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From:	General Secretariat of the Council
To:	Delegations
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Subject:	Proposal for a COUNCIL REGULATION Enhancing solidarity through better coordination of gas purchases, exchanges of gas across borders and reliable price benchmarks

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Delegations will find in annex the Presidency REV 1 of the Commission's proposal for a Council Regulation "*Enhancing solidarity through better coordination of gas purchases, exchanges of gas across borders and reliable price benchmarks*".

**The main changes in REV 1 are as follows:**

1. In the Recitals, the Presidency has reflected on Member States' comments as regards:
  - a) personal data protection and cybersecurity risks regarding the obligatory notifications;
  - b) involvement of the industrial consumers and undertakings in the joint purchasing mechanism;
  - c) the possibility to utilize existing EU platforms in implementation of the pan-European transparency platform and secondary booking platforms;
  - d) harmonization of the volatility management mechanism;
  - e) further distinguishing between essential consumption and non-essential consumption of protected customers;
  - f) clear rules for the compensation mechanism for solidarity supplies;
  - g) priority for bilateral solidarity agreements.

2. Member States' concerns have been addressed in the following Articles:
- a) In Article 1, the temporary nature of the Regulation has been stressed.
  - b) In Article 3, it was clarified: a) that the data will be used by the Commission only for the purpose of better coordination b) the volumes of contracts subject to notification should be limited to a yearly basis c) the list of data to be provided to the Commission.
  - c) In Article 4, the deadlines associated with the establishment of the Steering Board have been aligned. The ad hoc Steering Board is given a consultative role on the draft recommendations provided by the Commission.
  - d) In Article 8, a new text has been added to make sure that Russian companies, that are now under the control of Member States, can take part in the demand aggregation and joint purchasing. Member States are invited to check, if this wording covers all such cases.
  - e) Article 9 now states, that all natural gas supplies originating in the Russian Federation shall not be allowed to participate in joint purchasing.
  - f) Article 10 contains a new paragraph with a clear reference to the voluntary nature of the purchases of gas following the mandatory demand aggregation process. This new paragraph also clarifies, that volumes of gas purchased may be used also for other purposes than storage filling.
  - g) In Article 14, it has been specified that continuation of rights and obligations of network users takes place until the reallocation of transmission capacity.
  - h) Article 15 now allows trading venues to affect also other commodity derivatives than front-month.
  - i) Reflecting political sensitivity of Articles 23, 24 and 25, Presidency is suggesting to introduce changes only after the seminar on this topic planned for 7 November .
  - j) Reflecting concerns of the Member States regarding Article 27 and the critical gas volumes for electricity security of supply calculated by ENTSO-E, as per Annex I, Presidency invites the Member States to provide ENTSO-E with the figures agreed by their national administrations as soon as possible, in view of modifying the Annex I in next revisions of the text.

- k) In Article 28, conditionality of assessment by competent authorities of Member States has been added.
- l) Article 31, paragraph 3 – the Presidency decided to keep the price for gas on a 30 day average and expects further discussion on that matter. Current value favours the receiving Member State and gives more incentive to close bilateral agreements. On the other hand, the spot price proposed by Member States reflects better the real price of gas at given time.
- m) Article 32 now better clarifies information required when issuing a solidarity request and extends the deadline for its submitting to 72 hours before the indicated delivery time.

The new text is in **bold underlined**, deleted text is in ~~strikethrough~~.

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Proposal for a

**COUNCIL REGULATION**

**Enhancing solidarity through better coordination of gas purchases, exchanges of gas across borders and reliable price benchmarks**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 122(1) thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) The Russian Federation's military aggression against Ukraine and the unprecedented reduction of natural gas supplies from the Russian Federation to Member States threaten the security of supply of the Union and its Member States. At the same time, the weaponisation of gas supply and the Russian Federation's manipulation of the markets through intentional disruptions of gas flows have led to skyrocketing energy prices in the Union, endangering not only the economy in the Union, but also seriously undermining security of supply.
- (2) This requires a strong and coordinated response from the Union, to protect its citizens and its economy against excessive and manipulated market prices and to make sure that gas flows to all consumers in need across borders, also in situations of gas scarcity. To lower the dependency on supplies of natural gas from the Russian Federation and to bring excessive prices down, a better coordination of gas purchases from external suppliers is crucial.

- (3) Article 122(1) of the Treaty on the Functioning of the European Union enables the Council to decide on a proposal from the Commission and in a spirit of solidarity between Member States, upon the measures appropriate in the economic situation, in particular if severe difficulties arise in the supply of certain products, notably in the area of energy. The high risk of a complete halt of Russian gas supplies and the extreme energy price increase undermining the Union's economy constitute such severe difficulties.
- (4) The Commission announced in its **communication of 8 March 2022 entitled 'REPowerEU: Joint European Action for more affordable, secure and sustainable energy'** ~~REPowerEU Communication~~ the setting up of an EU Energy Platform<sup>1</sup> together with the Member States for the common purchase of gas, Liquefied Natural Gas (LNG) and hydrogen. This announcement was endorsed by the European Council of 30 and 31 of May 2022. As part of the REPowerEU Plan, the Commission also presented the strategy for an EU external energy engagement<sup>2</sup>, which explains how the EU supports a global, clean and just energy transition to ensure sustainable, secure and affordable energy, including by diversifying the EU's energy supply, in particular by negotiating political commitments with existing or new gas suppliers to increase gas deliveries to Europe.
- (5) The EU Energy Platform can play a pivotal role in seeking mutually beneficial partnerships that contribute to security of supply and lead to lower import prices of gas purchased from third countries, making full use of the Union's collective weight. Enhanced international outreach to gas suppliers (both pipeline and LNG) as well as the green hydrogen suppliers of the future is essential to this purpose. In particular a much stronger coordination with and among Member States via-à-vis third countries via the EU Energy Platform would ensure the Union's collective weight is more effective.
- (6) In so far as a situation of severe difficulties in ensuring security of supply persists, joint purchasing should help to ensure more equal access for undertakings across Member States and in the Energy Community Contracting Parties to new or additional gas sources and help to ensure lower prices than might otherwise have pertained for those purchasing the gas through the service provider to the benefit of final consumers.

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<sup>1</sup> COM(2022) 108 final.

<sup>2</sup> JOIN(2022) 23 final.

- (7) Joint purchasing could result in granting a more beneficial treatment or support to the supply of renewable gases such as biomethane and hydrogen, insofar as they can safely be injected into the gas system, and to the supply of gas which would otherwise be vented or flared. In the absence of a formal legal requirement in any relevant jurisdiction, undertakings concluding contracts pursuant to this Regulation are encouraged to use the UN Oil and Gas Methane Partnership 2.0 Standard to measure, report and verify methane emissions along the supply chain to the European Union.
- (8) Joint purchasing under this Regulation **should** consists of a two-step process. As a first step, natural gas undertakings or undertakings consuming gas established within the Union or the Energy Community Contracting Parties would aggregate their gas demand through a service provider, contracted by the Commission. This would allow gas suppliers to make offers on the basis of large aggregated volumes, instead of many smaller offers of purchasers approaching them individually. In a second step, natural gas undertakings or undertakings consuming gas established within the Union or the Energy Community Contracting Parties may conclude gas purchase contracts, individually or in a coordinated manner with others, with natural gas suppliers or producers that have matched the aggregated demand.
- (9) As a situation of severe difficulties in ensuring security of supply persists, joint purchasing should help to ensure more equal access for undertakings across Member States to new or additional gas sources and help to ensure lower prices than might otherwise have pertained for those purchasing the gas through the service provider to the benefit of final consumers. A first reference to the possibility of a very limited form of joint purchasing of gas for balancing purposes is already included in the Commission's proposal for a Regulation on the internal markets for renewable and natural gases and for hydrogen<sup>3</sup>. However, the proposal dates from a time before the Russian Federation's military aggression against Ukraine; furthermore, no detailed concept was included in the proposal, which only concerned the very specific needs of transmission system operators for balancing energy. As an immediate and much more comprehensive solution to the problem of missing structures for coordinated gas purchasing is needed, it is appropriate to propose a temporary fast-track solution.

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<sup>3</sup> See Article 64 of the proposal for a Regulation of the European Parliament and of the Council on the internal markets for renewable and natural gases and for hydrogen (recast) COM/2021/804 final.

- (10) Joint purchasing could, therefore, strengthen Union solidarity in purchasing and distributing gas. In the spirit of solidarity, joint purchasing should support particularly those undertakings that were previously purchasing gas only or mainly from Russian suppliers by helping them to obtain supplies from alternative natural gas suppliers or providers in advantageous conditions, as a result of the tendering of the aggregated demand.
- (11) The tendering of the aggregated demand for gas by the service provider should help to fill-in gas storages in the current emergency situation, should most of the European gas storages be depleted after the upcoming winter. Moreover, it should help to purchase gas in a more coordinated manner in the spirit of solidarity.
- (12) **This Regulation** ~~current proposal~~ is based on Article 122 TFEU with a view to the urgent need to establish joint purchasing swiftly and on a temporary basis. This would allow the rapid establishment of a service provider, which would enable the aggregation of demand. The service provider contracted by the Commission would have only some basic functionalities and the process it organises only has mandatory elements regarding participation in aggregating demand but would not yet include a mandatory coordination of the contractual conditions or an obligation to submit binding offers to purchase gas through it.
- (13) There should be no requirement on natural gas undertakings or undertakings consuming gas to buy gas through the service provider, by concluding gas supply contracts or memoranda of understanding with the gas suppliers or producers which have matched the aggregated demand. However, natural gas undertakings or undertakings consuming gas are strongly encouraged to explore forms of cooperation which are compatible with competition law, and to make use of the service provider to fully reap the full benefits of the joint purchasing. A mechanism could, therefore, be developed between the service provider and participating undertakings, setting out main conditions under which participating undertakings enter into a commitment to buy the gas matching aggregated demand.

- (14) It is important for the Commission and Member States to have a clear picture of intended and concluded gas supply contracts across the Union, in order to assess whether the objectives of security of supply and energy solidarity are met. Therefore, undertakings should inform the Commission of large planned gas purchases above 5 TWh. Therefore the Commission should issue recommendations to relevant Member States, warning against any negative impacts of planned purchases on functioning of joint purchasing, on security of supply, the internal market or energy solidarity.
- (15) Member States should assist the Commission in assessing whether the relevant gas purchases enhance security of supply in the Union and are compatible with the principle of energy solidarity. Therefore, an ad hoc Steering Board composed of representatives of the Member States and the Commission should be established to help coordinate.
- (16) The process of aggregating demand for the purpose of joint purchasing should be carried out by a suitable service provider. Therefore, the Commission should contract a service provider through a public procurement process<sup>4</sup>, which can develop an appropriate IT tool and organise the process of aggregation of demand. Fees could be collected from participants of the joint purchasing to cover operating costs.
- (17) The aggregation of demand and the purchasing of natural gas are complex processes, which need to take into account various elements, which are not limited to prices, but also to volumes, delivery points and other parameters. Therefore, the selected service provider should have the necessary level of experience in managing and aggregating purchases of natural gas or associated services at an EU level. Also, the aggregation of demand and the purchasing of natural gas is a crucial element in ensuring security of gas supply to the Union.

