State of play – the EU's LNG and storage strategy

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EU strategy for LNG and storage: important tools for diversification and flexibility

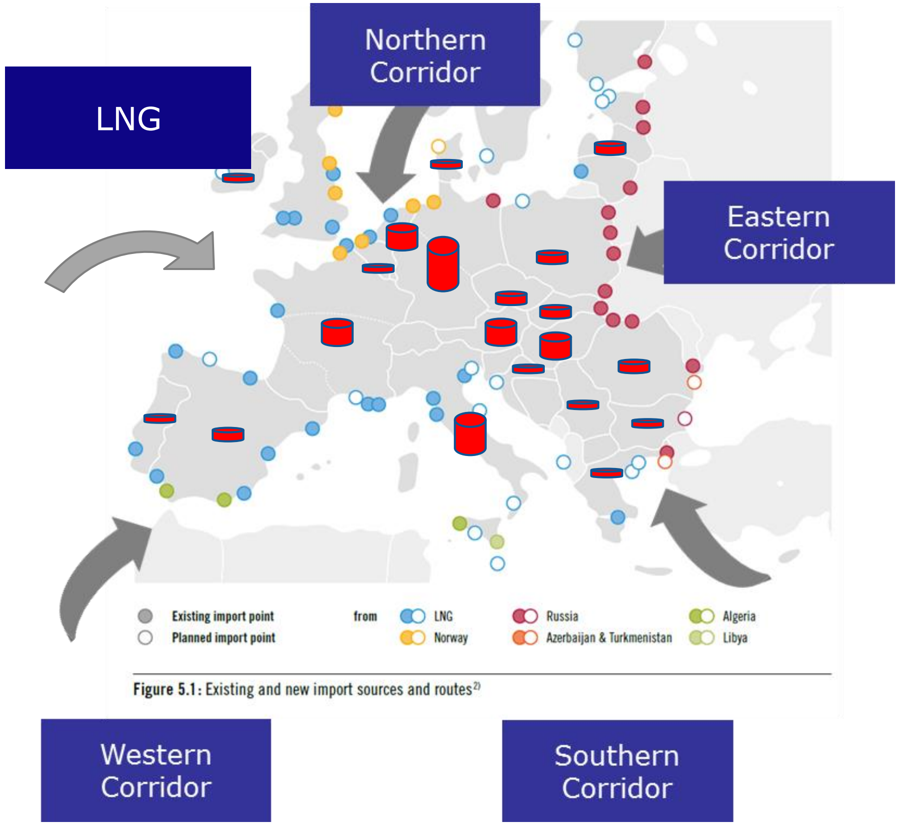


Figure 5.1: Existing and new import sources and routes[2)]

Ensure access to liquid regional gas hubs

- Focus on key missing infrastructure
- Fully implement the Third Energy Package
- Explore if further barriers exist

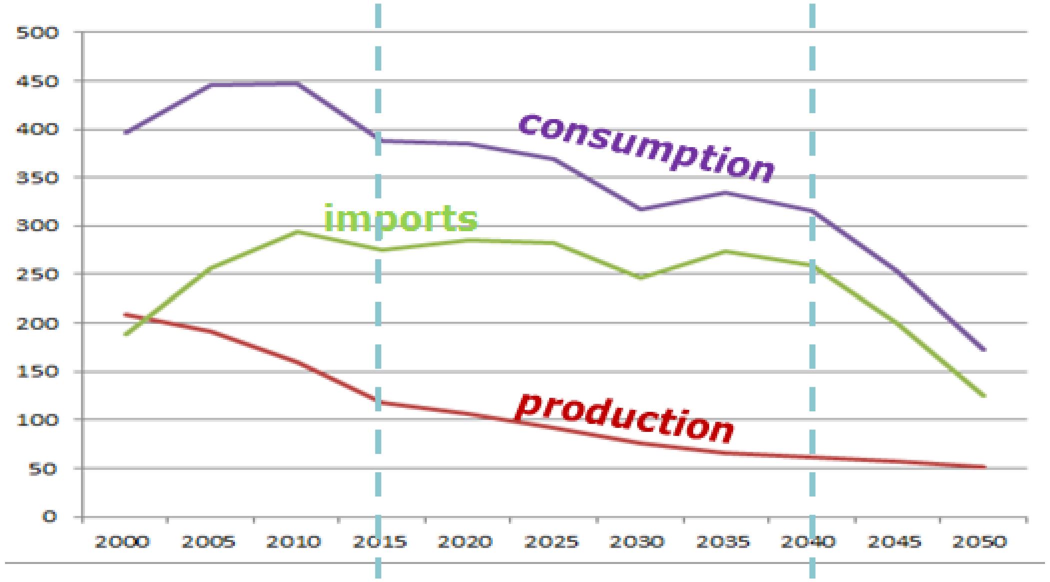
Promote transparent and liquid global LNG markets

