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The German gas storage levy is disrupting the Central European gas market

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On 4 March, the meeting of the EU Energy Council addressed the issue of the German gas storage levy (*Gasspeicherumlage*) and the need for greater coordination at the European level as requested by delegations from Austria, the Czech Republic, Slovakia and Hungary. In the opinion of its critics, the levy, which must be paid not only by companies operating in the German market but also by entities from neighbouring countries which transfer gas through German infrastructure and territory, significantly increases the cost of importing gas from sources other than Russia. It also adversely affects the liquidity of the EU gas market and complicates the diversification of supplies for Central European countries.

After the meeting, EU Energy Commissioner Kadri Simson warned that such unilateral fees as the *Gasspeicherumlage* could undermine the principle of solidarity and harm EU efforts to reduce the dependence on Russian gas imports. She also mentioned that she was engaged in direct talks with Berlin regarding this issue. In January 2024, the European Commission reportedly requested the European Union Agency for the Cooperation of Energy Regulators (ACER) to investigate whether and to what extent the German tariff disrupts the functioning of the European gas market and whether it violates competition laws.

The *Gasspeicherumlage* was introduced in Germany in 2022 as a way to compensate for the costs of interventionist gas purchases and storage during the unprecedented energy crisis, when an obligation to store gas was imposed across the entire EU. The German gas exchange, Trading Hub Europe (THE), was then tasked by the federal government with purchasing nearly 50 TWh of gas for around €9 billion. THE's purchasing strategy, which prioritised filling the storage facilities as soon as possible, was criticised from the outset as risky and unnecessarily costly (the gas was mainly bought on the spot market at a time when the prices were record-high, leading to price rises for all consumers in the EU and worldwide).

Initially, the storage levy rate was set at €0.59/MWh, but it has been raised twice since its introduction. In January 2024, it increased by 28% and currently stands at €1.86/MWh. Representatives of the German gas industry expect another rise from July onwards. Initially, it was planned that the levy would apply only until the end of March 2025, but at the request of THE, this deadline is to be extended by two years to spread the costs of recovery incurred in 2022 over a longer period. According to THE's data, Germany collected €987 million through the *Gasspeicherumlage* from October 2022 to November 2023 (leaving just over €8 billion to be recovered). The majority of the revenue comes from the domestic market. For

example, the costs incurred by Austrian entities during this period were reported to be €39 million.

Commentary

- The German levy has been criticised since last year, including by countries and entities operating in the Central European gas market. In May 2023, Austria, the Czech Republic, Poland and Hungary sent a letter to the European Commission to protest against it. In December, European traders urged the commission to investigate the tariff's compliance with EU law and to take urgent action to abolish it. One of the risks they highlighted was that the German fee might prompt other regulators in EU member states to take similar steps. However, in December 2023, reports emerged of a proposal from the Italian regulator ARERA to introduce a so-called neutrality charge at all national gas border points, starting from early April this year. It would be higher than the German levy (around €2.19/MWh) and aimed at compensating for costs incurred in 2022 due to emergency gas storage filling. The planned Italian measures would be taken in response to the fee introduced in Germany. Currently, Italians are awaiting confirmation from Brussels on whether their actions comply with EU law. In January, the Austrian regulator E-Control proposed a change in the method of calculating transmission tariffs. If this proposal is accepted, the tariff could triple at the border with Germany and quadruple on the border with Italy.
- Such moves negatively impact the unity of the EU gas market and particular affect Central European markets. Additional fees increase costs and therefore hinder access to non-Russian alternative sources, especially for landlocked countries like the Czech Republic, Slovakia and Austria, which are still heavily reliant on Russian gas. German LNG terminals and transmission infrastructure play a great role in transporting gas as part of those countries' import diversification efforts. The potential introduction of a tariff by Italy would particularly affect Austria, which purchases non-Russian gas through Germany and Italy, and which in recent weeks has been making political attempts to phase out Russian gas imports despite the still binding long-term contract between OMV and Gazprom.
- According to Jozef Síkela, the Czech Minister of Industry and Trade, the European Commission has sent an official letter to Berlin regarding potential breaches of EU law due to the introduction of the German storage fee and is engaging in discussions with all parties. Although, according to media reports, Germany argued during the energy council on 4 March that other EU states had also benefitted as a result of its major investments in new gas infrastructure, the German government representatives officially expressed a desire to find a compromise on this issue. Berlin's preferred option would be to establish an EU-wide gas tariff similar to that imposed by Germany. The Czech side has announced that unless the *Gasspeicherumlage* problem is resolved in a satisfactory manner, the European Commission should initiate formal infringement proceedings against Germany. Limiting the negative effects of Germany's levy is particularly important in light of the likely suspension of gas supplies from Russia through Ukraine once the Russian-Ukrainian transit contract expires at the end of this year. Due to the difficulties in using non-Russian import routes (importing LNG through Germany, especially for countries like Austria and the Czech Republic, is and will be one of the main alternatives considered),

individual states may insist on continuing purchasing gas from Russia and seeking ways to maintain transit through Ukrainian pipelines.