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Evaluation of the LNG price assessment and benchmark

Executive summary

Commissioned by ACER

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Recent developments in the EU energy market have prompted several measures from the European Commission. Most notably, on December 2022, Council Regulation (EU) 2022/25761 of 19 December 2022 enhancing solidarity through better coordination of gas purchases, reliable price benchmarks and gas exchanges across borders entered into force. Among others, the Regulation tasked ACER with producing and publishing two instruments:

- ▶ a daily Liquefied Natural Gas (LNG) price assessment starting no later than 13 January 2023;
- ▶ a daily LNG benchmark from 31 March 2023 onwards.

The LNG Price Assessment and Benchmark was introduced to increase market transparency. It is a daily published indicator based on large LNG transactions in the European Union. Its use by stakeholders is voluntary.

After one year of providing the price assessment and benchmark, ACER has commissioned an independent external evaluation of their processes. The two main goals of this evaluation are, firstly, to assess the current processes and identify good and bad points and, secondly, to receive recommendations on how to improve the process. Ecorys, an independent research-based consultancy firm active in multiple EU countries, was hired to perform the evaluation. The evaluation took place over a period of four months (December 2023 – March 2024).

The scope of the evaluation does not include the ultimate goals of the EU regulation (to increase market transparency and to facilitate a diverse and affordable supply of gas). It only evaluates the task that has been assigned to ACER, which is to successfully produce and publish the LNG price assessment and benchmark). The evaluation takes three aspects into account:

- ▶ **Effectiveness:** the degree to which ACER is successful at fulfilling the task it has been assigned in the regulation.
- ▶ **Efficiency:** the degree to which the means employed to fulfil the task are necessary and sufficient (i.e., not too much and not too little).
- ▶ **Compatibility:** the degree to which ACER's activities comply to and are consistent with the regulations which govern their activities.

The evaluation concludes that ACER has to a large extent succeeded in providing the LNG price assessment and benchmark effectively, efficiently and in a way that is compatible with the relevant legislation.

Nevertheless, a number of significant areas for improvement were also identified. Parts of the process can be automated, which will improve both effectiveness and efficiency. Additional checks should be performed regarding the completeness of data. Data should be stored centrally and be more easily accessible to facilitate analyses. Procedures for handling data manipulation and a code of conduct for data contributors are currently missing.

The evaluation report describes the main outcomes of the evaluation in detail. A separate report provides specific recommendations for improvement on effectiveness, efficiency, external communication, procedures and organisation.