

Eurogas Recommendations for a Competitive European Security of Supply Framework

Competitiveness is at the heart of the European Commission's priorities for the current legislative mandate. The European Union strives to achieve the right balance between sustainability measures adopted as part of the Green Deal, energy affordability concerns exacerbated by the energy crisis, and security of supply imperatives, notably those associated with the progressive phase-out of Russian fossil fuel imports, an ambition underlined in the REPowerEU. To ensure a robust and competitive energy supply for Europe, Eurogas welcomes the revision of its security of supply architecture and proposes both overarching and Gas SoS specific recommendations.

Overarching measures such as diversification of supply sources and domestic production of energy are key to bolstering energy security in the gas sector. In response to the energy crisis, long-term structural measures were set aside in favour of initiatives aimed at providing short-term relief, for example introducing non-market-based instruments. In order to achieve long-term goals, Eurogas recommends to:

Establish diversified and reliable energy partnerships with third countries

By pursuing an international approach and entering into cooperation agreements with like-minded partners, the European Union could facilitate gas supply agreements between private agents. However, the negotiation and design of supply contracts, including duration and pricing, can be better achieved by market players that have an incentive to produce optimal market outcomes.

Enhance regulatory certainty and market resilience

Driven by Asia, global natural gas demand has returned to structural growth in 2024, and LNG supply growth remains limited until new capacities come online. By 2030, around 257 bcm are expected; notably from the United States (105 bcm) and Qatar (65 bcm). These additional supplies should play a key role in rebalancing the global LNG market. **It is crucial that the European Union sends clear and consistent signals about future gas demand** to attract third-country imports and adequate energy system investment.

In addition to the need to secure additional LNG volumes, there is an increased need for flexibility, demonstrated by price spikes caused by low average temperatures and limited availability of renewable energy sources during the past winter. In this context, **EU importers and portfolio traders should be able to decide the terms of their contractual arrangements (including duration and price)**, being the best placed to provide flexibility to the market and manage market risks.

From a regulatory perspective, the **European Commission should clarify the implications of the Gas Package’s ban on long-term contracts for unabated fossil gas post-2049**. As long as the notion of unabated fossil gas remains undefined, European buyers face restrictions in long-term gas supply agreements, disadvantaging them and the European industry against global competitors.

Considering the EU’s reliance on imports of natural gas, **the impact of EU Regulation on gas exporting partners should be addressed. This includes the effect of the Methane Regulation and Corporate Sustainability Reporting Directive on security of supply**. The US Department of Energy and Environmental Protection Agency have recently asked the European Commission to initiate a dialogue on regulatory equivalence under the MER, flagging it as essential to ensure a continued, reliable and stable supply of gas to Europe. Qatar has voiced the possibility of stopping exports in case of strict enforcement of CS3D provisions.

Support domestic production of less carbon intensive energy

To decrease its dependence on imports, the EU should immediately scale up the domestic production of renewable and low-carbon gases and invest in BECCS and CCUS technologies that can help reach negative emissions, including in the building sector and energy-intensive sectors such as heavy industry and transport. The EU should also remain open to exploring domestic gas sources to reduce dependency on imports and ensure higher GHG emission reduction standards.

Adapt and repurpose gas infrastructure

Diversification and efficient use of gas infrastructure is essential to provide flexibility to the European energy market. Since mid-2022, LNG regasification capacity in the EU has expanded by 50 bcm/year, enabling the import of flexible volumes of LNG and satisfaction of demand. Gas storages offer more than 100 bcm of storage capacity, which represents about one thirds of the EU’s annual gas consumption. This infrastructure can be reused or repurposed to accommodate renewable and low-carbon gases such as biomethane, hydrogen and derivatives or capture CO₂.

With regards to the revision of the Gas Security of Supply Regulation (EU) 2017/1938 and related emergency measures, Eurogas recommends to:

Continue cooperation at EU level

Eurogas welcomes coordination among Member States, notably through platforms such as the Gas Coordination Group. It is also key to address some implementation gaps in the security of supply Regulation, such as establishing missing solidarity agreements between Member States, which outline the rules for dealing with disruptions to gas supply.

Ensure market stability and integrity

Policies should avoid disrupting a well-functioning market. When it comes to gas supply contracts, market participants have acquired extensive experience in negotiating complex agreements with third-country counterparts. Therefore, **the demand aggregation mechanism foreseen in the Gas Package should remain a voluntary mechanism even if extended to low-carbon and renewable gases**. For decentralised and emerging markets like biomethane or hydrogen, focusing on a simplified and consistent legal framework and

supporting a unified internal gas market would better align with security of supply and sustainability objectives.

Other tools such as the **Market Correction Mechanism or gas price cap can have disruptive effects on the market**. Introduced as a short-term intervention during a period of extreme price volatility, this measure should not be extended, thus restoring confidence in market-driven pricing and supply arrangements and ensuring better alignment with global dynamics.

While energy efficiency helps reduce overall energy consumption and is central to achieving our climate objectives and reducing pressure on prices, **demand destruction in the manufacturing industry due to uncompetitive gas prices can have detrimental effects on the EU's economy and citizens**. Eurogas recommends assessing the impact of demand reduction measures on European competitiveness.

Focus on coordination and market-based measures to fill storage

Gas storage plays a crucial role in security of supply, but obligations should not be fulfilled at any cost. In November 2022, achieving the 90% storage obligation cost the EU €100bn¹, or 10 times the usual expense, due to negative summer-winter spreads. Gas prices have lowered since the peak of the energy crisis, but price volatility remains prevalent. As part of the revision of the Security of Supply Framework, the Storage Regulation would benefit from an impact assessment to analyse these effects before any prolongation is considered, as filling obligations could contribute to negative summer-winter spreads. In case of a prolongation, amendments should enable the balancing of market stability with cost efficiency. For instance, adjusting storage filling targets, taking into account alternative sources of security of supply, and removing intermediary targets. For its implementation, storage filling should prioritise market-based mechanisms.

With regards to the evolution of the security of supply framework, Eurogas recommends an increasingly holistic approach:

As the energy transition progresses, the increasing interdependence between sectors calls for a more integrated and regional approach. Future frameworks should prioritize cross-sectoral regional assessments, ensuring that electricity and gases are considered together in security planning. Expanding the scope of the Gas Coordination Group into a broader security of supply body would further enhance resilience.

¹ [The European Union-Russia energy divorce: state of play](#), Bruegel (2024)