

## Consultation on Fluxys Belgium's tariffs proposal for transmission tariffs 2020-2023

### EDF's answer

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Please find hereafter EDF's answer. It has been set up with the support of EDF's affiliate Edison, currently responsible for EDF gas asset management, in particular those implying EDF's transport capacity subscriptions on the Fluxys Belgium ("Fluxys") transmission network.

#### 1. General comments

EDF welcomes this Fluxys consultation on transmission tariffs and appreciates Fluxys efforts of efficiency on operating costs and the proposed use of part of the regulatory account, which provides for significant tariff downward pressure. These efforts and initiatives will contribute to improve the contribution of the Fluxys Belgian gas transmission system to the Belgian and European gas markets competitiveness and security of supply.

EDF is keen to underline several comments and to make some suggestions in this framework. EDF is concerned about the evolution of Fluxys tariffs after the 2020 – 2023 period and would like to understand what would be the scenario of tariffs evolution in case, for instance, no regulatory account is available or used anymore.

The new proposed methodology reflects the CWD tariff methodology, recommended as a reference methodology by the EU regulation 2017/460 ("TAR NC"). In order to fully understand the calculations carried out by Fluxys, leading to tariffs proposals, and as a complement to the information already disclosed, we would appreciate to have communication of the missing parameters (the distance matrix)<sup>1</sup>.

#### 2. LNG terminals competitiveness issue

EDF would like to remind that LNG is an essential mean for the supply diversification and security. The supply diversification and security are all the more important as the European indigenous gas resources are declining, in particular the supply from Groningen is planned to cease in 2029 or earlier, the UK and Norwegian gas production are on depleting trends on the medium to long term. Other local production of natural gas in European countries are set to decline as well.

On the demand side, efficiency measures will contribute to lower gas consumption, however we believe that nuclear plant closures planned in Belgium and the possible dash for gas in Germany due to the progressive closures of coal fired power generation will contribute to support the demand of gas in the medium to long term.

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<sup>1</sup> TAR NC Article 7 (a) provides that the reference price methodology shall comply with the following requirement: "(a) enabling network users to reproduce the calculation of the reference price and their accurate forecast"

Therefore, Europe will be more and more dependent on imports and only two major gas resources are in a position to fill the supply gap left by the other declining: Russian (pipeline) gas and LNG. Recent data show that Russian gas is indeed taking a prominent room in the natural gas supply mix of Europe and LNG is kept to very low amounts (see Appendix) and LNG terminals are under-utilized as shown in Table 1.

	Dunkirk Terminal (source EBB <sup>2</sup> (2))	Zeebrugge Terminal (source GIE)
2017	7%	13%
2018	9%	29%

*Table 1: Utilization rate of LNG Terminals (defined as the ratio between terminal send-out and terminal capacity):*

In order to better balance the supply diversification in Europe and reinforce the security of supply, it is important to encourage the attractiveness of the LNG in Belgium for the benefit of the Belgian and European markets. We consider that the Belgian gas network is as crucial for Belgium as for the European market since about half of transmitted gas volumes in Belgium regards international transit. In this contest this network plays a key role for LNG imports in Europe since it is directly connected to the two major LNG terminals that are Zeebrugge and Dunkerque LNG.

The LNG market is especially driven by international competition involving the Asian markets. History and outlooks witness fierce competition from these markets. It is therefore of the utmost importance to make all possible efforts to favor the attractiveness of Belgium and Europe for LNG. In particular, attention should be paid to the tariff of transmission capacities at the outlet of the LNG terminals that are Dunkirk and Zeebrugge and that are directly at stake in the present consultation.

### **3. Practical changes suggested in line with LNG attractiveness**

In this concern, we have noticed two points where we believe that alternative options to what is proposed under the current consultation might be considered:

- Discount for the OCUC capacity from Dunkirk LNG terminal to the Zeebrugge hub
- Discounts that are applied with respect to TAR NC Article 9

#### **3.1 Discount for the OCUC capacity from Dunkirk LNG terminal to the Zeebrugge hub**

##### **a) OCUC characteristics and parameters:**

The OCUC service as recalled in the consultation: (i) does not provide for access to the ZTP trading point and (ii) does not impact the flexibility of the Belgium network (short haul service).

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<sup>2</sup> EBB: Electronic Bulletin Board as Dunkerque website

For these two reasons it deserves a significant discount in comparison with “usual” entry-exit transport services. The minimum discount proposed by Fluxys is of 25%, and will be increased in function of the distance (maximum discount for the minimum use of the network, minimum discount for a use of 100km or more). This leads to a range of proposed discounts from 25% to 57,5%.

