



Brussels,
D(2015)

Opinion

Title **DG ENER – Review of the Gas Security of Supply Regulation 994/2010**
(draft version of 21 July 2015)*

(A) Context

Gas Security of Supply Regulation 994/2010 aims to ensure that each Member State puts in place appropriate tools to prepare for and to manage the effects of a gas shortage caused by either a supply disruption or exceptionally high demand. On 16 October 2014, the Commission published the results of a Stress Test analysing the effects of a possible partial or complete disruption of gas supplies from Russia. It concluded that increased cooperation and coordination can substantially mitigate the impacts of a disruption. A risk of a large disruption of gas supplies to the EU is not equal in all parts of Europe. In defining appropriate measures for ensuring secure gas supply, it is necessary to take into account the different level of exposure to a supply crisis. This impact assessment supports a review of the Gas Security of Supply Regulation 994/2010, which is part of the Energy Union Strategy.

(B) Overall opinion: NEGATIVE

The Board gives a negative opinion given that the report neither describes adequately the performance of the current rules on the security of gas supply, nor does it prioritise the identified problems or qualify how they contribute to security of gas supply. In addition, the report fails to provide a robust assessment of the likely impacts on different stakeholder groups.

The IA Report should clarify the following key aspects:

- 1) The size and relative importance of the various identified problems in relation to the security of gas supply. Are these problems driven mainly by the design of the Regulation or by poor application by the Member States? How will the current situation evolve in the absence of further intervention?**
- 2) Impacts on gas prices, consumers, use of alternative energy sources, SMEs and administrative burdens. In particular, how are different Member States or regional groups of Member States affected? Who will need to pay for investments and who will benefit from a more secure gas supply?**
- 3) Which indicators will be used to monitor whether, and to what extent, the objectives have been achieved? What future evaluation arrangements are envisaged?**

* Note that this opinion concerns a draft impact assessment report which may differ from the one adopted

Once revised, the IA must be resubmitted to the Board which will issue a new opinion on the revised draft.

(C) Main recommendations for improvements

(1) Prioritise the problems identified, present their drivers and consequences. Building on the various implementation reports and evaluative studies, the report should better present how the Regulation has performed so far in achieving a secure gas supply. In particular, it should clarify why the current rules have not resulted in greater regional cooperation across the EU if it would improve market efficiency and reduce the costs of dealing with gas shortages, particularly as enhanced regional cooperation has occurred in some regions (e.g. UK and Ireland, Baltics).

The report should then present the size and relative importance of the various identified problems. It should use specific examples to illustrate where the identified problems occur and how often. For instance, where and when have there been gas shortages due to lack of reverse flows, overly stringent definition of protected customers, lack of regional cooperation on risk assessments, preventative action plans and emergency plans or specific provisions in commercial gas contracts. The report should clarify where the problems result from the design of the Regulation or its application. It should better present the negative consequences of divergent approaches taken by Member States to justify better the case for EU action (e.g. defining protected customers, preparing risk assessments, preventative action plans and emergency plans).

(2) Develop the baseline scenario. Building on the analysis of the current performance of the Regulation, the report should clearly present how the situation would evolve in the absence of any changes to the Regulation. Would the security of gas supply increase, decrease or remain the same over time without any changes to the Regulation or its implementation? How would different regions of the EU be affected?

(3) Streamline the presentation of the options and better assess specific impacts. The report should streamline the presentation of the options by providing a clear description of the content of the options while explaining what will change, who will implement the changes, who will be affected and how. The report should consider an option to improve the implementation of the current regulation. In doing so, it should clarify why the solutions proposed by the current rules (e.g. regional plans, reverse flows) are not taken up by those Member States who benefit from them. The report should then better present how different stakeholders would be affected. In particular, it should explain who will face additional investment costs and who will receive the benefits of a more secure gas supply. The report should also present the impacts on gas prices, consumers (protected or not), use of alternative energy sources, SMEs and administrative burdens.

(4) Clarify future monitoring and evaluation arrangements. The report should list the main monitoring indicators to measure the performance of the initiative, i.e. on what basis it will be judged if the security of gas supply has increased due to the proposed measures. It should also clarify the purpose, scope and timing of the future evaluation of this initiative.

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.

(D) Procedure and presentation

The report should be significantly shortened and restructured to provide a clear and concise analysis to support decision making. In particular, a more concise and clearer

problem definition section should be presented. The report should also provide a clear summary of main impacts and explain how the preferred options will address the problems identified.

(E) RSB scrutiny process	
Reference number	2015/ENER/017
External expertise used	No
Date of RSB meeting	16 September 2015