

Energy Traders Europe response to CRE consultation on the introduction of a virtual backhaul service

Energy Traders Europe welcome the opportunity to comment on the draft proposal to introduce a virtual backhaul service at Elengy's terminals, which would provide for the possibility for shippers active on the French wholesale gas market to acquire LNG stored in tanks. Our answers to the Questionnaire issued by DGEC are reported below. We remain available to continue the discussion and provide all required information or clarifications.

Questionnaire

Question 1: What is your position regarding the implementation of the virtual backhaul service? If the virtual backhaul service were implemented, what do you think the consequences would be for the attractiveness of French LNG terminals?

In line with established practice in other terminals in Europe, such as Zeebrugge and Gate, we generally support the introduction of this service, which we view as a means of offering existing unused flexibility to the market and give additional optionality to shippers.

At the same time, it is important to not affect long-term users, whose long-term capacity rights should be preserved. There should be no shifting of flexibility and its priority allocation from existing LNG shippers to small-scale users.

We would also like to underline the benefits of this new service for the development of bioLNG market, as it would support the practice of mass balancing of biomethane injected in the single interconnected infrastructure for final use as liquid in the transport sector. In particular:

1. We understand that the possibility of backhauling nomination as an optional service will provide traders with more leeway in our contractual arrangements, notably in the way that we conclude deals in tank, instead of exclusively at the flange, or before the flange.
2. Moreover, if backhaul nomination is ultimately enabled by CRE, the LSO will be able to propose to us the physical liquefaction service, on top of the equivalence liquefaction one, that is limited in volume but comes with smaller carbon content.
3. Ultimately, once backhaul nomination is in place, traders will be able to store LNG in the tank, which is not currently the case with equivalence liquefaction, whereby, for a gaseous PoS, we get a PoS at the flange of the terminal, on condition of ownership of a molecule in the loading slot and a loading slot for charging of a tanker truck or bunker vessel. This opens the opportunity for further onward sale of our bio-LNG in stock to other parties.

CONSULTATION RESPONSE



Question 2: Do you have any comments on the commercialisation arrangements proposed by Elengy?

The proposed commercialisation mechanism seems appropriate to us. We stress the importance of **all capacity being interruptible** as a solution to protect long-term capacity holders to preserve their ability to use the flexibility offered the LNG tanks (on top of the priority access rule as proposed by CRE).

Question 3: Do you consider the proposed tariff for the virtual backhaul service to be appropriate?

The proposed tariff seems appropriate to us, as they are in line with other EU terminals tariffs.

Question 4: Do you consider the regulatory framework proposed by Elengy to be appropriate? Do you think compensatory measures should be considered for users of the regasification service, and if so, what level would be appropriate?

We agree with CRE's assessment that a higher coverage (>90%) would be more appropriate, in order to reward terminal users for the additional subscriptions they would book via such new services as much as possible.

Question 5: Do you have any comments on the offer, tariffing or regulatory framework proposed by NaTran?

The proposed tariff seems appropriate to us. In particular, we consider that the 100% CRCP coverage is fully relevant, for the same reasons that described above.

Question 6: Are you in favour of the marketing arrangements for additional capacities proposed by Elengy?

While we may support Elengy's proposal, which aims at greater simplicity, we require more clarity on the conditions enabling Elengy to switch back to ascending-price auctions. We refer, in particular, to the non-defined threshold of potential buyers to be reached in order to trigger the ascending auctions mechanism ("Elengy requests to perpetuate the possibility of using an ascending auction, for example if the number of potential buyers were to be high").

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