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Council of European Energy Regulators

Unlocking the untapped potential of LNG in Eastern Europe and the Western Balkan

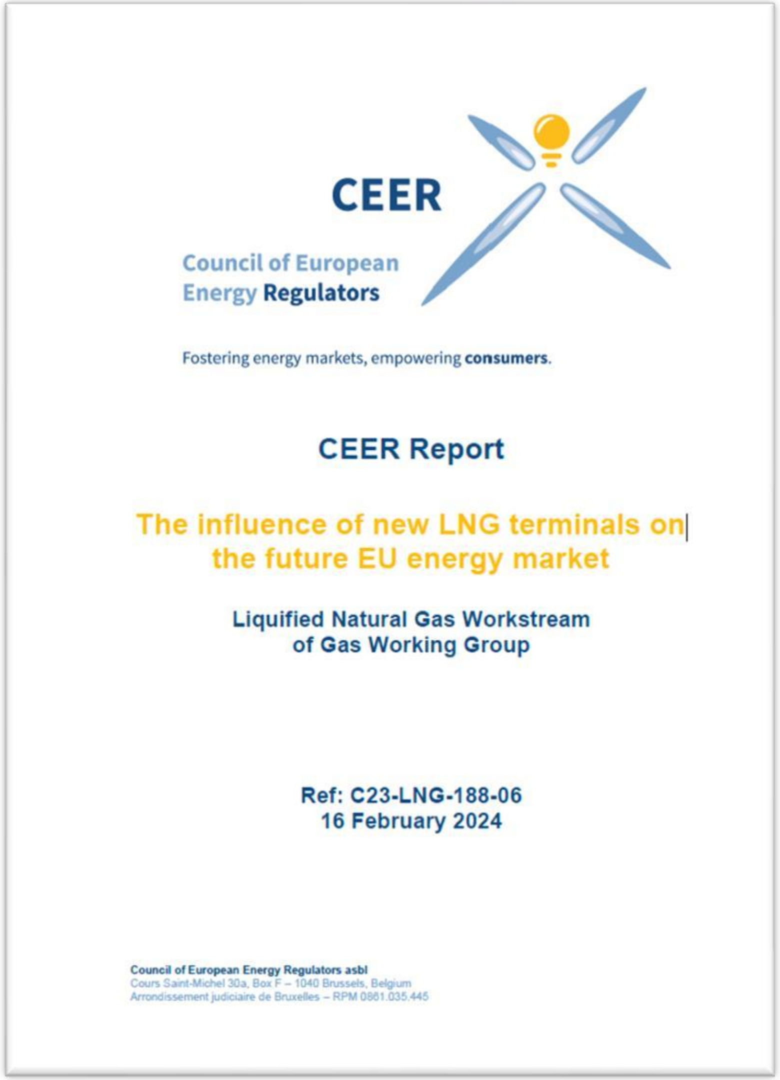
Session 2. The regulatory framework

Agustín Alonso, CEER LNG WS

Viena, 10 June 2024

Fostering energy markets, empowering **consumers**.

Does LNG Require Additional Regulatory Developments?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CEER Report

The influence of new LNG terminals on the future EU energy market

Liquified Natural Gas Workstream of Gas Working Group

Ref: C23-LNG-188-06
16 February 2024

Council of European Energy Regulators asbl
Cours Saint-Michel 30a, Box F – 1040 Brussels, Belgium
Arrondissement judiciaire de Bruxelles – RPM 0861.035.445

- Madrid Forum request: “*to analyse and report to the Forum on the new developments on the EU LNG market, including the significant increase of LNG imports and its impacts on the existing regulatory framework*”
- Aim: to support discussions related to the influence of new LNG terminals on the future EU energy market
- Focus on recently commissioned LNG terminals and future expansions or new LNG infrastructures
- Released by 16 February 2024
- Download: https://www.ceer.eu/documents/104400/-/-/37ca015e-86dd-7a9d-c8d4-6b6b8e408d5f

