

CEER Citizens' Q&A

How to foster LNG markets in Europe

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1 What is LNG?

LNG stands for Liquefied Natural Gas. It is natural gas (methane – CH₄, a gaseous hydrocarbon) and cooled to -162°C where it becomes a liquid and then stored at atmospheric pressure. In liquid state, the natural gas occupies a much lower volume: 1 m³ of LNG is equivalent in energy to 580 m³ in a gaseous state. This makes it economic to transport significant amounts of energy by ships over long distances.

Europe depends largely on gas imports, some of which reach us in the form of LNG. This form of gas helps to ensure we have a sufficient supply and diversifies our gas sources to reduce dependence on a single producer. It also promotes price-based competition (competing sources of gas) which should translate to better prices for customers.

2 What does the report propose for LNG?

Given the increasing importance of LNG at a European level, the Council of European Energy Regulators (CEER) has identified different ways to foster LNG competitiveness at this level and, potentially, to raise the level of use of existing LNG assets, such as terminals.

After analysing the state of the technology and noting the diversity of situations and different solutions adopted by EU countries concerning the regulation of their LNG terminals, CEER proposes several ways which could contribute to the fostering of a market for LNG in Europe, including considerations on transparency, LNG price references, the flexibility of LNG contracts, regional streamlining of infrastructures, innovation in terms of services and regulatory coordination.

CEER also shows how flexibility allows a quick response and adaptation to changing market conditions whilst taking in to account the peculiarities and particular circumstances of each country but does not identify a need for further European-level regulation concerning access to European LNG terminals.

3 How does it work?

This report highlights possible ways to foster the development of LNG market at an EU level and seeks to find solutions to both real and anticipated problems. The report includes four case studies from Lithuania, Italy, Belgium and Spain to address specific LNG issues particularly, the development of competition.

4 What is the impact on energy customers?

LNG terminals are key infrastructures, as they facilitate the arrival of alternative gas sources (distant and not connected by pipeline to Europe) to European customers. The report looks for ways to facilitating the stakeholders involved to bring gas to Europe, and enhance the security of supply and market competition for the benefit of final customers.

The paper is also in line with key principles stated in the joint statement CEER-BEUC 2020 Vision for Europe's Energy Customers. In this sense, the work on LNG developed by CEER could, if put into effect, strengthen the energy supply **reliability**, as it enhances an additional energy source. It also contributes to the **affordability** principle, as it improves competition between different gas sources, which can lead to more competitive prices for customers.

CEER will continue to have a proactive role in this subject and will focus on future challenges with the objective of ensuring that LNG can enhance the security and competitiveness of gas supply for European consumers.