

**Guidelines of Good Practice on Third Party Access for LNG System Operators
(GGPLNG)
A contribution from IFIEC Europe**

IFIEC Europe would like to make its contribution by addressing some recommendations regarding the issues addressed in the ERGEG public consultation paper.

Investments and tariffs

IFIEC Europe believes that LNG terminals are essential infrastructures to supply gas to end consumers, as are transportation pipelines, pipe entry points and storage capacities. Therefore, industrial consumers or their suppliers must have a non-discriminatory access at a fair and reasonable price to all these types of infrastructures.

The tariff structure should provide long-term visibility over 10 years, for example, in the following way :

- Evolution of operating costs taking into account the inflation rate and counter balanced by productivity objectives
- Fair and transparent rate of return, 1 to 2% higher than the long-term risk-free rates

Given the risks associated with new LNG terminal developments, few projects get the final investment decision. Recently a number of Open Seasons have been launched. In IFIEC's experience these in general are far from satisfactory. They tend to be slow and to require firm commitments on a long term basis by the would-be subscribers, although there is no commitment from the operator on future allocations and tariffs. There seems to be a lack of balance between operators and users and meanwhile investments are not taking place. Empowered regulation could improve this situation dramatically.

In fact, it is essential to develop new terminals to guaranty the security of supply and to develop competition in the European gas market. Therefore, if market players are not in a position to carry out those projects, IFIEC Europe is convinced that investment decisions must be taken in a different way.

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First of all, it is absolutely necessary that an investment plan is produced by each Member State and at the European level, in order to clearly identify the investments in new LNG Terminals that are required to make the market work properly and the corresponding schedule of implementation. Then, if the LNG System Operators (LSO) do not invest, the National Regulatory Authority (NRA) or the new European Agency should have the power to launch a tender process and to assign the project to the best bidder. This process would also ensure that the capital funding decisions are taken without any influence by any ultimate holding company.

New LNG terminal projects are complex with potential local and environmental impacts. Therefore, it is absolutely necessary that the relevant local or national authorities are involved to support the permitting processes and to ensure that the implementations are not delayed.

Another key element is that long term visibility on tariffs is absolutely necessary to secure investments. NRAs should establish long term tariffs to provide a stable framework to potential investors.

Flexibility in TPA offers

IFIEC Europe is convinced that the lack of flexibility in the current TPA offers in terms of gas quantities and profiles unloaded into the network represent a barrier for industrials and new entrants that are not able to absorb large volumes delivered within a short time frame. Additional services must be provided by LSOs, such as “continuous baseload send-out service” over one year starting right from the reception of the first LNG cargo. Given the technical constraints to ensure this “continuous send-out service”, the historical supplier could be asked to offer a send-out service spread over longer time frames at reasonable and non-discriminatory tariffs.

IFIEC Europe strongly supports the harmonization of the regasification contracts, as well as the operational and scheduling procedures of all LNG terminals over the EU. IFIEC believes that a facilitated interoperability between terminals would foster the competition to develop in the European gas market.

Capacity Allocation and Congestion Management

IFIEC Europe agrees with a market-based solution such as “first-come-first-served” mechanisms along with strict “use-it-or-loose-it” clauses that would determine clearly the deadline/notice period for the release of unused capacity and give enough time for a new subscriber to schedule a cargo.

In order to assess whether a new investment is required, specific procedures such as Open Seasons can also be used but the capacity allocation criteria must not favour large players and the process must be very carefully monitored and controlled by the NRAs and/or the European Agency.

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The allocation rules should grant a priority to end consumers that source gas volumes for their own needs.

In the framework of congestion management, IFIEC Europe proposes a “LNG capacity release” programme that would reallocate the unused capacity of historical and other large players. This process must be enforced by the NRAs and/or the European Agency.

Moreover, a part of the total regasification capacities, around 20%, should be reserved to the short-term market.

Transparency requirements

IFIEC is fully in line with the GGPLNG’s transparency requirements regarding the operational and commercial information to be published by the LSOs. Furthermore, IFIEC stresses the necessity to harmonize the rules and formats of the publications at the European level.

Trading of capacity rights

Regarding the creation of a secondary market for capacity, IFIEC recommends that it is organised by the NRAs in order to prevent terminal users from any kind of speculation. Likewise, the LSOs should centralise the users’ requests, and subsequently, reallocate the unused capacity at the same regulated tariff.

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