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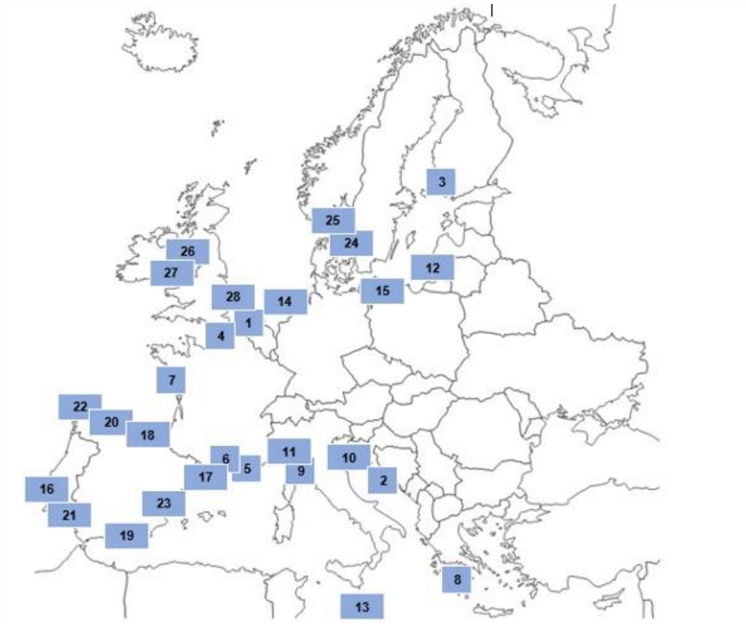
Existing terminals and new projects

Existing terminals *(by 2022)*

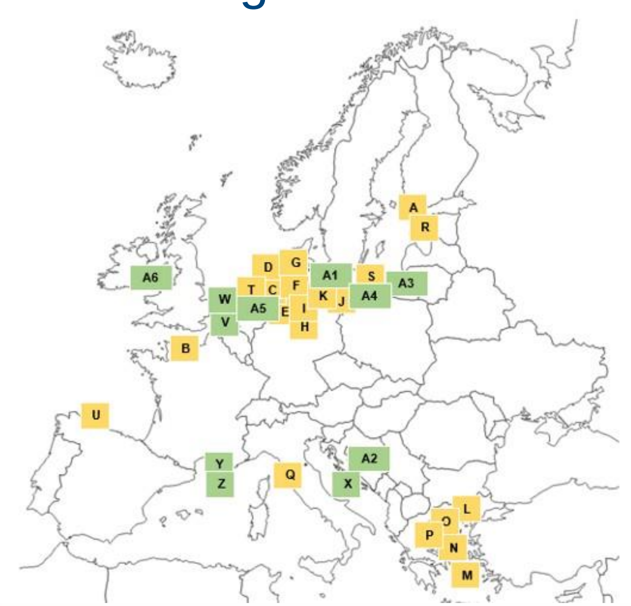
- 28 LNG plants in Europe (UK included)
- Capacity:
  - ✓ LNG storage: 7 730 000 m3
  - ✓ Regas.: 5 624 GWh/d (164 bcm/y)



Existing LNG terminals *(By 1st Jan. 2022)*		Regasif. cap. (GWh/day)	LNG storage (m^3 LNG)
1	Zeebrugge (BE)	541	566 000
2	Krk Island - FSRU (HR)	86	140 000
3	Pori (FI)	-	30 000
4	Dunkerque (FR)	520	600 000
5	Fos Cavau (FR)	274	330 000
6	Fos Tonkin (FR)	48	80 000
7	Montoir-de-Bretagne (FR)	337	360 000
8	Revithoussa (EL)	223	225 000
9	Toscana (Livorno) - FSRU (IT)	165	137 500
10	Porto Levante (Rovigo) (IT)	229	250 000
11	Panigaglia (IT)	120	100 000
12	Klaipeda - FSRU (LT)	122	170 000
13	Delimara - FSU (MT)	23	125 000
14	Gate (Rotterdam) (NL)	509	540 000
15	Świnoujście (PL)	191	320 000
16	Sines (PT)	321	390 000
17	Barcelona (ES)	544	760 000
18	Bilbao (ES)	223	450 000
19	Cartagena (ES)	377	587 000
20	El Musel *(Mothballed until 2023)* (ES)	223	300 000
21	Huelva (ES)	377	619 500
22	Mugardos (ES)	115	300 000
23	Sagunto (ES)	279	600 000
24	Lysekil (SE)	-	30 000
25	Nysahamn LNG (SE)	-	20 000
26	Dragon (UK)	252	320 000
27	Grain LNG (UK)	645	1 000 000
28	South Hook (UK)	650	775 000

Recent and new projects

- Concentration of projects between 2022-2027
- Mainly in the north of Europe
- Most of them are FSRU
- Many of the projects are also expansions of existing terminals



