

Measures to safeguard security of gas supply

2009/0108(COD) - 16/07/2009 - Legislative proposal

PURPOSE: to establish measures aimed at safeguarding the security of gas supply, and repealing Directive 2004/67/EC.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

BACKGROUND: [Council Directive 2004/67/EC](#) established a legal framework at Community level to safeguard security of natural gas supply and to contribute to the proper functioning of the internal gas market in the case of supply disruptions. However, under the current measures, Member States still enjoy a large margin of discretion as to the choice of measures. Where the security of supply of a Member State is threatened, there is a clear risk that measures developed unilaterally by that Member State may jeopardise the proper functioning of the internal gas market. Recent experience has demonstrated the reality of that risk.

To allow the internal gas market to function even in the face of a shortage of supply, it is therefore necessary to **provide for a more coordinated response to supply crises, both concerning preventive action and the reaction to concrete disruptions of supply**. In response to the Russian-Ukrainian gas crisis in January 2009 causing an unprecedented disruption of gas supplies to the Community via Ukraine, the European Council and the European Parliament have called for an accelerated revision of the existing Directive.

IMPACT ASSESSMENT: the impact assessment has considered **five policy options**: 1) no new Community action; 2) better enforcement of Directive 2004/67/EC; 3) voluntary approach by industry; 4) a revised directive; 5) a new regulation.

With regard to options 1 and 2, the Commission concluded that the existing Directive is insufficient given the growing import dependence and increased supply and transit risks in third countries as well as, increasing gas flows and the development of the internal gas market within the Community. With regard to option 3, a major disadvantage of a voluntary approach is that participation of all players in a consistent manner cannot be guaranteed. Moreover, the extra capacity to ensure security of supply is not necessarily provided by market forces. With regard to options 4 and 5 (choice of legal instrument) the Commission considers that a **Regulation is a more appropriate instrument than a Directive** for the following main reasons: (i) a Regulation is directly applicable to the competent authorities in the Member States, to natural gas undertakings and to customers; (ii) it does not require lengthy transposition; it ensures clarity and coherence of standards and obligations across the Community and it defines directly the involvement of Community institutions.

CONTENT: the proposed Regulation on security of gas supply would provide a **common indicator** to define a serious gas supply disruption. This is known as N-1, i.e. the shutdown of a major supply infrastructure or equivalent (e.g. import pipeline or production facility). It would require all Member States to have a competent authority that would be responsible for monitoring gas supply developments, assessing risks to supplies, establishing preventive action plans and setting up emergency plans. It would also oblige Member States to collaborate closely in a crisis, including through a strengthened Gas Coordination Group and through shared access to reliable supply information and data.

The main objective of the proposal is to **increase the security of gas supply by creating the incentives to invest in necessary interconnections to meet the N-1 indicator, as well as the reverse flows**.

The Regulation places primary emphasis on the **role of the internal gas market** to ensure the security of gas supply. It states that security of gas supply is a task of the natural gas undertakings, Competent Authorities of the Member States, the industrial gas customers, and the Commission within their respective areas of responsibility. It requires a high degree of cooperation between them. The Regulation allows the recourse to non-market based measures decided by the competent authority only as the last resort in emergency situations when all market based measures are exhausted and the natural gas undertakings are no longer able to deal with a supply disruption. The Commission is also given a stronger role to ensure that the internal market works for as long as possible and that measures decided at national level are compatible with this principle.

The proposed Regulation would **improve the framework for investment** in new cross-border interconnections, new import corridors, reverse flows capacities and storages, supported also by the European Economic Recovery Plan. It confirms the greater interdependence of gas supplies within a single European gas market, and provides a sound basis for the EU to defend its interests more effectively in its relations with external gas suppliers. Those interconnections are at the same time necessary for the proper functioning of the internal gas market.

The following points should be noted:

- **solidarity measures:** security of gas supply is a task of the natural gas undertakings, Competent Authorities of the Member States, the industrial gas customers, and the Commission within their respective areas of responsibility. It requires a high degree of cooperation between them in order to effectively manage any eventual major gas supply disruption;
- **establishment of Preventive Action Plan and Emergency Plan:** by 31 March 2011 at the latest, the Competent Authority shall establish: (a) a Preventive Action Plan containing the measures needed to mitigate the risks identified; and (b) an Emergency Plan containing the measures to be taken to mitigate the impact of a gas supply disruption;
- **infrastructure standard:** by 31 March 2014, the Competent Authority shall ensure that in the event of a disruption of the largest gas supply infrastructure, the remaining infrastructure (N-1) has the capacity to deliver the necessary volume of gas to satisfy total gas demand of the calculated area during a period of sixty days of exceptionally high gas demand during the coldest period statistically occurring every 20 years;
- **Community emergency responses:** the Commission may declare a Community Emergency at the request of one Competent Authority or when the Community loses more than 10% of its daily gas import from third countries as calculated by ENTSO-G. It shall declare a Community Emergency where more than one Competent Authority has declared Emergency. The Commission shall convene the Gas Coordination Group as soon as it declares Community Emergency.

BUDGETARY IMPLICATIONS: the proposal will have a limited impact on the Community budget, covering the costs of meetings of the Gas Coordination Group and the costs of the monitoring task force which can be deployed to monitor the gas flows within and outside the Community. Missions outside the Community in moments of crisis may draw on funds from the Instrument for Stability.