



# ***Security of Supply vs Liberalisation in Gas Markets***

***Working towards a minimum storage level***

General Directorate for Energy and  
Raw Materials - France



Sophie GALEY-LERUSTE

# ***Security of Supply vs Liberalisation in Gas Markets***

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 **I - New context drives solidarity questioning**

 **II - Security of Supply needs smart regulation**

 **III - Towards a new buffer against shocks**

## ***I - The EU 2004 directive is a “first step”...***

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-  **Member States shall ensure that supplies for household customers inside their territory are protected at least in the event of:**
    - partial disruption of national gas supplies;
    - extremely cold temperatures;
    - the coldest weather periods occurring every 20 years.
  
  -  **”Major supply disruption”: situation where the Community would risk to lose more than 20 % of its gas supply from third countries and the situation at Community level is not likely to be adequately managed with national measures**

## *... But risks are increasing*

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### **Ways to meet the seasonality of demand:**

- Swing production is declining
- Flexibility on Long Term contracts is around + /- 20 %
- Spot buying is limited to the amount of “spare” gas



### **Data transparency is needed**

- Price discovery mechanism is done by Market places
  - **The more transparent the market, the better the signal**
- The UK / US example must be followed
- The Madrid Forum is a first welcome step

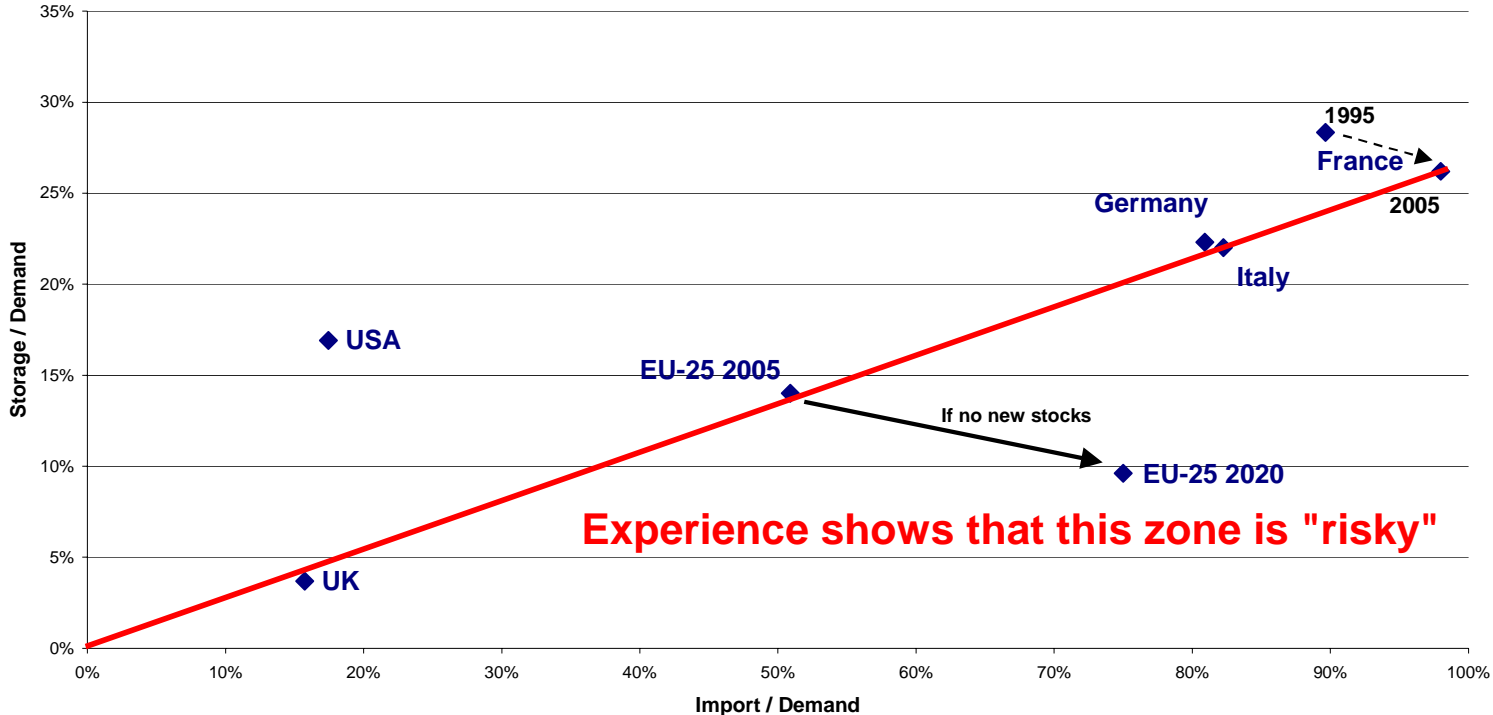
### **Stocks are the major solution**

## ***II - Security of Supply needs smart regulation***

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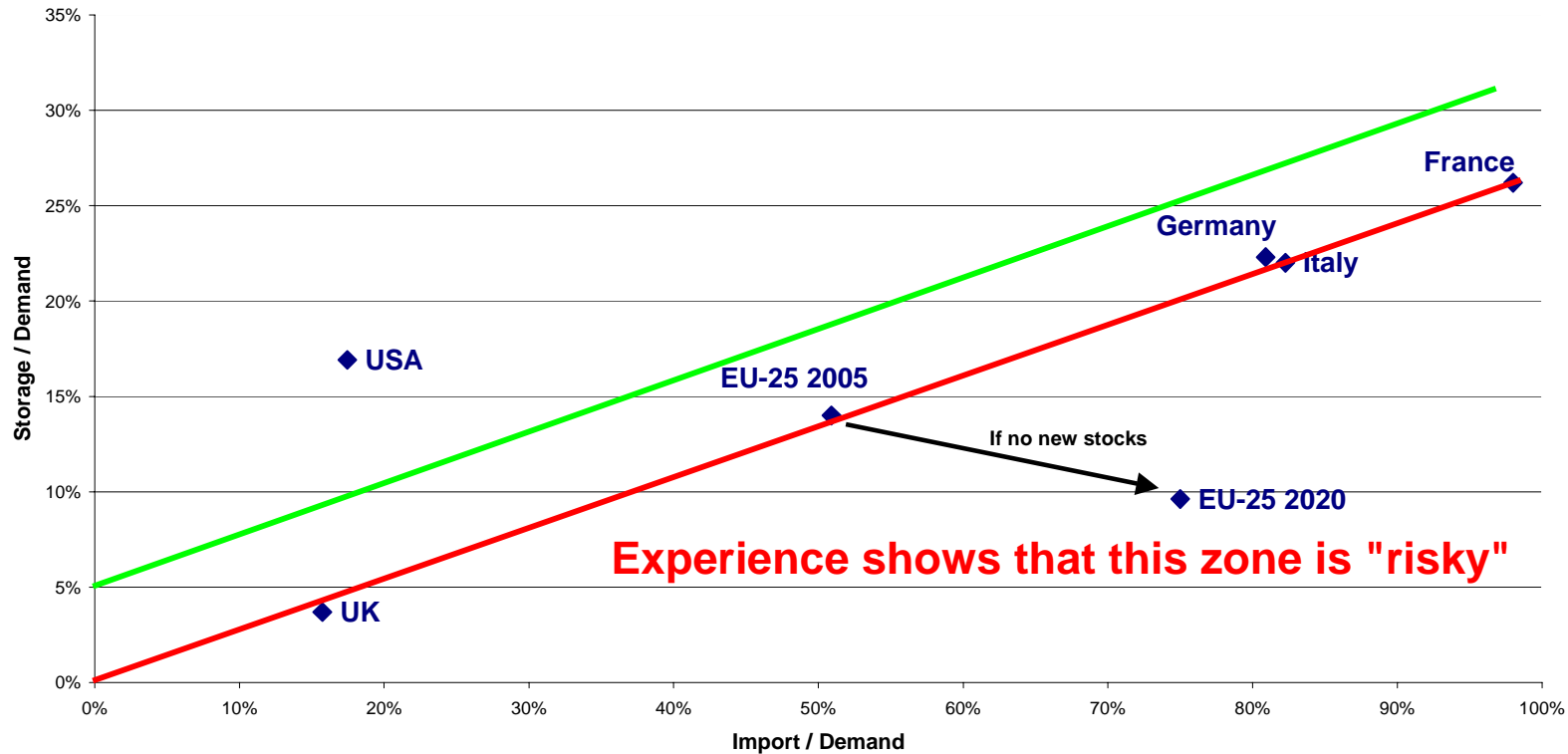
