

EFET position regarding the DGEC Decree on a storage service of last resort

The European Federation of Energy Traders (EFET¹) would like to bring to the attention of DGEC our remarks in relation to certain provisions stipulated under Decree no 2023-766 of 10 August 2023², which assigns a role of last resort to the French SSOs in case of an insufficient trajectory for the filling of storages.

We wish to use this opportunity to propose further engagement with both DGEC and CRE in order to share our experience from other EU markets where operators have been called to buy gas in the market, in case of insufficient gas in store to meet the trajectories under Regulation (EU) 2022/1032. We are moreover willing to put forward and discuss alternative market-based measures to stimulate injection in storages for next winter, before resorting to the SSOs.

EFET remains fully supportive of the reform of the legal and regulatory framework applicable to gas storage in France, as implemented after the adoption of Act 2017-1839 of 30 December 2017. We broadly applaud this form of access to storage via voluntary auctions and management of the SSOs' revenue through tariffs, in place of the pre-existing fully regulated storage obligation for suppliers, as a market-based mechanism which promotes an attractive and competitive market for gas storage in France.

We also acknowledge the rationale behind the adopted decree, given the tight supply situation for Europe stemming from the collapse of Russian gas flows since mid-2022, which prompted calls for new means and tools to guarantee high storage levels at the end of summer periods in the future. Within this framework, we fully support the choice of both DGEC and CRE not to implement any new storage booking obligations on gas suppliers because this would have negative and distortive implications on the French gas market and its liquidity. We nonetheless wish to seek clarifications in terms of two aspects of the Decree, with a view to ensuring that its implementation minimises adverse effects:

- 1. The Decree must specify what steps will be taken if the SSOs do not manage to buy gas below the ceiling price.** The text of the decree does not specify how the cap price, at which storage operators might buy their gas for the establishment of stocks, will be determined. We recognise that this price limit should not be disclosed ex-ante. The text furthermore mentions that, if the SSO is not able to buy this gas at a lower price than the cap, they will have to inform DGEC and CRE. We

¹ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent, sustainable and liquid wholesale markets, unhindered by national borders or other undue obstacles. We currently represent more than 100 energy trading companies, active in over 27 European countries. For more information, visit our website at www.efet.org.

² <https://www.legifrance.gouv.fr/jorf/id/JORFTEXT000047964058>

believe that the market should be well in advance notified of the exact path to be followed in this case.

- 2. The decree must clarify how the stored gas will be released by the SSOs after 01 November.** The decree outlines three possibilities for use of the SSO-procured reserves before 01 November. We understand that, unless these conditions apply, gas will remain in stock before 01 November, which is reasonable from a security of supply perspective. However, the decree does not thoroughly elaborate on how the volumes - initially stored by the SSOs - will then be released during the winter, on top of the gas shippers' withdrawals and nominations. If these volumes are to be released in the context of an emergency, we need transparency on the new rules stemming from such an emergency regime, notably on the price at which the gas would be released back to the market.

Overall, we suggest that market-based solutions be prioritised as default measures to stimulate injections for compliance with the revised EU Security of Supply Regulation. We particularly point to the possibility of tendering a filling obligation, so that holders of storage capacity are asked to commit, on a voluntary basis, to fill a certain amount of their storage by a certain time and retain it for a given period. We view this as a less costly and more transparent alternative, compared to resorting to storage operators. The latter are not gas market participants and, thus, may not be set up to the same extent as their customers (shippers) to buy gas in the market under optimised economic conditions and use it/ sell it back to the market later on. In case such tenders are not enough to achieve the above-mentioned objectives, the role of last resort assigned to the French SSOs should be activated, in line with the Decree.

Lastly, the favourable Opinion issued by CRE on 05 July for the adoption of the decree refers to the new article 421-7-2 of the Energy Code, as amended by Law n° 2022-1158 of August 2022 entitled "*Loi sur le pouvoir d'achat.*" We expect that, following this Opinion and the Decree, CRE will issue a subsequent Deliberation setting the rules under which stocks will be built by the SSOs, and the ways in which these stocks will be released and sold back to the market. **We remain at the full disposal of the French authorities to be consulted and further contribute to this process.**