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<sup>4</sup> Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012, OJ L 193, 30.7.2018, p. 1–222.

**(17a) Protection of commercially sensitive information is of utmost importance when information is made available to the Commission or the service provider setting managing the IT tool for demand aggregation. The Commission should therefore apply effective tools to protect this information against any unauthorised access and cybersecurity risks. The Commission should also make sure that personal data are adequately protected by the Service provider and processed in accordance with Regulation 2016/679.**

(18) Joint purchasing may take different forms. It can take place through tenders or auctions organised by the service provider that aggregates demand of natural gas undertakings and undertakings consuming gas, in order to match it with offers from natural gas suppliers or producers, through the use of a ~~Joint Purchasing~~-IT-Tool.

(19) One of the objectives of aggregation of demand and joint purchasing is to reduce the risk of unnecessary price increases driven by companies bidding for the same tranche of gas. Ensuring that the full benefits of joint purchasing passes through to final consumers ultimately depends on the decisions of undertakings themselves. Large companies should be restrained even if they can sell on the gas at higher prices. Undertakings benefiting from lower prices for the purchase of gas from joint purchasing should pass these benefits to consumers. The pass-through of lower prices would be an important indicator for the success of joint purchasing, as it is crucial for consumers.

**(19a) Joint purchasing should be open to natural gas undertakings and undertakings consuming gas established within the Union or the Energy Community Contracting Parties. Joint purchasing may benefit in particular also industrial consumers, which use gas intensively in their production processes, such as producers of fertilizers, steel, ceramic and glass by enabling them to pool their demand, to contract gas and LNG cargoes, and to structure supply according to their particular needs.**

- (20) Any action undertaken under ~~this e-proposed~~ Regulation shall **should** comply with restrictive measures of the Union established on the basis of Article 215 TFEU. In particular, undertakings controlled by the Russian Government or any Russian natural or legal person, or undertakings targeted by Union restrictive measures (sanctions) of the Union established on the basis of Article 215 TFEU, or owned or controlled by any other natural or legal person, entity or body subject to such restrictive measures should be excluded from participating in joint purchasing as well as from organizing the process of joint purchasing. Those restrictive measures were adopted with a view to achieving the Union's common foreign and security policy objectives, in particular that of preserving peace, preventing conflicts and strengthening international and Union security, in accordance with the principles of the United Nations Charter. This is without prejudice to future sanctions adopted against Russia or other countries.
- (21) Natural gas originating in the Russian Federation ~~that enters the Member States or Energy Community Contracting Parties through the entry points from the Russian Federation~~ should not be purchased in joint purchasing. This is consistent with the objective of ~~this e-proposed~~ Regulation, that is, ensuring alternative sources to Russian supplies.
- (22) Participants of the joint purchasing of gas may need financial guarantees, if any of the undertakings would not be able to pay for the final amount contracted. Member States or other stakeholders might provide financial support, including guarantees, to participants in joint purchasing. Providing financial aid should take place in accordance with **Union** State aid rules, including the Temporary Crisis Framework, where applicable.

- (23) Filling gas storages is vital to ensure security of supply in the Union. Due to the drop in supplies of natural gas from the Russian Federation, Member States may face challenges in filling the storage facilities to ensure security of gas supply for winter 2023/2024 as prescribed by Regulation (EU) 2022/1032<sup>5</sup>. Using the demand aggregation possibility of the service provider could help the Member States to lessen these challenges; it could, within the limits of competition law, notably support coordinated filling and storage management in view of the next filling season, avoiding the excessive price peaks caused, inter alia, by uncoordinated storage filling.
- (24) In order to ensure that joint purchasing may contribute to filling gas storages in line with the intermediary targets set out in Regulation (EU) 2022/1032, Member States should take appropriate measures to ensure that natural gas undertakings under their jurisdiction use the process organised by the service provider as one possible means to meet the filling targets.
- (25) Regulation (EU) 2022/1032 requires that Member States fill their storages up to 90% by November 2023. This target is higher than the target for November 2022 (80%). Joint purchasing could help the Member States to meet this new target. In doing so the Member States should require domestic undertakings to use the service provider to aggregate demand with sufficiently high volumes of gas in order to decrease the risk that storages cannot be filled. Member States should require that volumes equivalent to at least 15% (around 13.5 bcm for the EU as a whole) of their storage filling target volume for next year were included by their companies in the demand aggregation process. Member States without underground storage in their territory should participate in the demand aggregation process with volumes equivalent to their burden-sharing obligations.

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<sup>5</sup> Regulation (EU) 2022/1032 of the European Parliament and of the Council of 29 June 2022 amending Regulations (EU) 2017/1938 and (EC) No 715/2009 with regard to gas storage, OJ L 173, 30.6.2022, p. 17.

- (26) In order to effectively use the joint purchasing and to conclude gas agreements with suppliers offering gas to the service provider, undertakings may coordinate conditions of the purchase, such as volumes, gas price, delivery points and time, within the limits of Union law. Natural gas undertakings participating in a gas purchasing consortium should, however, ensure that the information directly or indirectly exchanged is limited to what is strictly necessary to achieve the objective pursued, in line with Article 101 TFEU. In addition, the transparency and governance provisions in this Regulation **willshould** ensure that contracts of the buying consortium do not endanger security of supply or jeopardise energy solidarity, in particular where Member States are directly or indirectly involved in the purchase process.
- (27) Whilst more than one gas purchasing consortium may be formed, the most effective option would be to form a single gas purchasing consortium encompassing as many companies as possible to aggregate demand through the Service provider and designed in a way that is compatible with EU competition law. Additionally, joining forces into a single gas purchasing consortium **willshould** bring strengthened Union negotiation power into the market and enable advantageous conditions that would hardly be achieved by smaller Union undertakings or in case of acting in a more fragmented manner.
- (28) The set-up and implementation of gas purchasing consortia under this Regulation **shallshould** be done in compliance with the Union competition rules, as applicable in light of the current exceptional market circumstances. The Commission has indicated that it stands ready to accompany companies in the design of such a gas purchasing consortium and to issue a decision, pursuant to Article 10 of Regulation 1/2003, on inapplicability of Articles 101 and 102 TFEU if relevant safeguards are incorporated and respected. The Commission has also stated its readiness to provide informal guidance to the extent that the participating undertakings in any other consortia face uncertainty with regard to the assessment of one or more elements of their joint purchasing arrangement under the EU competition rules.<sup>6</sup>

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<sup>6</sup> Commission Notice on informal guidance relating to novel or unresolved questions concerning Articles 101 and 102 of the Treaty on the Functioning of the European Union that arise in individual cases (guidance letters) (OJ C xx).

- (30) In accordance with the principle of proportionality, the measures with respect to demand aggregation and joint purchasing do not go beyond what is necessary to achieve their objective, as they will be implemented on a voluntary basis, with only a limited exception as regards mandatory participation in demand aggregation for the purpose of filling gas storage facilities, and private undertakings will remain parties to the contracts for gas supply established under the joint purchasing.
- (31) In order to optimise the LNG absorption capacity of the EU LNG terminals and the usage of storage facilities, enhanced transparency arrangements and an organised market facilitating secondary trade in gas storage capacities and capacities of LNG facilities are necessary, similar to those existing for transport of gas via pipelines. This is particularly important in the times of emergency and changes in the gas flows from pipeline gas from the Russian Federation to LNG. The Commission proposal to revise the Gas Regulation of the Hydrogen and Gas Market Decarbonisation Package<sup>7</sup> contains provisions to this effect in Article 10 and Article 31. Frontloading these provisions as part of the crisis response is crucial to use the LNG terminals and gas storage facilities with the necessary transparency and more efficiently. **It should be possible for Member States to use existing platforms in order to ensure a swift implementation of this regulation. Regarding a pan-European transparency platform, the existing EU transparency platforms for LNG terminals and gas storages can be utilized as a basis to ensure a rapid implementation of the legal obligations under this Regulation. As regards secondary booking platform, the LNG terminals and storage operators can make use of their existing platforms by enriching them with the necessary futures.**

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<sup>7</sup> Proposal for a Directive of the European Parliament and of the Council on common rules for the internal markets in renewable and natural gases and in hydrogen COM/2021/803 final; proposal for a Regulation of the European Parliament and of the Council on the internal markets for renewable and natural gases and for hydrogen (recast) COM/2021/804 final.

- (32) In relation to long term bookings of gas transportation capacities, the existing congestion management rules provide for “use-it-or-lose-it” procedures. These procedures, however, are slow (they take at least six months before they show effect) and require heavy administrative procedures of National Regulatory Authorities. Therefore these rules should be strengthened and simplified in order to grant the gas system operators tools to react rapidly to changes in gas flows and to address possible congestions. In particular, the new rules could accelerate marketing of unused long-term capacities which would otherwise remain unutilised, rendering the use of pipelines more efficient.
- (33) The transmission system operators should analyse the available information on the usage of the transmission network by the network users and should determine whether there is underutilization of the contracted firm capacity. Such underutilisation could be defined as the situation where a network user used or offered on the market less than on average 80% of the booked firm capacity in the last 30 days. In case of underutilisation, the transmission system operator should publish the available capacity for the next monthly auction and subsequently auction it.
- (34) The unprovoked and unjustified invasion of Ukraine by the Russian Federation has led to major uncertainties and disruptions in the European natural gas markets. As a result, these markets have for the past months translated the uncertainty on the supply, and the resulting market expectation into extremely high and volatile natural gas prices. This has in turn put additional pressure on market participants and undermined the smooth functioning of the Union energy markets.

- (35) Directive 2014/65/EU of the European Parliament and of the Council<sup>8</sup> sets out rules to ensure the proper functioning of trading venues, on which energy-related commodities derivatives are also traded. That Directive provides that Member States are to require a regulated market to have in place mechanisms to guarantee fair and orderly functioning financial markets. However, such mechanisms are not intended to set a limit on the intraday evolution of prices and have failed to prevent the episodes of exceptional volatility observed in the gas and electricity derivatives markets.
- (36) Given the difficulties faced by market participants in the trading venues on which energy-related commodity derivatives are traded, and the urgency to ensure that energy derivatives markets keep fulfilling their role in providing for the hedging needs of the real economy, it is appropriate to require trading venues on which energy-related commodity derivatives are traded to set up temporary intra-day volatility management mechanisms to apprehend excessive price movements more efficiently. In order to ensure that the mechanism applies to the most liquid contracts, and to avoid unintended disruptions on markets for less liquid derivatives, the intra-day volatility management mechanism should only apply to front month energy-related derivatives.
- (37) Trading venues offering front-month energy-related commodity derivatives often admit for participation various energy firms from all Member States. Such energy firms rely heavily on derivatives traded on such trading venues to ensure crucial supplies of gas and electricity across the Union. Excessive price movements occurring on commodity trading venues therefore affect the operation of energy firms across the whole Union, ultimately also adversely affecting end-consumers. Therefore, in a spirit of solidarity between Member States, coordination of the implementation and application of the intra-day volatility management mechanism should be undertaken, to ensure that operators essential for the security of energy supply in all Member States benefit from safeguards against large price movements that are detrimental to the continued operation of their business, which would also be detrimental to the end-consumers.