New LNG terminals		Additional regasification (GWh/day)	Additional LNG storage (m^3 LNG)	Start - up
A	Inkoo - FSRU (FI)	140	148 806	Jan. 2023
B	Le Havre -FSRU (FR)	150	142 750	Sep. 2023
C	Wilhelmshaven -FSRU (DE)	116	170 000	Dec. 2022
D	Wilhelmshaven -FSRU (DE)	n.a.	138 000	Q1. 2024
E	Wilhelmshaven (DE)	n.a.	n.a.	n.a.
F	Brunsbüttel - FSRU (DE)	50	170 000	Mar. 2023
G	Brunsbüttel (DE)	n.a.	n.a.	n.a.
H	Stade - FSRU (DE)	n.a.	174 000	Q1. 2024
I	Stade (DE)	n.a.	n.a.	Q4. 2026
J	Deutsche Ostsee (Lubmin) - FSRU (DE)	156	176 230	Jan. 2023
K	Deutsche Ostsee (Mukran) - FSRU (DE)	242	174 000	Dec. 2023
L	Alexandroupolis - FSRU (EL)	175	153 500	Jan. 2023
M	Dioriga - FSRU (EL)	132	135 000	Mar. 2025
N	Volos - FSRU (EL)	165	150 000	Dec. 2025
O	Thrace - FSRU (EL)	190	170 000	Dec. 2025
P	Thessaloniki - FSRU (EL)	153	250 000	Dec. 2026
Q	Piombino - FSRU (IT)	137	167 818	Jul. 2023
R	Paldiski - FSRU (EE)	?	?	?
S	Gdańsk - FSRU (PL)	195	170 000	2028
T	EemsEnergyTerminal - FSRU (NL)	346	180 000	Sep. 2022
U	Musel (ES)	223	300 000	Jul 2023

Expansion of existing LNG terminals		Additional regasification (GWh/day)	Additional LNG storage (m^3 LNG)	Start - up
V	Zeebrugge (BE)	128	-	2024
W	Zeebrugge (BE)	55	-	2026
X	Krk Island - FSRU (HR)	100	-	Oct. 2025
Y	Fos Cavaou (FR)	36	-	2023
Z	Fos Cavaou (FR)	10	-	2024
A1	Deutsche Ostsee (Murkan) – FSRU (DE)	34		Oct. 2024
A2	Porto Levante (Rovigo) - Offshore (IT)	60	-	2022
A3	Klaipėda - FSRU (LT)	40	-	2027
A4	Świnoujście (PL)	63	180 000	2024
A5	Gate (NL)	127	180 000	Oct. 2026
A6	Grain LNG (UK)	159	174 000	Jul. 2025

