Comparison of existing and new options for creating new gas transportation capacity in the EU (CAM NC INC/Art.20(d), Exemptions/Art.36, PCI/TYNDP)

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Options for creating new cross-border gas transportation capacity

(1) Which procedure is best financeable & manageable, market-based, with least / “tolerable risks & uncertainties” (for all parties involved) to cover justified demand for new cross-border transportation capacity?

(2) If CAM NC INC to go to Comitology jointly with Tariff NC, this is additional argument in favour of long proposed “pilot test” to enable DG ENER to further improve CAM NC INC procedure before it is “fixed in stone”

Options for creating new cross-border gas transportation capacity

**Exemption**
(Third Gas Directive, Art.36)
- Legally binding
- In force

**Project of Common Interest**
(TYNDP)
- Legally binding
- In force

**Open Season**
(ERGEG GGPOS-2007)
- Legally non-binding
- In force

**CAM NC INC + Tar.NC**
(Amended Regulation EU 983/2013, Art. 20 (d))
- Legally binding
- Not in force yet

ACER to DG ENER 16.10.2015 => Comitology (jointly with Tariff NC?) => 2017? => Early implementation?

E.Orlova-A.Konoplyanik, WS2 GAC/Consultations, Vienna, 30.11.2015
New Process for Incremental Capacity Project (CAM NC INC) vs Exemption Process (Pipelines) (Art. 36)

- **Non-binding Phase = 1 year 10 months**
  - Demand assessment
  - TSO(s) publish demand assessment report 16 weeks after beginning of annual auction
  - TSO submit project proposal to relevant NRAs for approval
  - NRA approval within 6 months of the TSOs’ submission

- **Binding Phase = 6 months**
  - Run economic test (and a potential bid revision process)
  - Due date for non-binding indication 8 weeks after beginning of annual auction

- **The whole process (ICP) ≈ 2.5 years**

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Alternative allocation process:
- On each offer level, users submit binding capacity request through the alternative allocation process to specify any conditions.
- TSOs process request quickly to avoid overlap with any new cycle.

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Default allocation process:
- Users submit binding capacity through the CAM auction for each offer level.
- TSOs publish results before new cycle starts.

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In segmented new capacity project delay in one segment can destroy the whole project.

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E. Orlova-A. Konoplyanik, WS2 GAC/Consultations, Vienna, 30.11.2015
New Process for Incremental Capacity Project (CAM NC INC) vs Exemption Process (LNG Terminals & Gas Storage Facility) (Art. 36)

Demand assessment

Alternative allocation process: On each offer level, users submit binding capacity request through the alternative allocation process to specify any conditions. TSOs process request quickly to avoid overlap with any new cycle.

Run economic test

The whole process (ICP) ≈ 2.5 years

Binding Phase = 6 months

TSO(s) publish demand assessment report 16 weeks after beginning of annual auction

TSO submit project proposal to relevant NRAs for approval

NRA approval within 6 months of the TSOs’ submission

Default allocation process: Users submit binding capacity through the CAM auction for each offer level

Run economic test (and a potential bid revision process)

Due date for non-binding indication 8 weeks after beginning of annual auction

NRA approval within 6 months of the TSOs’ submission

Run economic test

Alternative allocation process: On each offer level, users submit binding capacity request through the alternative allocation process to specify any conditions. TSOs process request quickly to avoid overlap with any new cycle.

Due date for non-binding indication 8 weeks after beginning of annual auction

Non-binding Phase = 1 year 10 months

Annual auction of yearly (even year)

Demand assessment

JULY Y1

LNG Terminals (11): Dragon (UK), Rovigo (IT), South Hook (UK), LNG Grain (UK), National Grid Grain LNG (UK), LNG Dunkerque (FR), LNG Shannon (IE), LNG Livorno (IT), LNG Eemshaven (NL), LionGas (NL), Gate Terminal (NL)

Exemption (Art.36) = 2-4 months

NOVEMBER Y1

2 LNG Terminals: LNG Brindisi (IT), LNG Porto Empedocle (IT)
1 Gas Storage Facility: Damborice (CZ)

Exemption (Art.36) = 6-8 months

NOVEMBER Y2

MAY Y3

JULY Y3

SEPTEMBER Y3

1 LNG Terminal: LNG Toscana

Exemption (Art.36) = 5 years 6 months

1 LNG Terminal: LNG Toscana

Exemption (Art.36) = 6-8 months

2 LNG Terminals: LNG Brindisi (IT), LNG Porto Empedocle (IT)
1 Gas Storage Facility: Damborice (CZ)

Exemption (Art.36) = 6-8 months

TSOs publish results before new cycle starts

TSOs publish notice at least 2 months before due date for binding capacity request

