

Polish gas market can become competitive again

EFET welcomes the opportunity to comment on the proposed amendments to the Act on Reserve of crude oil, refinery products and natural gas ("the Act"). The draft introduces several changes that we have long advocated for and creates a major opportunity to reopen the Polish gas market to competition. We particularly welcome the recognition of the role of the market in ensuring gas supply security and we stand ready to discuss further improvements to the functioning of the Polish gas market.

We believe that both the current geopolitical situation and Poland's aspirations to develop a liquid market for gas create a very attractive opportunity to discuss a more market-friendly approach to ensuring strategic gas stocks. The difficulties encountered by the State Agency for Strategic Reserves (RARS) when preparing the so-called ticketing service earlier this year have proved that a more fundamental overhaul of the storage obligations should be favoured. Below, we propose some further improvements to the proposed Act to ensure the most cost-optimal solution for the Polish consumers.

To begin with, we note that while the Act introduces precise definitions of protected H-gas consumers, but calculates the minimum strategic stock based on 35% of the overall demand for H-gas over a 30 day period under a one in 20 years scenario (art. 25). It is not clear whether protected customer demand equates to the 35% overall demand figure used to calculate the strategic stock requirement. But if it doesn't, this may overestimate the size of the necessary strategic stock and potentially crowd out the commercial use of the storage facilities, along with the flexibility that they offer to the market participants. We would therefore suggest that the strategic stocks are calculated solely based on protected customer demand over a 30 day period under a one in 20 years scenario, so that the costs brought about by such additional security provision do not negatively affect the competitiveness of the Polish economy.

Secondly, we note that a cap on the storage levy has been anticipated at a level (150PLN MWh) that seems unreasonably high even when considering the wholesale gas prices observed over the course of the past few months. Even if potential investment in new capacities is anticipated and the strategic storage size remains as currently proposed, the level of the raises concerns over the costs of consuming gas in Poland. We further note that the profits generated by the RARS (from gas reserves maintenance) should be taken into account when calculating the levy (art.25d). Overall, we believe that both the size of the levy and the way it is funded deserve further discussion, so that market participants gain clarity over the expected gas tariff levels in the coming years.

Thirdly, while we support the proposed approach through which the storage obligation is to be met through the intermediation of the RARS, we note that the mismatch between the storage obligation duration (gas year) and the storage products offered by the Polish storage facilities remains in place. This gives the State Agency an incentive to seek

storage products in those facilities that can offer products tailored to their needs and we take this opportunity to reemphasize our call for encouraging a more market-friendly approach from the Polish storage facilities [1]. Also, to the extent it is necessary to hold strategic stocks in neighbouring countries, the obligation to book interconnection capacity for the entire gas year equivalent to the amount storage withdrawal capacity should be dispensed with.

Finally, we note that the Act does not specify the deadline for announcing the level of the levy financing the strategic stock each year (art. 25d.5) and does not set a date for defining it for the first time this year. Moreover, as the current law is to be annulled only on 01/10/2023, there will be an unnecessary reporting obligation (to ERO, by 15/05/2023) still in place regarding the obligatory gas reserves maintained by (no longer) obliged entities in the gas year 2023-2024 – the respective provisions should therefore be deleted.

We would also like to confirm that:

- a) once set, a levy will apply for the upcoming calendar year
- b) Polish authorities intend to equip RARS with a budget that would allow it to acquire the strategic gas stock already for the upcoming heating season (that is not covered by the currently applicable “ticketing service”)

Key messages

- Size of the reserve stocks should be calculated vis-à-vis the consumption of the protected customers
- The anticipated levy size should be discussed further to avoid anxiety over the future costs of gas

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References

1. [EFET comments to the previous Storage Act revision](#)