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Autorità di Regolazione per Energia Reti e Ambiente



LNG in Italy: infrastructures, market design and challenges

*Energy Community
Wien, 10 June 2024*

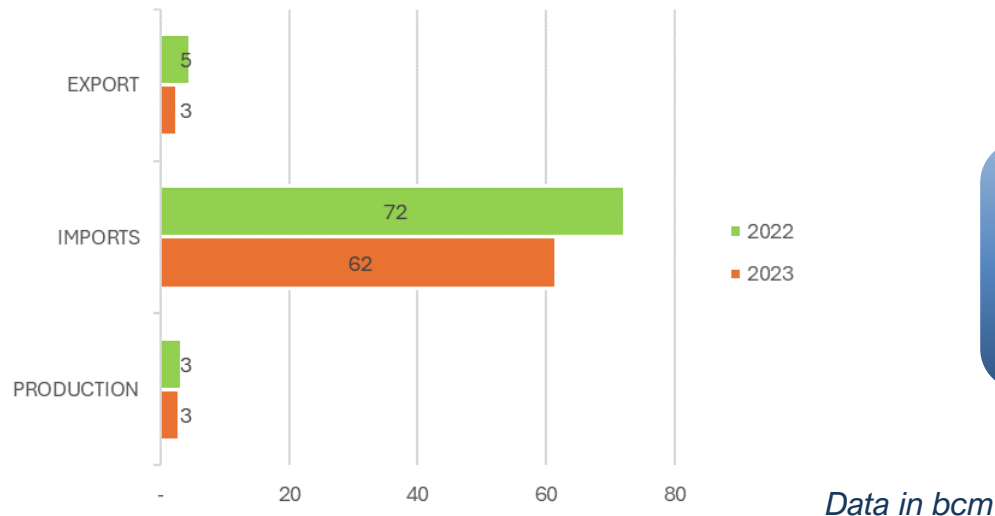
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Outline of the presentation

- 1. Introduction**
- 2. LNG infrastructure**
- 3. Access conditions**
- 4. Challenges**

INTRODUCTION | Natural gas balance in Italy

- Net gas importer (90%-95% of total consumption)
- Gas used for electricity generation (often as the marginal source), industrial and domestic uses
- After the energy crisis of 2022:
 - consumption has decreased (mild weather, demand side management, increasing RES)
 - imports from Russia (until 2021 the principal supplier) have dramatically decreased
 - imports from Algeria (southern entry point) have increased
 - imports from LNG have increased by almost 50%



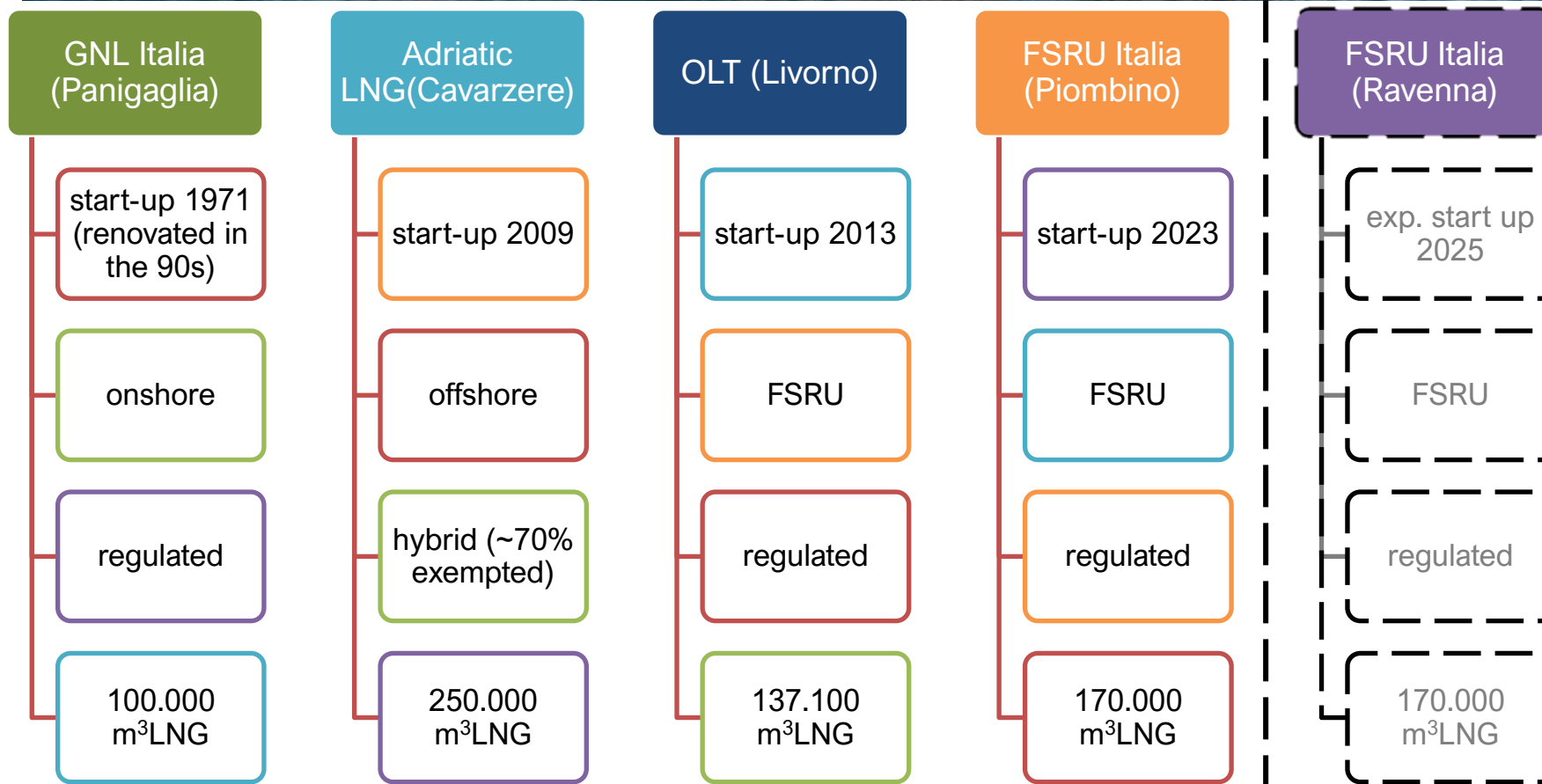
In 2023 (vs 2022):

