



EU Energy Platform: Demand aggregation and Joint purchasing

Technical workshop with industry

EU Energy Platform's Regional Groups

January - February 2023

EU Energy Platform

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Ensuring security of gas supply

Gas demand aggregation for purchasing

Leverage EU's gas demand to attract reliable supplies from global markets and price stability

Setting a framework for international cooperation

Protocols, letters of intent or Memoranda of Understanding (EC and MS)

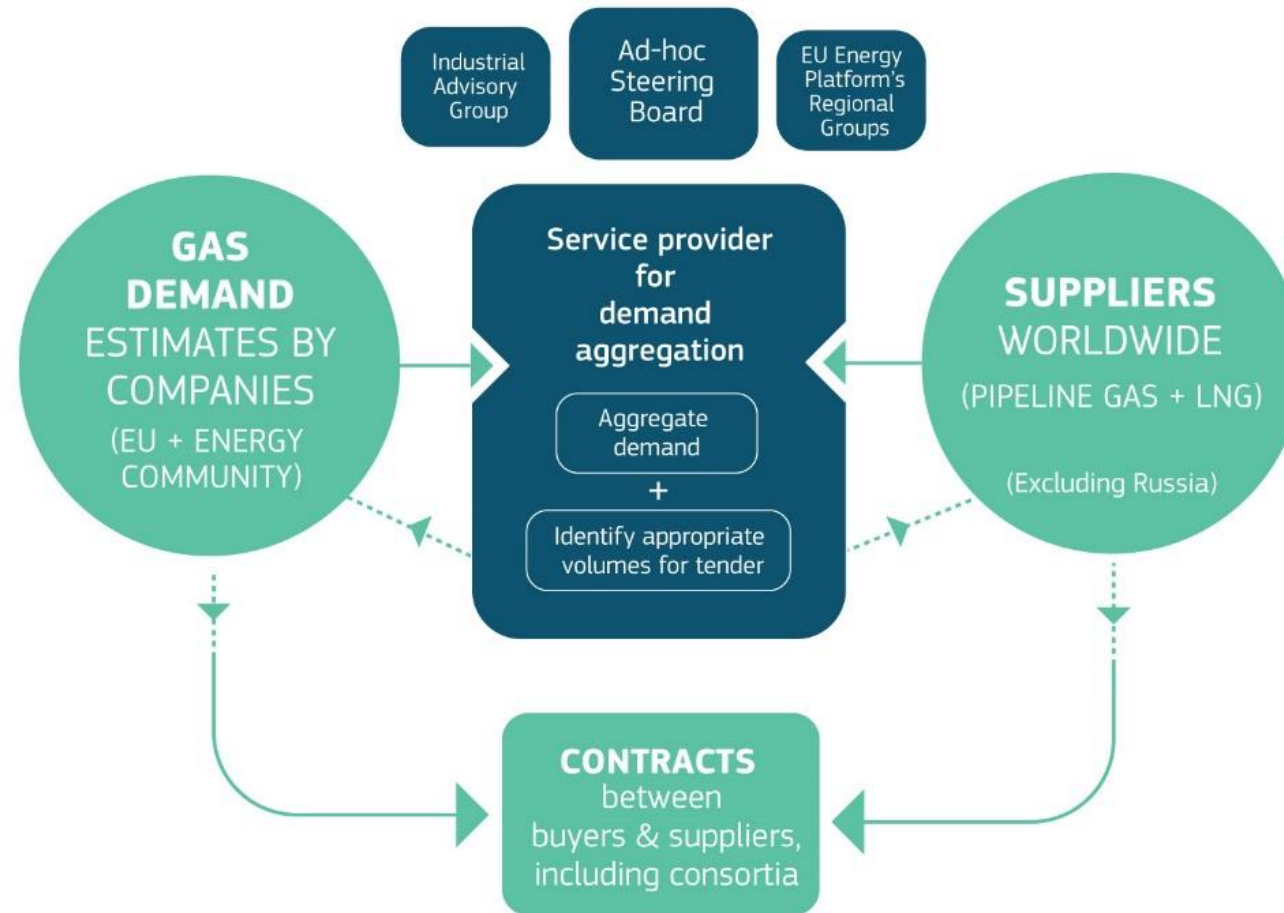
Efficient usage of EU's gas infrastructure

Maximise LNG absorption, comply with storage obligations and ensure security of gas supply.

