

To: Deputy Permanent Representatives – Coreper I
CC: Mr Matthew Baldwin, DG ENER, Deputy Director-General

Brussels, 20th September 2023

Industry views regarding the proposal to establish a permanent demand aggregation and joint purchasing mechanism through the Recast Gas Regulation

Dear Ambassadors,

Following the Russian invasion of Ukraine and the subsequent energy crisis, the Council Regulation 2022/2576 of 19 December 2022 has established, under *Article 122 (1)*, a set of emergency measures, including demand aggregation and joint purchasing mechanism, later implemented under the name ‘AggregateEU’. Such mechanism was created to ‘help undertakings to obtain supplies from alternative natural gas suppliers or providers under advantageous conditions as a result of the demand aggregation and joint purchasing’¹. By 1st October 2023, the Commission shall carry out a review of this Regulation in view of the general situation of the gas supply to the Union and shall present a report on the main findings of that review to the Council. Based on this report, the Commission may propose to prolong the validity of this Regulation.

During the trilogue negotiations on the Hydrogen and Decarbonized Gas Market Package, it is proposed by the European Parliament to establish, through *Article 67* of the Recast Gas Regulation, a permanent mechanism for demand aggregation and joint purchasing.

We would like to commend the Commission for having developed and implemented, under the leadership of Executive Vice-President Šefčovič, a functioning platform within a very short timeframe. However, based on the experience of industry in the two first rounds, we note that:

1. **Existing commercial channels / energy exchanges remain preferred by experienced market participants:** experienced buyers and sellers continue to have a strong preference for using existing, established commercial channels and energy exchanges.
2. **Volumes handled by the platform are low:** natural gas trades concluded at the Dutch TTF alone amounted to more than 2500 Bcm in the 1st half of 2023², compared to the 23 Bcm matched by the AggregateEU platform (0,9%).
3. **The emergency and gas supply risks have receded:** the platform was introduced as a temporary measure in reaction to an emergency / gas supply crisis. While the natural gas market remains relatively tight, the emergency as well as the supply crisis are no longer an immediate concern. There is therefore no justification for a prolongation of the platform as a crisis measure. This is also reiterated by ACER in its report on ‘Key developments in EU gas wholesale markets’ (published June 28) pointing out that prices have fallen substantially since end-2022 and an improved demand-supply balance has driven energy prices further down, including for supplies in the upcoming winter.³
4. **The well-functioning of the EU internal market has been at the core of solving the supply crisis:** price signals have significantly contributed to increasing Europe’s LNG supplies⁴ to 160 Bcm in 2022 (versus 95 Bcm in 2021), thereby replacing most of the reduced pipeline gas supplies from

¹ Council Regulation 2022/2576 of 19 December 2022 Recital 10

² [TTF ontwikkeling > Gasunie Transport Services](#)

³ ACER, ‘[Key developments in EU gas wholesale markets - 2023 Market Monitoring Report](#)’, 27 June 2023.

⁴ Europe: EU-27 & UK

Russia.⁵⁶ And investment into transportation capacity has reduced the price spreads that previously arose because of congestion.

Therefore, we recommend that the Hydrogen and Decarbonized Gas Market legislation does not establish a permanent mechanism for demand aggregation and joint purchasing. If still contemplated, there should not be any mandatory participation.

Furthermore, consideration of the extension of the mechanism to hydrogen and hydrogen-derivatives is premature. New, permanent measures should follow the EU principles of better regulation, be based on impact assessments taking into consideration EU competition law and financial market regulations. Please find further background and reasoning in support of our recommendation in the enclosed Annex.

We support the Commission's proposal to involve external independent analysis to assess the effectiveness of the platform and its contribution to market functioning rigorously and for these to be made public. This step is essential to validate the justification of ongoing costs and prevent potential adverse effects on market functioning, security of supply and international partnerships.

We look forward to engaging in constructive dialogue and collaboration.

