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COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT

Accompanying the document

**Proposal for a
REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**concerning measures to safeguard the security of gas supply and repealing Regulation
(EU) No 994/2010**

{COM(2016) 52 final}
{SWD(2016) 25 final}

Executive Summary Sheet

Impact assessment on a proposal for a Regulation of the European Parliament and of the Council concerning measures to safeguard the security of gas supply and repealing Regulation (EU) No 994/2010.

A. Need for action

Why? What is the problem being addressed? Maximum 11 lines

While the EU has improved its overall security of supply level with the implementation of Regulation (EU) No 994/2010, recent analysis (i.e. stress test exercise carried out in summer 2014, COM(2014) 654 final) shows that it still remains vulnerable to major disruption of gas supplies. There are a number of drivers behind this vulnerability such as Member States' behavioural biases, a lack of proper consideration of external risks, technical issues and a limited scope of application of the current Regulation. The Impact Assessment explains in detail what the extent of these problems is and why they appear. Furthermore, the Impact Assessment concludes that, in the absence of further action, the EU's preparedness and capacity to respond effectively to a gas supply crisis would be limited. Strengthening the EU's resilience to absorb the impacts of a gas disruption is at the heart of EU energy policy and it is a key objective of the EU's Energy Union, which in its first dimension, "energy security, solidarity and trust", announces a revision of the EU's Gas Security of Supply Regulation (EU) No 994/2010 as a concrete action.

What is this initiative expected to achieve? Maximum 8 lines

The central objective is to boost security of gas supply through better prevention on the one hand and improved mitigation actions on the other, while ensuring that these targets are achieved at the least possible cost for EU consumers. In order to achieve these goals, the revised Regulation specifically seeks to enhance regional cooperation, improve the assessment and consideration of external risk factors, improve the obligations related to gas infrastructure and enlarge its geographic scope by including the Energy Community.

What is the value added of action at the EU level? Maximum 7 lines

The necessity of EU action is based on the evidence that the risk of a major gas supply disruption to the EU is not confined to national boundaries and could directly or indirectly affect several Member States. Additionally, the increasing interconnection of the EU gas markets requires a coordination of measures. In the absence of such coordination, measures implemented at national level are likely to jeopardize other Member States or the security of supply at EU level. The stress tests exercise has furthermore shown that through proper coordination the effects of a supply disruption can be more effectively mitigated and the impacts reduced. Action at EU level could also be needed under certain situations (e.g. Union and regional emergency) where the security of supply in the EU cannot be sufficiently achieved by the Member States alone. *Transnational aspects. Limits of Member States action.*

B. Solutions

What legislative and non-legislative policy options have been considered? Is there a preferred choice or not? Why? Maximum 14 lines

In order to achieve the desired objectives, up to 4 options have been assessed ranging from an enhanced implementation of the existing Regulation (non-legislative option) to a full harmonisation at EU level of a set of principles and measures to be applied by Member States, including the existing standards. Each option consists of a package of measures combining existing tools, possibly updated and improved, and new tools. In broad terms, options can be presented as follows:

- Option 0: No further action at EU level (baseline scenario)
- Option 1: Enhanced implementation and soft law measures (non-legislative option)
- Option 2: Enhanced coordination with an increased scope for tailor made solutions (legislative option)
- Option 3: Enhanced coordination with some principles/standards set at EU level (legislative option)
- Option 4: Full harmonisation at EU level (legislative option)

All options are assessed in the Impact Assessment and compared against the baseline scenario (Option 0: No further action at EU level) and among each other. As a result of this analysis, option 3 features as the preferred option as it proves to be the most effective in achieving the desired objectives and, given its impacts, also the most efficient as well as consistent with other policy areas.

Who supports which option? Maximum 7 lines

The various options and ideas are based on a weighing of the options and arguments brought forward by all relevant stakeholders in the public consultation and other fora (e.g. workshops). The Impact Assessment provides concrete references, particularly in the section on the description of the options, of stakeholders' support to the different options and even to particular measures within each option. Most supported options, across the whole gas sector (including public authorities), are 2 and notably 3. Overall, the support for option 4 is limited and a majority of stakeholders, notably industry but also a number of Member States, advocate against it.

C. Impacts of the preferred option

What are the benefits of the preferred option (if any, otherwise main ones)? Maximum 12 lines

The preferred option (option 3) takes account of the fact that major gas crises are most likely to affect several Member States and consequently, of the need to discuss possible disruption scenarios and measures to prevent and mitigate them in a cross-border context. It will create an appropriate framework for exploiting synergies, for the early identification of measures that could jeopardize the security of supply of a certain area or the EU as a whole and for solidarity among Member States in the case of a gas crisis, all of which will result in an increased level of protection of all EU gas consumers.

Option 3 also contains mechanisms to improve the exchange of information and ensure an appropriate consideration of external risks in the overall assessment of risks and in the design of measures. Moreover, it provides for a concrete framework for the cooperation between the Energy Community Contracting Parties and EU Member States.

Finally, option 3 improves the legislative framework regarding infrastructures with more precise and more effective obligations to allow for the appropriate consideration of all benefits and costs at stake.

What are the costs of the preferred option (if any, otherwise main ones)? Maximum 12 lines

Overall, the cost of the policy tools proposed under the preferred option (3) will be very limited. While some measures could entail higher costs than options 1 and 2 (e.g. reverse flow obligations), these will still be very limited. Most of the measures are of an administrative nature and are based on increased cooperation by the involved stakeholders. Therefore, the costs are also of an administrative nature and not very significant. Moreover, some of the proposals (e.g. regarding the supply standard) even aim at avoiding unnecessary costs and exploiting synergies in the security of supply measures, which should reduce the overall costs of the security of supply framework for all consumers.

How will businesses, SMEs and micro-enterprises be affected? Maximum 8 lines

The preferred option should overall have a positive impact on all market participants and consumers, including here non-household consumers. It contains provisions to ensure that a number of provisions (e.g. the supply standard) are complied with in a transparent and cost-efficient manner, as requested by industry.

SMEs will continue to be part of the "protected customers" if a Member State so decides, and, as such, this option will not have a negative impact on them. However, they will not necessarily be covered under the solidarity principle. It must be borne in mind that the latter is designed to address very extreme situations in which the supply to households and essential social services (e.g. hospitals), which is a necessary priority, is at stake. This is thus a last resort mechanism in a case of extreme need that the whole revised Regulation aims at

avoid but for which we nevertheless need to be prepared.

Will there be significant impacts on national budgets and administrations? Maximum 4 lines

Impacts in terms of costs and burden will remain very limited. Although a number of provisions require a much more significant regional cooperation, exercises already carried out (e.g. stress test) have paved the way for this enhanced cooperation and a number of accompanying measures are also proposed to compensate and mitigate the possible increase in administrative burden (e.g. templates, longer revision period for the update of Plans).

Will there be other significant impacts? Max 6 lines

No

D. Follow up

When will the policy be reviewed? Maximum 4 lines

The results of the overall implementation will be assessed six years after the entry into force of the revised Regulation. The proposed timing will ensure a complete picture of the implementation based, in particular, on the assessment of two full cycles of security of supply plans (Preventive Action Plan and Emergency Plan).