

20 March 2014

Commission de Régulation de l'Energie
15, rue Pasquier
F-75739 PARIS Cedex 08

CRE Public Consultation related to
the creation of a single gas market-
place in France in 2018

Dear Sir/Madam,

ExxonMobilⁱ is a longstanding participant in the European gas business involved across the supply value chain including upstream production, storage and processing, LNG receiving terminals and marketing. ExxonMobil also operate refineries and chemical plants in Europe, including facilities in France. As such we highly appreciate the opportunity to comment on the public consultation related to the creation of a single gas marketplace in France in 2018.

ExxonMobil welcomes initiatives that improve the functioning of the French gas market and promote further integration towards a single European gas market, in order to facilitate gas trade, increase market liquidity and enhance security of supply. We support measures which are market based and ensure a level playing field for all market players and aim at the harmonization of gas regulations across the EU.

In this context we have appreciated the CRE initiative to merge the GRTgaz South and TIGF zones and create a Greater South zone as of 1 April 2015 on the basis that there is no structural congestion between these two zones. The next objective of merging the North PEG and the South PEG to create a single gas marketplace in France is not that straightforward because the North-South transmission capacity is congested. We understand that the plans to increase the North-South transmission capacity can be carried out by 2018. This response covers our comments on the expansion investment and possible interim measures.

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

Answer 1: We agree with CRE that it is not possible to precisely calculate the benefits of the merger of the North and South zones. CRE's approach is to assess the cost/benefit relationship of the merger by using a range of scenarios which cover a wide spectrum of possible developments. We believe this approach makes sense.

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

Answer 2: We have no reason to question the general results of the quantitative study. We agree with CRE's analysis regarding the qualitative results.

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

Answer 3: We have no reason to question the general results of the quantitative study. We agree with CRE's analysis that the benefits of the investments include a better connection of the Iberian Peninsula within the European gas market.

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

Answer 4: We agree with CRE's proposal to authorise the investment to increase the North-South transmission capacity, and create a single marketplace in France by 2018.

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

Answer 5: We are not in favour of the proposed measures to attempt an early merger and believe the early merger of the North and South zones before the congestion is removed would be counterproductive. There is a physical bottleneck which creates the price gap between the two zones. The proposed 'commercial' instruments to bridge this gap will distort market signals, will not be cost-effective and introduce excessive cross-subsidies between the two zones.

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

Answer 6: We are not in favour of the proposed measures to attempt an early merger. The proposed purchase of gas in the south by the TSOs could further increase the price premium for gas delivered in the South versus gas in the North, as the TSOs would enter the market as additional buyers in the South, thereby driving up prices. LNG flow obligations could also distort market signals and create unintended consequences such as a disincentive for network users to bring gas from the North to the South.

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?

Answer 7: We are not in favour of the proposed measure. The suggested tender for South to North flow commitments is unlikely to be effective because it would not bring additional physical gas to the South. In fact it would ask network users to ship gas from the South to the North, contrary to the economical flow, and settle for PEG North prices instead of the higher PEG South prices.

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

Answer 8: We are concerned that the proposed tools for avoiding congestion in the south-east may cause market distortions and need to be carefully examined before implementation. Whilst we would not support any of the measures, the least intrusive measure to be examined in our view would be to increase GRTgaz's buffer stock.

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

Answer 9: We do not agree with the proposed lines of action to reduce congestion before completion of the expansion investment because we believe these actions will not be effective, distort the functioning of the market and may cause unintended consequences.

Question 10: Do you have any other comments or proposals?

Answer 10: We do not have any other comments.

We hope the foregoing comments prove useful in the development of CRE's final position on the creation of a single gas marketplace in France. This response does not contain confidential information. For further information, or if you want to discuss the above, please don't hesitate to contact me.



ⁱ The term "ExxonMobil" may include the affiliated businesses stewarded by Exxon Mobil Corporation, as well as Exxon Mobil Corporation itself and does not refer to any one particular affiliate of the ExxonMobil group of companies.