Measures to safeguard security of gas supply

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This Commission Staff Working Paper accompanies the proposal for a Regulation concerning measures to safeguard security of gas supply and repealing Directive 2004/67/EC. It provides an assessment of the January 2009 gas supply disruption to the EU.

To recall: from 6-20 January 2009, gas flows were interrupted from Russia to the EU via Ukraine. A majority of Member States were affected directly and indirectly. Although the disruption was a commercial matter between Gazprom of Russia and Naftogaz of Ukraine, the EU was in regular contact with both parties before the onset of the disruption and throughout the event and was instrumental in the agreement on creating an international monitoring mission as well as facilitating negotiations on an agreement for gas supplies into the EU to resume.

This paper considers how the crisis developed and why existing provisions were not enough to avoid major disruptions to EU gas supplies in January 2009. It considers what the EU can learn from these events in order to make the framework more resilient and effective in responding to gas supply threats, both in an emergency situation and over the medium to longer term.

This paper also responds to a specific request from the European Parliament and from four individual MEP's for an analysis of the Russia-Ukraine gas crisis including the lessons learned.

Main conclusions: the Commission’s concerns that the EU energy security strategy must be strengthened are therefore completely vindicated.

The crisis highlighted weaknesses in each stage of the gas supply security approach at EU level:

- the early warning mechanisms at national and EU level are inadequate. Early warning mechanisms within the EU as well as with supplier and transit countries should be strengthened or put in place. They should be underpinned by appropriate bilateral and multilateral agreements with the EU’s gas supplier and transit countries, including energy provisions, building where possible on the relevant existing frameworks and provisions, such as within the WTO and Energy Charter;
- emergency planning needs to be made more consistent and coherent among Member States, with common standards and coordinated responses;
- the new internal energy market legislation should be implemented as quickly as possible in order to address weaknesses in market functioning which undermine security of supply and limit the ability of the market to deal with supply threats and disruptions;
- greater transparency and easier access to market information is necessary in order to assess the supply situation wisely and taken necessary preventive and remedial action;
- the lack of interconnections and the physical isolation, in energy terms, of some Member States, proved to be a real impediment to dealing with a supply crisis.

The crisis also confirmed the importance of certain principles of EU energy policy which deserve to be strengthened:

- as far as possible, the market should be able to manage risks and crisis situations. However, this requires the regulatory framework to be adequately robust. There also has to be room for political intervention should this be necessary;

- a national energy supply crisis quickly becomes a European issue; conversely, European intervention can work more effectively than individual national reactions and ensure security of gas supply across the EU;
- political solidarity in the EU is vital both in domestic responses, to ensure that the market can work properly, and in dealing with external partners;
- the importance of demand side management as an important energy security tool, as it was conspicuously absent from most reactions. Any emergency response must also focus on ways of reducing energy demand and diverting demand towards other low-carbon fuels and technologies. This also has to be fully incorporated into any longer term strategy on energy supply security;
- effective and transparent coordination at the EU levels at the political, commercial, regulatory, and network level is key to resolving a crisis with EU implications.

The crisis also served as a wake-up call to policy makers to strengthen their energy strategies:

- growing dependence on gas for electricity and domestic heating, with limited options for fuel-switching, further increases the risk that a gas supply crisis will have a deeply damaging economic impact;
- likewise, the dependence of parts of the EU on a single supplier or a single source is a major concern to consumers across the EU and calls for new efforts to **increase supply diversification in supplier**, supply route and supply source.

The crisis also confirmed the benefits of EU collaboration and confirmed the importance of having **emergency plans and measures** in place at a national level, the need to improve the Community dimension and the added value of a coherent EU approach to the EU's external energy security.

The document concludes that the disruption of supplies affected a large number of Member States and the ad-hoc measures facilitated at a Community level did help to mitigate somewhat the major economic impact the dispute had on some EU Member States. Clearly there is a need to formalise these arrangements and **ensure that the Community is better placed to face such situations in the future**.