

7th Meeting of the REMIT Expert Group on wholesale energy market trading

Thursday 23 March 2023 from 11:00 to 12:30

Meeting Chair: Volker Zuleger / Martin Godfried

DRAFT MINUTES

1. MEETING OPENING

The Agenda of the 7th Meeting of the REMIT Expert Group (7th REG) and the minutes of the 6th REMIT Expert Group meeting were approved. None of the attendees of raised points in advance of the topical discussions.

The meeting was convened with an introductory address from ACER, to delineate the scope and underlying objectives of the 7th REG, casting light on the multifaceted challenges that lie ahead in the evolving REMIT landscape. ACER underscored the critical importance of this meeting in the context of emerging REMIT legislation.

2. REMIT - COMMISSION PROPOSAL

The 7th REG discussed the main elements in the Commission proposal for the revision of REMIT with a particular focus on the need for enhanced interaction among REMIT and other EU legislation, the enhanced REMIT reporting and transparency provisions as well as the challenges of the new REMIT framework from an enforcement perspective. The ensuing discourse revolved around a set of specific questions and inquiries related to the REMIT proposal¹, including:

- Potential improvements in the alignment of the **REMIT legal framework with the European Union financial market regulation**²
- REMIT and the new types of energy markets / new categories of data: The experts determined the elements still missing from the **reporting scope** of the new REMIT proposal.

¹ Ibid.

² **Regulation (EU) No 600/2014** of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments, **Directive 2014/65/EU** of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments, **Regulation (EU) No 648/2012** of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories

- The experts discussed ACER's ability to respond to the new challenges (especially in respect to market abuse cases involving multiple cross-border elements³ and market participants established outside the European Union). The 7th REG agreed that insofar ACER is already in charge of monitoring of the EU wholesale energy market, it is best placed to perform investigations in certain selected cases, with the NRAs retaining their role in the remaining cases. The experts also addressed the need for enhanced investigatory powers that should be attributed to ACER, with the purpose of supporting and complementing the enforcement activities of the NRAs.

3. MARKET CORRECTION MECHANISM AND MIGRATION OF EU TRADES TO NON-EU COUNTRIES

The experts were introduced to the purpose of the Market Correction Mechanism (MCM), designed to limit prices in EU gas markets, activated when prices at EU virtual trading points move above certain levels and when these prices are also significantly above the LNG import price) as well as its scope of. Against this background and given that the MCM is not applied (for the time being) to over-the-counter transactions (OTC), the experts discussed if moves by exchanges to launch products (alternative venues) that bypass the European Union's gas price cap, might end-up damaging market liquidity (in case another spike in prices triggers the mechanism). The experts assessed the relevant risk and expressed their opinion on the likelihood of such an instance to occur presently.

4. LNG MARKET DATA REPORTING AND REMIT REPORTING REGIME

Under this item the experts analyzed if transactions, currently required as LNG market data - but **not included** in the benchmark methodology - should be **excluded** from future LNG market data reporting obligations (e.g. FOB transactions or bilateral bids and offers without "*commitment to platform and matching process*"). In particular, the 7th REG examined whether it would be possible and sufficient to capture LNG market data reporting obligations exclusively through **REMIT reporting only** (if the LNG market data reporting would be integrated into the REMIT reporting regime) or if the **LNG market data reporting** may ostensibly replace the standard LNG Reporting obligation under REMIT.

5. MCM ACTIVATION AND MARKET MONITORING - PREVENTION TOOLS AGAINST MARKET MANIPULATION

The experts discussed under this Agenda item the connection among the MCM activation and the REMIT market monitoring in respect to prevention tools against market manipulation. Although in their final assessment reports (1 March 2023) on the effects of the MCM, neither ACER nor ESMA have identified significant impacts (positive or negative) that could be directly attributed to the adoption of the MCM, the MCM might still have impacts on markets in the future. Therefore, departing from the assumption that both MPs and NRAs should have their own tools to prevent or detect market

³ At the end of 2022, there were 15 open REMIT cases with multiple cross border elements, 11 of which were notified in 2022 and the number is growing at a higher than the general growth in the number of REMIT breach cases.

manipulation when MCM should be activated, the experts discussed how LNG trading companies should (or should not) act during a potential MCM activation. Moreover, the 7th REG looked into the types of market manipulation that appear to consist the highest risk categories, in case MCM is activated (e.g : wash trades, cross product manipulation, pre-arranged trading, and other similar types of market behaviour).

6. CLOSING

The 7th Meeting of the REMIT Expert Group on wholesale energy market trading ended with ACER outlining the strategic direction of the REMIT framework revision. Considering these forward-looking discussions, it was mutually agreed that the next meeting will be convened in early June 2023, to continue the collaborative efforts in shaping the future of REMIT.

AGREED ACTION POINTS

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| ACTION POINT 1: | Additional or updated feedback or comments related to Commission Proposal to be provided by the experts via email until the next meeting (REMIT.expertgroup@acer.europa.eu). |
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