Projection: stable gas imports under a 2030 scenario (bcm)

- Slower but continued downward trend in EU gas domestic production
- Small decrease in gas consumption - compared to today's levels - until 2040, before more significant decrease

Stable gas imports until 2040

EU gas market developments (bcm)

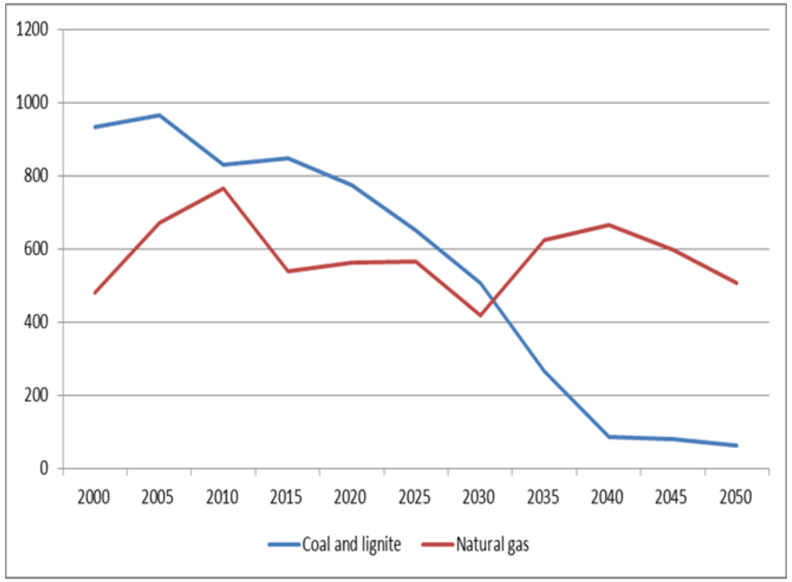


Source: PRIMES (EUCO30 scenario)
(40% GHG emission reductions, 27% RES and 30% EE in 2030)

The EU's potential to provide flexibility for the global gas market is decreasing

- Decreasing domestic production and decreasing flexibility
- Decreasing fuel-switch capabilities (retirement of coal fired power plants)
- Increased renewables generation
- LNG vs Pipeline

EU Gross Electricity generation (TWh)



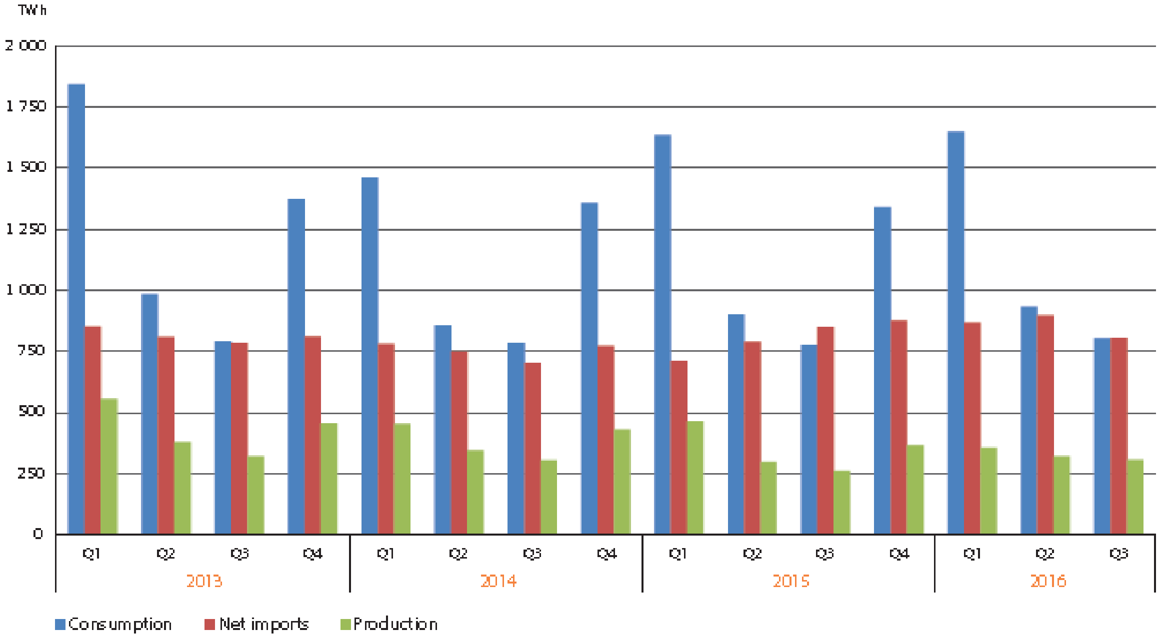
Source: PRIMES (EUCO30 scenario)