Coordinating an EU position on gas supplies

Ad hoc Steering Board

Governance of the EU Energy Platform



Timeline EU Energy Platform



Demand Aggregation and Joint Purchasing

Objectives

- Procure gas at competitive conditions, avoid outbidding
- Support storage filling for next winter
- Underpin future imports of renewable H2

Various elements, i.e.:

- Service Provider (PRISMA) to organise tenders in spring 2023
- Increased transparency of gas purchases and negotiations
- Optimisation of infrastructure incl. LNG, storage and pipelines
- EC outreach to banks and financial institutions on potential incentives

Service provider: scope and responsibilities

- The Commission selected the service provider: **PRISMA**
- **Scope of the work:**
 - to organise demand aggregation,
 - seek offers and allocate access rights via an IT tool;
 - verify the participants and
 - provide ancillary services to support the conclusion of contracts outside of the IT system
- Go live of service: mid-April

Industry Advisory Group

Topics and feedback:

- Products to be tendered
 - Level of standardisation: delivery period, volume, gas quality
- Possible financial incentives
 - Sellers request e.g. bank guarantees or letters of credit; possible participation of companies without credit rating
- Creation of consortia
 - Sectoral consortia, or cross-sector. To be set up per delivery point?
- Transportation & delivery
 - How to ensure transport capacity for purchased gas; potential shipping services

Initial verification and on-boarding of participants by SP



Timing

At on-boarding stage



What

e.g. Assessment of creditworthiness



Who

Service provider



How

Financial statements
Credit ratings
Experience

- No participation of companies linked to Russia
- Other considerations: consortium building; sales and purchase agreements; transportation rights

Submission of gas demand



Product standardisation

- Submission potentially per Delivery Point (DP) target market, or multiple DPs
- Delivery period, hourly and total volume, gas quality



Submission deadlines

- Iterative process in which buyers can amend bids, or
- Open-ended process based on buyers' needs



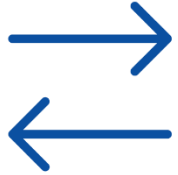
Quantities

- Minimum quantity to be submitted?
- Accepting partial supplies?



**More details and
discussion needed**

Running of the tender



Bidding process and distribution of gas

- Firm demand requests with price and volume
- Supply bids, minimum and maximum to be determined
- Partial supply bids or bids to cover entire demand?
- Response time to reply to offers, to be determined
- Concluding contracts between the companies



- Distribution of gas is pro-rata (Regulation)
- Allocation of rights independent on willingness to pay
- Pay as Bid

Financial capacity and credit ratings



- Sellers could request e.g. bank guarantees, prepayments or stand by letters of credit
- Challenges in financing when purchasing and selling gas, limited government support
- Guarantees for other members of a consortium, or have joint liability
- Credit support received by some buyers includes guarantees and letter of credit from banks



- Commission contacted banks and financial institutions

Consortia, and matching bids with demand

- Sectoral consortia, and/or a big consortium
- Consortia to be set up under regional parameters, i.e. per delivery point
- Purpose: negotiating the purchase of large volumes of gas on competitive terms, with a high guarantee of supplies.
- Potential interest in shipping services of gas companies to VTP



- Where do you stand on consortium building?

Questions to industry

1. What is your experience with purchasing gas, and what challenges did you face in the past year?
2. What would be the key drivers for you to participate in joint purchasing?
3. Would you be interested to be part of a consortium of buyers?