Total imports: 61.6 (-15%)

Imports via pipeline: 45 bcm (-23%)

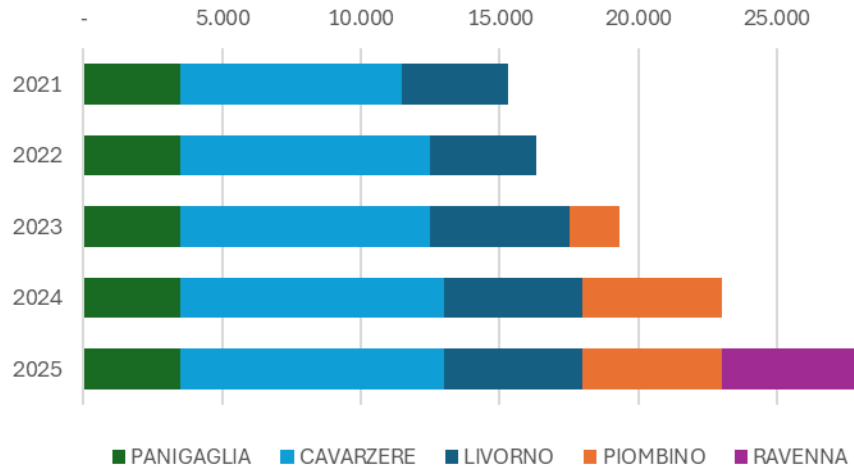
Imports via LNG: 16.6 bcm (+17%)

INFRASTRUCTURE | LNG terminals



INFRASTRUCTURE | Capacity

Evolution of total capacity (in Mcm)



