several Member States are affected by infrastructure projects, the EU might also play an important role as a facilitator in trans-border authorization processes. Another possibility to facilitate processes would be to establish a rule at European level that planning and authorization procedures should be completed within a predefined maximum time frame which may vary according the kind of projects.

6. Regional clusters

The existing structures for regional cooperation established for the elaboration of the 10YNDPs on a regional basis and the Regional Initiatives should play the main role for the implementation of the European Investment Projects. We are not convinced by the need for setting up new High Level Groups.

7. Southern Corridor

On the major issue of the Southern Corridor, Eurogas considers that the Infrastructure package should solely address the issue of the related transmission investments and Eurogas regards this as the main focus of the Communication. The issue of supply is not within the scope.