… which further highlights the importance of storage

Trends that started in 2015 continued in 2016

- Gas consumption seems to continue its slow annual increase, estimated 7% increase compared to 2015
- EU production decreased further but less dramatically
- Imports show an increase of 12% compared to 2015

EU gas consumption, net imports and production

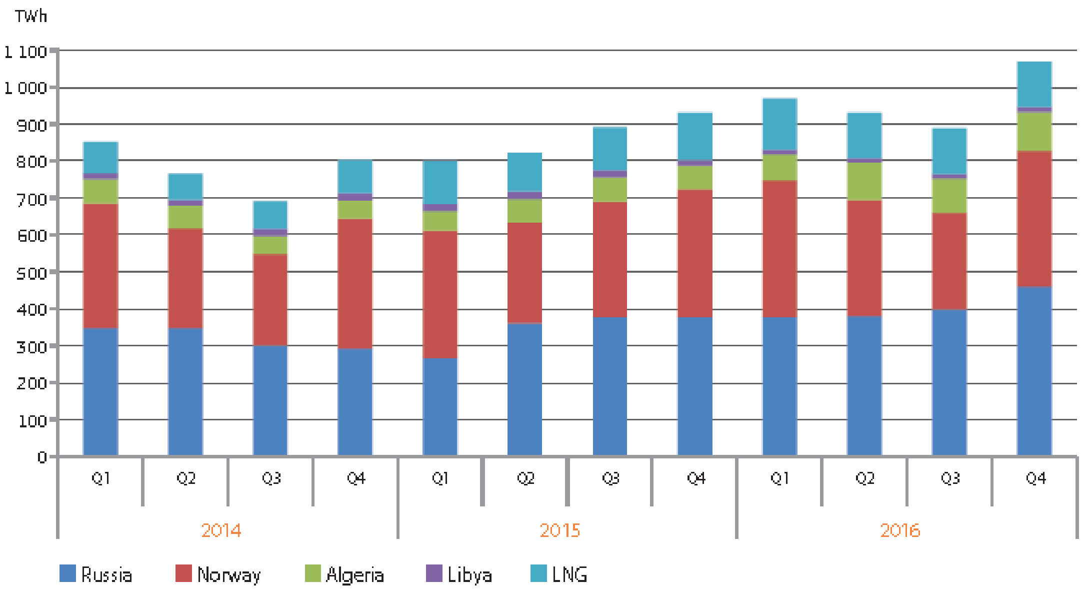


Source: Eurostat, data as of 17 February 2017

LNG imports maintain their share

- Net EU gas imports were 12% up, Russia and Norway as main suppliers
- LNG imports in 2016 were 1% lower than in 2015 and its share in total extra-EU gas imports made up 13%
- Lithuania experienced the biggest increase: tripling of imports compared to 2015