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<sup>8</sup> Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (OJ L 173, 12.6.2014, p. 349).

- (38) The intra-day volatility management mechanism should ensure that excessive movements in prices within a trading day are prevented. The mechanism should be based on the observed market price at regular intervals. Given the wide diversity of instruments in energy derivatives markets and the peculiarities of the trading venues associated with such instruments, the intra-day volatility management mechanisms should be adapted to the specificities of those instruments and markets. Therefore, price boundaries should be set up by trading venues taking into account the specificities of each front-month energy-related commodity derivative, the liquidity profile of the market for such derivative and its volatility profile.
- (39) The intra-day volatility management mechanism should complement any static or dynamic circuit breakers that trading venues have already put in place in accordance with Directive 2014/65/EU before the entry into force of this Regulation.
- (40) In order to ensure transparency about the functioning of the intra-day volatility management mechanism that they implement, the trading venues should make public a description of its general features. However, to safeguard fair and orderly trading, the trading venues should not be required to publish all the technical parameters of the mechanism they put in place.

- (41) **Where the Commission determines, based on information collected by ESMA about the implementation of the volatility management mechanism by commodity trading venues in the EU, that greater harmonisation of the configuration of the mechanism is needed to ensure more efficient management of excessive price volatility across the Union,** ~~In order to ensure uniform conditions for the implementation of the intra-day volatility management mechanism, and to ensure the smooth operation of trading venues that offer trading in front-month energy-related commodity derivatives, implementing powers should be conferred on the Commission to~~ **should** specify the **uniform** conditions of implementation of the intra-day volatility management mechanism, ~~including~~ **such as** to specify the frequency at which the price boundaries are renewed, or the measures to be taken if trading moves outside those price boundaries. The Commission should be able to take into account the specificities of each energy-related commodity derivative, the liquidity profile of the market for such derivative and its volatility profile.
- (42) In order to give enough time to trading venues to robustly implement the intra-day volatility management mechanism as specified in this Regulation, trading venues should be given until 31 January 2023 to set up the intra-day volatility management mechanism. In order to ensure that trading venues are capable of dealing with excessive price movements quickly even before that mechanism is set up, they should have in place a preliminary mechanism that can broadly achieve the same objective as the intra-day volatility management mechanism.
- (43) The obligations and restrictions imposed on trading venues and traders by this measure do not go beyond what is necessary in order to allow energy companies to continue participating in gas and electricity markets and meet their hedging needs, thereby contributing to security of energy supply for final consumers.

- (44) In order to ensure an efficient application of the intra-day volatility management mechanism, competent authorities should supervise its implementation by trading venues, and report regularly to the European Securities and Markets Agency (ESMA) on such implementation. In order to ensure a consistent implementation of the intra-day volatility management mechanism, competent authorities should also ensure that divergences in the implementation of the mechanism by trading venues are duly justified.
- (45) To address potential divergences in the application of the intra-day volatility management mechanism between the Member States, and on the basis of the reports submitted by Competent authorities, ESMA should coordinate the action of the competent authorities of the Member States, and document any divergences observed in the way the intra-day volatility management mechanism is implemented by trading venues across jurisdictions in the Union.
- (46) Given the unprecedented reduction of natural gas supply from the Russian Federation and the persisting risk of further sudden supply disruptions, the Union faces the urgent need to diversify its gas supplies. However, the LNG market for Europe is still emerging and it is difficult to assess the accuracy of prices that prevail in this marketplace. In order to obtain an accurate, objective and reliable assessment of the price for LNG deliveries into the Union, the European Agency for the Cooperation of Energy Regulators ('ACER') should collect all the LNG market data that are necessary to establish a daily LNG price assessment.

- (47) This price assessment should be undertaken based on all transactions pertaining to LNG deliveries into the Union. ACER should be empowered to collect this market data from all participants active in LNG deliveries into the Union. All such participants should be obliged to report all of their LNG market data to ACER as close to real time as technologically possible either after conclusion of a transaction or the posting of a bid or offer to enter into a transaction. The ACER price assessment should comprise the most complete dataset including transactions prices and, as of 31 March 2023, bids and offer prices for LNG deliveries to the Union. The daily publication of this objective price assessment, and of the spread established in comparison to other reference prices on the market in the form of an LNG benchmark, paves the way for its voluntary uptake by market participants as reference price in their contracts and transactions. Once established, the LNG price assessment and the LNG benchmark could also become a reference rate for derivatives contracts used for hedging the price of LNG or the difference in price between the LNG price and other gas prices. In view of the urgency of the measure, the first publication of the LNG price assessment should take place no later than two weeks after the entry into force of this Regulation.
- (48) The current empowerments vested on ACER by Regulation (EU) No 1227/2011 of the European Parliament and of the Council and Commission Implementing Regulation (EU) No 1348/2014 implementing Article 8(2) and Article 8(6) of Regulation (EU) No 1227/2011 (hereinafter together referred to as ‘REMIT’) do not suffice to create a complete and comprehensive dataset of all LNG deliveries into the Union. However, such a comprehensive and complete dataset for daily price assessment is necessary for the Union to manage, in a spirit of solidarity, its procurement policies for international LNG imports, in particular during the on-going crisis situation. Relevant data and information on LNG contracts are also necessary to ensure monitoring of price developments as well as perform data quality control and quality assurance. This ad hoc instrument should allow ACER to collect all market data that is required to establish a comprehensive and representative assessment of the price of LNG deliveries to the Union.

- (49) Although the establishment of a daily LNG price assessment and LNG benchmark on a permanent basis should at a later stage be included in a more comprehensive revision of the REMIT legal framework, the on-going crisis situation requires urgent action already now to address the immediate situation of severe difficulties in the supply and accurate pricing of LNG deliveries to the Union on a temporary basis until such revision of the REMIT legal framework can be adopted in accordance with the ordinary legislative procedure.
- (50) In order to immediately increase price transparency and planning security in the LNG import market, it should be specified that the relevant dataset should comprise both information on the price and quantity of completed LNG transactions, prices and quantities of bids and offers pertaining to LNG deliveries into the Union, as well as the price formula in the long-term contract from which the price is derived, if relevant.
- (51) All market participants subject to a reporting obligation should be defined as those engaged in either the purchase or sale of LNG cargoes destined for delivery into the Union. These LNG market participants should be subject to the obligations and prohibitions applying to market participants according to REMIT.
- (52) ACER, in cooperation with the Commission, should have a broad mandate to specify the quality and the substance of the market data it collects to establish a daily price assessment for LNG deliveries into the Union. It should also enjoy broad discretion in the choice of its preferred transmission protocol. In order to achieve the highest possible quality in the market data to be reported, ACER should be empowered to specify all the parameters of the market data that should be reported to it. Such parameters should include, without being limited to, the reference units in which price data is reported, the reference units in which quantity data is reported, the forward tenors of transaction or pre-transaction bid and offer data, as well as the transmission protocols to be used to convey the required data to ACER.
- (53) ACER should also set out the methodology it employs to provide a daily LNG price assessment and LNG benchmark, as well as the process for a regular review of this methodology.

- (54) The price assessment published under this Regulation should provide more transparency to Member States and other market participants on the prevailing price of LNG imports to Europe. More price transparency should in turn allow Member States and private entities domiciled in the Union to act in a more informed and coordinated manner when purchasing LNG on global markets and in particular, when using the Service provider. More coordination in purchasing LNG should enable Member States to prevent outbidding each other or bidding prices that are not in line with the prevailing market price. Therefore, price assessments and benchmark spreads published under this Regulation are crucial in bringing about more solidarity between Member States in procuring limited LNG supplies.
- (55) The obligation on market operators to provide ACER with information on LNG transactions is necessary and proportionate to achieve the objective of enabling ACER to establish an LNG benchmark, in particular as it is aligned with market operators' existing obligations under REMIT and ACER will keep sensitive business information confidential.
- (56) The Title Transfer Facility (TTF) is a virtual pricing location in the Netherlands, which due to its high liquidity often serves as a pricing proxy for the European gas market, impacting contracts and hedging operations across the EU. Under specific conditions, after the other measures on gas prices have been implemented, a targeted **and temporary** emergency intervention in the TTF spot prices, may be needed **in order to avoid excessive price episodes**. Upon a Commission proposal, the Council should adopt a decision measure to establish a dynamic market correction mechanism for natural gas transactions in the spot TTF market. The maximum price to be established ~~must~~**should** ensure the Union's security of supply and intra-EU flows of natural gas, and take into account the impact of gas prices on electricity prices. In order not to affect intra-EU flows which should continue to allow for natural gas to go where it is most needed, other Union gas trading hubs may be linked to the corrected TTF spot price via a dynamic price corridor. When deciding on proposals to introduce a market correction mechanism for gas trading hubs in the Union, alternative options, such as regulatory interventions into price setting mechanism used in gas purchase contracts, should be considered.

- (57) The Union is an attractive market for international gas supplies and seen as a reliable partner in energy trading. Before implementing any market intervention affecting imports, action should focus on engagement with international partners and on negotiated approaches to limit possible risks.
- (58) Facing the possibility of major gas disruptions and supply shortages, the Union should be prepared to rapidly apply different solidarity mechanisms in order to mitigate emergency situations. Under these extraordinary circumstances, the Council should be able to decide on an efficient gas allocation mechanism, including rules on pricing, available to Member States in case of regional or Union emergency, based on a proposal from the Commission.
- (59) Regulation (EU) 2017/1938 already provides the possibility for Member States, during an emergency, to prioritise the gas supply to certain critical gas-fired power plants, given their importance to ensuring the electricity security of supply and avoiding grid imbalances. The critical gas-fired power plants and associated gas volumes may have an important impact on the gas volumes available for solidarity in an emergency. In that context, Member States should, **by way of derogation from Article 13(1), (3) and (8) of Regulation (EU) 2017/1938**, be, temporarily, able to request emergency solidarity measures **also** when they are not able to secure those critical gas volumes necessary to ensure the continuation of electricity production in critical gas-fired power plants. For the same reason, Member States providing solidarity should also be entitled to ensure that the operation of their critical gas-fired power plants is not endangered when providing solidarity to another Member State.

- (60) Only the gas volumes needed for the power plants identified by Member States as critical for the European adequacy of the power system should be allowed to be requested when the solidarity mechanism is activated. A maximum limit of the critical gas volumes needed in each Member State to preserve security of supply should be established. The methodology used in the ENTSO-E Winter Outlook provides a basis for setting such limits. In exceptional and duly justified cases, Member States should have the possibility to exceed the maximum limit set out in this Regulation. **The critical gas volumes calculated by ENTSOE reflect the lowest volumes of gas absolutely needed for electricity generation using all market resources, even when considering gas to always be last in the merit order. The amount that may be requested should be the highest of these values calculated in a large sample of worst-case scenarios. This however does not fully exclude that actual minimum gas volumes required can be higher in some cases, if justified to avoid an electricity crisis.**
- (61) The restrictions imposed on market operators by this measure are necessary to ensure security of gas supply during a situation of reduced gas supply and increased demand during the winter season. They build on existing measures laid down in respectively Regulations (EU) 2022/1369 and (EU) 2017/1938, aiming at making those measures more effective under the current circumstances.

