

Press release

Report on regulation of LNG terminals in France

FRENCH LNG TERMINAL REGULATION SHOULD ENCOURAGE INVESTMENT

The independent working group¹ on LNG terminal regulation, chaired by Colette Lewiner, rendered its report to the CRE on 26 March 2008. This report is available at <http://gttm.cre.fr>.

The Group concluded that it is necessary to create conditions which are favourable to investment, in order to have sufficient regasification capacity available to guarantee security of supply in France and in Europe.

This future prospect will render the French market, with the deregulated European market, more attractive compared with the American and Asiatic markets.

The report points out that to meet the growth in domestic gas demand and the decline in domestic production, Europe will have to raise the share of its gas imports to 80% by 2030, compared with 50% in 2007. Liquefied natural gas (LNG) therefore becomes a key factor in security of supply, by enabling an increase in access to global gas reserves and the diversification of supply sources. The share of LNG, which today accounts for 30% of gas consumed in France, will grow significantly.

With regard to the regulation of LNG terminals, the Group's main recommendations point to:

- encouraging the extensions of regulated terminals by improving the stability and visibility of the regulation framework,
- creating a climate which is favourable to the development of new LNG terminals, via possible exemption from regulated third party access,
- ensuring consistency between the rules applying to regulated terminals and to exempted ones.

For regulated terminals, the majority of the Group proposes to establish a method of tariffication for a period of 15 to 20 years which will define the share of risks between the operator and shippers. To take account of economic changes and the impact of factors known *ex post* (such as subscription levels), it recommends a tariff review every 4 to 5 years applying to clearly defined lines.

In view of the high financial risks which are specific to the construction of new LNG terminals, the Group considers that the principle of exemption from regulated third party access is particularly

¹ Chaired by Colette Lewiner, vice president of Capgemini, this group composed of eight experts in the liquefied natural gas (LNG) market: Philippe Boisseau / François Dumas (Total), Walter Boltz (ERGEG), Laurent Chabannes (Uniden), Pierre-Marie Abadie (DGEMP), Jean-François Corallo (Gaz de France), François Lévêque (Ecole des Mines), François Morin (Economist) and Luc Poyer (Gaz de Normandie).

suitable here. Subject to a specific case-by-case analysis, and to encourage investment, the Group recommends that the obligation to reserve capacity for short term contracts should not be made systematic and that the scope of exemption (tariffs and capacity) should not be limited.

In every case, security of supply and market fluidity must be favoured by greater transparency of information. Consequently the rules of transparency for publications, and the UIOLI² mechanisms must apply in the same way to all terminals, under the *ex post* control of the regulator.

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² UIOLI: "Use It Or Lose It" : anti-hoarding mechanism relating to the primary capacity holders' obligation not to retain unused capacities in order to block competition.