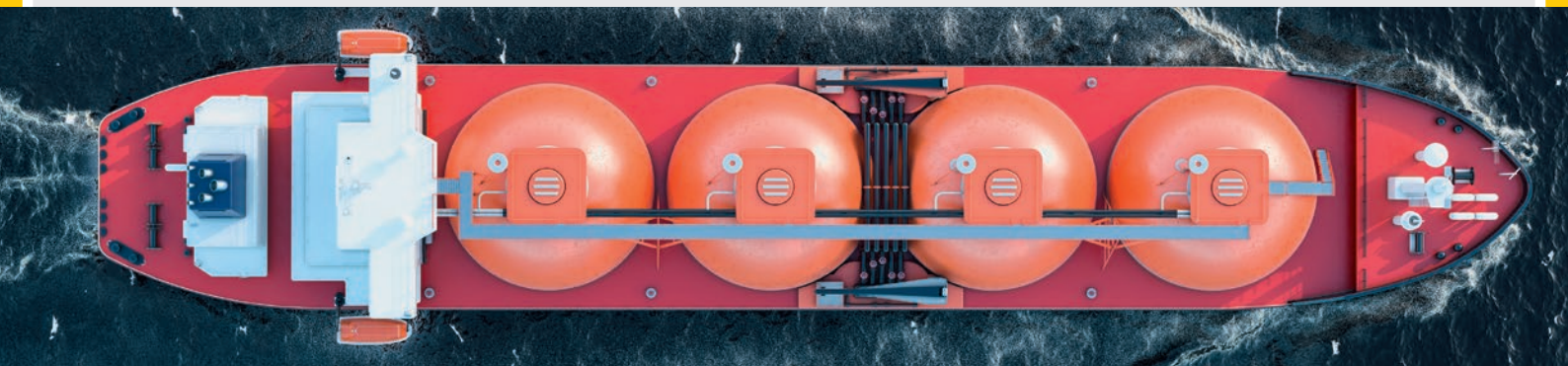


EUROPEAN GAS SUPPLY WITH LNG



I. BACKGROUND

LNG stands for Liquid Natural Gas, i.e. natural gas that is substantially cooled down until it is liquefied for transit purposes, enabling it to be transported by tanker vessels over greater distances and thus making it independent of pipelines. The production and loading of LNG requires special export and import terminals where LNG is produced or regasified.

The energy used for liquefying the gas is equivalent to about 13% of the gas that arrives at the liquefaction terminal. The **energy efficiency** of LNG is therefore lower than that of pipeline-bound natural gas, which has a 4.5% energy loss. LNG is also directly used to a limited, but increasing, extent as a clean fuel in the shipping sector.

When **comparing prices** between Russian pipeline gas and the US LNG, the Russian gas is cheaper both in the short and longer term. The short-run marginal cost of the US LNG is (depending on the business model) around \$4-5/MMBtu [12-15 €/MWh]. The long-run marginal cost of the US LNG is around €8.50/MMBtu [approx. 25 €/MWh]. LNG price development is heavily dependent on the demand from energy markets in Asia. For example, the increased flexibility of LNG export routes has meant that, even during the cold snap in Europe in February/March 2018, LNG tankers headed to Asian ports due to the higher prices there.

II. POSITIONS

Infrastructure

- **We welcome any additional import of natural gas** – via additional pipelines as well as LNG terminals. The reason for that is the declining domestic production of natural gas in Europe. Only high gas market liquidity and sufficient competition can guarantee a cost-effective basis for the German and European economy.
- Geographically, Europe lies in (pipeline) proximity of large gas reserves. Thus, the future share of LNG in gas imports depends on their price. Asia is undoubtedly the „growth engine“ for the

The largest **LNG exporters** are currently Qatar and Australia, together accounting for about 40% of the global market. Russia is also expanding its LNG production capacity (Yamal LNG). In some cases, Russian LNG even reaches as far as the USA (Boston). Most of the exported liquefied gas is delivered to Asia, whereby the largest importer is Japan, followed by China and South Korea.