- (62) Certain customers, including households and customers providing essential social services, are particularly sensitive to the negative effects of gas supply disruptions. For this reason, Regulation (EU) 2017/1938 introduced a solidarity mechanism between Member States to mitigate the effects of a severe emergency within the Union and ensure that gas can flow to solidarity-protected customers. However, in certain cases, the use of gas also by protected customers could be considered as non-essential; the reduction of this type of use which clearly goes beyond what is needed would not undermine the objectives set out in Regulation (EU) 2017/1938, in particular as the missing gas consumed for non-essential purposes could lead to severe harm in other private or commercial sectors. Member States should therefore have the possibility to achieve gas savings also by reducing the non-essential consumption of protected customers under specific circumstances. However, any reduction measures taken by the Member States should strictly be limited non-essential consumption and by no means reduce the basic use of protected customers nor limit their ability to heat their homes adequately.
- (63) Member States and their competent authorities should be free to determine the applicable reduction measures and the activities corresponding to non-essential consumption, such as outdoor heating, the heating of residential swimming pools and other complementary residential facilities. By having the possibility to limit non-essential consumption Member States should be able to strengthen the safeguards and ensure that gas is being supplied to other essential sectors, services and industries, enabling them to continue their operation during a crisis.

(64) Any measure to reduce non-essential consumption of protected customers should be necessary and proportional, applying particularly in situations of a declared crisis pursuant to Article 11(1) and Article 12 of Regulation (EU) 2017/1938 or of a Union alert pursuant to Regulation (EU) 2022/1369. Despite the application of non-essential consumption reduction measures, protected customers should continue to benefit from protection against disconnection. Member States should also ensure that such measures do not limit the protection required for the vulnerable customers whose current consumption should be considered as essential.

**(64a) Member States are free to decide on whether and how to distinguish between essential consumption and non essential consumption of protected customers. A Member State requesting solidarity measures which decides not to make this distinction, should not be required to demonstrate that the non-essential consumption could be reduced before the request for solidarity. A Member State providing solidarity should not be required to make a distinction between essential and non-essential customers to determine the amount of gas available for solidarity measures.**

(65) In case of emergency, Member States, as well as the Union, should ensure that gas flows within the internal market. This means that measures taken at a national level should not give rise to security of supply issues in another Member State while access to cross-border infrastructure should remain safe and technically possible at any time. The current legislative framework does not provide for a process which can effectively solve conflicts between two Member States on measures negatively affecting cross-border flows. As the EU gas and electricity grids are interconnected, this could not only lead to serious security of supply problems, but also weaken the Union's unity vis-à-vis third countries. The Commission should therefore be given the power to evaluate the national measures taken and to arbitrate, where necessary, within a reasonable time frame. To this end, the Commission should be able to request their modification in case it observes threats to the security of gas supply of other Member States or the Union. Given the exceptional nature of the current energy crisis, complying with the Commission's decision should take place without delays that can potentially hinder the Union's gas supply. Therefore, for the period of application of this Regulation, reconciliation procedures should be suspended for the sake of securing the functioning of the internal market.

**(65a) A Member State with LNG facilities, when providing solidarity to a Member State with whom its network is not directly connected, should not be held responsible for bottlenecks or other potential issues that may occur outside its own territory, impact the actual flow of gas and ultimately prevent that the volume of gas needed reaches the solidarity requesting Member State.**

(66) The principle of energy solidarity is a general principle under Union law<sup>9</sup> and applies to all Member States, and not only to neighbouring Member States. Furthermore, the efficient use of the existing infrastructure, including cross-border transmission capacities and LNG facilities, is important to safeguard the security of gas supply in a spirit of solidarity. In times of gas supply disruptions at national, regional or Union level, and a significant switch from pipeline gas to LNG, Member States **in a severe crisis situation** should not only be able to benefit from supply possibilities from neighbouring pipelines, but also from supplies from countries which dispose of an LNG facility. Some Member States should be in a position to provide solidarity to other Member States, even if they are not directly connected via a gas pipeline nor through a third country or other Member States. It is therefore appropriate to expand the obligation to provide solidarity to non-connected Member States with LNG facilities.

(67) In implementing the principle of energy solidarity, Regulation (EU) 2017/1938 introduced a solidarity mechanism intended to enhance cooperation and trust between the Member States in the event of a severe crisis. ~~When adopting the measures needed to~~ **facilitate the implementation of** the solidarity mechanism, Member States have to agree on a number of technical, legal, and financial issues in their bilateral arrangements, pursuant to Article 13(10) of the same Regulation.

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<sup>9</sup> Judgment of the Court of Justice of 15 July 2021, Germany v Poland, C-848/19 P, ECLI:EU:C:2021:598.

- (68) However, despite a legal obligation to conclude bilateral solidarity arrangements by 1 December 2018, only a few of such arrangements have been finalised, putting at risk the implementation of the legal obligation to provide solidarity support in an emergency. The Commission's proposal for a Regulation on the internal markets for renewable and natural gases and for hydrogen from December 2020 included a first model for a template solidarity agreement.<sup>10</sup> However, as this template was developed before the unprovoked aggression of Russia towards Ukraine, with a view to the current situation of extreme gas scarcity and exploding prices and the urgent need to have temporary default rules in place already for the coming winter, it is appropriate to create a temporary framework of default rules for the provision of the required solidarity measures pursuant to Article 13(1) and (2) of Regulation (EU) 2017/1938 which are effective and swiftly implementable, do not depend on long bilateral negotiations and are adapted to the current situation of excessive prices and highly volatile gas prices. **Clear default rules should notably be introduced for the compensation for the costs of the gas provided and for the limitation of potential additional costs the providing Member State may want to charge.**
- (69) Solidarity should, in principle, be provided based on fair compensation directly paid by the requesting Member State or its delegated entities. The compensation should cover the gas price, any actual/potential storage costs, the cross-border transportation and associated costs. The compensation should be fair, both for the requesting as well as for the providing Member States.

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<sup>10</sup> See Article 64 of the proposal for a Regulation of the European Parliament and of the Council on the internal markets for renewable and natural gases and for hydrogen (recast) COM/2021/804 final.

- (70) The current crisis leads to price levels and regular price peaks which are far beyond the situation of a possible supply crisis at the time of the adoption of the Security of Supply Regulation. The price volatility currently characterising the gas market as a result of the existing gas crisis should therefore be considered when determining the amount of compensation for Member States providing solidarity. On the basis of solidarity, and in order to avoid pricing on extreme market circumstances, it would be problematic to take the fluctuating market price as the basis for the default price of the solidarity measure. The gas price should reflect the average price of the Member State's providing solidarity market during a specific period. Taking the average market price of the 30-day period preceding the request, the compensation is still based on the 'market price', as stipulated in the Commission Recommendation (EU) 2018/177 of 2 February 2018. The average market price is more independent from the volatility and very high spot prices during crisis situations, and as such, limits any perverse incentives. Using the very high crisis spot market prices as a basis for the compensation would undermine the solidarity dimension. The providing Member States will still receive a fair compensation as the biggest part of the gas will originate from long term contracts and storage, purchased at less than the crisis spot market prices.
- (71) As highlighted in Commission Recommendation (EU) 2018/177 of 2 February 2018, the cost of damages to curtailed industry may only be covered by compensation if it is not reflected in the gas price that the Member State requesting solidarity has to pay; the Member State that requested solidarity should not have to pay compensation for the same costs twice. Taking into account the exceptional circumstances where gas prices have reached unprecedented levels, a Member State receiving solidarity should not be automatically obliged to cover other costs, such as damages or costs of legal proceedings, occurring in the providing Member State, **unless another solution is agreed in a solidarity agreement.**

- (72) ~~However,~~ **The conclusion of solidarity agreements with neighbouring Member States, as required pursuant to Article 13(10) of Regulation 2017/1938, is the most appropriate instrument to implement the obligation to provide solidarity measures pursuant to Article 13(1) and (2) of that Regulation. Member States should therefore be allowed to depart from the default compensation rules set out in this Regulation if they agree on other rules in a solidarity agreement.** Member States **should notably** retain the possibility to agree bilaterally upon additional compensation, covering other costs, such as the costs incurred from an obligation to pay compensation in the providing Member State, including damages to curtailed industry. **In bilateral solidarity agreements,** such costs can be included in the compensation if the national legal framework provides for the obligation to pay damages to curtailed industry, including compensation for economic damage, in addition to the gas price.
- (73) As a last-resort measure, solidarity can only be triggered by a requesting Member State where the market, fails to offer the necessary gas volumes, including those offered voluntarily by non-protected customers, to meet the demand from solidarity protected customers. Moreover, the measures in the requesting Member State's emergency plan, including forced curtailment down to the level of solidarity-protected customers, must have been exhausted.
- (74) The urgent nature and the consequences of a potential activation of the solidarity mechanism should entail the close cooperation between the involved Member States, the Commission and the competent crisis managers as designated by Member States in accordance with Article 10(1)(g) of Regulation (EU) 2017/1938. The request should, therefore, be communicated to all parties in due time and contain a minimum set of elements that allow the providing Member States to respond without delay. The providing Member States' response should include information on the amount of gas that could be delivered to the requesting Member State, also including those volumes that could be freed when non-market-based measures are applied. Member States may agree on additional technical and coordination arrangements to facilitate the timely response to a solidarity request. When providing solidarity, Member States and their competent authorities should ensure the network's operational safety and reliability.