EU imports of natural gas by source, 2014-2016



Implementation of the strategy is underway

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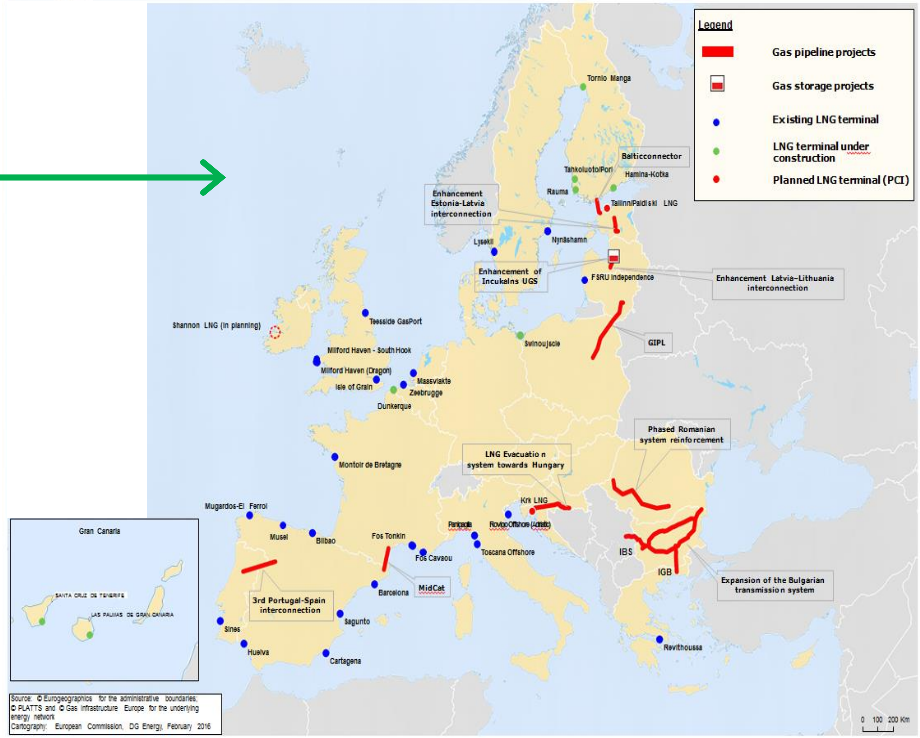

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Promote transparent and liquid global LNG markets

CESEC action plan approved with actions, such as:

- Eliminate export / import restrictions
- Improve gas trading environmnet
- Interconnection agreements

Action plan for Baltic region

- To manage the end of the derogation
- Identify steps necessary to creating a single market zone

Tariff network codes approved:

- At least 50% discount on tariff for storage facilities
- Discount allowed on LNG entry tariff

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Barriers to LNG entry:

- Demand uncertainty
- High regasification and transmission tariffs; tariff pancaking
- Transparency of rules to access
- Lack of flexibility of LNG products
- Investment for security of supply

Barriers to storage product development

- Restrictions on trading activities (no back-up services)
- Right balance between flexibility and access arrangements

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Promote transparent and liquid global LNG markets

Active international dialogue with consumer and producer countries, IEA:

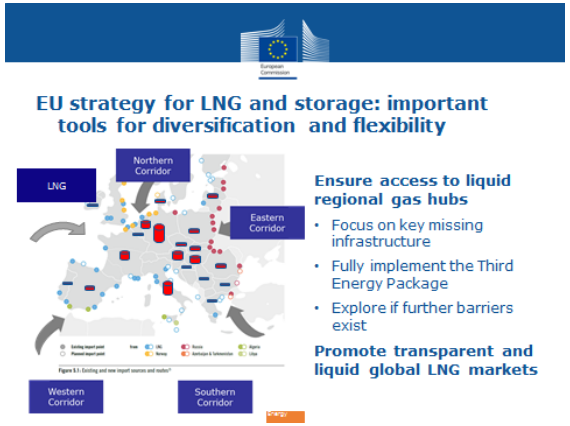
- High-level discussions and working level exchanges with US, Japan, Canada ad Australia
- Exchanges are planned at working level with other major LNG consumers as India, China and Republic of Korea
- Working with International Energy Agency (IEA)
- Participation in multi-lateral initiatives on methane leakage

Exploring potential areas where there's EU value added

The EU's LNG and storage strategy is still relevant

Flexible: easy to introduce new actions as new issues emerge

- issue of methane leakage – incorporated into our international dialogues



Follow-up study (by Sep 2017):

- Internally: focus on security of supply; the role of storage in a regional context; effect of storage related measures
- Internationally: EU's role in promoting liquid and transparent global LNG market
- Legislative impact unlikely
- Interim analysis: EU gas infrastructure with the projects identified by the strategy are sufficient to supply gas needs (with some congestion)

Thank you for your attention!