



EUROPEAN COMMISSION
DIRECTORATE-GENERAL FOR ENERGY

Directorate B - Security of supply, Energy markets & Networks

**COMMUNICATION ON THE DIRECTIVE 2004/67/EC OF 26 APRIL 2004
CONCERNING MEASURES TO SAFEGUARD SECURITY OF NATURAL GAS
SUPPLY [COM(2008)769]**

RESULTS OF THE PUBLIC CONSULTATION

NOVEMBER 2008 – MARCH 2009

EXECUTIVE SUMMARY

In line with the Commission's commitment to transparent and interactive policymaking, this document aims at providing an overview and general impression of the feedback provided to the Commission in the context of a public consultation. The statements and opinions expressed in the document do therefore in no way necessarily reflect those of the Commission or the Commission services.

As a follow-up of the publication of the Second Strategic Energy Review package, a public consultation was open between November 2008 and March 2009, in order to seek views and proposals on the revision of the 2004/67 Directive concerning measures to safeguard security of natural gas supply. Contributors have submitted comments both within and outside the timeline and framework of the public regulation. In the present paper only those findings are included, which have been sent during the time and in the framework of the public consultation.

Main findings

1. How to define comparable security of supply standards that put equal, reasonable burden on market players while respecting the differences between Member States?

Respondents agreed that the new legislation must address in an efficient way the paradox that is present today on the field of security of gas supply. Namely, by taking into account the different circumstances in the gas situation of Member States (in supply diversity, demand side flexibility, storage position, public sector obligations, risks to supply, market size etc.) and at the same time providing a common and comparable level of security so that solidarity and disruption management can successfully applied on European level. It is vital to prevent "free-riding" and those Member States that face a broad range of risks, should consequently take additional measures (e.g. demand side responses, access to alternative fuels, higher storage levels etc.) to provide the adequate level of security.

A "toolbox" of security of supply measures was proposed, from which each Member State could choose the most suitable solutions.

The idea of national and regional risk assessments, scenario analyses and disruption models received broad support from respondents. Coordination with the proposed 10-year Network Development Plan has also been considered important. The coordinated approach is the key to reach optimum solutions with minimal costs and to prevent national measures that may be harmful to some Member States in the region.

Regarding the timing, the possible need for transition periods was mentioned.

Positions regarding the security of supply standards showed significant variety. While comparability was mentioned as a main requirement, some respondents flagged the desire to have national autonomous standards.

Reverse flows were considered a useful tool in enhancing security of supply. The concept of N-1 generated significant interest and questions, contributors generally asked for more information about the formula.

The issue of a security of supply margin, and in a broader context the financing of security of supply infrastructures was raised. Costs must be covered in a market-based way (e.g. by offering the extra capacities as interruptible capacity) even if the market itself does not show interest to build the concerned infrastructure.

2. Should the Directive extend mandatory protection beyond households to power generators, small and medium sized enterprises or other vulnerable customers?

Varied views were presented regarding the scope of protected customers. While some contributors urged only minimal protection in order to incentivize market players to develop fuel switch opportunities, others recognized the role of some essential service providers (e.g. hospitals). The inclusion of certain gas fired power plants and CHP units was considered, as in a gas supply crisis electricity demand is likely to grow, but did not receive general support as it may represent significant burden in some Member States.

3. What should be the precise actions defined in the Community mechanism, in the regional and EU emergency plans?

The main message of respondents was that in case of an emergency, market mechanisms should be used as long as possible and emergency measures, solidarity mechanisms and government intervention should be used a last resort. In order to enable the market to act efficiently, transparency of market data needs to be provided.

The general line showed that national emergency plans are needed to provide mechanisms to manage a supply crisis. These plans should be communicated in advance to market players and also to other Member States (peer review) to ensure transparency. The coordination on regional level and joint planning could ensure that national measures do not have adverse effects on another country. Regional coordination as such, would in itself contribute to a higher level of security of supply.

A common methodology harmonized on European-level, should guarantee that national plans are consistent and comparable.

The idea of regional emergency plans and a European crisis management mechanism was approached cautiously different proposals have been put forward, but no firm position was taken on these subjects.

Comparability and compatibility were seen essential in defining the emergency levels, however some respondents flagged that these should be in line with the individual features of the gas market and security of supply situation of the Member States.

The role of the Gas Coordination Group was acknowledged and several contributors proposed a stronger role in information exchange in the event of a crisis.

4. How should the regions for security of gas supply be best defined?

The regional approach received general support. When defining the regions, technical issues, such as existing and planned interconnections, predominant gas flows, location of storage and import facilities and existing bi- or multilateral agreements for emergency situations should be taken into account. ERGEG's Gas Regional Initiatives were suggested as a starting point.

5. How can solidarity be economically compensated?

The answers reflect that solidarity is considered a marginal option, which should be used as an exceptional measure. Agreements between the operators should create the basis for solidarity and its use should be compensated by market tools (extra tariffs etc.). The issue of fulfilling existing contractual obligations also in emergency situations has been flagged.

Possible solidarity arrangements and measures should be known to market players and conditions must be examined how the extra costs of a solidarity action would be covered.

6. How can security of gas supply be strengthened at lowest cost?

It is of common understanding among the respondents that a transparent, well-integrated, fully functional, open and competitive market with supply and demand flexibilities is a first step and a basic guarantee to prevent and mitigate supply disruptions. In case of a supply crisis, market mechanisms should be the first set of tools to be used. Solidarity and government intervention is considered as a last resort only if the market is unable to cope with the problems arisen. (National security of supply measures should be reviewed to ensure that they do not hinder competition in an excessive way.)

Exposing market participants to the full costs of disruptions in order to develop flexible answers to risks, was seen as a good incentive by some respondents. Promotion and transparent operation of commercial storages, diverse supply interconnections and rapid demand reduction through interruptible contracts were considered suitable tools to tackle supply problems.