



– Opinion Statement –

## **European Commission mandatory gas storage proposal: the EU's Integrated Gas Market as a cornerstone to security of supply**

Brussels, 31 March 2022 | In light of the Russian invasion of Ukraine and its consequences for the EU's security of gas supply situation, Europex welcomes the European Commission's call for enhanced coordination on natural gas storage and the proposal to amend two regulations: Regulation (EU) 2017/1938 concerning measures to safeguard the security of gas supply and Regulation (EU) 715/2009 on conditions for access to natural gas transmission networks. In its proposal, the European Commission foresees an obligatory 80% minimum gas storage level by 1 November 2022 to ensure sufficient supplies for the 2022/2023 heating season, mandatory certification of Storage System Operators (SSOs) and an exemption for gas storage users from transmission tariffs at entry and exit points. This target will be raised to 90% as of 1 November from 2023 onwards. Europex fully shares the Commission's assessment that any measures taken must not inordinately distort the efficient functioning of the EU's internal gas market. Please read our more detailed comments below:

### **Ensuring security of supply for all EU Member States & Energy Community Contracting Parties without distorting efficient gas market functioning for the benefit of consumers**

Europex, with reference to Article 6 (b) (2) of the proposal, calls for a harmonised, market-based approach to the implementation of the proposed storage obligation. Consequently, purchases of natural gas for storage and sale of stored natural gas should be done through established European market platforms. Furthermore, storage capacity should be brought into the market on a non-discriminatory basis, through establishing a secondary market, while "use it or lose it" as a principle should become universally applicable in the EU. This would free up essential storage capacity and ensure that it can be used to its full physical capacity. Finally, it should be considered that all tasks that can be fulfilled by TSOs also need to be opened to Market Area Managers (MAM), as in some Member States the essential functions mentioned in the regulation fall under their responsibility. Europex explicitly supports the Commission's view that any measure taken to ensure the filling of gas storage should neither block nor restrict cross-border capacities.

Europex welcomes the certification of gas storage operators proposed by the European Commission. It is important that certification of infrastructure operators is conditional on

fulfilling 3<sup>rd</sup> Energy Package principles, most importantly unbundling. These should be observed coherently across EU Member States. Furthermore, state aid for filling storages is applied only in the most urgent cases. Diverging national approaches could endanger the security of supply of other Member States and bring about unforeseen consequences for market prices and gas flows.

Recognising the need for sufficient gas in storage for the 2022/2023 heating season, Europex supports a stepwise trajectory for Member States to implement the 80% minimum gas storage filling target by 1 November 2022. Further, we advocate for flexible intermediary targets and a possible extension of the obligation until 1 December 2022, in case of technical difficulties.

### **Transparent trading on energy exchanges and regulatory certainty as cornerstones of the EU's Internal Gas Market**

Transparent and regulated energy exchanges are especially important in times of political and economic turmoil as they provide essential transparency on prices and the physical underlying of energy supply and demand. Access to central and transparent liquidity enables market participants to manage and transfer their risk through trading and central clearing. Europex underlines the importance of forward markets, in which gas prices adequately reflect the market expectations of the future physical gas supply situation. These markets are key for hedging price and volume risks and guiding investment decisions, including for infrastructure.

In line with the findings of ACER's recently published "Preliminary Assessment of Europe's high energy prices and the current wholesale electricity market design", we would like to emphasise that European energy markets will find their own balance through cooperation and an optimal use of capacities. Essential to this is a stable regulatory framework, which interferes as little as possible with free price formation. Moving away from trading on exchanges would not change the market's valuation of the underlying commodity. On the contrary, the absence of a transparent exchange cleared market price will most likely lead to higher OTC prices which would be contrary to the aim of the intended market intervention. In addition, spot gas markets will remain key to security of near-to-real-time supply of gas to the physical grid. As outlined above, any regulatory intervention should be carefully assessed to avoid unintended negative consequences.

## About

Europex is a not-for-profit association of European energy exchanges with 30 members. It represents the interests of exchange-based wholesale electricity, gas and environmental markets, focuses on developments of the European regulatory framework for wholesale energy trading and provides a discussion platform at European level.

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