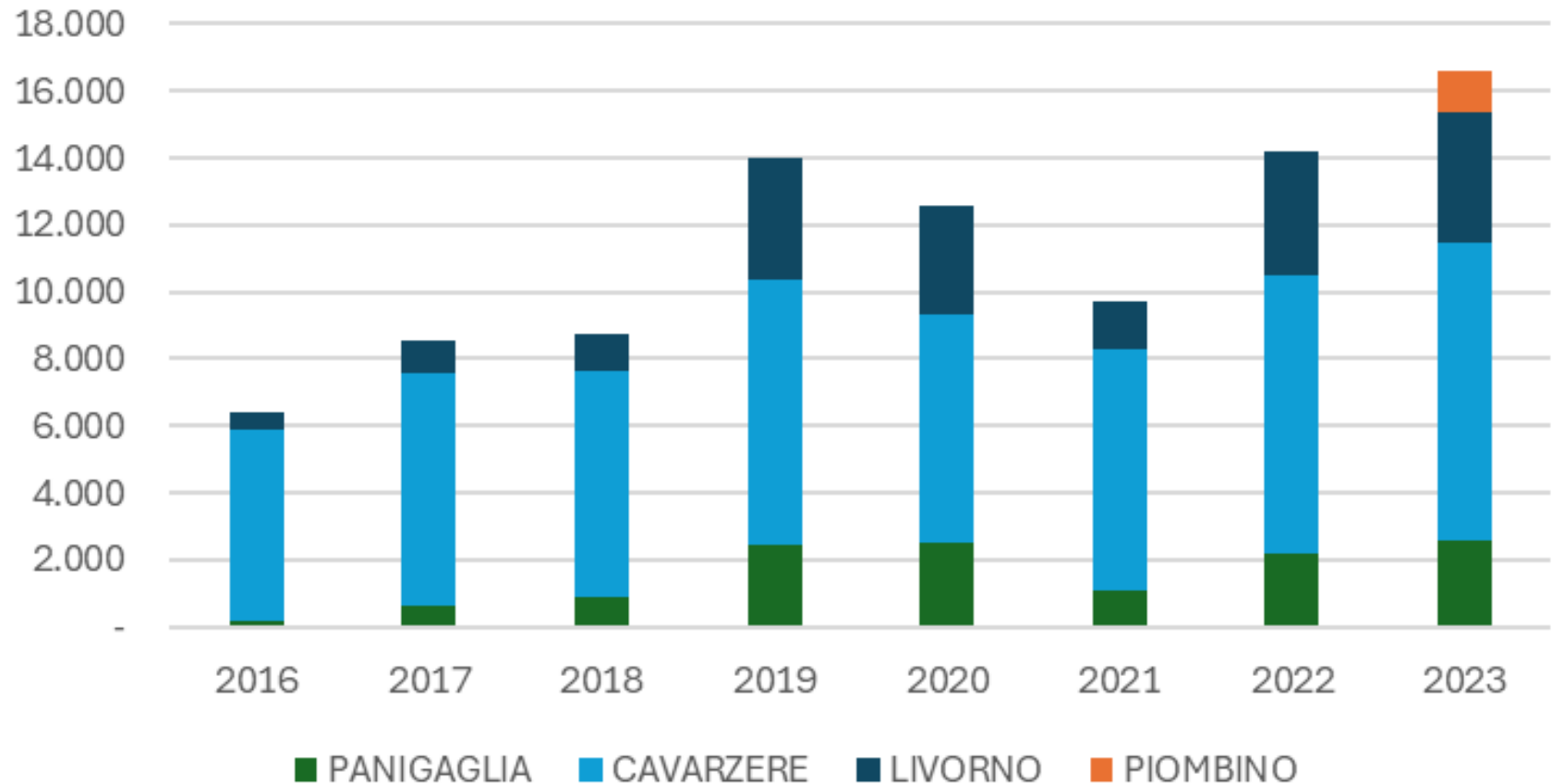
Increasing capacity since 2022:

- Increase in authorised capacity for Adriatic LNG and for OLT*
- New FSRU (Piombino) operating from July 2023
- New FSRU (Ravenna) expected to enter into operation from 2025

*OLT is not yet able to offer the entire incremental capacity due to bottlenecks on the transmission networks



INFRASTRUCTURE | Imports by terminal



ACCESS CONDITIONS| Market reform

- In the past, legacy terminals characterised by **low utilisation rates**
- Priority of access until 2018: capacity allocated on a first come first served basis, at the regulated tariff
- In 2017 Arera launched the reform of **market access conditions** (res. 660/2017/R/gas), with the aim of exploiting the existing regasification capacity and increasing the attractiveness of buying gas from LNG terminals
- From 2019, capacity allocated with **competitive auctions**, at the price resulting from the auction, yielding more flexibility in the allocation mechanism

ACCESS CONDITIONS| Competitive auctions

- Short term capacity (pay as bid) offered throughout the year
- Long term capacity (1+ years timeframe) offered **via open ascending auctions**
- Terminals endeavour to allocate all the capacity through several mechanisms:
 - call for interest before the auctions, in order to offer the combination of slots/timeframe more of interest for the users
 - capacity may be offered in several rounds if not all slots are allocated in a first round: first rounds are usually dedicated to the **longest-term allocations**
- For non exempted terminals, Arera sets the **reserve price** considering different elements (underlying market conditions – e.g. the price differential between gas and LNG - and the regulated tariff, which reflects the underlying costs)

FUTURE CHALLENGES | Flexibility vs security

- LNG has been crucial to replace Russian pipeline gas supplies
- However, further development of LNG infrastructure in a context of decreasing gas demand could result in significant **overcapacity** and could cause utilisation rates to fall again
- Increasing system flexibility and diversification of services offered at terminals (e.g. SSLNG) could help to lessen these shortcomings
- Need to carefully balance investment costs to ensure capacity for security of supply purposes with actual utilisation perspectives to ensure financial equilibrium and competitiveness of the terminal

Thank you for your attention

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