26 February 2024

National neutrality charges will fragment the EU market and are against the EU spirit of solidarity

Eurogas notes with concern recent initiatives by Member States to introduce charges at cross-border points to recover the costs incurred for the emergency storage filling of 2022. Allocating costs incurred to meet the EU's supply security targets to cross-border tariffs will inevitably increase the cost for gas imports in adjacent markets further downstream. It will encourage if not force these markets to implement similar measures, ultimately fragmenting the integrated EU energy market and with consequences for other sectors, notably on industrial consumers and gas fired power plants. Contradicting the spirit of EU regulations and the principle of solidarity, such measures would eventually undermine the REPowerEU ambitions to divert from Russian gas.

Background

In 2022 and in order to meet the EU Gas Storage Regulation targets, the filling of some Member States' storages entailed considerable public disbursements. The decisions to be taken under unprecedented circumstances were an immense challenge, especially for the member states with the largest storage capacities (Germany and Italy).

In order to recover the costs incurred, some Member States have introduced (e.g. Germany) or are considering (e.g. Italy) the introduction of charges for gas system users, to be levied also at cross-border points.

Eurogas assessment

While each national initiative to allocate supply security costs is different, all are ultimately distorting the market. These measures:

→ **Lead to market fragmentation:** When unilaterally introducing such measures, a Member State is prompting its neighbors to introduce similar charges. Ultimately, the actions of only a few Member States risk spreading this behavior throughout the EU, fragmenting the internal market, leading to opening spreads and possibly reduced gas flows between neighbouring hubs.

→ **Increase costs and impact consumers in adjacent Member States and 3rd countries:** In its 15 January presentation to the Eurogroup[1], ACER detailed the impact of the new German storage neutrality charge, representing for DK-SW, NL, FR, AT, CZ and BE more than 50% and for PL and CH>IT more than 40% of their respective cross-border tariffs. It must be noted furthermore that such costs have resulted in a significant reduction of flows outside of Germany as well as in a progressive widening of the price spreads between the German and the Czech market, in line with the gradual increase of the levy. These charges will also increase the cost of transportation to UA, negatively impacting the filling of UA underground gas storage that have been used by the

[1] ACER presentation to the Eurogroup (January 2024); slide 13

EU[2] and which present a significant potential considering its size and current filling level of less than 20%[3].

- → **Go against the spirit of EU rules**: In Article 6b, the Gas Storage Regulation (EU) 2022/1032[4] notes collecting revenues related to storage filling expenditures should not be levied beyond exit points to final customers in the same Member State. Similarly, Article 6c details that in the context of burden-sharing, levies should not be applied to cross-border interconnection points. While the wording is limited to regulated storage and Member States without underground gas storage, the spirit of these Articles provides a clear warning against the distortive impact of charges levied cross-border. During the revision of the Gas Storage Regulation, ACER/CEER[5] recommended "*Financial compensation should be collected in a non-discriminatory way and not from cross border transmission tariffs. The cost of national storage obligations should indeed be covered by consumers or citizens from the same MS*."
- → **Demonstrate a lack of solidarity**: And more generally, go against the principles of Article 194 of the Treaty of the Functioning of the European Union[6].
- → **Encourage (landlocked) Member States to revert to Russian volumes**: Which contradict the basic principle and ambition of the REPowerEU.

What to do now

- → **Eurogas recommends urgently reconsidering recent proposals and existing measures taken in reaction to the crisis to avoid the fragmentation of the EU market**. Eurogas recognizes the exceptional circumstances of the 2022 situation but calls on Member States to refrain from further introducing distortive measures and to withdraw the ones already introduced. **Eurogas calls on the European Commission to promptly provide guidance publicly on the implementation of storage neutrality charges to avoid further market distortions and to overcome the current ones**.
- → **The current regulatory framework provides a clear message about the impact of the measures being considered at national level**. As the regulatory framework may not adequately address each national proposal, the **European Commission should support and guide Member States in their recovery of the costs incurred in 2022**.
- → **It is now time for the EU to learn lessons from the 2022 situation**. Recent initiatives aim to address the consequence of the decisions taken under exceptional circumstances and efforts should be focused on avoiding them repeating. As noted in ACER MRR 2023 report[7], **Eurogas has advocated[8] for the implementation of guidelines for good practice for seasonal balancing, to prevent large public disbursements and ensure responsibility of market players for storage**.

---

[2] Bruegel European natural gas imports (consulted in February 2022); see figure 9
[3] ENTSOG Gas Dashboard based on GIE AGSI Data (consulted in February 2022)
[4] Regulation (EU) 2022/1032 (June 2022); see Articles 6b and 6c
[5] ACER and CEER views on the proposal for a regulation amending Regulations (EU) 2017/1938 and (EC) n°715/2009 relating to the access to gas storage facilities (April 2022); see Part 4.e
[6] Consolidated version of the Treaty of the Functioning of the European Union
[7] ACER MMR 2023 report (October 2023); see page 48, footnote 88
[8] 37th Madrid Forum – Eurogas intervention (May 2023)