

21 March 2014



Commission de Régulation de l'Energie
Consultations publiques
15, rue Pasquier
75379 Paris Cedex 08

London, 21st March 2014

RE. Statoil's response to the CRE public consultation on the creation of a single gas market place in France in 2018

Dear Sir, Dear Madam,

Statoil would like to thank CRE for the opportunity to respond to the public consultation on the creation of a single market place in France in 2018.

This response is not confidential and can be published by CRE.

Should you wish to discuss any aspect of this response, please contact me.

Yours sincerely,

Nahed Cherfa

Best regards,

Nahed Cherfa

Governmental and Regulatory Affairs Adviser

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Question 1: Do you agree with CRE's analysis concerning the methodology retained in the Pöyry study?

Statoil agrees with the analysis of CRE regarding the methodology retained. Statoil also welcomed Pöyry's stakeholder engagement efforts through the discussions with the market participants.

The market scenarios which are based on Pöyry's own assumptions as well as the investment schemes are consensual. Statoil notes that some assumptions used in the NPV methodology could have been further strengthened to increase the market participants' comfort in the quantitative analysis.

Question 2: Do you agree with CRE's analysis regarding the quantitative and qualitative results of the Pöyry study for France?

Statoil broadly supports CRE's analysis. In particular, Statoil believes that the reform of the French market should be done on a cost-benefit basis in order to maximize the benefits of the merger and notes that the Pöyry study outlines the Val de Saone / Gascogne Midi project as the most efficient option.

Question 3: Do you agree with CRE's analysis regarding the results of the Pöyry study at European level?

Statoil supports CRE's analysis. Statoil believes that the creation of a single market place will contribute to further build a liquid and interconnected pan-European market.

In particular, efficient infrastructure investments will contribute to increase diversity of supply in southern Europe by easing physical congestions.

Therefore Statoil would welcome a positive decision on distributing the costs of the PCI Val de Saone between France and Spain.

Question 4: Do you agree with the lines of action envisaged by CRE?

Statoil supports the direction envisaged by CRE and would reiterate the need to confirm the following:

- Request the confirmation that GRTgas and TIGF will realize the Val de Saone / Gascogne Midi project without further delay.
- Commit to the creation of a single market place in France by 2018 with cost efficiency as the main criteria for implementation.

Question 5: Are you in favour of an early merger of the North and South zones before the commissioning of decongestion investment?

Statoil's view is that the merger of the north and south zones should be realised as soon as possible as this will bring a significant improvement to the French and Southern European markets in terms of liquidity and transparency.

However, Statoil also notes that the physical congestions between the north and the south zones are leading to market imperfections in the south. The observed price spread between these markets is a strong signal that decongestion investments are needed without further delays. These infrastructure investments and namely the Val de Saone / Gascogne Midi project has furthermore been confirmed as the most cost effective measure to an integrated market by the Pöyry study.

Consequently, Statoil is of the opinion that decongestion investments are key to an efficient merger and does not, in principle, favour a merger of the zones ahead of the decongestion investment.

Question 6: In your opinion, should this merger be based on purchases of gas in the south by the TSOs or on LNG flow obligations? In the latter case, what type of obligation would you recommend?

Statoil would welcome additional clarity regarding the strategic objectives that are pursued by CRE in relation to the anticipated merger as well as further information on their prioritization.

The interim measures suggested seem to be designed to increase security of supply. Although the level of liquidity is unsatisfactory, the south market does not suffer from major supply issues.

Therefore Statoil would like to reiterate its belief that restructuring the market to achieve a single gas price in France should be done through triggering investments to reduce the bottlenecks and preserve a competitive wholesale market. , Until that time and as there are no security of supply issues, the free market should be allowed to set the price.

Question 7: Are you in favour of the sale by GRTgaz of additional North to South capacity until 2018 based on contractual tools? Do you support the mechanism envisaged by CRE? If not, in your opinion, what would be the most suitable tools?

The sale of additional north to south capacity by GRTgaz based on contractual mechanisms will most likely contribute to elevate the constrained capacity issue between the north and the south market.

In principle, Statoil favours contractual solutions provided that these are transparent, no-discriminatory and cost-efficient. However, Statoil notes that little detailed analysis has been made available, notably on the costs that will be incurred by the market participants.

Therefore Statoil reserves its views until further detailed information and cost analysis is made available.

Question 8: Are you in favour of the implementation of the tools envisaged by CRE for avoiding congestion in the south-east?

Statoil would welcome further details on the measures that are envisaged by CRE as well as a cost benefit analysis. Market participants should be further consulted. Statoil is not in a position to form its view without this information.

Question 9: Do you agree with the lines of action envisaged by CRE?

Statoil agrees with the analysis of CRE and supports the merger of the north and south markets by the means of cost effective infrastructure investments. However, until that time the free market should be allowed to set the price in these zones.

Finally, Statoil would welcome further information and quantitative analysis on the cost-benefit of the interim measures.