-  **Markets provide a mean to help mitigate a crisis by relocating supply**
-  **But the market timeframe is shorter than the investment one**
-  **Markets are not designed for security of supply; government policies are advisable if market fails**
-  **But solutions must be market orientated: government owned strategic stocks are not the solution**

# Storage and Import Dependency



**With import dependency increasing, we must increase our level of storage**

### III - Towards a new buffer against shocks



- As demand increases, the relative stocks level decreases
- Instead of moving inside the “risky” zone, let’s try to set a common policy to increase everywhere our stocks




# *French “Market orientated” proposal*

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- 📄 **A global crisis can only be mitigated at EU / AIE level**
- 📄 **At the IEA level, we can ask each seller to maintain all year long 5 % of their annual national sales in storage**
- 📄 **Investments in storages will therefore be increased to meet this new rule**
- 📄 **Stocks to be paid, built and managed by industry**
  - Companies in states in the “risky zone” would have to built new stocks
  - Companies in states in the “safe zone” would have the choice
  - If you can’t built, bilateral agreements could allow you to built (or pay) in neighbouring states

## *Next steps*

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-  **Increase transparency to the UK standard**
  - free access to daily data
-  **Share best practices among IEA Member States to increase resilience of the overall global system**
-  **Submit a suitable global solution, thanks to IEA oil expertise**