- (75) The requesting Member State should be able to receive solidarity from multiple Member States. The default solidarity mechanism should be in place only in case the providing Member State does not have concluded any bilateral arrangement with the requesting Member State. In case of a bilateral agreement between the requesting and providing Member State, this arrangement should prevail and apply between them.
- (76) The Commission should be able to monitor the application of the default solidarity mechanism and, if deemed necessary, should be able to facilitate the matching of solidarity demand requests. To this end, the Commission should provide for an interactive platform, which should serve as a template and allow the continuous, real-time submission of solidarity requests and their coupling with the respective, available volumes.
- (77) In order to ensure uniform conditions for the implementation of this Regulation, implementing powers should be conferred on the Commission. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing power.
- (78) Since the objective of this Regulation cannot be sufficiently achieved by the Member States and requires cooperation at Union level, the Union may adopt measures in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, and as set out in the aforementioned Article, this Regulation does not go beyond what is necessary to achieve that objective,

HAS ADOPTED THIS REGULATION:

## CHAPTER I - SUBJECT MATTER AND DEFINITIONS

### *Article 1*

#### **Subject matter and scope**

This Regulation establishes **temporary** rules, **namely** on:

- the expedited setting up of a ~~facility~~ **service** allowing for joint demand aggregation and gas purchasing by undertakings established within the Union or the Energy Community Contracting Parties,
- ~~as well as~~ booking and a transparency platform for LNG and for gas storages, and
- ~~rules on~~ congestion management in gas transmission networks;
- **for the case of the declaration of a gas emergency to distribute gas fairly across borders, to safeguard gas for the most critical customers and to ensure the provision of cross-border solidarity measures.**

~~It~~ also introduces **temporary** mechanisms to protect citizens and the economy and against excessively high prices, by way of an ad hoc LNG price benchmark, to be developed by the European Agency for the Cooperation of Energy Regulators ('ACER'), a temporary intra-day volatility management mechanism for extreme price movements and the **framework** **for the** development of a market correction mechanism for gas exchanges;

~~it establishes rules for the case of the declaration of a gas emergency to distribute gas fairly across borders, to safeguard gas for the most critical customers and to ensure the provision of cross-border solidarity measures.~~

## Article 2

### Definitions

For the purpose of this Regulation, the following definitions apply:

- (1) ‘natural gas undertaking’ means a natural or legal person carrying out at least one of the following functions: production, transmission, distribution, supply, purchase or storage of natural gas, including LNG, which is responsible for the commercial, technical and/or maintenance tasks related to those functions, but shall not include final customers;
- (1) ‘LNG facility’ means a terminal which is used for the liquefaction of natural gas or the importation, offloading, and re-gasification of LNG, and includes ancillary services and temporary storage necessary for the re-gasification process and subsequent delivery to the transmission system, but does not include any part of LNG terminals used for storage;
- (2) ‘gas storage facility’ means a facility used for the stocking of natural gas and owned and/or operated by a natural gas undertaking, including the part of LNG facilities used for storage but excluding the portion used for production operations, and excluding facilities reserved exclusively for transmission system operators in carrying out their functions;
- (3) ‘service provider’ means an undertaking established in the Union and contracted by the Commission through a ~~public~~ procurement procedure under Regulation (EU) 2018/1046 to organise the joint purchasing and fulfil the tasks listed in Article 7;

- (4) ‘~~Joint Purchasing~~ IT tool’ means an IT tool through which the undertaking contracted by the Commission acts as the Service provider by aggregating demand of natural gas undertakings and undertakings consuming gas and seeking offers from natural gas suppliers or producers to match said aggregated demand;
- (5) ‘ACER’ means the European Agency for the Cooperation of Energy Regulators, as established by Regulation (EU) 2019/942;
- (6) ‘LNG trading’ means bids, offers or transactions for the purchase or sale of LNG:
- (a) that specify delivery in the Union, or
  - (b) that result in delivery in the Union, or
  - (c) in which one counterparty re-gasifies the LNG at a terminal in the Union;
- (7) ‘LNG market data’ means records of bids, offers or transactions for LNG trading with corresponding information as specified in Article 21(1).
- (8) ‘LNG market participant’ means any natural or legal person, irrespective of that person’s place of incorporation or domicile, who engages in LNG trading;
- (9) ‘LNG price assessment’ means the determination of a daily reference price for LNG trading in accordance with a methodology to be established by ACER;
- (10) ‘LNG benchmark’ for the purpose of this Regulation means the determination of a spread between the daily LNG price assessment and the daily settlement price for the TTF Gas Futures front-month contract that ICE makes available to everyone as an end of day report free of cost on its website;

- (11) ‘trading venue’ means any of the following:
- (a) ‘regulated market’ as defined in Article 4(1), point (21), of Directive 2014/65/EU;
  - (b) ‘**multilateral trading**’ facility as defined in Article 4(1), point (22), of Directive 2014/65/EU;
  - (c) ‘organised trading facility’ as defined in Article 4(1), point (23), of Directive 2014/65/EU;
- (12) ‘~~front-month~~ energy-related commodity derivative’ means a commodity derivative **up to 12 months**, as defined in Article 2(1), point (30), of Regulation (EU) No 600/2014 of the European Parliament and of the Council<sup>11</sup>, traded on a trading venue and the underlying of which is electricity or gas, and whose expiration date is the nearest among the derivatives with **up to 12 months** ~~a one-month~~ maturity traded on a given trading venue;
- (13) ‘competent authority’ means a competent authority as defined in Article 2(1), point (26), of Directive (EU) 2014/65/EU;
- (14) ‘critical gas volume for electricity generation’ means the maximum gas consumption needed in the power sector to ensure adequacy in a worst-case scenario simulated in the winter adequacy assessment pursuant to Article 9 of Regulation (EU) 2019/941 on risk-preparedness in the electricity sector.
- (15) ‘protected customer’ means a protected customer as defined in point 5 of Article 2 of Regulation (EU) 2017/1938;
- (16) ‘solidarity protected customer’ means a solidarity protected customer as defined in point 6 of Article 2 of Regulation (EU) 2017/1938.

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<sup>11</sup> Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 (OJ L 173, 12.6.2014, p. 84).

## CHAPTER II – BETTER COORDINATION OF GAS PURCHASES

### Section 1

#### Coordination of gas purchases in the Union

##### Article 3

#### Transparency and information exchange

- (1) **For the sole purpose of better coordination, n**atural gas undertakings or undertakings consuming gas established in the EU or authorities or regulated entities of Member States, which intend to enter into negotiations with natural gas producers or suppliers on the purchase, trade or supply of gas of a volume above 5 TWh/year, shall inform the Commission ~~of where they intend to~~ ~~their intention to~~ conclude a gas supply contract or a memorandum of understanding **at least six weeks** before concluding such a contract or memorandum of understanding in accordance with this Article. **Such notification shall be limited to the following basic information:**
- (2) ~~Natural gas undertakings or undertakings consuming gas established in the EU or authorities or regulated entities of Member States shall inform the Commission at least six weeks before concluding a legally binding contract or memorandum of understanding referred to in paragraph 1, about~~
- = the identity of the contract partner or partners,
  - = the relevant volumes,
  - = the relevant dates, a
  - = and, where applicable, the service provider organising such purchases on behalf of a Member State.

- (3) If the Commission considers that planned gas purchases of natural gas undertakings or undertakings consuming gas established in the EU or of authorities or regulated entities of Member States may have a negative impact on functioning of joint purchasing, the internal market, or on security of supply or energy solidarity, the Commission may issue a recommendation to the relevant Member States to take appropriate measures to avoid such negative impact.
- (4) The Commission shall inform the ad hoc Steering Board referred to in Article 4 before issuing any of the recommendations set forth in paragraph 3.
- (5) When providing information to the Commission in accordance with paragraphs 1 and 2, the entities providing the information may indicate whether any part of the information, be it commercial or other information the disclosure of which could harm the activities of the parties involved, is to be regarded as confidential and whether the information provided can be shared with other Member States.
- (6) Requests for confidentiality under this Article shall not restrict the access of the Commission itself to confidential information. The Commission shall ensure that access to the confidential information is strictly limited to the Commission services for which it is absolutely necessary to have the information available. Commission representatives shall handle sensitive information with due confidentiality.
- (7) Without prejudice to Article 346 TFEU, information that is confidential shall be exchanged with the Commission and other relevant authorities only where such exchange is necessary for the application of this Regulation. The information exchanged shall be limited to that which is relevant and proportionate to the purpose of such exchange. Such exchange of information shall preserve the confidentiality of that information and protect the security and commercial interests of the entities falling within the scope of this Regulation **and apply effective tools to protect the data physically**. ~~The Facility shall not use the information collected for any other purpose than for carrying out the contract.~~(8) All servers and information shall be physically located and stored in the territory of the Union.

## Article 4

### Ad hoc Steering Board

- (1) An ad hoc Steering Board shall be established to facilitate the coordination of demand aggregation and joint purchasing.
- (2) The ad hoc Steering Board shall be established by the Commission within 6 weeks after entry into force of this Regulation; it shall be composed of one representative of each Member State and one of the Commission. The representatives of the Energy Community Contracting Parties may participate in the Steering Board upon invitation of the Commission on all matters of mutual concern. The Commission shall chair the ad hoc Steering Board.
- (3) The ad hoc Steering Board shall adopt its own Rules of Procedure by qualified majority within one month from ~~the entry into application of this Regulation~~ **its establishment**.
- (4) The ad hoc Steering Board shall **be consulted** ~~assist on the assessment~~ **on the draft recommendation** ~~of the information provided to~~ **by** the Commission pursuant to Article 3(4), notably as to whether the relevant gas purchases enhance security of supply in the Union and are compatible with the principle of energy solidarity.
- (5) The ad hoc Steering Board shall **be informed about** ~~take into account the positive impacts~~ of the participation of the undertakings in the joint purchasing organised by the Service provider on security of supply in the Union and energy solidarity, where applicable.

## Section 2

### **Demand aggregation and ~~Joint tenders and purchasing~~ demand aggregation**

#### *Article 5*

#### **Temporary service contract with a service provider**

- (1) **By derogation from Article 176 of the financial regulation**<sup>12</sup>, ~~t~~The Commission shall contract the necessary services of an entity established in the EU through a ~~public~~ procurement procedure under Regulation (EU) 2018/1046, acting as a service provider to fulfil the tasks set forth in Article 7.
- (2) The service contract with the selected service provider shall determine the ownership of the information obtained by the Service provider, and shall provide for the possible transfer of this information to the Commission at the termination or expiry of the service contract.
- (3) The Commission shall define in the service contract the practicalities of the operation of the service provider including the use of the ~~Joint Purchasing~~ IT tool, the security measures, the currency or currencies, the payment regime, and liabilities.
- (4) The service contract with the service provider shall reserve to the Commission the right to monitor and audit it. For that purpose, the Commission shall have full access to the information held by the service provider.
- (5) The Commission may request the service provider to provide all necessary information necessary for the fulfilment of the tasks listed in Article 7 and to enable the Commission to verify the fulfilment by the natural gas undertakings and undertakings consuming gas of the obligations arising from Article ~~6~~**10** of Regulation (EU) ~~2017/1938~~**this regulation**.

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<sup>12</sup> **Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012, OJ L 193, 30.7.2018, p. 1–222.**

*Article 6*

**Criteria for selecting the service provider**

- (1) The service provider shall be selected by the Commission on the basis of the following eligibility criteria:
  - (a) The service provider shall be established and have its operational seat in the territory of a Member State.
  - (b) The service provider shall not be:
    - (i) targeted by restrictions under Union restrictive measures adopted pursuant to Article 215 TFEU, in particular Union restrictive measures adopted in view of Russia's actions destabilising the situation in Ukraine, or in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine;
    - (ii) directly or indirectly owned or controlled by, or acting on behalf or at the direction of natural or legal persons, entities or bodies targeted by such Union restrictive measures; or
    - (iii) directly or indirectly owned or controlled by, or acting on behalf or at the direction of the Russian Federation or its Government or by any Russian natural or legal person or entity or body established in Russia.

- (2) Without prejudice to other due diligence obligations, contractual obligations **between the Commission and the service provider** shall be put in place to ensure that the Service provider **when carrying out its tasks in accordance with Article 7** does not make any funds or economic resources available, directly or indirectly, to or for the benefit of natural or legal persons, entities or bodies:
- (a) targeted by restrictions under Union restrictive measures adopted pursuant to Article 215 TFEU, in particular Union restrictive measures adopted in view of Russia's actions destabilising the situation in Ukraine, or in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine;
  - (b) directly or indirectly owned or controlled by, or acting on behalf or at the direction of natural or legal persons, entities or bodies targeted by such Union restrictive measures; or
  - (c) directly or indirectly owned or controlled by, or acting on behalf or at the direction of the Russian Federation or its Government or by any Russian natural or legal person or entity or body established in Russia.
- (3) The Service provider shall not be part of a vertically integrated undertaking active in the production or supply of natural gas within the Union or the Energy Community Contracting Parties.

