

# EUROPEAN COMMISSION IMPACT ASSESSMENT BOARD

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## **Opinion**

Title

Impact assessment on Revision of Directive 2004/67 on measures concerning the security of gas supply

(draft version of 27 May 2009)

Lead DG

**DG TREN** 

# 1) Impact Assessment Board Opinion

### (A) Context

The revision of the directive 2004/67 was announced for 2010 in the Second Strategic Energy Review. The January 2009 Russia-Ukraine gas conflict resulted in calls from the Council and the Parliament to accelerate this revision. The March 2009 European Council stated that the revision should include a crisis mechanism, which would involve all actors including energy industry, plans of security and supply, solidarity among the Member States through regional plans, and a redefinition of the threshold for deciding action at the European level. Additionally, the European Parliament asked for the inclusion of elements such as the allocation of available infrastructure capacity among the affected Member States, increase of the availability of the gas on the market, development of storage gas facility.

#### (B) Positive aspects

The IA provides a good overview of the results of the stakeholder consultation. The annexes contain relevant information about the gas consumption structure, as well as about the projects planned under the Economic Recovery Plan.

#### (C) Main recommendations for improvements

The recommendations below are listed in order of descending importance. Some more technical comments have been transmitted directly to the author DG and are expected to be incorporated in the final version of the impact assessment report.

General recommendation: The IA needs significant further work to strengthen the analysis of problems regarding the security of gas supply, the measures to address them, and hence the value-added of this initiative. The IA needs to present a clear definition of the concept of 'security of gas supply' and the intended scope of this initiative. The economic impacts of gas disruptions and the shortcomings in the functioning of the internal market that came to light in the January gas crisis should be included in the IA, and against this background the report should develop a robust baseline scenario that includes forthcoming legislation under the Internal Market Package and planned investments under the Economic

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Recovery Plan. The policy options need to be analysed in greater detail, in particular the option of better implementation of the existing directive, and the difference between a revised directive and a regulation. The analysis of impacts needs to be significantly strengthened, including an estimation of costs and benefits, and an improved assessment of social and environmental impacts. The IA should also include an analysis of the impact of the proposed measures on the gas security of the EU as a whole and of the individual MS, illustrated through the so-called 'n-1' indicator.

DG TREN agreed to improve the IA report along these lines during the meeting with the IAB. Given the scope of the changes necessary, the Board asks DG TREN to submit a revised version of the IA report on which it will produce a new opinion.

- (1) The analysis of the problem concerning security of gas supply needs to be strengthened. The IA should provide a more precise definition of the security of gas supply and clarify the specific aspects of the problems which this initiative aims to address (e.g. imports from third countries, infrastructure capacity, risk of free-riding or protection of gas consumers, i.e. industry and citizens). The IA should include a deeper analysis of the economic impacts of the January gas crisis, including shortcomings in the functioning of the internal market, solidarity among Member States, and problems related to poor implementation of the existing legislation. The IA should also address in the main text the significant variations among Member States in gas use (currently presented in annex 1). Given that the key indicator (n-1) suggests that only a limited number of Member States is at risk, it should also explain more clearly the European dimension of the problem, and the need for action at EU level as opposed to the regional level.
- (2) The IA should provide a robust baseline scenario and link this clearly to the objectives. It should contain all relevant legislation, including the forthcoming 3<sup>rd</sup> internal market package, and other measures, such as investments under the EU Economic Recovery Plan. To the extent that these initiatives will address the underlying problems, the report should identify clearly any remaining potential gaps. In particular it should address more explicitly the issue of timing that is whether additional action is necessary now because planned initiatives will only have an impact in the medium term. The revised baseline should be illustrated by showing the impact of the internal market package and the Economic Recovery Plan on the n-1 indicator for the individual countries, regions or the EU as a whole. Independently, the report should address the issues surrounding the development and use of the n-1 indicator for the EU27 as a whole as opposed to for the individual member states.
- (3) The policy options need to be analysed more thoroughly. The IA currently presents the options in terms of the type of instrument to be used (voluntary agreement, better implementation of the existing directive, revised directive, and regulation,). The IA should strengthen the analysis of the option of better enforcing and implementing the existing directive (option 2), and it should make much clearer the difference between option 4 (revision of the current directive) and option 5 (a regulation) both in terms of content and implementation (for example, which of the options would introduce new obligations e.g. for gas suppliers, or new protection measures e.g. for gas consumers, and the issue of solidarity among the MS.

In addition, this analysis should be refined to assess more transparently whether different issues (standards, definition of emergency plans, increase transparency of gas stocks and flows etc) could be addressed by different legal instruments. The IA should also assess alternative options to applying the n-1 approach at a national level only, and develop separate policy options under which this optimisation and policy responses would take place at regional or EU27 level

(4) Analysis of impacts needs to be substantially improved. The IA needs to analyse: i) how the proposed measures would improve the security of gas supply, ii) the costs and benefits of the

proposed measures, iii) the distribution of these costs compared to the distribution of benefits from improved gas supply security. For this purpose, the IA can, for instance, analyse what would be the impact of different options on the n-1 indicator (bearing in mind its limitations with regard to fuel switching possibilities). The analysis of social impacts (in particular on most vulnerable groups) and environmental impacts (such as impact on renewable energy sources and biodiversity) should be strengthened and take into account the differences between Member States.

## (D) Procedure and presentation

Given that DG TREN has already launched the inter-service consultation, this should be extended so that the revised impact assessment and second opinion of the Board can be included.

## 2) IAB scrutiny process

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