

**OPINION OF THE AGENCY FOR THE COOPERATION OF ENERGY  
REGULATORS No 05/2018**

**of 23 July 2018**

**ON ENTSOG'S SUMMER SUPPLY OUTLOOK 2018**

THE AGENCY FOR THE COOPERATION OF ENERGY REGULATORS,

HAVING REGARD to Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators<sup>1</sup> (hereinafter referred to as “the Agency”), and, in particular, Article 6(3)(b) thereof,

HAVING REGARD to Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005<sup>2</sup>, and, in particular, Article 9(2) thereof,

HAVING REGARD to the favourable opinion of the Board of Regulators of 18 July 2018, delivered pursuant to Article 15(1) of Regulation (EC) No 713/2009,

WHEREAS:

- (1) The European Network of Transmission System Operators for Gas (hereinafter referred to as “ENTSOG”) developed, adopted and published on 17 April 2018 the Summer Supply Outlook 2018, pursuant to Article 8(3)(f) of Regulation (EC) No 715/2009.
- (2) Pursuant to Article 6(3)(b) of Regulation (EC) No 713/2009, the Agency shall provide an opinion to ENTSOG on, *inter alia*, relevant documents referred to in Article 8(3) of Regulation (EC) No 715/2009, as submitted to the Agency pursuant to Article 9(2), first subparagraph, of Regulation (EC) No 715/2009,

**HAS ADOPTED** the following Opinion on ENTSOG's Summer Supply Outlook 2018:

1. The Agency welcomes the publication of the Summer Supply Outlook 2018 by ENTSOG ahead of the summer season.
2. The Agency appreciates the analysis of the gas supply and demand trends and patterns contained in the Summer Supply Outlook 2018 and in the documents accompanying the Outlook. In particular, the Agency welcomes the analysis of the underground gas storage

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<sup>1</sup> OJ L211, 14.8.2009, p. 1.

<sup>2</sup> OJ L211, 14.8.2009, p. 36.

(UGS) inventory and of the effects of the cold spell of March 2018, and the data contained in Annex D to the Summer Supply Outlook 2018<sup>3</sup>.

3. The Agency underlines the importance of the main conclusions of the Outlook regarding gas supply and demand, and notes in particular that:

- Summer gas production within the European Union was flat in 2017 compared to 2016, rather than on the declining trend observed during the previous years.
- Seasonal gas demand increased by 5.4% compared to 2016, the second increase in a row, and seasonal demand for power generation was the highest since 2010 (280 TWh). At the same time, within the power generation mix in 2016-2017, wind seemed to compete with hydro rather than with fossil fuels, as in the shares of primary energy in the mix there was a 2% switch from hydro to wind, while fossil fuels' share stayed flat at 40% overall. Gas demand for power generation increased by 9% and the share of gas within the fossil fuels increased by 1% (from 18% to 19%)<sup>4</sup>. The Agency notes that such overall gas demand, as well as the developments in the power generation mix, call for a closer review of the developments in 2018 and subsequently, and for a better understanding of the interlinkages between the power and the gas sectors. The Agency recommends ENTSOG to engage in a dialogue with stakeholders on the role of gas in the power generation mix and in the primary energy mix in general.
- Given the increase in gas demand and the flat domestic production, there was an increase in gas imports, primarily from Russia (by 3% in 2017 over 2016), thus boosting Russia's share of overall gas supply during the season to 36%. This was possibly also driven by the continuing indexation of Russian gas prices to the price of oil, which declined during the period<sup>5</sup>.
- The Agency notes that underground gas storage (UGS) has an important role in serving seasonal variations of gas demand in Europe, by allowing the storage of gas during lower-demand periods in the summer and the withdrawal of stored gas during periods of higher demand in winter. Nevertheless, the Agency notes that the overall annual and longer-term variations of demand need large swing-supply sources different from UGS. ENTSOG's Summer Review 2017 - which accompanies the Summer Supply Outlook 2018 - seems to suggest that the main swing suppliers are Russia and, to a lesser extent, liquefied natural gas (LNG), with the latter increasing in 2017 by 27 bcm over 2016 levels (by 1%)<sup>6</sup>. The Agency invites ENTSOG to consider the various roles which different sources of supply are playing, such as

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<sup>3</sup> Annex D, Data for Summer Supply Outlook 2018 (cf. Summer Supply Outlook 2018, p. 26), is specifically:

- Linearisation curves of the injection in the storages (source GSE members).
- Average monthly national production forecast.
- Average monthly demand forecast.
- Average monthly final and power demand forecast.

<sup>4</sup> Cf. ENTSOG's Summer Review 2017, p. 3, p. 7 and p. 8.

<sup>5</sup> Ibid., p. 3, p. 11.

<sup>6</sup> Ibid., p. 11.

covering baseload, swing and peak gas demand, and highlighting its finding in future Summer and Winter Outlooks.

- The Agency notes that gas supply from UGS has historically been the main source for gas needed to balance supply and demand during the winter, both on seasonal and short-term basis, and levels of gas in storage should be adequate to help assure such balance. The Agency notes ENTSOG's emphasis on the fact that the level of gas in UGS on 1<sup>st</sup> April 2018 is 17.5% of capacity, the lowest level in seven years for this date. The low level is combined with lower European national gas production, which would require additional injection of gas to the storages during the summer period to achieve the same storage level as in the previous season. The Agency calls on shippers to consider this circumstance in their supply strategies in order to achieve an adequate overall level of storage level by the end of the injection season.
  - ENTSOG used modelling to check if any physical congestion or dependence on an import source may limit the injection in UGS, an effort appreciated by the Agency. The Agency finds important ENTSOG's view that a 90% stock level may be achieved by 30<sup>th</sup> September 2018 in all the balancing zones except for the storage in Latvia. The restricted injection ability in Latvia is due to a decision of a foreign company (Gazprom) not to use the Incukalns UGS for customers in Russia, thus limiting the use of Incukalns UGS to the needs of customers in Latvia only<sup>7</sup>. The Incukalns UGS low use levels are not of concern if the UGS were only to serve Latvia's needs. Nevertheless, the Agency is of the view that the fact that decisions of a major gas supplier which operates outside the *acquis communautaire* can have such a significant impact on the levels of use of European infrastructure calls for prudence and appropriate contingency planning for the development and use of the European Union's gas infrastructure. It also points to the need for consistency with higher-level European objectives, including, but not limited to, security of supply, market integration, and adequate levels of competition in gas supply.
  - The Agency welcomes the successful inclusion in the modelling of the L-gas topology for France, Germany and Belgium L-gas zones, and the continuing effort to include the case of Netherlands as well.
4. The Agency reiterates its invitation to ENTSOG to indicate in forthcoming Outlooks how the level of gas stocks in LNG tanks is defined, as the assumptions about the level of LNG stocks are important for the identification of available gas supply under both normal and stress (high demand or disrupted supply) conditions. The same applies to regasification and transmission capacity which is needed to move the re-gasified gas to zones in need of supply.
  5. The Agency is of the view that the Summer Supply Outlook 2018 and the accompanying Summer Review 2017 contribute reasonably to the objectives of Regulation (EC) No 713/2009 and Regulation (EC) No 715/2009 in terms of non-discrimination, effective competition and the efficient and secure functioning of the internal natural gas market.

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<sup>7</sup> Cf. Summer Supply Outlook 2018, p. 12.

6. This Opinion is addressed to ENTSOG.

Done at Ljubljana on 23 July 2018.

For the Agency:



Alberto Pototschnig  
Director