In the **EU**, LNG accounts for approximately 16% of the total gas imports, with the rest coming by pipeline. The largest suppliers of LNG to the EU are Qatar and Algeria, with Russia and Norway being the main suppliers of natural gas via pipelines, accounting for 39% and 23% of the total imports, respectively. There are currently (as of 2018) 24 **LNG import terminals** in the EU, with a total regasification capacity of 220 billion cubic meters, of which 26% was utilised in 2017 and 29% in 2018.

Germany does not have any LNG terminals. Various companies are currently eyeing up Brunsbüttel, Wilhelmshaven and Stade as possible sites for the first German LNG terminal. The German government believes that establishing LNG infrastructure in Germany would help to diversify the natural gas supply sources. LNG can also be imported via import terminals in neighbouring countries such as Belgium or the Netherlands, and fed into the German gas grid after regasification by means of existing cross-border pipelines.

LNG demand, with correspondingly higher prices, so that it is generally accepted that Europe will effectively be a residual market for LNG in the long term until 2040. In view of this, **investment in new LNG projects appears questionable given the current low utilization rates of existing LNG import terminals.**

- The prerequisite for any new natural gas import infrastructure must be **non-discrimination**. This means that any import pipeline and any LNG import infrastructure must be subject to the same regulatory requirements.

- The competition between LNG and pipeline gas must, however, follow **market economy and regulatory principles**. We view the use of taxpayers' money to subsidise, for example, the construction LNG terminals very critically, given that there are existing, underutilized terminals.
- The European energy market is characterised by intense and transparent competition, and is already well diversified. LNG supplies – whether from the USA or other regions – can make a further contribution to this, but must **be open to competition and not forced upon us by means of sanctions**.
- **We reject any linkage between economic and foreign policies**, and trade policy must not become the dominant policy instrument.
- It is totally unacceptable that the US interests are aimed at selling LNG on the European energy market by threatening sanctions against the companies involved in the privately funded and business-led Nord Stream 2 project. **Responsibility for European energy policy can solely and exclusively lie with Europe.**

Use of LNG

- We are calling for the increased **use of LNG as a fuel**, above all in maritime shipping and in heavy goods traffic, since this will displace the heavy oil and diesel fuel, and can bring about significant regional environmental relief very quickly.
- **LNG filling stations need to be built in the major European seaports** to enable all shipping companies to convert their cruise and container ships to LNG. The use of liquefied gas in shipping can reduce CO2 emissions by 30 percent and nitrogen oxides by 80 percent compared with heavy fuel oil and maritime diesel.
- We demand the **swift implementation of the EU Directive 2014/94/EU on the development of alternative fuels infrastructure**. This stipulates, for example, that LNG filling stations for trucks shall be constructed every 400 kilometres by 2025, and additionally for inland shipping by 2030. It is important to investigate the extent to which synergies can be leveraged here. For example, the construction of the tank infrastructure could be synchronised, so that LNG filling stations on the rivers could be used not only for shipping but also for LNG trucks. Infrastructure duplications could be avoided and the supply of LNG filling stations could be made cheaper and easier using LNG tankers.
- We welcome the existing **subsidy programme for purchasing natural gas-powered trucks** (€8,000 for CNG and €12,000 for LNG). However, it should be made even more attractive to provide a greater incentive. In addition, the subsidy volume of 10 million euros should be increased significantly. And, last but not least, the time limit for the subsidy programme until the end of 2020 should be reconsidered and synchronized with the current tax break for natural gas until 2026.
- We also welcome the German government's initiative to **exempt natural gas-powered trucks from toll payments** until 2020. Again, investments need planning certainty, so it needs to be quickly clarified whether there are plans to extend this beyond 2020. If so, it would also make sense to synchronise this with the tax breaks until 2026. Until then, tax incentives are in place to promote the growth of natural gas market share.

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