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INFORMATION NOTE

From:	General Secretariat of the Council
To:	Council
Subject:	Any other business
	Trilateral gas talks and the winter outlook for the security of gas supply
	- Information from the Commission

Delegations will find in Annex an information note from the Commission.

**NOTE FROM THE COMMISSION SERVICES
SUMMARISING THE ON-GOING TRILATERAL GAS TALKS AND RESULTS OF
SIMULATIONS OF THE EU GAS SECURITY OF SUPPLY SITUATION AHEAD OF
WINTER 2019/20**

1. Trilateral gas talks

The trilateral talks EU-Russia-Ukraine aimed at facilitating the continuation of Russian gas transit to the EU via Ukraine after the expiring of the current transit contract at the end of 2019 are still ongoing. Progress to date is not yet satisfactory but all sides are engaged in discussions covering all concrete aspects of the new transit arrangements.

The EU and Ukraine pursue the outcome of a long-term transit contract based on EU rules, the adoption of which is currently being finalised by Ukraine before 1-1-2020, notably through the unbundling of the gas transmission and establishment of a certified independent transmission system operator for gas (preliminary certification by the Ukrainian Regulator was issued on 22 November 2019). Russia confirms its openness to this solution provided changes in Ukrainian legislation are implemented as planned, while negotiations between the companies are ongoing to clarify remaining issues such as transit volumes, tariff etc. The next trilateral ministerial is planned for the first week of December.

2. Security of Supply

Following a request by Member States at the TTE-Energy Council of 24 September 2019, the Commission prepared a non-paper that summarizes the results of simulations for possible gas supply disruptions of the Ukrainian gas transit to inform about the gas security of supply situation in particular in South-East Europe ahead of the coming winter.

The non-paper shared on 22 October 2019 with the Gas Coordination Group, as well as the Council's Energy Working Party on the same day, considers three possible gas disruption scenarios for the Ukraine Risk Group and combines the results of simulations performed by ENTSOG¹, DG ENER and JRC.

¹ On Commission request, aligned with assumptions under the Gas Security of Supply Regulation

Following new information received in November 2019 about an earlier than previously expected implementation of the reverse flow setup on the Turkish-Bulgarian border as of 1 January 2020, the Commission services have undertaken another round of consultations with the most affected Member States, as well as ENTSOG, the European Federation of Energy Traders (EFET) and the Energy Community. Additional simulations have also been performed based on the new information in order to assess the impact of this new development.

For this up-coming winter, EU underground storage filling levels have been found to be very high at the beginning of the heating season (above 96% full), the highest since data is available on the Gas Storage Europe (GSE) transparency platform (2011). Filling levels in most storages have reached their full capacity, in particular in Eastern Europe. In addition, Ukraine's underground gas storage level has surpassed 21 bcm by the end of the filling season, over 4 bcm more than at the same time last year, which should ensure safe operation of the transmission system.

Thanks to the reverse flow on the Turkish-Bulgarian border becoming operational as of 1 January 2020, the security of supply situation has further improved, in particular for Bulgaria and Greece. However, the new reverse flow capability seems not to improve significantly the Romanian security of supply situation due to possible infrastructural or commercial constraints.

While the up-dated simulations of a potential supply disruption of Ukrainian transit still show a potential unserved demand for Bulgaria of between 16 and 20%, assuming certain internal bottlenecks within Bulgaria, the situation has significantly improved by 40% compared to simulations without the reverse flow. In case no bottlenecks exist, unserved demand in Bulgaria could be around 7% for a peak day. Greek unserved demand would depend on the extent of regional cooperation and/or relative prices in the two markets. Due to uncertainty about internal bottlenecks, it remains unclear, however, whether all Bulgarian demand could be supplied and to what extent potential gas volumes arriving from Turkey could be transported further towards Romania.

In any case, regional cooperation under the Gas Security of Supply Regulation would help prevent or mitigate as much as possible bottlenecks in gas supply in case they occur. The Commission services stand ready to facilitate effective cross-border cooperation, notably in the framework of the Gas Coordination Group.