

Paris, 29 October 2007

Mission statement for the working group on LNG terminal regulation in France

According to IEA estimates (International Energy Agency – Natural Gas Review 2006), the liquefied natural gas (LNG) sector should experience high growth over the coming years since its share in world gas procurement should double between 2005 and 2010, going up from 192 to 350 Bcma.

This resort to LNG meets forecast gas consumption for this timeframe and constitutes a means of diversifying sources while strengthening security of supply. Consequently, in numerous countries especially in Europe, investments in regasification infrastructure are planned.

European purchasers are faced with an increasingly competitive global LNG market. In producing countries, large-scale projects have recently been cancelled or postponed, mainly due to a sharp rise in engineering costs. LNG exports are also facing more and more competition from local consumption needs. Lastly, the LNG market has gone global with producers seeking to take advantage of arbitrage opportunities between the main markets: Europe, the United States and Asia.

Within this context, due to its extended coastline, France has numerous possibilities for hosting new LNG terminals. There are currently two LNG terminals in operation in France: one in Montoir and the other in Fos Tonkin. Both of these terminals are managed by the Major Infrastructures Division of Gaz de France. A third terminal, located in Fos and managed by Société du Terminal Méthanier de Fos Cavaou (STMFC), is due to be commissioned in 2008.

At present, there are five projects for LNG terminals in France, in addition to the existing terminals. The dates announced for the commissioning of these new projects are staggered between 2012 and 2015. Three of these projects are currently undergoing public debates which should be completed in the first half of 2008.

In 2007, as these five new LNG projects were being announced, the Major Infrastructure Division of Gaz de France organised an open season aimed at commercialising existing capacity and assessing demand for additional capacity at its Montoir terminal from 2011 onwards.

In compliance with the Law of 3 January 2003, LNG terminals are subject to regulated third party access, and as such, tariffs for the use of these terminals are set by Ministers on CRE's proposal.

The same law of 3 January 2003 provides, in application of article 22 of European directive 2003/55/EC, for the possibility of new large-scale gas infrastructure (interconnections between Member States and LNG and storage facilities) to benefit from exemption from third-party access in keeping with pre-defined conditions. The sponsors of new terminal projects could thus apply for exemption from third-party access for their infrastructure.

Within this context, CRE deems it necessary to consider the overall position of LNG terminals within gas infrastructures in France and their mode of regulation, and for this purpose wishes to entrust this study to a working group composed of senior experts of the LNG industry.

1) Working group's mission

The working group's mission is to study the following questions:

1. What should be the place of LNG terminals within the gas infrastructure in France? What role could be played by LNG terminals to foster development of competition and security of supply in France?
2. What would be the most suitable mode of regulation for the existing terminals? How to stimulate investments related to extensions of existing terminals? Within the framework of extensions, do the open season procedures constitute an appropriate means of estimating market needs?
3. What is the appropriate regulatory framework for new LNG terminals projects? What are the conditions that must be fulfilled so that exemption from third-party access can be granted?
4. How should be organised the cohabitation of regulated terminals and exempt terminals on the same market?

The working group will produce a report, which will help CRE's decisions and opinions concerning LNG terminal regulation, by February 2008.

2) Working group members

The list of experts approached to sit on the working group has been drawn up in keeping with the complexity and range of topics covered:

- Colette **LEWINER** (Senior Vice-president Cap GEMINI), chairman of the working group
- Philippe **BOISSEAU** (President of Total's Gas and Power Business)
- Walter **BOLTZ** (ERGEG/Chairman Gas Working Group)
- Laurent **CHABANNES** (President of UNIDEN)
- Pierre-Franck **CHEVET** (Director General of General Directorate for Energy and Raw Materials DGEMP) or his representative
- Jean-François **CORALLO** (Director of STMFC and Deputy Managing Director of Gaz de France DGI)
- Prof. François **LEVEQUE** (Ecole des Mines)
- François **MORIN** (Economist)
- Luc **POYER** (Chairman of Gaz de Normandie)