- (4) The Commission shall establish its selection and award criteria taking into account, *inter alia*, the following criteria to be specified in the call of tenders:
- (a) Level of experience in setting up and running tendering or auctioning processes for natural gas or associated services, such as transportation services, through the use of dedicated IT tools;
  - (b) Level of experience in tailoring tendering or auctioning processes to different needs such as geographical focus or timing;
  - (c) Level of experience in developing IT tools to aggregate demand from multiple participants and match it with supply;
  - (d) Quality of the information system security, in particular in terms of data protection and internet security; and
  - (e) Capacity of identification and accreditation of participants, both in terms of legal entity and financial capacity.

## Article 7

### Tasks of the service provider

- (1) The service provider shall organise the joint purchasing and, in particular:
  - (a) aggregate the demand of natural gas undertakings and undertakings consuming gas with the support of the ~~Joint Purchasing~~-IT tool;
  - (b) seek offers from natural gas suppliers or producers, to match the aggregated demand with the support of the ~~Joint Purchasing~~-IT tool, and allocate access rights to supply;
  - (c) Verify, accredit and register its users; and
  - (d) provide any ancillary services to its users, **including services to facilitate the conclusion of contracts**, or to the Commission necessary for the correct performance of the operations as provided in the contract referred to in Article 5.
- (2) The conditions **relating to the tasks of the service provider, namely** regarding registration of users, publication and reporting shall be determined in the contract.

## Article 8

### Participation in the joint purchasing

- (1) Participation in the joint purchasing shall be open to all natural gas undertakings and undertakings consuming gas established within the Union or the Energy Community Contracting Parties. Natural gas undertakings and undertakings consuming gas shall not participate **as suppliers, producers and purchasers** in aggregation of demand **and joint purchasing**, if they are:
- (a) targeted by restrictions under Union restrictive measures adopted pursuant to Article 215 TFEU, in particular Union restrictive measures adopted in view of Russia's actions destabilising the situation in Ukraine, or in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine;
  - (b) directly or indirectly owned or controlled by, or acting on behalf or at the direction of natural or legal persons, entities or bodies targeted by such Union restrictive measures; or
  - (c) directly or indirectly owned or controlled by, or acting on behalf or at the direction of the Russian Federation or its Government or by any Russian natural or legal person or entity or body established in Russia, **except for such undertakings which are administered on a fiduciary basis by an authority of a Member State.**

- (2) Contractual obligations shall be put in place to ensure that no funds or economic resources resulting from participation in the process of joint purchasing organised by the Service provider are made available, directly or indirectly, to or for the benefit of natural or legal persons, entities or bodies, which are:
- (a) targeted by restrictions under Union restrictive measures adopted pursuant to Article 215 TFEU, in particular Union restrictive measures adopted in view of Russia's actions destabilising the situation in Ukraine, or in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine;
  - (b) directly or indirectly owned or controlled by, or acting on behalf or at the direction of natural or legal persons, entities or bodies targeted by such Union restrictive measures; or
  - (c) directly or indirectly owned or controlled by, or acting on behalf or at the direction of the Russian Federation or its Government or by any Russian natural or legal person or entity or body established in Russia, **except for such undertakings which are administered on a fiduciary basis by an authority of a Member State.**
- (3) Member States or other stakeholders may provide liquidity support, including guarantees, to participants in the process of joint purchasing organised by the Service provider, in accordance with State aid rules, where applicable. This may include guarantees to cover collateral needs or to cover the risk of additional costs following the insolvency of other buyers under the same joint purchasing contract.
- ~~(4) The restrictions set forth in paragraphs 1 and 2 shall be applicable to Section 2 and Section 3 on the Gas Purchasing Consortia and, specifically, to Articles 5, 7, 10, 11 and 12.~~

*Article 9*

**Natural gas supplies excluded from joint purchasing**

- (1) Natural gas supplies originating in the Russian Federation **shall not be subject to joint purchasing.**
  
- (2) Natural gas supplies originating in the Russian Federation** entering the Member States or Energy Community Contracting Parties through the following entry points shall not be subject to joint purchasing:
  - (a) Greifswald
  - (b) Lubmin II
  - (c) Imatra
  - (d) Narva
  - (e) Värskä
  - (f) Luhamaa
  - (g) Sakiai
  - (h) Kotlovka
  - (i) Kondratki

- (j) Wysokoje
- (k) Tietierowka
- (l) Mozyr
- (m) Kobryn
- (n) Sudha (RU)/Ukraine
- (o) Belgorod RU/Ukraine
- (p) Valuyki RU/Ukraine
- (q) Serebryanka RU/Ukraine
- (r) Pisarevka RU/Ukraine
- (s) Sokhranovka RU/Ukraine
- (t) Prokhorovka RU/Ukraine
- (u) Platovo RU/Ukraine
- (v) Strandzha 2 (BG) /Malkoclar (TR)

## Article 10

### Mandatory use of the service provider

- (1) Member States shall take appropriate measures to ensure that natural gas undertakings under their jurisdiction participate in the process of demand aggregation organised by the service provider as one of the possible means to meet the filling targets enumerated in Article 6a of Regulation (EU) 2017/1938 ~~and to implement the measures laid down in Article 6b of that Regulation for that purpose.~~
- (2) Member States with underground storage shall require natural gas undertakings under their jurisdiction to participate in the process of demand aggregation organised by the service provider with volumes at least equal to 15% of the total volume necessary to meet the target of 90% of the storage facilities referred to in ~~in paragraph 1 of~~ Article 6a of Regulation (EU) 2017/1938.
- (3) Member States without underground storage facilities shall require natural gas undertakings under their jurisdiction to participate in the process of demand aggregation organised by the service provider with the volumes at least equal to 15% of the volumes corresponding to the cross-border filling obligations referred to in Article 6c ~~(1)~~ of Regulation (EU) 2017/1938.
- (4) **The natural gas undertakings participating in demand aggregation under a mandatory obligation may decide not to purchase the gas after the aggregation process. The gas purchased may be used for other purposes than storage filling.**

*Article 11*

**Gas Purchasing Consortium**

Natural gas undertakings and undertakings consuming gas participating in demand aggregation organised by the service provider may coordinate elements of the conditions of the purchase contract or use joint purchase contracts in order to achieve better conditions with their suppliers, provided they comply with Union law, including Union competition law, in particular Articles 101 and 102 TFEU, as may be specified by the Commission in a decision pursuant to Article 10 of **Council** Regulation 1/2003, as well as with the transparency requirement pursuant to Article 3.

Section 3

**Measures to enhance the use of LNG terminals, storage facilities and pipelines**

*Article 12*

**Secondary capacity booking platform for LNG and storage facilities users**

LNG facility and storage facility users, who wish to re-sell their contracted capacity on the secondary market, as defined in Regulation 715/2009, shall be entitled to do so. LNG facility and storage facility operators, individually or regionally, shall set up a transparent and non-discriminatory booking platform for LNG facility and storage facility users to re-sell their contracted capacity on the secondary market no later than two months after [entry into force of this Regulation].

### *Article 13*

#### **Transparency platforms for LNG and storage facilities**

- (1) LNG facility and storage facility operators shall establish, respectively, a European LNG Transparency Platform and a **European** Storage Transparency platform within 2 months from [date of entry into force of the Regulation] to publish in a transparent and user-friendly manner the information required by Article 19 of Regulation 715/2009. Regulatory authorities may request those operators to make public any additional relevant information for system users.
- (2) LNG facilities that have been granted an exemption from third party access rules pursuant to Article 22 of Directive 2003/55/EC and Article 36 of Directive 2009/73/EC, and natural gas storage operators under the negotiated third party access regime referred to in Article 33(3) of Directive 2009/73/EC, shall make public tariffs for infrastructure within one month from [date of entry into force of the Regulation].

### *Article 14*

#### **More effective use of transmission capacities**

- (1) Transmission system operators shall offer underutilised contracted firm capacity pursuant to paragraph 2 as a monthly capacity product and as daily and within-day capacity products for the month in case of an underutilisation pursuant to paragraph 2.
- (2) Contracted firm capacity shall be considered underutilised if a network user used or offered less than on average 80% of the booked firm capacity in the last 30 days. The transmission system operator shall continuously monitor the unused capacity and shall inform the network user on the amount of capacity to be withdrawn at the latest before notifying the amount of capacity to be offered for the upcoming rolling monthly capacity auction in accordance with Commission Regulation (EU) 2017/459.

- (3) The amount of capacity to be offered **shall** equals the difference between the average utilisation for the preceding month and 80% of the firm capacity which was contracted for a duration longer than a month.
- (4) Available capacity offered in an auction **in accordance with Commission Regulation (EU) 2017/459** shall have priority over **underutilised** capacity included in an auction from ~~this mechanism~~ **pursuant to paragraph 2** when allocating capacity.
- (5) If the offered capacity by the transmission system operator is sold, it ~~will~~**shall** be withdrawn from the original holder of the contracted capacity. The original holder may use the withdrawn firm capacity on an interruptible basis.
- (6) The network user shall retain its rights and obligations under the capacity contract until the capacity is reallocated by the transmission system operator and to the extent the capacity is not reallocated by the transmission system operator.**

**CHAPTER III – MEASURES TO PREVENT EXCESSIVE GAS PRICES AND EXCESSIVE INTRA-DAY  
VOLATILITY IN ENERGY DERIVATIVES MARKETS**

**Section 1**

**Temporary intra-day tool to manage excess volatility in energy derivatives markets**

*Article 15*

**Intra-day volatility management mechanism**

- (1) **As soon as possible, but no later than** By 31 January 2023, each trading venue on which ~~front-month~~ energy-related commodity derivatives are traded shall set up, for **at least** each front-month energy-related commodity derivative traded on it, an intra-day volatility management mechanism based on an upper and lower price boundary ('price boundaries') that defines the prices above and below which orders cannot be executed ('intra-day volatility management mechanism'). Trading venues shall ensure that the intra-day price volatility management mechanism prevents excessive movements of prices within a trading day for ~~such front-month~~ **relevant** energy-related commodity derivative.
- (2) For each ~~front-month~~ **relevant** energy-related commodity derivative traded on them, trading venues shall establish the applicable calculation method to determine the price boundaries relative to a reference price. The first reference price of the day shall be equal to the opening price. The subsequent reference prices shall be the last market price observed at regular intervals. In case of an interruption in trading during the trading day, the first reference price after the interruption shall be the opening price of the resumed trading.
- (3) The price boundaries shall be expressed either in absolute value, or in relative terms in the form of a percentage variation relative to the reference price. Trading venues shall adjust that calculation method to the specificities of each ~~front-month~~ **relevant** energy related commodity derivative, the liquidity profile of the market for such derivative and its volatility profile. The trading venue shall inform the competent authority of the method without undue delay.