The choice of 100 km as a threshold seems to be discriminatory (and somehow arbitrary) since:

- for the two OCUCs Dunkirk LNG (Alveringem)-Zeebrugge and Zelzate-Zeebrugge, rather comparable in terms of distance, are applied significantly different discounts (25% and 37.5% respectively),
- for the two OCUCs Dunkirk LNG (Alveringem)-Zeebrugge and Blaregnies-Zeebrugge, very different in terms of distance (the latter route is by far much longer than the first), are applied the same discounts (25%)

#### **b) Support to LNG competitiveness:**

Moreover, an increase of the Dunkirk LNG - Zeebrugge discount would be justified in order to support the LNG competitiveness compared to pipe gas. Indeed a comparison with the Eynatten to Zeebrugge route demonstrates that in the new proposal, the attractiveness of the LNG access is drastically reduced compared to the pipe access (the merit order of the two tariffs are even reversed if the tariff from Dunkirk LNG to Alveringem is included). Increasing the discount of the Dunkirk LNG to Zeebrugge tariff, allows to mitigate this side effect of the tariff calculation.

#### **c) EDF's proposal**

Therefore EDF suggests that the discount applicable to the Dunkirk LNG to Zeebrugge OCUC should be at least equal to Zelzate-Zeebrugge discount, and at least equal to 32%. This would be justified by the OCUC characteristics and would support LNG competitiveness without any impact on the other tariffs of the present Fluxys proposal.

### **3.2 Discounts that are applied in accordance with TAR NC Article 9 for LNG terminals entry points**

EDF observes that in section 4.1.2.2 of the consultation document, with respect to Article 9 of TAR NC (“*At entry points from LNG facilities, and at entry points from and exit points to infrastructure developed with the purpose of ending the isolation of Member States in respect of their gas transmission systems, a discount may be applied to the respective capacity-based transmission tariffs for the purposes of increasing security of supply.*”), no discount is applied at entry points from LNG terminals (both Dunkirk LNG and Zeebrugge LNG terminals entry points) and this without any reason given. Moreover, we observe that Belgian law allows for the possibility of specific adjustments to this regard<sup>3</sup>.

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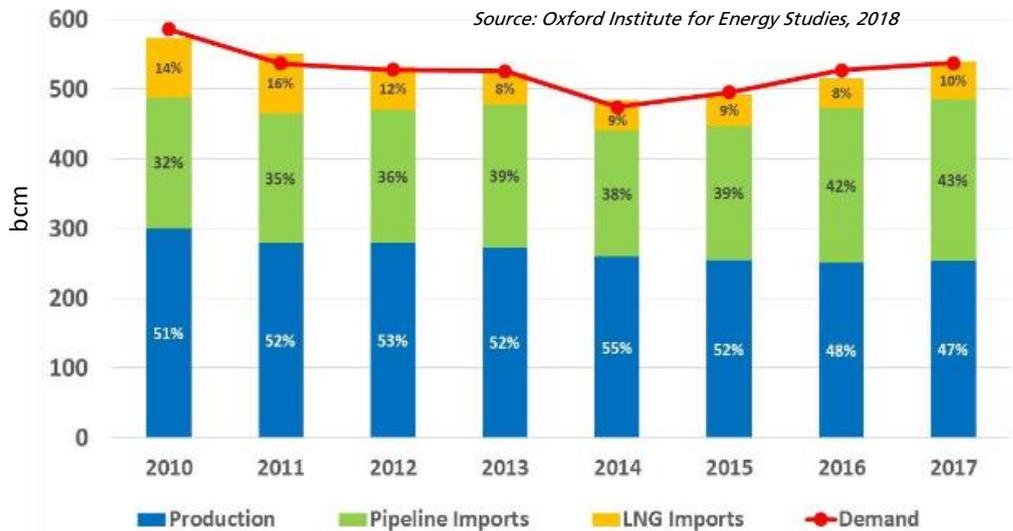
<sup>3</sup> Arrêté (Z)1110/11 of 28 June 2018, 5.2 Art. 5, §3: “Des adaptations dans l’application de la méthode de calcul des prix de référence à tous les points d’entrée et de sortie ne peuvent être réalisées que conformément à l’article 9 du Règlement (UE)2017/460 ou à la suite de l’une ou plusieurs des actions suivantes ... »

For the same reasons as explained above, we consider that a significant discount at that points should improve security of supply as this justification is provided for by the European regulation.

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## Appendix

European gas balances: decrease of production & increase of pipeline imports whereas LNG supply is stagnating



Sources of gas imports via pipeline to Europe: increasing Russian gas market share:

