8 February 2025

Eurogas urges European Commission to assess Storage Regulation's impact on energy prices

In the context of the upcoming Clean Industry Deal and Affordable Energy Action plan, the costs and benefits of a possible extension of the Storage Regulation need to be carefully assessed. If prolonged, reforms should be considered, otherwise the Regulation will continue to artificially inflate seasonal demand, reduce market efficiency, and contribute to sustained higher prices in the EU gas market.

<u>Key recommendations:</u>

- **Assess the benefits of prolonging the Storage Regulation and implement adjustments that enhance flexibility and efficiency**: Lower overall storage filling targets and remove (the number of) intermediary targets to improve market flexibility.
- **Account for national and regional specificities** for Member States with alternative supplies.
- **Prioritise market-based mechanisms** e.g. call options and filling tenders.

Efficient gas infrastructure and storage were crucial in helping the EU navigate the energy crisis triggered by the Russian invasion of Ukraine. At the start of the energy crisis, the Commission proposed the EU's Storage Regulation, mandating filling targets and trajectories, which currently mandates gas storages to be 90% full by November 1, 2025.

However, current low/negative winter-summer spreads (i.e. current price of winter 2025/2026 minus prices of summer 2025) indicate low/negative intrinsic value for storing gas in the summer to prepare for the next winter. This is the situation seen today: on 29 October 2024 spreads dropped below zero for the first time since December 2022[1]. This reflects market expectations of a tight global gas market in Summer 2025: less LNG export capacities coming online than expected, declining domestic production, increased demand in Asia, uncertainty around the reliability of some pipeline and LNG supplies, and depleted EU storage levels due to a colder winter. The existing legislation requiring storage filling target at 90% puts further demand pressure into the market, especially when these targets are even more strictly implemented at national level (higher levels or threat of sanctions in case of failure of filling of the storages). The combination of those factors explains the low/negative winter-summer spreads discouraging market-based filling of storage. Considering the above, Eurogas believes that measures aimed at supporting market players to fill storages also in negative market conditions should be implemented. It is of utmost importance that such measures are market-based, set and known ex-ante and coordinated at the European level as much as possible. Eurogas has put forward in the past concrete proposals on how to achieve these objectives and minimise impact on costs of filling[2].

Therefore, Eurogas urges the European Commission, in case a prolongation of the provisions of the Gas Storage Regulation is considered, to carefully assess its market impact. The decision should be based on a clear cost-benefit analysis, with adjustments that enhance flexibility and efficiency: lowering the overall storage filling targets, removing (the number of) intermediary targets, accounting for national/regional specificities with alternative supplies (e.g. LNG, flexible domestic gas or biomethane production) and ensure a balanced approach prioritising market-based mechanisms (e.g. call options or filling tenders).

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[1] *TTF 2025 seasonal spreads go negative*, Timera Energy (November 2024)
[2] Madrid Forum intervention on the state of the gas market, Eurogas (April 2024)