- (4) Trading venues shall renew the price boundaries at regular intervals during trading hours, based on the reference price.
- (5) Trading venues shall without undue delay make public the features of the intra-day volatility management mechanism they have put in place **or whenever they have applied a modification.**
- (6) ~~The intra-day volatility management mechanism shall not replace any of the circuit breakers already established by trading venues in accordance with Directive 2014/65/EU before the date of entry into force of this Regulation and shall apply in addition to them.~~  
**Trading venues shall implement the intra-day volatility management mechanism either by integrating it into their existing circuit breakers already established in accordance with Directive 2014/65/EU or as an additional mechanism thereto.**
- (7) Where a trading venue intends to modify the calculation method for the price boundaries applicable to a given ~~front-month~~**relevant** energy-related commodity derivative, it shall inform the competent authority of the intended modifications without undue delay.
- (8) The Commission may adopt implementing acts specifying the uniform conditions for the implementation of the intra-day volatility management mechanism, taking into account the specificities of each front-month energy-related commodity derivative, the liquidity profile of the market for such derivative and its volatility profile. In particular, in order to ensure the smooth operation of trading venues that offer trading in ~~front-month~~**relevant** energy-related commodity derivatives, the Commission may specify the intervals at which the price boundaries will be renewed or the measures to be taken if trading moves outside these price boundaries. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 33.

## Article 16

### Role of competent authorities

- (1) Competent authorities shall supervise the implementation of the intra-day volatility management mechanism. Competent authorities shall ensure that divergences in the implementation of the intra-day volatility management mechanisms by trading venues established in their Member States are duly justified by the specificities of the trading venues or commodity derivative concerned.
- (2) Competent authorities shall ensure that trading venues implement appropriate preliminary mechanisms ensuring that excessive volatility in ~~front-month~~**relevant** energy-related commodity derivatives markets is mitigated until the set-up of the intra-day volatility management mechanism as referred to in Article 15(1).
- (3) Competent authorities shall report to the European Securities **and Markets** Authority (ESMA) on the implementation of the intra-day volatility management mechanism by trading venues they supervise within 3 weeks from the entry into force of this Regulation and at regular intervals thereafter.

*Article 17*

**Coordination role of ESMA**

- (1) ESMA shall coordinate and monitor the implementation of the intra-day volatility management mechanisms on the basis of reports submitted to it by the competent authorities in accordance with Article ~~3~~16(3).
- (2) ESMA shall document any divergences in the implementation of the intra-day volatility management mechanisms across jurisdictions in the Union based on the reports from NCAs. By [*OJ: please insert the date = 6 months after the entry into force of this Regulation*], ESMA shall submit a report to the Commission evaluating the efficiency of the intra-day volatility management mechanisms. On the basis of that report, the Commission shall consider whether to submit a proposal for amendment of this Regulation to the Council.

## Section 2

### Tasking ACER to collect and publish objective price data

#### Article 18

##### Tasks and powers of ACER to carry out price assessments and benchmarks

- (1) As a matter of urgency, ACER shall produce and publish a daily LNG price assessment starting no later than two weeks after the entry into force of this Regulation. For the purpose of the LNG price assessment, ACER shall systematically collect and process LNG market data on transactions.
- (2) ACER shall produce and publish a daily LNG benchmark starting no later than 31 March **2023**. For the purposes of the LNG benchmark, ACER shall systematically collect and process all LNG market data.
- (3) For ~~the~~is the purpose of carrying out its tasks under this section, ACER shall have the powers conferred to it under Regulation (EU) No 1227/2011 and under Commission Implementing Regulation (EU) No 1348/2014 and **by way of derogation from Article 3(4)(b) of Regulation 1227/2011**, the market participant obligations and prohibitions of Regulation (EU) No 1227/2011 shall apply to LNG market participants.

#### Article 19

##### LNG price assessments and benchmark

- (1) The LNG price assessment shall be published daily, and no later than 18:00 CET for the outright transaction price assessment. By **31 March 2023**, in addition to the publication of the LNG price assessment, ACER shall also, on a daily basis, publish the LNG benchmark no later than 19:00 **CET** or as soon as technically possible.
- (2) For the purposes of this Article, ACER may make use of the services of a third party.

*Article 20*

**Provision of LNG market data to ACER**

- (1) LNG market participants shall submit daily to ACER the LNG market data in accordance with the specifications set out in Article 21, in a standardised format, through a high-quality transmission protocol, and as close to real-time as technologically possible before publication of the daily price assessment (18:00 **CET**).
- (2) The Commission may adopt implementing acts specifying the point in time by which market data is to be submitted before the daily publication of the LNG price assessment as referred to in paragraph 1. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 33.
- (3) Where appropriate, ACER shall, after consulting the Commission, issue guidance on:
  - (a) the details of the information to be reported, in addition to the current details of reportable transactions and fundamental data under Commission Implementing Regulation (EU) No 1348/2014, including bids and offers, and
  - (b) the procedure, standard and electronic format and the technical and organisational requirements for submitting data to be used for the provision of the required market data.
- (4) LNG market participants shall submit the required LNG market data to ACER free of charge and through the reporting channels established by ACER.

*Article 21*

**Market data quality**

- (1) LNG market data shall include:
  - (a) the parties to the contract, including buy/sell indicator;
  - (b) the reporting party;
  - (c) the transaction price;
  - (d) the contract quantities;
  - (e) the value of the contract;
  - (f) the arrival window for the LNG cargo;
  - (g) the terms of delivery;
  - (h) the delivery points;
  - (i) the timestamp information on all of the following:
    - (i) the time of placing the bid or offer;
    - (ii) the transaction time;
    - (iii) the time of reporting of the bid, offer or transaction;
    - (iv) the receipt of LNG market data by ACER.

- (2) LNG market participants shall provide ACER with LNG market data in the following units and currencies:
- (a) transaction, bid and offer unit prices shall be reported in currency specified in the contract and in €/MWh and include applied conversion and exchange rates if applicable;
  - (b) contract quantities shall be reported in the units specified in the contracts and in MWh;
  - (c) arrival windows shall be reported in terms of delivery dates expressed in UTC format;
  - (d) delivery point shall indicate a valid identifier listed by ACER (list of LNG facilities subject to reporting and Regulation (EU) No 1227/2011 and Commission Implementing Regulation (EU) No 1348/2014); the timestamp information shall be reported in UTC format;
  - (e) if relevant, the price formula in the long-term contract from which the price is derived shall be reported in its integrity.
- (3) ACER shall issue guidance as to under which criteria a single submitter accounts for a significant portion of LNG market data submitted within a certain reference period and how this situation shall be addressed in its daily LNG price assessment and LNG benchmarks.

*Article 22*

**Business continuity**

ACER shall regularly review and update its LNG reference price assessment and LNG benchmark methodology as well as the methodology used for market data reporting and the publication of its LNG price assessments and LNG benchmarks, taking into account the views of market data contributors.

**Section 3**

*Article 23*

**Market correction mechanism**

- (1) The Council, upon a proposal by the Commission, may adopt a decision providing for a temporary mechanism to limit episodes of excessive gas prices.
- (2) The decision referred to in paragraph 1 shall:
  - (a) determine a dynamic market correction mechanism for natural gas transactions in the Title Transfer Facility (TTF) Virtual Trading Point, operated by Gasunie Transport Services B.V. Other Union gas trading hubs may be linked to the corrected TTF spot price via a dynamic price corridor.
  - (b) be without prejudice to over-the-counter gas trades;
  - (c) not jeopardise the Union's security of gas supply;
  - (d) depend on progress made in implementing the gas savings target;

- (e) not lead to an overall increase in gas consumption;
- (f) be designed in such a manner that it will not prevent market-based intra-EU flows of gas,
- (g) not affect the stability and orderly functioning of energy derivative markets; and
- (h) take into account the gas market prices in the different organised market places across the Union

#### *Article 24*

#### **Suspension of the Market correction mechanism**

The Council, acting immediately, in line with a proposal from the Commission, following a possible recommendation from ACER, shall adopt a decision to suspend the market correction mechanism, if the reasons for the introduction are no longer valid, notably regarding episodes of excessive gas prices, or if unintended market disturbances occur, negatively affecting security of supply and intra-EU flows. The market correction mechanism shall apply only as long as this Regulation is in force.

## CHAPTER IV - MEASURES FOR THE CASE OF A GAS EMERGENCY

### Section 1

#### Allocation mechanism for the case of a regional or Union emergency

##### *Article 25*

#### **Proposal for an allocation mechanism**

- (1) The Council, upon a proposal by the Commission, may adopt a decision providing for a mechanism on price setting, aligned with the default conditions for solidarity arrangements, and to allocate gas capacities to supply Member States for which a regional or Union emergency has been declared in accordance with Article 12(1) of Regulation (EU) 2017/1938.
  
- (2) The decision shall ensure that during a significant disruption of gas supplies affecting a whole region, the access to available sources of gas is adequately shared between Member States.

##### *Article 26*

#### **Involvement of the crisis management group**

The proposal shall involve the crisis management group as referred to in Art 12(4) of Regulation (EU) 2017/1938 in the establishment and implementation of the allocation mechanism.

## Section 2

### Gas solidarity for electricity supply, essential industries and protected customers

#### Article 27

#### Extension of solidarity protection to critical gas volumes for electricity security of supply

- (1) **By way of derogation from Article 13(3) of Regulation 2017/1938, a** solidarity measure pursuant to Article 13 (1) and (2) of Regulation (EU) 2017/1938 shall apply only if the requesting Member State has not been able to cover:
- (a) the deficit in gas supply to its solidarity protected customers **to the extent essential volumes pursuant to Article 28 are affected;** or
  - (b) the critical gas volume for electricity security of supply as set out in Annex 1, despite the application of the measure referred to in Article 11(3) **of Regulation (EU) 2017/1938**. The conditions set out in Article 13(3) (b) to (d) **of Regulation (EU) 2017/1938** shall apply.
- (2) The Member States which are obliged to provide solidarity pursuant to ~~Article 13~~ **paragraph (1) or (2) of Regulation (EU) 2017/1938** shall be entitled to deduct from the solidarity offer
- (a) supplies to its protected customers to the extent essential volumes **pursuant to Article 28** are affected; and
  - (b) supplies of critical gas volumes for electricity security of supply.
- (3) The critical gas volumes for electricity security of supply shall not exceed the volumes indicated in Annex 1. In case a Member State can demonstrate that a higher volume of gas is required to avoid an electricity crisis of a Member State, the Commission may, upon a duly reasoned request, decide to allow the deduction of higher volumes.

- (4) In case Member States whose electricity system is synchronised only with the electricity system of a third country are requested to provide solidarity measures, they may exceptionally deduct higher volumes of gas in the event the electricity system is desynchronised from that third country's system for as long as isolated power system services or other services to the power transmission system operator are required to ensure the safe and reliable operation of the power system.**

*Article 28*

**Demand reduction measures concerning protected customers**

- (1) Member States may, exceptionally ~~and for the period of application of this Regulation,~~ take **temporary** measures to reduce the non-essential consumption of protected customers, as defined in Article 2(5) of Regulation (EU) 2017/1938, in particular when one of the crisis levels pursuant to Article 11(1) and Article 12 of Regulation (EU) 2017/1938, or the EU alert pursuant to Regulation (EU) 2022/1369 have been declared. Such measures shall be limited to non-essential uses of gas and shall take into account the elements set out in Article 6(2) of Council Regulation (EU) 2022/1369 of 5 August 2022 on coordinated demand-reduction measures for gas. **Such exceptional measures may be taken only after an assessment carried out by the competent authorities of the Member States with regard to the conditions to determine such non-essential volumes of gas.**
- (2) The consumption of vulnerable consumers, as defined by Member States according to Article 3(3) of Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas, shall under no circumstance be reduced, and Member States shall not disconnect protected customers as a result of the application of paragraph 1.