Yours faithfully,

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Association of Oil & Gas
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SIGNATORIES:

The International Association of Oil & Gas Producers Europe (IOGP Europe) is the European voice of our industry, an enabling partner for a low carbon future. We pioneer excellence in safe, efficient, and sustainable energy supply, and work with policymakers to deliver a policy framework enabling our Members to scale up investments in the EU's transition towards climate neutrality by 2050. For more information: www.iogpeurope.org

The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. We build trust in power and gas markets across Europe, so that they underpin a sustainable and secure energy supply and enable the transition to a carbon neutral economy. EFET currently represents more than 130 energy trading companies, active in over 27 European countries. For more information: www.efet.org

The Association of European Energy Exchanges (Europex) is a not-for-profit association of European energy exchanges with 34 members. It represents the interests of exchange-based wholesale electricity, gas and environmental markets, focuses on developments of the European regulatory framework for wholesale energy trading, and provides a discussion platform at European level. For more information: www.europex.org

The International Gas Union (IGU) was founded in 1931 and it is a worldwide non-profit organisation representing more than 150 members in more than 80 countries. The members of the IGU are national associations and corporations within the gas industry, covering over 90% of the global gas market and working in every segment of the gas value chain, from the supply of natural and decarbonised gas, renewable gas and hydrogen, through their transmission and distribution, and all the way to the point of use. For more information: www.igu.org

⁵ EC, '[Quarterly report on European gas markets](#)', 2022

⁶ Department for Energy Security and Net-Zero, '[Energy trends: UK gas](#)', 2023

Annex to 20th September 2023 'Industry views regarding the proposal to establish a permanent demand aggregation and joint purchasing mechanism through the Recast Gas Regulation'

Further background information and reasoning in support of our recommendation:

- Although originally intended, joint purchases are not enabled by the platform: no joint purchases of those registering their demand are enabled by the platform, reflecting the legal and commercial complexities of joint purchases (e.g. agreement by multiple parties on joint liabilities, governing contract laws, credit worthiness criteria, prices, joint delivery points, force majeure terms, jetty slot management for LNG ships, etc).
- Industry has not expressed support for its continuation: the Industry Advisory Group (comprising companies and observers) that advises the EU on the platform has not expressed support for its continuation beyond the terms of Council Regulation 2022/2576. We encourage the Commission to continue seeking guidance from the industry through the Advisory Group.
- The platform has the potential to crowd out nascent liquidity and has modest discovery effects: there are concerns that AggregateEU is having an adverse effect in Member States and Energy Community Contracting Parties where market liquidity is lesser or in its infancy. Furthermore, matches made on the platform were not new (i.e. they were already in commercial relationships) or – where they were new – reportedly failed compliance checks.
- Exchange and brokerage platforms should be determined by market participants: it can be questioned whether the Commission should be required to use its resources to develop market platforms and contract service to provide free of charge services to users, which such service providers can easily develop and provide on a commercial basis to market participants. Exchange and brokerage services are already well-established for the main European virtual trading points, where 80% of the AggregateEU's matched demand was located. Also, as a less homogeneous and more complex product, a platform for trading of LNG cargoes is likely to achieve little more than an 'introduction service', without simplification of the negotiating process. If there had been a market demand for a platform, and the issues had been simple to resolve, the market would have developed it long time ago.
- Demand signal lifting prices: mandatory participation risks to give misleading demand signals as the same demand is placed in the market and – in parallel - through the platform. Such duplication of demand gives an impression of higher demand, leading to a perceived tighter demand/supply balance with upward pressure on prices. Furthermore, offers by suppliers on the platform typically are at a premium versus 'normal' market prices, as offers via the platform are for non-standardised products and typically involve higher credit risk exposures.
- Expanding AggregateEU to decarbonized gases, including hydrogen and its derivatives, may hamper their uptake rather than support it: it would duplicate products already traded on existing markets and damage bottom-up initiatives implemented by exchanges and other market service providers. In an environment of various non-standardized national support schemes for renewables and insufficient network interconnectivity, it is questionable why AggregateEU is needed and why market services should be taken over by a single institutional service provider.