

The reduction of Russian gas imports to the European Union (EU), due to the Russian invasion of Ukraine and the sabotage of Nord-Stream, have led to an unprecedented gas crisis in the EU and caused major changes in the EU gas flows and gas market. The Russian weaponization of energy resulted in low filling rates of the EU gas storages during the winter of 2021/2022 and unprecedented high prices in the summer of 2022. To combat these consequences, (emergency) measures were adopted on an EU and national level, which, among others, meant to save gas and to fill the gas storages. Currently the security of supply situation in the European Union has improved and some of the emergency measures that were adopted at the EU level in 2022 have either been prolonged, expired or found their way into permanent legislation. That does not mean the EU can go back to normal. The EU has largely shifted away from Russian gas, and now relies on LNG to meet most of its demand. LNG is traded on a global market, and this makes the EU gas market more vulnerable to geopolitical events, as could be seen with the price spikes on the TTF after the strikes at LNG-export facilities in Australia and the recent tensions in the Middle East.

The co-legislators agreed in the negotiations on the Gas- and Hydrogen Package that the European Commission should take stock of the gas market after the energy crisis. In order to be adequately prepared for possible future events, the Commission should review the gas security of supply framework in light of the recent changes on the EU gas market and lessons learned. Enrico Letta, in his report on 'Much more than a market' (April 2024), also emphasized the need for a systematic review of the gas security of supply framework.

In that light, the Netherlands would like to support the European Commission in its preparations for the review of the Gas Security of Supply Regulation and share its experiences and lessons learned. We would like to call attention to the following themes, which in our view should be addressed in the upcoming review of the Security of Supply Regulation:

- **Put gas savings first;**
- **Prepare the European Union for long term supply shocks;**
- **Rethink the gas storage targets; and**
- **Keep the Regulation practical.**

1. Put gas savings first

It is a fundamental principle of the gas market that supply and demand should always be in balance. If a sudden disruption of supply occurs, the transmission system operators (TSO) have to take actions to restore the balance in the system. However, in case of a longer lasting disruption of security of supply, the first measure that ought to be taken is to lower demand through gas savings. This is in line with the energy-efficiency-first principle, which is enshrined in EU-legislation. This was acknowledged when the Council adopted the first emergency regulation, namely Regulation (EU) 2022/1369, which called on Member States to voluntarily reduce their gas consumption. It was due to gas saving measures on EU- and national level that in 2023 gas savings substituted 65 bcm of Russian gas.¹ This, in turn, contributed to higher gas storage filling levels and lower prices.

However, in the current Security of Supply Regulation, gas saving is not mentioned as a potential measure. Even more, emergency Regulation (EU) 2022/1369 has expired and been replaced by a Recommendation. The Gas- and Hydrogen Package does introduce a measure for Member States to limit the non-essential gas use of protected customers - but it is very difficult, if not impossible, to define, identify and control this non-essential use. In the view of the Netherlands more needs to

¹ Report from the Commission to the Council: review on the function of Regulation (EU) 2022/1369 on coordinated gas demand reduction, amended by Regulation (EU) 2023/706.

be done on gas savings in the Security of Supply Regulation. We therefore recommend the Commission to put gas saving measures first in a review of the Security of Supply Regulation.

2. Create measures to combat long-term supply shocks

The goal of the Security of Supply Regulation is to safeguard an uninterrupted supply of gas throughout the Union, in particular to protect customers in the event of difficult climatic conditions or severe disruptions of the gas supply. This is done by formulating standards, such as the infrastructure standard and the gas supply standard, creating measures that oblige Member States to curtail protected customers last and by introducing solidarity provisions.

Although these standards and measures protect certain groups of consumers from short-term supply shocks, the Regulation is not sustainable in long(er) lasting physical supply shocks. The chance of long(er) lasting physical supply shocks has grown more likely, as was seen with the weaponization of Russian gas supplies to Europe or long term disruption of infrastructure. Therefore this change should be addressed in the review of the Security of Supply Regulation. We therefore recommend to:

- evaluate the current system and demarcation of (non-)protected customers. In the event of long(er) term disruptions, it is not feasible to curtail supply to customers that are key to the economy and society. For example, certain industries, such as the food industry and other industries which are vital to the economy of a Member State, are crucial to protected customers (as currently defined) in time of crisis and thereafter. A long lasting curtailment could cause irreparable damage to these industries and consequently the core of the economy.
- modernize the gas solidarity provisions. The current solidarity provisions are designed for disruptions for a relatively short period of time (at maximum one to two weeks) and are therefore not robust in the case of longer supply shocks for the Member State that must provide solidarity. Therefore, the solidarity mechanism should be revised to bring about a more durable showing of solidarity between Member States. First and foremost, the framework should focus on preventing a severe gas shortage in one or more Member States in the first place, for example by joint mandatory gas savings.

3. Rethink the gas storage targets

The Security of Supply Regulation provides for mandatory storage targets for Member States until the 31st of December 2025. We have seen that gas storages play a crucial role in the current gas system after the disruption of Russian gas supply to the EU. It is therefore crucial that the gas storages remain filled. However, due to the decrease in gas demand there is less need for gas storage in the future. In the Netherlands, this is especially the case for low-calorific gas demand and storage. Furthermore, certain Member States have more gas storage capacity than is needed to fulfil their relevant demand. When filling their gas storages in 2022 and beyond, Member States whose gas storages on their respective territories had to make costs which they could not properly pass on to other Member States (who also benefitted from this stored gas), resulted in unilateral actions by some Member States. As Letta stated, there is a need for a coordinated approach among neighboring Member States. If the Commission wishes to extend the gas storage obligations, we therefore suggest the following:

- instead of defining the filling targets as a percentage of the available storage capacity in Member States, formulate a filling target per Member State based on the expected demand of (L- or H-) gas. This also to prevent a lock-in of gas;
- draft an improved cost burden sharing mechanism to prevent Member States from taking unilateral measures and to ensure that the costs are equally shared between Member States and not only carried by Member States with ample gas storage capacity on their territory; and
- ensure that national measures do not disrupt the functioning of their national gas markets and the gas markets of other Member States.

4. Keep the Regulation practical

The Netherlands has noticed, during the operationalization of the Security of Supply Regulation and the energy crisis, that some of the current measures and standards should be improved to facilitate the preparation and implementation of measures and to prevent a high administrative burden on Member States:

- consider simplifying the national risk assessment and preventive action plans and merging these into one document;
- reduce the number of risk groups;
- further crystallize and harmonize certain definitions, such as:
 - the different essential social services (services related to healthcare, essential social care, emergency, security, education or public administration), and
 - market-based and non market-based measures.

This limits discrepancies between Member States, which would otherwise result in an unjustifiable differentiated approach;

- facilitate support measures by Member States aimed at voluntary demand reduction. The current state aid framework prevents the approval of aid measures designed to be applied in an emergency level crisis situation prior to the concrete occurrence of an emergency level crisis. Approval of an aid measures during an emergency level crisis takes too much time. Ideally it should be possible to pre-approve an aid measure under the condition that it will only be applied during an emergency level gas crisis; and
- give further guidance on how to operationalize the Security of Supply Regulation.

In conclusion we call on the Commission to revise the Security of Supply Regulation, as agreed during the negotiations on the Gas- and Hydrogen package. The Commission, during its revision of the Security of Supply Regulation, should put energy savings first; prepare the European Union for long term supply shocks; rethink the gas storage targets and keep the Regulation practical.