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INES Publishes Evaluation of Gas Storage Act

The Initiative Energien Speichern e.V. (INES) has presented an evaluation of the German Gas Storage Act today. The storage industry describes its experiences with the regulations for gas storage introduced by the law last year and derives recommendations for refilling gas storage facilities this year.

In 2022, the measures introduced by the Gas Storage Act were extensively applied to fill German gas storage facilities. Through tenders of gas options (Strategic Storage Based Options, SSBO), the market area coordinator Trading Hub Europe (THE) created incentives for gas traders to fill gas storage capacities to the extent of 84 terawatt hours. In addition, THE filled storage capacities to the extent of approximately 50 terawatt hours based on its own gas purchases.

On November 14, 2022, the gas storage level in Germany was 100% for the first time, exceeding the legally prescribed targets. Storage system operators fulfilled the specific filling level targets several weeks before the target date. The 85% target was reached on September 3, 2022, and the 95% target was achieved on October 13, 2022.

Looking back, the filling of gas storage before the winter of 2022/2023 was ensured to the desired extent with the Gas Storage Act and gas supply security was secured. However, the application of the procedure provided in the law clearly showed that tendering of gas options has cost advantages over direct filling by the market area coordinator. Thereby, there is still room for improvement in the design of the tenders for the gas options.

INES recommends developing the existing three-stage process for refilling the gas storage before the next winter. To do this, INES suggests

1. limiting the initial auctions (at the start of the storage year) of gas options (stage 1) to creating a gas reserve for industrial customers;
2. developing the special auctions (during the storage year) of gas options (stage 2) into regular auctions and utilizing them more effectively; and
3. that THE's own storage fillings should only remain as a "last resort".

To ensure cost-effective offers in the auctions of stage 2 gas options, the design of the auction should also be optimized. INES proposes an auction design that:

- provides regular auctions within an auction calendar;
- allows for a broad circle of auction participants; and
- dynamically incentivizes storage filling based on the actual market situation.

Such an auction design guarantees a secure, but cost-efficient achievement of the filling targets.

Sebastian Bleschke, Managing Director of INES, comments the publication of the INES evaluation: 'With the evaluation presented today, we want to offer solutions to political decision-makers that allow a secure but cost-efficient achievement of the filling level targets before the next winter. To leave the mode of crisis management, it is necessary to further develop the instruments to ensure gas supply security.'

BACKGROUND:

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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