## Article 29

### Safeguards for cross-border flows

In case of a Commission request pursuant to Article 12(6), first subparagraph of Regulation (EU) 2017/1938 to terminate undue restrictions of cross-border gas flows or of access to gas infrastructure, or measures endangering gas supply in another Member State, the competent authority, as defined in Article 2(7) of Regulation (EU) 2017/1938, or Member State shall **instead of following the procedure provided for in second subparagraph of Article 12(6) of regulation 2017/1938,** modify its action or take action in order to ensure compliance with Article 12(5) of Regulation (EU) 2017/1938. ~~The procedure pursuant to Article 12(6), second subparagraph of that Regulation shall not apply.~~

## Section 3

### Rules for the provision of solidarity measures

## Article 30

### Temporary extension of solidarity obligations to Member States with LNG facilities

- (1) The obligation to provide solidarity measures pursuant to Article 13(1) of Regulation (EU) 2017/1938 shall not only apply to Member States directly connected to the requesting Member State, but also to Member States with LNG facilities, provided the necessary **capacity in the relevant** infrastructure is available to transport ~~the~~ gas to the requesting Member State.
- (2) Member States with LNG facilities that are not directly connected to a requesting Member State may agree bilaterally with any other Member States on the necessary technical, legal and financial solidarity arrangements that apply to the provision of solidarity.
- (3) The default rules for the provision of solidarity measures pursuant to Article 31 shall also apply to the non-connected Member States in so far as a bilateral arrangement is not concluded at the time of the receipt of a solidarity request.

**Default rules for solidarity measures**

- (1) Where two Member States have not agreed on the necessary technical, legal and financial arrangements pursuant to Article 13(10) of Regulation (EU) 2017/1938 (“solidarity agreement”), the delivery of gas pursuant to the obligation in Article 13(1) in case of an emergency shall be subject to the conditions in this Article.
- (2) The compensation for the solidarity measure pursuant to Article 13(8) of Regulation 2017/1938 shall not exceed reasonable costs. It shall in any event include:
  - (a) the price **for gas** in the Member State providing solidarity.
  - (b) the storage and transport costs, **including possible fees resulting from the deviation of LNG cargoes** -to the delivery **interconnection** point **requested**;
  - (c) other costs, **such as: reimbursement for any compensation resulting from judicial proceedings, arbitration proceedings or similar proceedings and settlements and related costs of such proceedings**, if agreed between the requesting Member State and the Member State providing solidarity.
- (3) Unless the requesting Member State and the Member State providing solidarity agree on another price, the price for the gas supplied to the requesting Member State shall correspond to the average market price in the providing Member State during the 30 days preceding the request for solidarity; or the corresponding average market price at the closest accessible exchange virtual trading point, or at an agreed hub over the last month.
- ~~(4) The Member States requesting solidarity shall bear the cost for transport and storage. The requesting Member State and the Member State providing solidarity are free to agree on further costs and conditions.~~

- (5) Unless the requesting Member State and the Member State providing solidarity agree on different compensation conditions, the compensation due pursuant to Article 13(8) of Regulation 2017/1938 shall not include
- (a) costs for financial or other damages resulting from enforced firm load shedding of customers related to the provision of solidarity;
  - (b) costs **for related judicial or arbitration proceedings involving the Member State providing solidarity.** ~~for judicial or arbitration proceedings in the solidarity providing Member State.~~
- (6) Compensation for the gas volumes delivered in the context of a solidarity request pursuant to Article 13(8) of Regulation (EU) 2017/1938 shall be paid directly by the solidarity requesting Member State to the solidarity providing Member State or the entity ~~the latter~~ **both Member States** indicates in its ~~its~~ **their response to the** solidarity ~~offer~~ **request** ~~offer~~ **and the confirmation of receipt and of the volume taken.**
- (7) The Member State to which the request for a solidarity measure is addressed shall provide the solidarity measures as soon as possible and no later than {3} days after the request. A Member State may refuse to provide solidarity to a Member State requesting solidarity only if it demonstrates that it
- (a) has itself not enough gas to supply its solidarity protected customers **to the extent essential volumes pursuant to Article 28 are affected** or for the critical gas volumes for electricity security of supply, or
  - (b) does not have sufficient interconnection capacity **available**, as set out in Article 13(7) of Regulation 2017/1938 and does not have the possibility to provide LNG.

- (8) In addition to the default rules provided for in this article, Member States may agree on technical arrangements and coordination of the provision of solidarity.
- (9) The provisions in this article shall be without prejudice to existing arrangements for the safe and reliable operation of the gas system.

### *Article 32*

#### **Procedure for solidarity measures in the absence of a solidarity agreement**

- (1) The Member State requesting the application of the solidarity measures pursuant to Article 13 of Regulation (EU) 2017/1938 shall issue a solidarity request to another Member State, indicating at least the following information: ~~requested gas volumes, information about gas pressure, calorific value, delivery point, the timing of the first possible delivery and the anticipated duration of deliveries.~~
- (a) **contact details of the competent authority of the Member State,**
  - (b) **contact details of the relevant transmission system operators of the Member State (if relevant),**
  - (c) **contact details of the third party acting on behalf of the Member State (if relevant),**
  - (d) **delivery Period including timing of the first possible delivery and the anticipated duration of deliveries,**
  - (e) **delivery and interconnection points,**
  - (f) **gas volume in kWh for each interconnection points,**
  - (g) **gas quality.**
- (2) The solidarity request shall be sent simultaneously to Member States potentially being able to provide solidarity measures, the Commission and to the national crisis managers designated pursuant to Article 10(1)(g) of Regulation (EU) 2017/1938.

- (3) The Member States receiving a solidarity request shall send a response that indicates the **contact points as referred to in (a) to (c) of paragraph 1 and the** volume that can be supplied to the **interconnection** delivery points and at the time requested **as referred to in (e) to (g) of paragraph 1. The response shall indicate**, ~~including~~ the volume resulting from possible curtailment or release of strategic stocks in case the volume that can be supplied by voluntary ~~market~~ measures is insufficient.
- (4) Solidarity requests shall be submitted at least ~~72~~24 hours before the indicated delivery time. The response to solidarity requests shall be done within 24 hours. The confirmation of receipt and of the volume taken by the requesting Member State shall be done within 24 hours of the needed delivery time.
- (5) The request may be submitted for a period of one day or several days, and the response shall match the requested duration.
- (6) Where there are several Member States providing solidarity and bilateral solidarity arrangements are in place with one or several of them, those arrangements shall prevail between the Member States having agreed bilaterally. The default rules provided for in this article shall be only applicable in relation to the other Member States providing solidarity.
- (7) The Commission may facilitate the implementation of solidarity agreements, notably by a template in the form of a secured online platform to enable real-time transmission of requests and offers.

## CHAPTER V - FINAL PROVISIONS

### *Article 33*

#### **Committee procedure**

- (1) The Commission shall be assisted by a committee, That committee shall be a committee within the meaning of Regulation (EU) 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing power.
- (2) Where reference is made to this paragraph, Article 5 of Regulation (EU) 182/2011 shall apply.

### *Article ~~33~~34*

*(Article moved from below, no changes to the text)*

#### **Review**

By 1 October 2023 at the latest, the Commission shall carry out a review of this Regulation in view of the general situation of gas supply to the Union and present a report on the main findings of that review to the Council. The Commission may, based on that report, propose to prolong the validity of this Regulation.

*Article 3435*

**Entry into force and application**

This Regulation shall enter into force on the day following that of its publication in the Official Journal of the European Union. Article 14 shall apply three months after entry into force of the Regulation.

It shall apply for a period of one year from its entry into force.

*Article 35*

*(Article was moved higher up, no changes)*

**Review**

~~By 1 October 2023 at the latest, the Commission shall carry out a review of this Regulation in view of the general situation of gas supply to the Union and present a report on the main findings of that review to the Council. The Commission may, based on that report, propose to prolong the validity of this Regulation.~~

This Regulation shall be binding in its entirety and directly applicable in the Member States in accordance with the Treaties.

Done at Strasbourg,

*For the Council*

*The President*

**ANNEX 1**

a) Maximum critical gas volumes for electricity security of supply pursuant to Article 27 for the period between December 2022 to March 2023<sup>13</sup>

Values in mcm	December 2022	January 2023	February 2023	March 2023
AT	23.63	190.62	128.70	92.15
BE	301.43	385.33	355.18	351.35
BG	52.20	71.07	60.89	60.32
CY	-	-	-	-
CZ	4.47	49.64	34.80	28.28
DE	954.00	1,486.91	1,278.59	1,174.13
DK	223.49	266.47	229.26	240.13
EE	0.46	5.15	5.00	1.05
EL	191.87	272.49	257.23	180.03
ES	1,378.23	1,985.66	1,523.00	1,189.29
IE	327.82	336.05	325.06	337.76
FI	8.76	39.55	44.66	12.97
FR	757.04	786.51	737.04	670.75
HR	8.11	52.73	47.18	26.28
HU	12.01	77.83	53.59	34.50
IT	1,614.02	2,595.56	2,455.07	2,085.03
LV	71.54	72.70	70.46	63.05
LT	2.24	20.22	18.81	4.21
LU	-	-	-	-
MT	16.77	20.49	20.40	17.66

<sup>13</sup> The figures in Annex I a) and b) are based on data from the winter adequacy assessment pursuant to Article 9 of Regulation (EU) 2019/941 by the European Network of Transmission System Operators for Electricity (ENTSO-E). Annex I a) represents the individual monthly volumes calculated by ENTSO-E for the months December 2022 to March 2023; the figures in Table 1 b) for the months April 2023 to December 2023 represent the average of the values in the period between December 2022 and March 2023.

NL	284.60	550.35	413.20	402.55
PL	62.04	61.08	52.16	59.19
PT	384.15	397.92	350.12	380.53
RO	102.70	179.35	162.41	159.71
SI	11.17	13.67	11.86	9.27
SK	31.81	47.26	34.80	34.76
SE	14.99	16.15	14.23	13.50

b) Maximum critical gas volumes for electricity security of supply pursuant to Article 27 for the period between April 2023 to December 2023

Values in mcm	Monthly value
AT	108.78
BE	348.32
BG	61.12
CY	-
CZ	29.29
DE	1,223.41
DK	239.84
EE	2.91
EL	225.40
ES	1,519.05
IE	331.67
FI	26.48
FR	737.83
HR	33.57

HU	44.48
IT	2,187.42
LV	69.44
LT	11.37
LU	-
MT	18.83
NL	412.68
PL	58.62
PT	378.18
RO	151.04
SI	11.49
SK	37.16
SE	14.72

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