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1. Preliminary remark

- In the case of liquid fuel markets, there is no antagonism between competition and security of supply. It is only against the background of forecast supply shortages throughout Europe and the whole world that the question arises whether exclusive focusing on competition results in a threatening of security of supply. This applies in particular in view of a high and even growing import dependency and a small number of gas suppliers.
- It is important to make a distinction between competition for resources and competition for customers as aimed at, for instance, by the EU Acceleration Directive (Gas).
- The evaluation of the competition and supply security situations differs from country to country.
- Account must be taken of national characteristics with regard to security of supply and the legal framework concerning competition (especially the structure of the gas industries, storage capacities, established networks).
- State measures should not be taken unless security of supply cannot be guaranteed by means of measures in conformity with the market.

2. Pillars of supply security

- Long-term supply contracts
 - The long-term gas import supply contracts play a great role for the security of supply, since these long-term contracts facilitate producers' financing of the exploration of new fields.
 - This helps to guarantee the financing of rising exploration costs and a balance between the sales and price risks.

- More than 50 % of gas imports into Germany until the year 2020 are guaranteed by means of long-term supply contracts.
- Diversification of sources of supply and means of transport (LNG and pipeline gas)
 - The diversification of gas suppliers and of means of transport is another significant aspect.
 - This requires enormous investments in infrastructures and stable, reliable framework conditions for the companies concerned.
 - In view of the aspect of the diversification of means of transport, the maintenance and development of domestic and foreign transport infrastructures are also very important (examples: the Baltic Sea pipeline, the Nabucco pipeline, the LNG terminal in Wilhemshaven).
 - Increased use of LNG may lead to a further diversification of both means of transport and supply countries. But the transportation of LNG also requires high infrastructure costs in the supply and buyer countries. Therefore long-term supply contracts with price clauses are likely to play an essential role for the use of LNG - like in the case of supply via pipelines. In this context, too, strong companies that are able to invest and a positive investment climate are significant.
 - The use of LNG helps producers to open up new markets. And states that depend on imports will also have new supply possibilities. Besides, LNG is very likely to help to end gas supply shortages and to contribute to diversification and security of supply. At the same time, it may result in more competition for sources of supply.

- Storage

Storage capacities contribute to enhance security of supply in case of planned and unscheduled supply shortages. Storage facilities are, however, not feasible everywhere due to geological formations and can be used only to a limited extent in a cross-border context. Therefore an obligation to hold specific storage capacities would be problematic.

Germany has storage capacities for about 75 days.

3. Paradigm change from competition to security of supply?

- The companies are responsible for security of supply also in the context of competition (in Germany this is stipulated in the Energy Industry Act).
- As regards the liberalisation of the market, it must be guaranteed that companies can rely on stable framework conditions, especially for investments, in order to be able to continue to fulfil this task.
- Long-term supply contracts remain important although they are criticised by some due to competition reasons (segregation of the market vis-à-vis third parties).
- The diversification of supply sources and of means of transport has no negative impact on competition for customers and resources, it can rather help to increase liquidity.
- Regulatory intervention to open storage facilities to third parties can strengthen competition due to greater liquidity and flexibility. This may, however, impair the security of supply.
- On the buyer side, too, there should be strong companies that can negotiate with the producers on an equal footing in order to guarantee the import of sufficient volumes at acceptable prices and thus to secure the liquidity that is necessary for the functioning of the market.

4. Conclusion

- There is not necessarily an antagonism between the competition for customers and security of supply. Security is an essential element in competition apart from prices.

- A conflict between competition and security of supply may result with regard to access to storage facilities and the long-term import contracts. In this context, priority should be given to supply security.
- Incentives should be created for a favourable investment climate for the exploration of new fields and means of transport through a dialogue in partnership between producers and consumer countries. Thus the liquidity on the market can be enhanced.
- An energy mix, energy efficiency and energy saving reduce the unilateral dependency on energy imports and enhance the security of supply.