Due date for non-binding indication 8 weeks after beginning of annual auction

No upper limit of granting period...risk for project's NPV/economics

E.Orlova-A.Konoplyanik, WS2 GAC/Consultations, Vienna, 30.11.2015
New Process for Incremental Capacity Project (CAM NC INC) vs TYNDP/PCI Permit Granting Process

Annual auction of yearly (even year)

Due date for non-binding indication 8 weeks after beginning of annual auction

TSO(s) publish demand assessment report 16 weeks after beginning of annual auction

TSO submit project proposal to relevant NRAs for approval

NRA approval within 6 months of the TSOs’ submission

Default allocation process: Users submit binding capacity through the CAM auction for each offer level

Run economic test (and a potential bid revision process)

TSOs publish results before new cycle starts

Notification Stage (up to 3 months):
1. Project promoter notifies project to Competent Authority
2. Competent Authority circulates project details to other authorities for their assessment of sufficiency of details
3. Competent Authority acknowledges/reject notification.

Pre-Application Procedure (up to 2 years)
The period between the start of the permit granting process and the acceptance of the submitted application file by Competent Authority.

Alternative allocation process: On each offer level, users submit binding capacity request through the alternative allocation process to specify any conditions. TSOs process request quickly to avoid overlap with any new cycle.

Due date for non-binding indication 8 weeks after beginning of annual auction

Run economic test

Default allocation process: Users submit binding capacity through the CAM auction for each offer level

The whole process (ICP) ≈ 2.5 years

The whole process (PCI) = 3 years 9 months

Statutory Permit Granting Procedure (no longer than 1.5 years)
The period from the date of acceptance of the submitted application file until the comprehensive decision is taken.

No longer than 3.5 years for PCI Permit Granting Process

E.Otlova-A.Konoplyanik, WS2 GAC/Consultations, Vienna, 30.11.2015
New Process for Incremental Capacity Project (CAM NC INC) vs Exemption Process (Art. 36) vs TYNDP/PCI Permit Granting Process

- **Exemption (Art.36) Process**: ≈ 6 years
  - Standard procedure = 1Y 8M
  - Prolongation = 4Y

- **TYNDP/PCI Permit Granting Process**: ≈ 4 years
  - Notification Stage = 3M
  - Permit Granting Process = 3.5Y

- **Process for Incremental Capacity Project**: ≈ 2.5 years
  - Non-binding Phase = 1Y 10M
  - Binding Phase = 6M

Whether it is possible to further effectively shorten CAM NC INC procedure when positive economics / financeability of new capacity project is clear? Whether non-binding phase can be shorten?
Illustrative example (early Turkish Stream option): Russian gas supply contracts to C/SEE with UA transit till 2035 = 100% security for TSO project financing of new capacity => whether 1Y10M would have been needed for CAM NC INC non-binding phase in such case?

NPV (TSO) new capacity = 47BCM (acting supply LTC) X 15Y => economic test is clearly positive & new capacity is clearly financeable from the market without EU public finance.

Source: calculated by E.Orlova (FIEF) based on based on: “Turkish stream”: Scenarios of by-passing Ukraine and barriers of European Commission”. Vygon Consulting, June 2015 (fig.4, p.30).
Options for creating new gas transportation capacity: advantages, disadvantages & opportunities

**Exemption**  
(Gas Directive, Art.36)  
+ short exemption decision process, especially for interconnectors (if no cross-borders, just single IP)  
- prolongation of exemption decision process in case of project disintegration (delay in one segment can kill the whole project)

**Project of Common Interest (TYNDP)**  
- longest permit granting process compared to other procedures

**CAM NC INC**  
(Amended Regulation EU 983/2013, Art. 20 (d))  
- long non-binding phase, but  
+ further shortening of non-binding phase is possible if, f.i., existing gas supply LTC will back-up new capacity (they will secure financing and will immediately pass positive economic test)

**Open Season**  
(GGPOS-2007)

E.Orlova-A.Konoplyanik, WS2 GAC/Consultations, Vienna, 30.11.2015
Thank you for your attention!

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