



# **Small-scale LNG Facilities: Regulatory Framework & Recent Regulatory Developments in Greece**

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# Milestones of liberalization of the Greek natural gas market

- Greek natural gas market is undergoing a significant reform in response to full liberalization imposed by the EU and Greek legislative and regulatory framework.
- Gradual opening of the market:
  - 2005 - 2017: certain categories of customers are qualified as eligible (i.e. free to choose their supplier);
  - 2007: the unbundling of transmission activities from production/supply activities;
  - Dec 2016 – Jan 2017: unbundling of distribution activities from supply activities;
  - 1 Jan 2018: all customers are eligible.
- The supply of LNG to an eligible customer, incl. for use as fuel in maritime transportation, a Natural Gas Supply License is required.

# Milestones of liberalization of the Greek natural gas market



- Increased network capacity:
  - The **upgrade of the LNG terminal in Revithoussa** island will further increase the existing capacity by 95.000 cubic meters to 225.000 cbm. Gasification capacity per hour will also increase from 1.000 cbm /hour to 1.400 cbm /hour.
  - Also, an **LNG Truck Loading Station at Revithoussa** is expected to be completed and be operational in 2020.
  - The **Alexandroupolis FSRU will further increase capacity** and will allow **new players** from the wider region to enter the Greek market.

# Small-scale LNG Facilities

- Focus is on:
  - **LNG Facility: a terminal used for the importation, unloading and gasification of LNG and for the liquefaction of natural gas**, including ancillary services and temporary storage necessary for the regasification process and delivery to the transmission system. **This does not include parts of the facility used solely for storage.**
  - **Storage Facility: a facility used for the storage of natural gas.** The parts of LNG Facilities used for storage, but **excluding those parts used for temporary storage**, regasification and delivery of the LNG to a natural gas transmission system, shall also qualify as Storage Facilities. This does not include facilities reserved for the Natural Gas System Operator in carrying out their functions.
- LNG facilities (other than those being part of the NNGS) constitute **“Independent Natural Gas Systems” (“INGS”)** and shall be licensed as such.

# Independent Natural Gas Systems

## *Construction & Ownership*



- An “INGS License” is required;
- As licensees can qualify only entities in the form of either S.A. or LLC or LP;
- License is issued by RAE on the basis of certain criteria:
  - public interest, esp. serving areas not supplied with natural gas, boosting security of supply of that or other EU Member State, environmental protection;
  - enhancing natural gas market competition, in particular through economical transparent non-discriminatory third party access;
  - demand to be covered by the proposed investment;
  - Financial efficiency, reliability, technical excellence of the INGS;
  - the investor’s financial and technical capacity.

# Independent Natural Gas Systems

## *Construction & Ownership*

- INGS License term: 50 years with the possibility of extension.
- INGS License also stipulates the licensee's rights and obligations and any special terms and restrictions.
- The Minister of Energy may decide to carry out a public tender for a specific INGS project in the following cases:
  - there are more than 1 applications for the same geographic area or specific position;
  - the construction of the INGS is considered necessary for public interest reasons (e.g. security of supply, environmental protection);
  - the granting of the INGS License may have an adverse impact on competition and/or deter new players' entry into the market.
- The licensee shall also obtain all other licenses required by the applicable laws and regulations for the construction of the INGS, e.g. environmental, construction, operation licenses.

# Independent Natural Gas Systems

## *Full regulation vs. Exemption*



- Together with the application for an INGS License, an **application for exemption from regulated tariffs and third party access related obligations** may also be submitted to RAE.
- Duration, non-discriminatory access and national circumstances are key considerations for the granting of the exemption.
- Such exemption may be granted for limited period of time and for the whole or a part of the INGS i.a. on the following grounds: INGS will not be detrimental to competition, enhances competition and security of supply, the investment would not have taken place without the exemption.
- In assessing the application and deciding on the rules and mechanisms for management and capacity allocation, a market test shall be carried out by inviting potential users to contract capacity, before INGS capacity allocation takes place. The results of the market test will be used in RAE's assessment of whether the INGS enhances competition and security of supply.
- RAE will submit the request and its decision together with all relevant information to the EU Commission and the latter will take a decision with which RAE shall comply.

# Independent Natural Gas Systems *Operation*



- The operation of the INGS is governed by the Law, the Natural Gas Licensing Code (new amended code is expected to be issued within the next months) and the INGS Operation License.
- Application for the issuance of INGS Operation License has to be submitted to RAE at least (1) year prior to the commercial operation date of the INGS.
- Moreover: An INGS Operation Code, a Tariffs Regulation and tariffs shall be issued by RAE, on the basis of respective draft submitted by the licensee following the issuance of the INGS Operation License.
- INGS Operation License can be issued by RAE to the holder of the INGS License or to a third person subject to RAE's approval.



# Independent Natural Gas Systems *Operation*

- Legal & functional unbundling of the INGS Operator:
  - a legal entity separate and independent in its decision-making and organization form from any production, supply, distribution or other sectors or parts of a vertically integrated undertaking (VIU), in case it is a part of it
- INGS Operation Code governs the terms and conditions and other technical details for:
  - the users' access to INGS,
  - the metering method,
  - conditions of delivery and off-take of LNG,
  - capacity allocation and balancing mechanisms,
  - maintenance and development of INGS,
  - reliable and economically efficient operation of the INGS,
  - dispute resolution mechanisms re disputes between users and the INGS Operator; and
  - any other matter relating to the regulation of the management, operation, maintenance and development of the INGS.

# Recent Regulatory Developments

- RAE launched a public consultation on the framework for the supply of remoted distribution networks (i.e. not connected to the NNGS) with LNG/CNG. Main issues/concerns:
  - It refers to CNG and not to LNG (contrary to its title).
  - **Qualifies the transportation of LNG by vessels and/or trucks as “virtual pipeline” thus integrating it in the scope of the distribution network operators’ activities.** In many jurisdictions, the activity of LNG loading at a loading facility is regulated, while transportation of LNG by vessels and unloading at a satellite Storage Facility and/or LNG Facility is **open to competition** and exercised by suppliers and not by network operators.
  - According to RAE’s proposal, the distribution network operator will **outsource the transportation services through tenders** (on the basis of the best economical offer and transparent and non-discriminatory criteria).
  - The **price** for such services shall be set per kWh and will depend on the distance. The price shall not exceed the maximum tariff set by RAE for these “virtual pipeline” services or the terms of the tender.

# Recent Regulatory Developments

- Presidential Decree on safe refueling of vessels with LNG as a fuel.
  - It covers refueling at ports, port installations, offshore floating installations, bunkering vessels, tanks, trucks.
  - Port authorities will monitor and ensure compliance with the provisions of the Decree.
  - Includes detailed provisions on the safety of the refueling process
  - Stipulates the issuance of guidelines addressed to each the parties involved in the refueling process (port authorities, refueling installations, ship crew).
  - It is expected to come into force very soon.

*Regulatory framework is key to maturing the LNG market for maritime transport.*

*Significant steps have been made but there is still a lot of work to be done.*