

The EU steps up work on joint gas purchases

Agata Łoskot-Strachota

Following the adoption on 19 December 2022 of an EU Council regulation which was focused *inter alia* on improving the coordination of gas purchases, efforts to implement and define a mechanism for joint EU purchases of gas have picked up pace. According to this document, companies that buy gas will have to aggregate their demand through an entity established specifically for this purpose within the EU Energy Platform. The process of selecting the company that will be responsible for creating the joint gas purchase platform is currently underway. The mandatory aggregated volumes will correspond to 15% of the volumes needed to fill the storage facilities, around 13.5 bcm across the EU. Beyond that, it will be possible to aggregate demand on a voluntary basis. In the next stage, once competitive supply offers matching the aggregated demand have been found, companies will be able (also voluntarily) to sign contracts with suppliers, either individually, or by forming a consortium or several consortia (for example on a regional basis) to make the purchases.

All the moves related to aggregating gas demand, diversifying supplies to the EU market and seeking new supply sources (2022 was already an active year in this area) are being coordinated and managed by the EU Energy Platform created last April. It builds on the experience of existing bodies and institutions, including the Gas Coordination Group, ENTSG, and high-level regional groups such as CESEC and BEMIP.

The Steering Board of the Energy Platform was established on an *ad hoc* basis on 13 January this year; it brings together representatives of the European Commission, all the EU member states and countries of the Energy Community. Its first meeting was held on 16 January, and was chaired by Maroš Šefčovič, the vice-president of the European Commission. The meeting discussed the process of forming the kind of consortium or consortia mentioned above, and the process of jointly negotiating gas supplies. One of its key tasks will be to identify the entities (both gas companies and consumers) that would purchase gas through the platform and to determine their needs. According to Šefčovič, the EC wants to start looking for attractive supply offers as early as this spring, and plans to make the first joint purchases before summer. Last December, a high-level industrial roundtable was convened under the Commission's auspices to discuss issues such as joint purchases. Then, on 25 January, European Commission officials, including Vice-President Šefčovič, discussed the participation in the Energy Platform of large European gas consumers from industries such as chemicals, fertilisers and ceramics.

Commentary

- The acceleration of the formal steps towards launching joint EU gas purchases was made possible by the EU Council's agreement in December on a package of further measures to tackle the energy crisis and the high prices stemming from it. It also stems from the high political priority given to the issue by the European Commission, which sees aggregation as an important instrument that can make it easier to fill up storage facilities in the EU and the Energy Community before the winter of 2023-4. In addition, joint purchases would prevent a widening of the differences between member states in terms of access to gas amid the ongoing gas crisis and in view of their different potentials for negotiating purchases. The larger and richer countries (Germany and Italy) managed to secure contracts for the largest volumes of gas in 2022, with prices at record highs, while others (like Bulgaria) struggled to do so.
- So far, the regulation that governs the issues in question has, in a sense, been held hostage by the internal EU controversy over the issue of gas price caps (for more details, see ['UE: trudna zgoda w sprawie limitów cen gazu'](#)). At the same time, there is little apparent interest in using this mechanism within the EU (formally, a voluntary option for joint purchases was proposed back in April 2022). In particular, the large players and the countries which are able to negotiate relatively favourable market-based contracts on their own are wary of joining the mechanism. Demand for gas from those countries and companies that have been and/or are potentially interested in participating (such as countries in south-eastern Europe, including Bulgaria, and the members of the Energy Community) is relatively low, and it is unclear whether aggregation would significantly increase the availability of gas or the attractiveness of the supply terms for those countries.
- Sceptics have raised the key point that joint EU purchases will not increase the availability of gas on the world market. All the indications are that the global market will remain tight this year and no significant additional volumes will arrive, while competition is set to increase due to lower pipeline supplies from Russia and the economic recovery in China. It is also difficult to predict whether and which suppliers will respond with concrete offers to the aggregated demand on the EU platform, or whether any offers (if they come) will be any more attractive than those available on the market.
- Legal and technical issues present another challenge. There are concerns that the aggregation of demand and the formation of consortia may contravene competition laws. The EU's Competition Directorate says that these issues can be resolved, but for some market players this does not remove the risk altogether, especially as the authority has not provided any specific guidance. It is also unclear how competition watchdogs in third countries such as the US would react to this type of action.
- On top of that, the details of how the joint purchasing mechanism will work are still not entirely clear for many companies. A number of technical issues have yet to be resolved, for example the delivery points for gas that may be contracted through joint purchases, or the way it will be distributed on the EU market. This raises concerns that the application of the mechanism may lead to increased regulation and greater EU control over national gas networks (including LNG terminals). That could have an adverse impact on some of the companies that use them, and also on the ability of individual countries to implement their own supply security strategies, especially in the context of the ongoing

gas crisis.