



## **Consultation on the planning assumptions to determine the Groningen production**

### **ENGIE's response paper [Public]**

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As a European gas midstreamer, for years, ENGIE ships large quantities of low-calorific gas (L-gas) to Belgium and France on the basis of its long term supply contract with GasTerra, for the supply of 1,8 million of French and Belgian L-gas end-users. Thus, ENGIE thanks GTS for launching a consultation prior to its advice to the Dutch Minister and would like to react to the planning assumptions made by GTS for the gas year 2020/2021.

As already stated in our answer to the previous consultation about GTS planning assumptions dated July 10, 2019, GTS still does not consider the impact of the contractual L-gas flows to France and Belgium. The size of ENGIE's contract with GasTerra influences the physical offtake of L-gas in France and Belgium. ENGIE's contract is oversized and this oversupply will increase in the coming years, notably because of the gradual conversion of L-gas end-users to H-gas in France and in Belgium. This oversupply will prompt ENGIE to convert part of the L-gas flows from the Netherlands into H-gas in France. Between October 1, 2016 and November 30, 2019, a total of 1,1 billion Nm<sup>3</sup> of L-gas has already been physically converted to H-gas, and this will only increase in the future. The impact of this conversion must be considered by GTS when assessing the exports to France and Belgium.

In addition, large quantities of L-gas and H-gas are exchanged between GTS, Fluxys and GRTgaz when shippers nominate the use of conversion facilities from L-gas to H-gas in France and Belgium. The magnitude of these inter-TSOs swaps arrangement has reached up to 16 % of the annual L-gas consumption in France and Belgium (which is approximately 90 TWh), and thus seriously undermines economic incentives and prevents the ordinary course of business operations between market players of the gas market.

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These agreements contravene to the essential obligation of neutrality imposed on TSOs by European regulations, and more in particular the rules obliging TSOs to limit their intervention to what is strictly necessary for the physical balancing of their network, excluding the use of these agreements for the balancing of the L-gas network with the H-gas network. Furthermore, these agreements lacked publicity and prior market consultation and no procurement of these swap services was organized in a market-based manner by the relevant TSOs, as provided by European regulations. Due to the importance of the volumes concerned, these swaps cannot be referred to as marginal, technical arrangements, but rather as structural services provision. Consequently, ENGIE has requested that the TSOs stop the swapping of gas of different qualities other than for strictly marginal balancing needs.

**As a reminder, and as proposed multiple times since 2016, ENGIE is ready to decrease immediately its L-gas supply contract with GasTerra to the level of its French and Belgian physical needs, meaning a decrease of contractual quantities corresponding to at least 2 billion Nm<sup>3</sup> per year. This would avoid the TSOs to massively swap gas of different qualities contrary to European regulations and help to satisfy the legitimate demand of the Groningen population for safety and the necessity to ensure the security of supply in the Netherlands and in the neighboring countries.**

Finally, ENGIE requires transparency about the assumptions and their associated cost:

- Supply/demand: taking into account the major changes occurring, an overview of the global picture of L-gas supply and demand in Western Europe seems appropriate. In particular we would like to have more information on the assessment of L-gas exports over 2020/2029 period as shown in GTS presentation.
- 100% use of nitrogen facilities: what is the expected additional operational cost? Could it have an impact on the no-quality gas market? Are flow orders a possibility and under what conditions?
- Working gas volume of Norg storage: according to AGSI GIE, the working gas volume is 6 bcm. Could you please elaborate why only 4 bcm is considered? Could it be filled with more pseudo G-gas in the summer, when the market size is not wide enough to absorb all the Nitrogen that can be produced?
- Oude Statenzijl: your advice of July 2019 mentioned the provision of Oude Statenzijl with pseudo G-gas. Is it still considered?
- Conversion of largest L-gas consumers: could you please describe the impacts in terms of reduction of Groningen production? In light of recent developments, ENGIE believes that additional solutions, like the reduction of L-gas export contracts and the baseload use of H-gas to L-gas conversion service in Belgium (nitrogen plant at Lillo), should be envisaged and would be more efficient.

More generally, a clear view on expected cost and planning of the measures is essential for the market to anticipate the impact on the transportation tariffs over the next years.

The additional tariff increase in the coming years could deteriorate the attractiveness of the TTF. It will also further increase the burden on shippers with long-term capacity bookings. These long-term capacity bookings have been made in the past under substantially different conditions and circumstances. ENGIE requests once again the possibility to adjust existing capacity bookings and/or the possibility to terminate its long-term capacity contracts.