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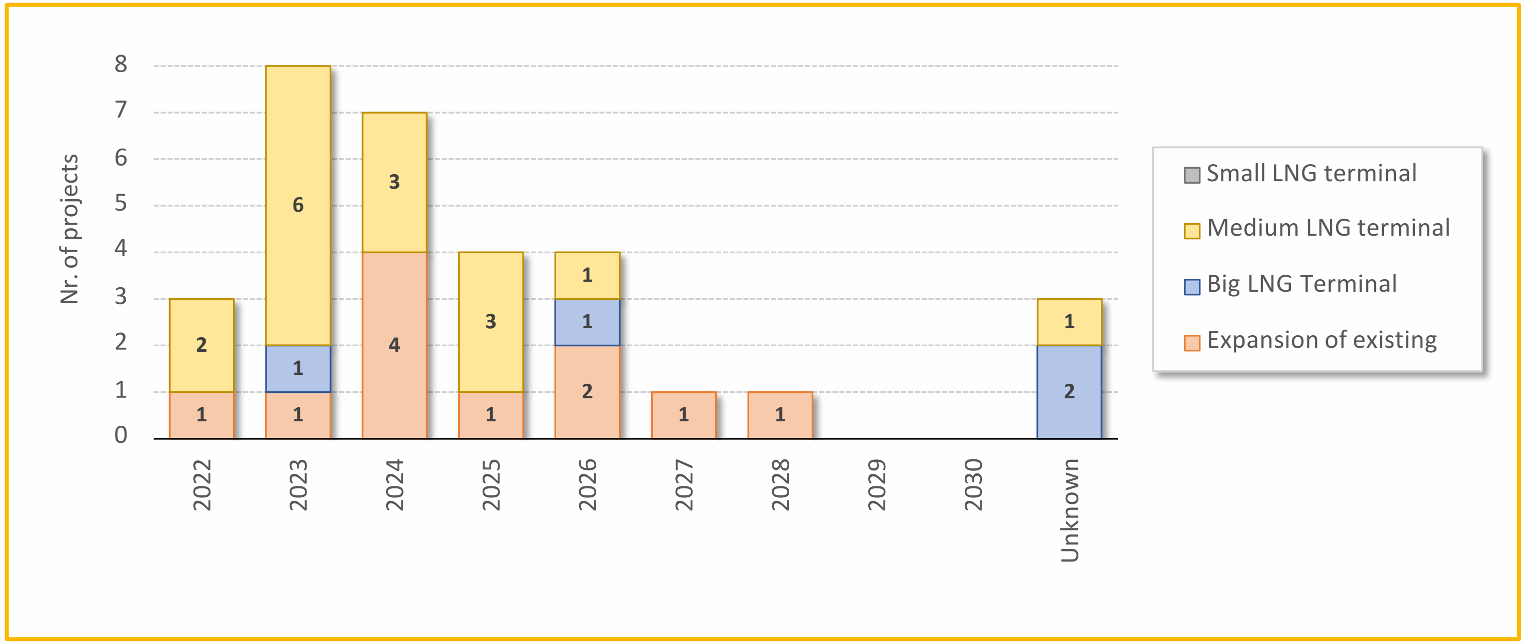
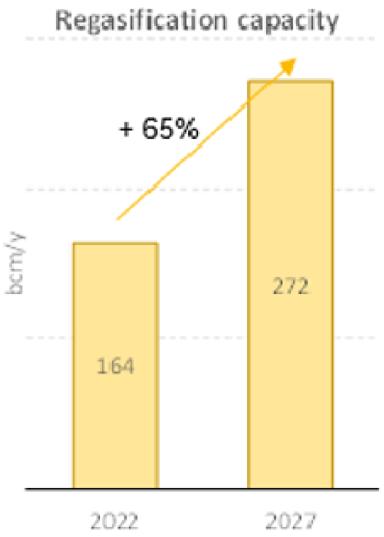
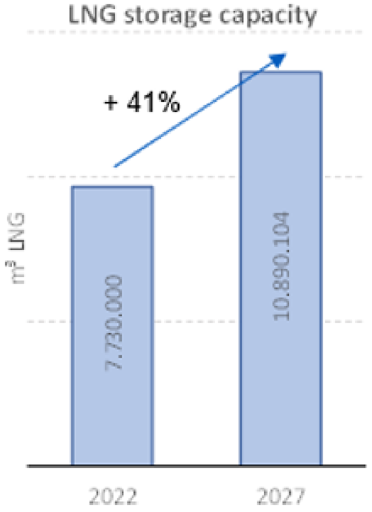
New projects



- From 2022 onwards the commissioning of new projects is happening in a very different way from how it occurred in the past: unprecedent **concentration of new projects**
- The new capacities have been and are being rapidly commissioned mainly to cope with the shortfall of natural gas supplies coming from Russia
- Most of the projects are, either new **FSRU**s (16 projects) or **expansions** of existing LNG terminals (11 projects). There are also four new onshore conventional plants

Impact on the security of supply





- The forecasted increase in LNG capacity **is in line with the EC REPower Plan** target of phasing out EU dependence on fossil fuels from Russia
- The new LNG infrastructures foreseen for the coming years, could replace up to **2/3 of Russian pipeline supplies** (2021 reference)
- In the long term, the Green Deal target is reaching the carbon neutrality by 2050. In this context, the most cost-efficient way to satisfy the need for new natural gas infrastructures, would be the increase of the capacity at existing terminals, optimizing the use of the partially depreciated assets and the use of FSRUs, **minimizing the stranded assets problem**
- LNG infrastructures contribute not only to the security of supply of the host countries, but also to the neighboring countries and, therefore, to the **European reliability**

