

**Position Paper: Transport tariffs natural gas**

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**Regulatory period 2020-2023**

The transport tariffs for natural gas, for storage and for LNG (*liquefied natural gas*) are set for periods of 4 years. On 28 June 2018, the Board of Directors of the CREG (Commission for the Regulation of Electricity and Gas) approved the tariff methodology for the transmission grid of natural gas, the storage facilities for natural gas and the LNG facilities for the period 2020-2023 (see <https://www.creg.be/nl/publicaties/beslissing-z111011>). These tariff methodology contains the rules that Fluxys Belgium and Fluxys LNG must comply with when preparing, calculating and introducing their tariffs. It is this methodology that the CREG uses when it evaluates the tariff proposals.

In brief, we can raise the following items:

- In order to be able to guarantee transparent, objective and non-discriminating tariffs, and in order to promote an efficient use of the facilities, the operator publishes information that is reasonably and sufficiently detailed on the set-up, methodology and structure of the tariffs.
- The tariffs (VAT not included) must cover the total of the net costs that are required to carry out the legal or regulatory obligations in charge of the grid operator (safe and efficient exploitation of infrastructure, optimal level of use ...), as well as all granted compensations (fair margin, compensation for the capital invested, investment and depreciation policy, risk premium ...). The tariffs must respect the principles of non-discrimination, transparency and proportionality, set at European level. In principle, they are expressed on the basis of capacity (€/m<sup>3</sup>/u/year), because this concerns the most important cost generator. Exceptions are allowed when the volumes transported are the most important cost generator (eg: cost of buying energy for compression) or for specific services/infrastructure (but without exceeding 5% of the total revenue of the grid operator).
- We notice the introduction of incentives, which stimulate an optimal management of infrastructure, as well as making pertinent investments for a better market functioning, for security of supply and for integration of the natural gas market.
- The tariff structure (and the tariffs) must respect the new Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas (NC TAR).
- Since October 1, 2015 the Belgian and Luxembourg markets for natural gas are integrated.
- In line with the NC TAR (Regulation (EU) 2017/460), tariffs are to be published by 31 May of the year before their entering into force. Febeliec welcomes this improvement, which contributes to more transparency and clarity for grid users.

Fluxys Belgium has handed in its transmission tariffs proposal for the regulatory period 2020-2023 to the CREG on 21 December 2018. The CREG approved the (amended) proposal in its decision of 7 May 2019 (see <https://www.creg.be/nl/publicaties/beslissing-b656g40>). As for the storage tariffs, a market consultation organized by Fluxys has shown that a thorough review of the storage model is necessary and urgent. CREG and Fluxys have therefore agreed to postpone the date for handing in a storage tariffs proposal.

On December 20, 2019, the CREG thus approved the tariffs for the regulatory period 2020-2023 for the storage services in Loenhout (see <https://www.creg.be/sites/default/files/assets/Publications/Decisions/B656G43NL.pdf>). The storage tariffs for 2020 show a decrease by 17,9% compared to the indexed tariffs of 2019. The tariffs are indexed for the period 2021-2023.

Tariffs are yearly indexed within the tariff period. For the indexed tariffs approved by the CREG, we refer to the CREG's website: <https://www.creg.be/nl/professionals/toegang-tot-het-net/aardgas-vervoer-opslag-en-Ing/tarieven-fluxys-en-balansys>.

**HEADLINES:**

All users of the natural gas grid must pay **transmission** tariffs. Fluxys Belgium invoices the transmission to the gas companies that are active on the grid ("shippers"), who in turn pass it through to the suppliers, who in turn pass it through to their customers on the transmission and distribution grid, t.i. to the natural gas consumers (cascade principle).

Fluxys Belgium offers transmission services to the users of the grid on the basis of an **Entry/Exit** model (E/E), in which natural gas enters the grid of Fluxys Belgium through an interconnection point, and either can leave the grid through another interconnection point, either be consumed by a Belgian end user at an off-take point, either be commercialised within the grid. The injection services allow the grid user to inject an amount of natural gas at an interconnection point in the zone concerned. The exit services allow the grid user to take off an amount of natural gas at an interconnection point or at an off-take point in the zone concerned.

The tariffs are compliant with Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas (NC TAR), including the new rules concerning “capacity weighted distance (CWD) reference price methodology and the split between entry and exit tariffs (33/67).

The capacity reservations for a year can be fixed or interruptible. We notice that capacity reservations for periods of less than one year are also possible.

Finally, a backhaul tariff is foreseen in case of gas transport in the opposite direction of the contractual agreement (no export or also virtual import).

Transmission tariffs are composed of:

- a) Tariffs of capacity products, more specifically:
  - reference price for fixed yearly capacity;
  - factor of tariff reduction, applicable on different types of interruptible capacity;
  - factors and formula applicable to deviate from the referential tariff for the yearly capacity, the tariffs for the capacity products in the short term (trimestral, monthly and daily);
- b) tariffs linked to the effectively transported volume;
- c) tariffs linked to the HUB service;
- d) administrative and additional tariffs.

Tariffs for conversion services of L gas/H gas are also foreseen.

For more information, see <https://www.creg.be/sites/default/files/assets/Tarifs/Fluxys/FluxysBelgium2021NL.pdf>.

The tariffs for **storage** services apply to all storage users who subscribed the storage services from the operator of the storage plant, Fluxys Belgium. Storage, which used to be exclusively reserved for distribution, is now accessible for all users of the grid. Some customers are active on the Loenhout site, where natural gas with high calorific value is stored in the underground water. The volume of useful storage represents 700 million of normal cubic meter natural gas. For more information, see <https://www.fluxys.com/en/products-services/activities/storage>.

The **LNG tariffs** (liquefied natural gas) apply to all users of the LNG terminal of Zeebrugge who subscribed LNG services from the operator of LNG plants, Fluxys LNG. The latest tariffs approved by the CREG are from June 27, 2019 (see <https://www.creg.be/sites/default/files/assets/Tarifs/Fluxys/FluxysLNG2021NL.pdf>).

### **Tariff/Balancing regulation**

For a reliable and efficient functioning of the transmission grid, the total volumes of natural gas that enter the transmission grid, must be in balance for each zone on daily basis with the total volumes of natural gas that exit the transmission grid or that are used in Belgium.

This balance between entry and exit is monitored on a cumulated basis for all hours of the gas day taken into account through a market balancing position, which is actualized each hour. Sanctions/compensations are foreseen for shippers who cause/reduce a significant imbalance on the market. The approved balancing tariffs can be consulted via the Balansys website (see <http://www.balansys.eu/contracts-tariffs/>).

### **Objectives of Febeliec**

Febeliec recognises that Belgian tariffs for natural gas are competitive compared to its neighbouring countries. International comparing surveys indeed demonstrate this.

Febeliec insists on a correct application of the three principles of European legislation for tariffs (transparency, non-discrimination and cost-reflectiveness). Furthermore, Febeliec insists on a further evolution of the E/E tariffs towards the 50/50 split imposed by the NC TAR. These principles are clearly taken up in the CREG's methodology.

Febeliec also asks for an equitable ruling for balancing, where portfolio effects for large shippers are taken into account. The balancing regime of the current system of E/E is very efficient, but transparency of market positions and of balancing costs must still be improved; Febeliec, for example, insists that Fluxys publishes (ex post) the total of positive and negative imbalances from hour to hour, above the cumulated sum of both as it is currently published; this would allow end consumers to evaluate the specific cost of each generated imbalance.

Moreover, there cannot be any discrimination towards industrial users in the L gas zone (tariff on the basis of the energy supplied instead of the volume, revision of tariff for compression of certain access points).