



# Deliberation of the French Energy Regulatory Commission (CRE) of January, 19<sup>th</sup> 2012 on Elengy's proposal to implement a pilot LNG tanker loading service at the Montoir-de-Bretagne terminal

Present: Philippe de Ladoucette, Chairman, Olivier Challan Belval, Frédéric Gonand and Jean-Christophe Le Duigou, commissioners.

This deliberation is conducted in compliance with Article L. 134-2 of the French energy code: "*Pursuant to legislative and regulatory provisions, the French Energy Regulatory Commission specifies, through a decision published in the Journal Officiel, the rules concerning: [...] 4. The conditions for the use of natural gas transmission and distribution networks and liquefied natural gas installations including the methodology for establishing tariffs for the use of these networks and installations and tariff changes; (...)*".

This deliberation aims to define the conditions for introducing a Liquefied Natural Gas (LNG) tanker loading service on an experimental basis at the Montoir-de-Bretagne terminal.

## 1. Background

As part of its commercial development, Elengy wishes to develop its offer by proposing to its clients a new LNG tanker loading service at the Montoir-de-Bretagne terminal. This service will enable shippers to load LNG available in the terminals' storage tanks onto an LNG tanker. Shippers will therefore be able to load LNG that they may have previously unloaded onto the terminal tanks or to load LNG that may have been transferred in tanks with a third party.

Such service, additional to the main function of an LNG terminal consisting of regasifying the LNG that it receives before sending it into the downstream transmission network, may enhance the appeal of terminals by giving shippers more flexibility at a time when major opportunities exist between the Asian, European and American markets.

The LNG tanker loading service is developing in Europe and the USA. Several terminal operators have implemented this type of service, such as the Zeebrugge terminal in Belgium.

In this context, Elengy has requested that a loading service be implemented, on an experimental basis, from 1 February 2012 until the end of the current tariff period at the Montoir-de-Bretagne LNG terminal. Elengy and STMFC intend to request that the experiment be extended to the Fos Tonkin and Fos Cavaou terminals at a later date.

## 2. Elengy's proposal

Elengy has sent CRE a proposal to introduce a pilot tanker loading service at the Montoir-de-Bretagne terminal. The project was presented to market players during two working groups within the LNG Concertation process on 20 September and 22 November 2011. The stakeholders agreed to the setting up of the service provided that it does not lead to a deterioration of the terminal's main regasification service.

## **2.1. Conditions for access to the pilot tanker loading service**

The pilot loading service is accessible to all shippers that have signed an access contract at the Montoir-de-Bretagne terminal. Access to the pilot loading service will be completely separate to access to the unloading and regasification service.

One of the technical specificities of the loading operation is that it requires the conditioning of the LNG in the tanks beforehand. This involves extracting energy from the LNG, generating major evaporation which has to be reincorporated and leads to emissions on the transmission network. As a result:

- 1 cubic meter of LNG loaded requires that the tank contains an average of 1.45 cubic meter of LNG, for a loading of 1 TWh;
- a tanker loading operation makes all unloading impossible for a period of six days, which includes 4 days of LNG conditioning and 2 days of tanker loading.

The integration of a loading sequence can only be programmed in 6-day time windows made available by not using unloading slots at the terminal. During monthly scheduling for month M, established at the latest on day 25 of month M-1, Elengy will study the feasibility of the loading requests that the terminal will have received, taking into account its availability for month M.

Scheduling, re-scheduling or cancellation during the month of a loading operation by a shipper may affect send-out for all of the terminal's clients. In order to limit these effects, Elengy proposes integrating loading operations into the rules of emissions sharing when the shipper is a continuous service client. As for spot or uniform service shippers as well as shippers with no regasification capacity, Elengy proposes accepting only loading operations for which the origin of the LNG (owned by the shipper or transferred in tanks) and the tanker to be loaded are clearly identified when the request is made. In addition, requests for scheduling or rescheduling loading operations will not be accepted if over 10% of the send-out of other shippers planned in the monthly schedule are affected each day.

Lastly, Elengy proposes that the penalty for late cancellation provided for by the tariff be applied when the cancellation notification is made less than five days prior to a loading operation instead of three days for unloading.

## **2.2. Tarification of the loading service**

Elengy has stated that the implementation of the pilot loading service proposed does not require any investment at the Montoir-de-Bretagne terminal. The costs associated with this service comprise marginal operating costs related in particular to the additional electricity consumption to power low-pressure pumps and boil-off gas compressors. Furthermore, as loading will be a new service, technical follow-up studies on the behaviour of the LNG will have to be conducted for each operation.

Elengy also proposes that, with regard to the tariff structure, the revenue collected during the experimental period of the new loading service be subject to the same conditions as the revenue from the regasification service. Fifty per cent (50%) of this revenue would therefore be incorporated into the expenses and revenues clawback account (CRCP).

Elengy proposes that the tariff comprise a fixed portion amounting to €240 k per operation and a variable portion totalling €0.16/MWh of loaded LNG. For an operation involving the loading of 1 TWh of LNG, the price would therefore be €400 000.

### **3. CRE's analysis**

#### **3.1. Conditions for access to the service**

CRE considers that the implementation of an LNG tanker loading service at the Montoir-de-Bretagne terminal may increase that terminal's appeal. Furthermore, the loading operations conducted under the conditions proposed by Elengy will serve to maximise the use of the terminal during time slots not used by shippers for continuous or uniform unloading service.

CRE shares the opinion of shippers expressed during the consultation meetings held on the subject. The implementation of this service must not alter the conditions for access to the usual unloading and regasification services. As such, the service will not affect the contribution of the Montoir-de-Bretagne LNG terminal to the security of supply.

CRE considers that Elengy's proposal with regard to the handling of cancellations and scheduling related to the pilot loading service meets this objective. Furthermore, the conditions for access to the service proposed by Elengy satisfy the transparency and non-discrimination requirements. Therefore, CRE is in favour of this service being proposed on an experimental basis and in a transparent and non-discriminatory fashion, to all shippers holding a contract for access to the Montoir-de-Bretagne terminal.

Feedback would have to be presented by Elengy during LNG Consultation meetings following the implementation of the pilot loading service before the end of the first half of 2012, in order to ensure that the operation of the terminal, in particular, the predictability of send-out into the transmission network, has not deteriorated.

#### **3.2. Tarification of the pilot loading service**

The implementation of a loading service is possible only because of the existence of regasification infrastructure, the costs of which are covered by continuous and uniform regasification service capacity subscriptions. CRE considers that Elengy's proposal to pay 50% of additional revenue derived from the pilot loading service into the CRCP is acceptable. Half of the revenue generated by the pilot loading service will therefore contribute to lowering future tariffs for the use of the Montoir-de-Bretagne terminal.

CRE ensured that the tariff level proposed by Elengy covers the additional costs generated by the implementation of the loading service at the Montoir-de-Bretagne terminal.

### **4. CRE's decision**

CRE authorises Elengy to propose at the Montoir-de-Bretagne terminal, a pilot LNG loading service under the abovementioned conditions.

A feedback will be made by Elengy and presented in the framework of LNG Concertation process before the end of the first half of 2012.

This deliberation will be published in the *Journal officiel de la République française*.

Paris, 19 January 2012

For the French Energy Regulation  
Commission,

The Chairman

Philippe de Ladoucette