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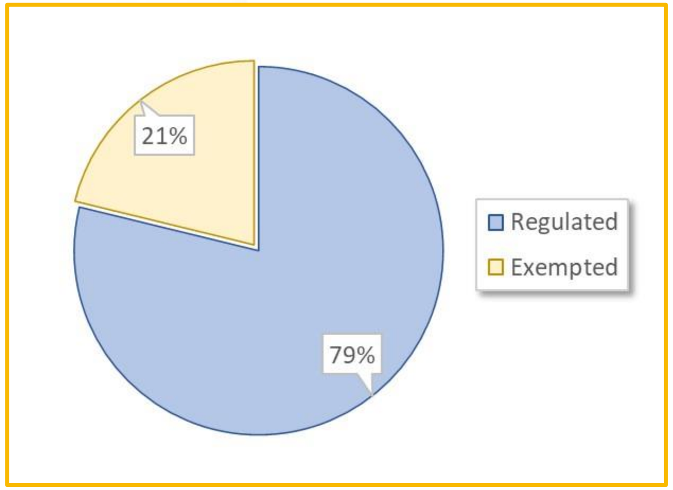
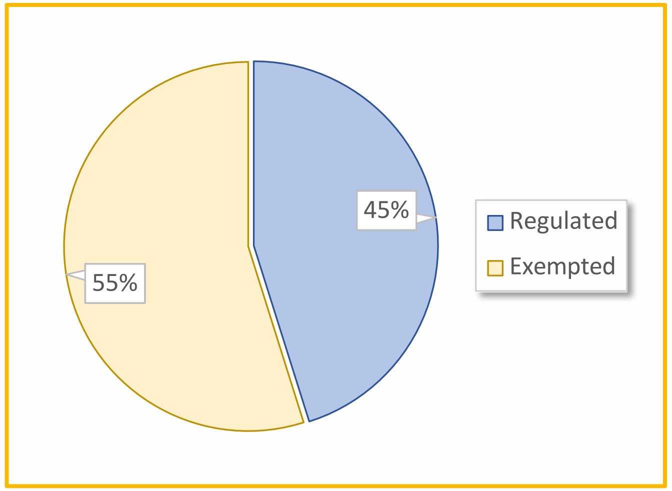
Impact on the competition: access regimes



Existing terminals



New terminals

- 55% of new capacities will be exempted: **something conceived to be an exemption is "becoming the rule"**. Conditions granted on a case-by-case basis, heterogeneous
- Mainly due to the special context: it was the fastest way to build the new infrastructures needed
- Regulators must always guarantee that the rules applicable to the new LNG capacities, regulated or exempted, are transparent, non-discriminatory and objective
- Once the exemption is granted it is also crucial to make sure that the conditions under which this was approved are correctly followed (supervision)

Impact on the competition: Services & CAM

- Services can significantly differ from one terminal or country to another. LNG terminals are **very different from transmission** pipelines, and they are managed and used in a different way, depending on the particular conditions of each country
- CEER considers that **standardization of LNG services** and products at EU level would be **neither advisable nor even feasible** now. Member States should have enough flexibility and freedom to choose the most appropriate access, services and allocation rules
- The new LNG capacities are being offered through a wide range of mechanisms: the existing healthy competition in Europe will be strongly conditioned by the way these strategic new entry capacities are allocated
- **Market-based mechanisms** should be the preferable option to assign capacity when demand exceeds the offer. In case of extra incomes, they should be passed on to the consumers
- Transparent (in a proper and timely manner), objective and non-discriminatory access rules must be accompanied by complementary measures that would help to improve competition: secondary markets, to reserve **capacity for short-term products** and to establish CMPs

Impact on the competition: CMP and others

- **CMP rules are crucial** in discouraging users from hoarding or speculating with capacity when it is scarce, regardless of the access regime. Proper application and active supervision of their implementation is crucial.
- Capacity trading in the **secondary market:** Flexibility tool for users; it should **not be used for speculative purposes** or to obtain additional profits, as it may lead to higher supply costs, detrimental for final consumers
- Long term capacity allocations on the new terminals will likely have a positive effect on security of supply, which is the main objective of such increase in LNG capacity. Nevertheless, it is advisable that in any regulatory access regime, part of the capacity is reserved for different timeframes, specifically for the **short term**
- Regulators need to have sufficient powers to supervise the LSOs and users' activities related to LNG, especially now that is a source of gas more important than ever.

Annex. Previous CEER reports on LNG

- Liquefied Natural Gas Small-Scale Services in the European Union, CEER, June 2022.
- How to Foster LNG Markets in Europe, CEER, July 2019.
- Removing LNG barriers on gas markets, CEER, December 2017.
- Removing barriers to LNG and to gas storage product innovation, CEER, October 2016.
- The role of LNG to improve security of supply, CEER, February 2016.
- Status Review on monitoring access to LNG terminals in 2009-2013, CEER, September 2014.
- Monitoring Report on Implementation of the Transparency Template in the European LNG Terminals, CEER, December 2013.
- Status Review and evaluation of access regimes at LNG terminals in the EU, CEER, March 2013.