

**REN's comments to the Public Consultation of the French Energy Regulator, CRE, of 18 February 2014, on the integration of gas markets in France**

REN hereby intends to respond to the public consultation launched by CRE on 18 February, regarding its natural gas infrastructure development plan to promote the integration of gas markets in France, scheduled for completion in 2018. In the consultation document, marked differences in gas prices between the North and the South of France are referred, affecting particularly the southern region, largely caused by an LNG shortage in the European LNG market.

In this public consultation, CRE presents a plan for the development of infrastructure supported on a cost-benefit analysis study performed by a consultant focused on the French system, which is based on the project of Val de Saône in the Northeast and a new project, the Gascogne/Midi project, in the South, emerged from the studies conducted during the consultancy period to address effectively the problem of market splitting in the French gas market. Under this new plan, the implementation of ERIDAN project is abandoned. This project has, however, been previously approved by CRE in 2011, having received a grant from the European Energy Programme for Recovery of 74 M€, and whose advantages go beyond the mere issue of integration of PEG regions North and South and PEG TIGF in France, to be of special importance to strengthening the capacity in the French-Spanish border. The choice of this alternative is justified, according to CRE, with savings of about 400 M€ in investment costs, versus the alternative Rhône axis, which includes the Val de Saône and ERIDAN projects combined.

REN stresses its reserves regarding the effectiveness of the projects presented in the light of the overall goal of integrating European markets, in particular connecting the Iberian Peninsula to the rest of Europe, as well as the limited scope of the cost-benefit analysis. In REN's opinion, there is no evidence of this study accounting for the potential effects and consequences for the Iberian Peninsula countries, in particular its integration in the European market. In this sense, REN considers that the option evaluated in the study does not address explicitly the creation of a single European market.

**Rationale for the position of REN**

In support of this position, REN presents the following arguments and questions some points presented on the study, which, in its opinion, deserve wider discussion involving stakeholders as soon as possible:

1. The proposed network development plan presented by CRE, embodied by projects Val de Saône and Gascogne/Midi, does not take into account the needs of market integration of Member States of the South Region, particularly in strengthening the interconnection capacity between Spain and France, which have been identified and discussed in the scope of the South Gas Regional Initiative (SGRI), discarding thereby

decisions already taken, namely the construction of ERIDAN project, which was regarded as FID project and received European subsidy for funding;

2. In abandoning the ERIDAN project, this new network development plan ignores and may undermine the possibility of a future enhancement of the Spanish-French interconnection, of strategic importance for the European market integration. In this sense, REN argues that the cost-benefit analysis' scope developed in the context of the present study should be wider in the light of the recommendations of ENTSG and incorporating the impacts in the Iberian gas network and market;
3. By potentially impacting on the interests of integration of the Iberian countries in a future internal market, and by conflicting with the guidelines of the European Regulation (EC) Nr. 715/2009, of 13 of July, regarding the need for integration of gas markets in Europe, REN believes that the plan under discussion should result from a broad consensus among affected Member States, Regulators and Transmission System Operators, particularly from France, Spain and Portugal, as well as the European Commission itself, enhancing the debate within the SGRI;
4. REN also considers that the proposal advocated in the public consultation is based on the account of a circumstantial problem, motivated by current high prices of LNG overseas when compared with pipeline gas, ruling out future effects which may be achieved through a better connection of the Iberian Peninsula and corresponding effect on LNG prices in the South of France in a future scenario of reduced LNG prices;
5. The development of the natural gas infrastructure with trans-regional impacts within the South Region stems from studies done in cooperation among Member States, undertaken by Network Operators and supervised by Regulators and Competent National Authorities. Examples of these studies are the Gas Regional Investment Plan (GRIP), held under the initiative SGRI, or the Ten Year Network Development Plan, coordinated by ENTSG, which are two tools foreseen in Regulation (EC) Nr.715/2009, of the 13 July, in the scope of regional cooperation of transmission system operators. REN is of the opinion that the current study shall also meet this logic and be accompanied by an extended discussion within the region.

## **Conclusion**

The investment decision for the Val de Saône and Gascogne/Midi projects have direct implications in the development and integration of the Iberian Peninsula markets, in particular the integration of this region to the rest of Europe and the wider objective of elimination of energetic islands within European borders. The ERIDAN project, a FID project with approved EU funding that led to the classification of another project in the same north-south line as PCI (the Val de Saône project), has a great impact on the associated reinforcement of the interconnection capacity between Spain and France, which will connect the Peninsula to the northern European markets.

The study carried out to support the presented option, does not take into account the implications for neighboring Member States, including Spain and Portugal, and in a broader view the benefits of an alternative option for Europe's market integration goals as a whole. It intends to solve a specific national constraint by proposing a permanent solution with negative implications for the future development of infrastructure aimed at the integration of markets in Europe, as recommended by the Regulation (EC) Nr.715/2009, of the 13 July. In addition, the restrictive measures of conditioning capacity sales at the Spanish interconnection, as proposed by CRE for the transitional period until 2018, will further restrict the market and enhance price distortions.

In conclusion, the future network development under public consultation promotes the French market integration but should be addressed and widely discussed within the south Gas Regional Initiative, due to its role on the European market integration objectives and on the accomplishment of the European Council's Resolution of the 20<sup>th</sup> and the 21<sup>st</sup> of March 2014, thus involving the three countries in the South Region, including National Regulators and Network Operators, and with close monitoring by the European Commission.