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Changes to Gas Storage Act Save Planned Supply Provisions for Upcoming Winter

A recent government draft for an Introduction of Gas Storage Level Targets Act fails in its current form to ensure the goal of a more secure gas supply in gas storage for the upcoming winter. However, further development of the Gas Storage Act could make the politically wanted minimum storage levels possible, yet INES proposes specific changes to the legislative proposal in a current policy paper.

Recently a draft for an Introduction of Gas Storage Level Targets Act was leaked. Against the background of historically low storage levels this winter, the German government tries to establish provisions to ensure a more secure winter gas supply in the future. The draft obliges gas storage system operators to ensure legally defined minimum storage levels. At the heart of the proposal is a storage level of 90 per cent on December 1. Moreover, filling levels of 65 per cent on August 1 and 80 per cent on October 1 are indicated. On February 1, storage levels of 40 per cent are supposed to be reached.

To put it into perspective: At the moment, gas is neither bought nor sold by storage system operators. Storage system operators rather provide storage capacities to the market in accordance with the demand. Market actors that book these capacities use them as they need. That is why these market actors are called storage users.

The Gas Storage Act wants to create an obligation for storage system operators to withdraw booked capacities from storage users if these are not used in line with the intended minimum storage levels. For this reason, it is already barely possible to put storage capacities for the upcoming winter on the market. Moreover, storage system operators will have to interfere in existing contracts to fulfill their legal obligations. But this implies exceptional termination rights such that even booked capacities may be lost, therefore.

As a consequence, the Gas Storage Act fails to achieve higher storage levels but merely leads to decreasing storage levels. Storage users are only defined in their market role by using storage capacities. Once they stop booking storage capacities, they also stop

to be storage users. This means storage users can easily avoid the planned obligations by avoiding booking or by cancelling storage capacities. Storage System Operators therefore would not be able to fulfill their own legislative duties. Hence, the goal of the legislative proposal will not be achieved.

INES therefore proposes further changes for the legislative proposal in a current policy paper. The central idea: Market-based usage of gas storage capacities will be flanked by activities of the Market Area Operator. Within this proposal, the Market Area Operator will be obligated in addition to storage usage in the market to invite tenders for so-called Strategic Storage Based Options (SSBO) to achieve the intended storage levels. Introducing a new SSBO instrument is already planned in the new Gas Storage Act ensure a National Gas Reserve.

Achieving the minimum storage levels will be ensured by a country-wide German monitoring that serves as a data base for tenders. If SSBO fail to reach the predefined storage levels, the Market Area Operator can buy gas and use free storage capacities to store it. Its bookings can be realized in an interruptible way such that capacities can be brought back to the market if necessary. The Gas Storage Act could obligate Storage System Operators to offer interruptible storage capacities to the Market Area Operator.

Moreover, positive incentives could help reduce the Market Area Operator's activities in storage markets to a minimum. The European Commission has already proposed higher discounts to transport tariffs at storage points as an example for this.

Sebastian Bleschke, Managing Director at INES concludes: *"The German Government has yet the opportunity to ensure a more secure gas supply by obligating the Market Area Operator to ensure the desired storage levels. The planned Gas Storage Act already gives the task of ensuring security of supply to the Market Area Operator. Strategic Storage Based Options are a strong instrument to fulfill this task. It would therefore be consequent to transfer the duty to reach minimum storage levels to the Market Area Operator as well. All market actors will be included financially to insure the costs of the Market Area Operator by a levy. Hence, there will be an efficient solidarity principle to secure winter supplies."*

BACKGROUND

INES is the association of gas and hydrogen storage system operators in Germany. INES' members represent over 90 per cent of German gas storage capacities and account for about 25 per cent of gas storage capacities in the European Union. INES' member companies also push the development of underground hydrogen storage in numerous projects and thereby form pioneers in this important technology field for the energy transition.

The members of INES are astora GmbH, bayernugs GmbH, Enovos Storage GmbH, Erdgasspeicher Peissen GmbH, Etzel-Kavernenbetriebsgesellschaft mbH & Co. KG, EWE Gasspeicher GmbH, OMV Gas Storage Germany GmbH, RWE Gas Storage West, NAFTA Speicher GmbH & Co. KG, STORAG Etzel GmbH, Storengy Deutschland GmbH, Trianel Gasspeicher Epe GmbH & Co. KG, Uniper Energy Storage GmbH and VNG Gasspeicher GmbH.

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