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INFORMATION NOTE

From: General Secretariat of the Council
To: Council
Subject: Any other business
EU security of gas supply ahead of winter 2019-2020
- Information from the Commission

Delegations will find in Annex an information note from the Commission.

EU security of gas supply ahead of winter 2019/2020***Introduction***

The 10-year gas transit contract between Gazprom and Naftogaz expires on 1 January 2020. European Commission is facilitating an agreement on the new framework by means of trilateral negotiations between respective ministers and gas undertakings. A meeting is planned to take place in the third week of September, subject to confirmation. The timing still allows to find an agreement before 1.1.2020.

We are confident that an agreement can be found and this should remain a priority for all parties. Nevertheless, it should be stressed that the EU gas system has evolved significantly in the last 10 years becoming much more competitive, better interconnected and resilient both in terms of infrastructure and market rules. Furthermore, we have in place an advanced, tested and operational security of supply framework, ensuring close cooperation and solidarity between the Commission, relevant authorities in Member States and undertakings.

Status of the on-going talks of the future contract framework

The trilateral talks to find an agreement to renew the current gas transit contract which expires at the end of the year, remain our priority. We strongly believe that a good outcome is in the interest of all parties and in the interest of those who want to see gas as a stable and secure source of energy for the EU. The open issues consists of the applicable legal regime, duration, yearly volumes and an agreement on the Stockholm arbitration.

Status of preparedness for the winter

It should be highlighted that the situation on the gas market ahead of winter is encouraging. EU market participants are reacting positively to the higher perception of supply risk for this winter that is reflected in significantly higher storage filling levels that currently stand at 91,6% full (as of end August 2019), the highest since data is available on the GSE transparency platform (2011). Filling levels are much higher compared to last year in particular in Eastern Europe (89-97% currently compared to 53-78% at the same time last year) where we expect storages to fill to full capacity. Also in Ukraine, the underground storage level is at the beginning of September 2019 above 18 bcm, which is the highest level observed in the past few years. We believe that these are good conditions ahead of the winter for any gas supply and weather scenario.

Gas Security of Supply Regulation

Today, the EU is better prepared and coordinated and has more tools available: the new Gas Security of Supply Regulation requires regional coordination and cooperation for crisis prevention and mitigation. It has also introduced a solidarity mechanism where Member States help each other to ensure gas supply to the truly vulnerable.

The Commission has been actively following up on the implementation of the Regulation making sure that Member States' preventive and emergency plans are compliant with the rules, contain meaningful regional measures and do not harm the security of supply of their neighbours. The Commission hereby calls on Member States to fully implement the Regulation, respect its cooperative spirit and make sure that solidarity arrangements with their neighbours they are connected to are in place before the winter.

The Commission, in its role as a coordinator in case of regional or EU-wide emergency and through the Gas Coordination Group, will ensure effective exchange of information, and that the actions taken by Member States are in line with the rules and principles of the internal market and the security of supply Regulation. The Commission will pay particular attention to that measures taken by Member States do not unduly restrict the free flow of gas, do not harm the security of supply of other Member States and that cross-border access to infrastructure is maintained.

However, security of supply is a shared responsibility between market players, Member State authorities and the EU. EU action cannot replace Member States' obligations in terms of crisis preparation and mitigation, and adherence to internal market rules even under crisis situations.

Finally, given the upcoming trilateral talks and finalisation of analyses, the Commission will convene a meeting of the Ukraine Risk Group to exchange notes with the Competent Authorities in a closed format on security of supply preparedness and analysis. This meeting could take place towards the end of September, after the trilateral talks.
