



Berlin, 25th March 2022

Gas Storage Act puts System Operators in front of enormous Challenges

The German Parliament (Bundestag) today debated the so-called Gas Storage Act and passed regulatory changes to the Energy Economy Act (Energiewirtschaftsgesetz, EnWG) connected therewith. The Gas Storage System Operators are now facing large financial, legal, and operative risks and accept the challenge to still ensure a secure winter supply.

The legal changes that were passed today introduce strict regulatory measures with far-reaching ramifications in a former liberalized gas storage market. The radical measures encompass large financial, legal, and operative risks. Gas Storage System Operators will now meet enormous challenges on very short notice to ensure a secure winter gas supply with well-filled storage facilities.

Sebastian Bleschke, Management Director of INES, comments: *“The Gas Storage Act introduces provisions that will make storing gas in storage facilities widely unappealing for market actors. Consequently, the politically desired filling levels will largely have to be secured by the Market Area Operator. The Gas Storage Act turns a decentralized market-based gas storage market into a centralized and politically led market within only a few months. This radical transformation will bring heavy financial, legal, and operative risks. The Gas Storage System Operators in Germany will make every effort to reduce these risks and thereby lead the forces to meet the challenges imposed by the law to ensure a secure winter gas supply.”*

BACKGROUND INFORMATION

The Gas Storage Act introduces rules that will obligate Storage Users to reach certain filling levels. If the set out levels are not achieved, Storage Users are threatened to lose their booked capacities.

Minimum Filling Levels:

According to § 35b paragraph 1 EnWG Storage System Operators have to introduce contractual rules to define a framework that ensures reaching certain minimum storage levels. These levels are:

- 80 per cent on 1st October,
- 90 per cent on 1st November, and
- 40 per cent on 1st February.

According to § 35b paragraph 4 EnWG Storage System Operators must prove that they comply with these rules. They also have to prove filling levels on 1st August that “do not risk” reaching the mandatory storage levels in October, November, or February.

Re-allocation of unused storage capacities:

In addition to mandatory filling levels Storage System Operators will have to introduce contractual rules that allow them to re-allocate unused storage capacities from Storage Users to the Market Area Operator in accordance with § 35b paragraph 6 EnWG. The Storage User will have to continue paying storage charges except for variable fees for gas injection and withdrawal. According to § 118 paragraph 36 EnWG these contractual rules will have to be applied to existing storage contracts as well from 14th July 2022 onwards. That means they will have to be applied to contracts that were closed before the law became effective. If a Storage User does not accept the new contractual provisions, Storage Operators are allowed to cancel their contracts on short notice.

Strategic Options to hold gas:

In accordance to § 35c EnWG the Market Area Operator has to purchase an appropriate amount of so-called strategic options to hold gas (gas options) by a public tendering process to reach the intended storage levels after consulting the German Ministry of the Economy and Climate Protection (Bundesministerium für Wirtschaft und Klimaschutz, BMWK) and the German Federal Network Agency (Bundesnetzagentur, BNetzA). If the gas options are not sufficient, the Market Area Operator after consulting BMWK and BNetzA uses short-term gas options or buys gas on its own to store it in the capacities re-allocated to him. If these capacities are not sufficient either, the Market Area Operator is allowed to book the necessary capacities himself. In this case, the “average least cost” storage fee of the storage facility over the last three years shall be applied.

Ramifications of the Gas Storage Act:

The new legal framework will depreciate existing and future bookings in storage capacities for Storage Customers. Consequently, Storage Customers will increasingly avoid booking storage capacities and existing contracts face large risks to be cancelled. To compensate for decreasing market-based gas storage usage and to ensure the politically desired filling levels, the Market Area Operator will have to use the newly introduced gas options or buy gas on its own and store it accordingly. In the case of unbooked capacities, the average least cost fee must be paid. Against the

background of decreasing market-based bookings and the low pricing levels for bookings by the Market Area Operator the economic foundation of gas storage facilities in Germany is at risk.

ABOUT INES

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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