

Danish response to the consultation on an EU strategy on LNG and gas storage

Danish priorities:

- Denmark calls for full implementation of the third EU Energy Package as well as the removal of barriers for efficient use of gas in storage.
- Denmark calls for initiatives to ensure that the market is given the right incentives to use gas storage facilities in an optimal way.
- Denmark calls for a market-based system to ensure the necessary gas storage level.

General remarks

Denmark welcomes the Commission's consultation on an EU strategy for liquefied natural gas (LNG) and gas storage. As a general remark Denmark finds that new initiatives to improve the use of LNG and storage facilities should be fully in line with the third EU Energy Package. Market players should be encouraged to use these facilities and to make the necessary arrangements to supply their customers with gas on a commercial basis.

Denmark finds that LNG can play an important role in improving the security of gas supply, because it provides an opportunity for diversification and functions as a backup when imported pipeline gas or domestic gas is not sufficient. Denmark also finds that the right incentives to use gas storage are needed in order to ensure that sufficient gas is available in case of emergency situations.

Main Points

LNG

Denmark has no LNG facilities and there are no plans to establish LNG facilities in Denmark. Denmark (and Sweden) is supplied with gas from the Danish part of the North Sea and - due to the expansion of the transmission system towards Germany and our storage facilities - there is sufficient capacity to meet the demand in Denmark and Sweden even in case of extraordinary high levels of demand during winters.

Denmark recognizes that LNG can play an important role in diversification of gas supplies and as a backup in emergency situations. Currently there is a relatively low utilization of the existing LNG capacity in

Europe. The main barriers for LNG are the distance between EU and LNG-producing countries as well as the fact that LNG-prices are higher than pipeline gas. Insufficient transport capacity from Southern Europe to Northern Europe may also constitute a barrier for LNG.

LNG-facilities can play an important role in diversification of gas supplies and bring an end to the energy isolation of some Member States, e.g. the Baltic States. In this connection the TEN-E Program is essential for the development of the internal energy market as well as a crucial instrument to promote investments in LNG facilities and interconnectivity thus ensuring the security and diversification of gas supply.

LNG can also play an important role in the maritime sector by presenting opportunities to reduce costs and energy emissions. This requires establishing of an efficient LNG-filling system at the main maritime transport routes and in all larger ports.

Storage

Denmark calls for initiatives to ensure that the market is given incentives to use gas storage facilities in an optimal way to ensure that the level of gas in storage is sufficient to meet the needed gas demand in case of emergency situations. In this sense it is important that the third EU Energy Package is fully implemented to ensure the development of a well-functioning internal gas market and the removal of barriers for efficient use of gas storage. However, legal provisions may be needed to ensure the right market price signals to gas undertakings and to improve security of gas supply.

Injection and withdrawal patterns in storage are determined by economic incentives and not necessarily based on a strategy for security of gas supply. Economic incentives may be provided to discourage market players from having to withdraw gas from storage too fast when other sources of gas are still available in the market. The Danish TSO has implemented a so-called “filling requirements regime” with socialized payments to owners of gas in storage to keep their gas in storage instead of withdrawing it. In this way the level of gas storage is optimized in accordance with the storage needs over the year to meet seasonal variations, cold spells and emergency situations.

National regulatory use of mandatory gas storage reserves might be an important tool to improve the security of gas supply in Europe. However, when using such mandatory reserves it is crucial for the functioning of the internal gas market that gas reserves are not used for other purposes than emergency situations. Realization of gas reserves would in such cases distort gas to gas competition and harm the internal energy market.