EU strategy for liquefied natural gas and gas storage

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PURPOSE: to present an EU strategy for liquefied natural gas and gas storage.

BACKGROUND: the Commission's "Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy" gives concrete expression to the EU's ambition to bring about a transition to a sustainable, secure and competitive energy system.

As stressed in the Communication on the State of the Energy Union, the geopolitical challenges linked to ensuring secure and resilient supplies of fossil fuels also remain significant, particularly as regards commodities for which the EU is highly dependent on imports.

In this context, the Commission considers that the **further diversification** of the EU's natural gas supply remains a key objective, particularly as domestic production in the EU will continue to decline in coming decades. Vulnerability due to increasing import dependency can also be mitigated if the gas system remains flexible and able to respond to fluctuations in supply.

As regards LNG, the prospect of a dramatic (50%) expansion in global supply over the next few years and consequently of lower prices presents a **major opportunity** for the EU, particularly when it comes to gas security and resilience. Four Member States in the Baltic, central-eastern and south-eastern European regions are heavily dependent on a single supplier, and hence vulnerable to supply interruptions. These Member States need rapidly to develop access to a diverse range of energy sources, and the availability of LNG could make a major contribution in this regard.

LNG can also bring **benefits in terms of competitiveness**, as markets become exposed to greater competitive challenges from international suppliers.

In addition to improving security and competitiveness, LNG has the potential in some cases to **reduce environmental impacts**, and hence support the EU's sustainability objective.

Lastly, **robust and sufficient gas storage facilities are crucial** to energy security and resilience in times of major supply disruption. However, as with LNG, the full potential of storage to contribute to gas security and resilience is not currently being exploited.

This strategy, which has been prepared in consultation with a wide range of stakeholders, goes into the above issues in further detail and draws conclusions as to what specific measures may be necessary.

CONTENT: the present strategy aims to **exploit the potential of liquefied natural gas (LNG) and gas storage** to make the EU gas system more diverse and flexible, thus contributing to the key Energy Union objective of a secure, resilient and competitive gas supply. To exploit the full potential of access to a growing international LNG market and to make the EU an attractive market for suppliers the EU needs to:

1) Ensure that the necessary infrastructure is in place to complete the internal market and allow all Member States to benefit from access to international LNG markets, either directly or via other Member States. This is particularly urgent for Member States that are overly dependent on a single supplier. The EU's current LNG terminals provide sufficient overall regasification capacity, with further additions planned. However, they are not optimally distributed across the EU. To meet the challenge of non-optimal distribution of LNG terminals, the Commission feels that **increased interconnection to liquid hubs** where gas from existing LNG terminals or from pipeline sources is traded would improve security of supply for those Member States who currently have access to only a limited number of supply sources, while also helping to integrate markets across borders.

According to the Commission's analysis, the **implementation of key projects of common interest** supported in the high-level groups set up under the TEN-E policy will remove, or at least mitigate, the main vulnerabilities identified by the gas stress tests. It is therefore vital that the missing infrastructure links rapidly be constructed, and the requisite measures taken to promote liquid and competitive markets, including those to enable access to LNG and to promote new liquid hubs **in the central and south eastern, Baltic and south western regions and the Mediterranean**. The Commission supports the work being carried out in the high-level groups and encourages Member States and project promoters to accelerate final decisions on these key projects as a priority.

2) Complete the internal gas market: the EU needs to complete the internal gas market so that it sends the **right price signals –** both to attract LNG to where it is needed and to allow the necessary investments in infrastructure to take place. It is therefore crucial that Member States, in cooperation with national regulatory authorities (NRAs), take all necessary action to complete the internal gas market, eliminate the remaining regulatory, commercial and legal barriers and provide access for these markets to effective regional gas hubs.

3) Improve the role of storage to ensure security of gas supply: where the geological conditions allow for it, storage plays a major role in balancing the usual daily and seasonal fluctuation of supply and demand. However, the effectiveness and efficiency of the use of storage across Member States' borders and at regional level, both under normal market conditions and in crisis situations, could be improved.

Building on the proposed revision of the Gas Security of Supply Regulation, the Commission **calls on Member States to optimise the effectiveness and efficiency of the use of storage across borders** through regional preventive action and emergency plans.

The Commission also invites Member States to take action in the context of these plans to facilitate the availability of and access to storage on a wider regional level.

4) Cooperate more closely with international partners in promoting free, liquid and transparent LNG markets around the world. This means continuing to work closely with other current and potential suppliers such as Qatar, Nigeria, Egypt, Angola, Mozambique, Tanzania, Israel, Lebanon, Iran, Iraq and Libya) and with other major LNG importers such as Japan, South Korea, China and India, to eliminate obstacles LNG trade in world markets.

5) Support the use of LNG as an alternative fuel in transport: the Commission calls on Member States ensure full implementation of Directive 2014/94/EU on alternative fuels, including the establishment of LNG refuelling points across the TEN-T corridors and at maritime and inland ports. The EU should also continue to support the growth of LNG as an alternative fuel where it replaces more polluting conventional fuels and does not take the place of renewable energy sources, consistent with sustainability goals.

The Commission will **report on progress** as regards the strategic LNG and storage objectives presented here in its annual State of the Energy Union, identifying, any additional measures required.