

Answer to the European Commission public consultation on

Market needs for long-term gas products under a permanent mechanism for Demand Aggregation and Joint Purchasing

02/05/2024

1. Long-term gas needs

As part of our commitment to support security of supply and competitiveness of energy procurement under the EU Energy Platform, the European Commission is launching this market survey to gauge the interest of EU gas market players in the development of a new long-term product under the voluntary mechanism for joint purchasing.

The new product would also contribute to providing more transparency on EU future gas demand and the role of gas in the decarbonisation pathways of industries. Indeed, testing long-term gas needs could support business decisions fully aligned with the decarbonisation of the EU energy sector and the broader economy under the European Green Deal.

Provided the interest of the European buyers in using the new long-term product on the joint purchase platform, the European Commission will also explore the interest of reliable international gas producers, suppliers, and traders.

The following questions aim at gathering information about the interest of gas market players in the development of a new longer-term product as part of the joint purchasing mechanism.

Question 1: Would you be interested in using a long-term product (of 5 up to 20 years) if developed as part of the joint purchasing mechanism?

- Yes
 No

Why?

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We welcome the demand aggregation mechanism set-up by the European Commission which offers new opportunities to procure gas in addition to existing marketplaces or practices by matching buyers and sellers and allowing gas buyers to join forces to benefit from better conditions.

As a major European integrated gas market player, we already offer over-the counter long term contracts to our customers (5 to 20 years) and sign long term contracts with LNG suppliers and therefore we are not seeking any additional opportunities to contract long-term volumes.

Question 2: Can the development of the long-term product (of 5 up to 20 years) as part of the joint purchasing mechanism contribute to improving contracting opportunities (e.g. multiplicity of offers, competition between suppliers, ability to compare, etc.)?



Yes

No

Additional comments on long-term gas needs:

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In principle, the development of long-term products could improve contracting conditions for small consumers. But in Member States where a trading hub exists, these aggregators are unlikely to achieve better price conditions than the hub price as long-term contracts are indexed on the hub price.

However, offering 20 years contracts would give very good signal to gas buyers and reinforce Europe security of supply.

3. Cooperation arrangements

Cooperation arrangements for joint purchasing of gas, for example a consortium could strengthen negotiating power and enable more advantageous purchasing conditions for buyers, which would be subsequently passed-on to consumers in the downstream selling market(s)¹.

The following questions aim at gathering information about the interest of gas buyers for the development of new cooperation arrangements for the joint purchasing of gas under the joint purchasing mechanism.

Question 3: Would you be interested in entering a cooperation arrangement with other European buyers for the joint purchasing of gas to strengthen the negotiation power and enable more advantages purchasing conditions?

Yes

No

¹ For example, joint purchasing arrangements may allow smaller undertakings to obtain better purchasing terms and thereby remain competitive on the downstream selling market(s) when faced with strong competitors. Undertakings may also engage in joint purchasing in order to prevent shortages or address interruptions in the production of certain products, thus avoiding disruption to the supply chain.



Question 4: In the past, have you entered into cooperation arrangements for the joint purchasing of gas?

- Yes
 No

Question 5: Could cooperation arrangements between EU purchasing companies lead to better prices or improved contractual provisions (e.g. flexibility) in long-term contracts compared to individually-negotiated long-term contracts? How?

- Yes
 No

Why?

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Today, very large and large consumers aggregate their needs across all their European sites and procure their gas through call for tenders where they can take full advantage of competition between suppliers.

For small consumers, the idea of grouping together could lead to better prices and improved contractual provisions (due to the pooling of consumption profiles) should aggregators fail to play this role.

However, if the contracts are indexed to the spot price, it is not certain that this will prove beneficial. In addition, cooperation arrangements need to respect the competition law and are not easy to implement.

Question 6: Would you expect the European Commission to assist European buyers in forming these cooperation arrangements?

- Yes
 No

Why?

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We do not believe that is the role of the Commission to intervene in the procurement strategies of European private companies, but the Commission may play a facilitation role by covering counterparty risk.

Additional comments on cooperation arrangements:

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We wonder about the compatibility of such agreements with the European Union competition rules.

Question 7: Can the joint purchasing mechanism support the standardisation of contractual framework for decarbonisation of energy contracts (e.g. methane emission requirements, transition from gas to decarbonised energy vector, etc.)?

- Yes
- No

Additional comments on contractual arrangements supporting decarbonisation

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We believe that, as decarbonised energy contracts emerge, it may be necessary to define contractual guidelines and will support the organization of working groups to reflect on these contracts.

We consider that for renewable and low carbon gases, the European regulations in place are sufficient. Biomethane exchange contracts are gradually being put in place (notably BPAs - Biomethane Purchase Agreements). The Union Database (UDB) provided for by the Renewable Energy Directive will be available at the end of 2024 and will enable a real internal market for renewable gases by facilitating cross-border trading while eradicating the risk of fraud and double counting, regardless of the place of production and the place of consumption.

At this stage, we do not feel the need to extend the scope of Aggregate EU to renewable gases.

3. Methane emissions reduction

The following questions aim at gathering information about the interest of gas buyers for the development of solutions to market and monetise gas volumes resulting from emissions reduction projects (i.e. leak detection and repair or capturing gas from venting and flaring activities) related to existing assets in producing countries.

Question 8: Should the joint purchasing mechanism propose dedicated solutions supporting methane abatement projects in oil & gas production and transport and support the commercialisation of recovered volumes?

- Yes
- No

Projects associated methane abatement can lead to lower return on investment than other standard upstream investment (i.e. greenfield or brownfield production extension projects).

Question 9: What do you see as possible revenue models to support the monetisation of such projects?



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All operators in the gas chain, from production to supply, including liquefaction, shipping, regasification, storage, and delivery to consumers, are fully committed to drastically reducing methane emissions as reflected in the CSR reports of the main players. So far, the investments required to reduce methane emissions have been embedded into the gas price but as investments increase, support mechanisms may be needed under penalty of slowing future investments in gas production supporting Europe's security of supply.

We believe that if such a mechanism to support the monetization of the abated methane be put in place it would have to be set-up independently of the platform to give gas importers the choice of marketing channel.

Question 10: Should the joint purchasing mechanism support EU importers on the fulfilment of the new import obligations under the provisional text of the Methane Regulation? (i.e. methane intensity level limitations)

Yes

No

Additional comments on methane emissions reduction

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As a major gas producer and importer in Europe, we are committed to reducing the carbon intensity levels of the natural gas we sell in Europe. We aim to gradually reduce GHG emissions of the LNG value chain, from gas production to end use.

We would be in favour of using the joint purchasing platform as a model to design the reporting system that will help importers to comply with the importing requirements of the Methane Regulation (article 27 & 28).

We recommend that the Commission designs a reporting system that will help importers to comply with the importing requirements of the Methane Regulation (article 27 & 28) independently of the platform, as it would apply to all importers, not just to platform users.