
5th Meeting of the LNG Price Assessment / Benchmarks Expert Group

19 March 2024

14:00 to 18:00 CET

Meeting Chair: **Iztok Zlatar**

DRAFT MINUTES

1. MEETING OPENING

The 5th meeting of the Expert Group on LNG price assessment/benchmarks (LNG PAB EG) took place in a hybrid format. The meeting opened with the approval of the agenda and the introductory remarks on the state of play of ACER's LNG price assessment and the collection of daily market data according to [Council Regulation \(EU\) 2022/2576](#), as well as the future of the LNG PAB EG. The action points of the 4th LNG PAB EG (*i.e.* clarification of the LNG price assessment procedures, resolution of cybersecurity issues, external auditing of the price assessment process) were reviewed and the experts were informed that the quality of the data received had significantly improved.

2. LNG PRICE ASSESSMENT METHODOLOGY DEVELOPMENTS

After the update on the recent developments on LNG market data reporting, the LNG experts focused primarily on ACER's proposals for adjustments to the methodology (*i.e.* potentially incorporating **free on board (FOB) transactions** to make them comparable to **delivered ex ship (DES) transactions**, integrating **in-tank transactions**, including **reloading transactions** as well as merging data from both the northern and southern areas to enhance overall coverage and accuracy (**merge of north and south areas into a single EU zone**)). After setting out the proposal, ACER consulted the experts on these subjects as well as additional topics, with the aim to enhance the accuracy of the [LNG price assessment and benchmark calculation](#).

Notably, the following points were made:

2.1 FOB Transactions

FOB eligible transactions, constituting 88% of the total FOB transactions, would be made comparable to DES transactions and included in the price assessment as eligible transactions, on a temporal window of up to 10 days, with greater weight given to recent transactions. It was noted that including FOB transactions would have prevented price repetition issues in 60% of cases. ACER is investigating if FOB transactions are reported by both parties. Various factors are considered to align FOB transactions with DES transactions. Some concerns were raised about the ability to capture the value of optionality embedded in FOB transactions and risks

associated with changing maritime weather conditions and their reflection on freight cost. ACER would circulate a detailed proposal of the suggested approach and further analyse the potential inclusion of FOB transactions, addressing the concerns raised by the experts.

2.2 In-Tank Transactions / Reloading transactions

In-Tank transactions implies the transference of LNG ownership within the LNG storage tanks at European import terminals. Concerns were raised on the comparability of the LNG price of these transactions and the LNG price of spot cargo deliveries. ACER shelved this item of the proposed methodology update until there is no further evidence supporting such comparison in LNG prices. In parallel, it was concluded that the inclusion of **reloading transactions** does not face significant obstacles.

2.3 PAs Merge of Areas

The proposal to merge areas and publish only the European price aims to avoid issues arising from unrealistic price spreads. It was concluded that no obstacles appear to exist to the publishing of a single price. The Group agreed that such an approach would simplify the report and align it with the regulation.

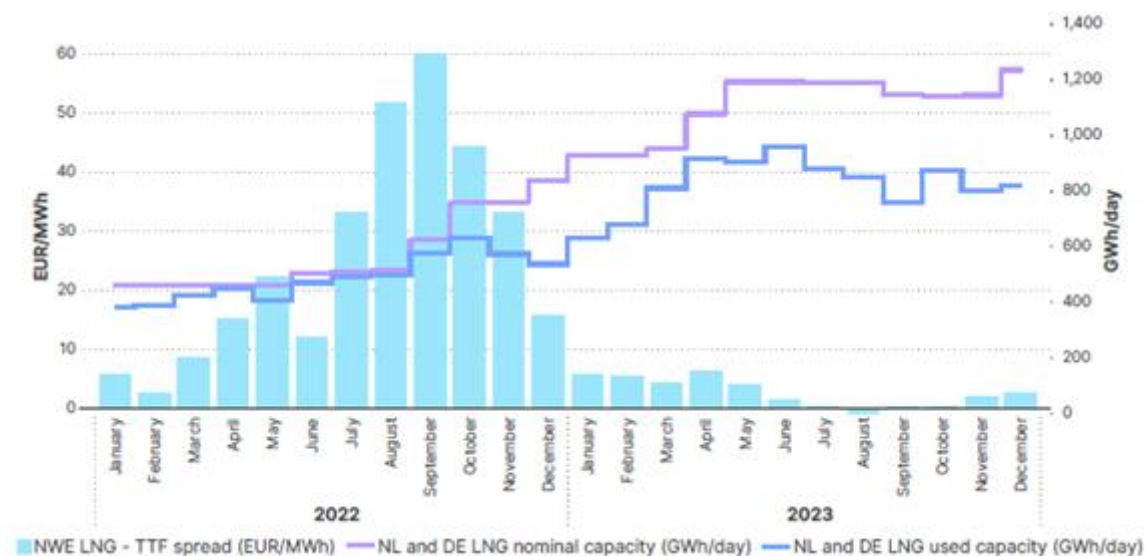
2.4 Vessel Capacity Threshold

As the current threshold excludes transactions involving vessels with capacities below 75,000 cubic meters, ACER presented the proposal of lowering it to 40,000 cubic meters. However, after discussing the different arguments about changing the threshold, no clear agreement was reached and ACER will further analyse the topic.

3. PRESENTATION OF LNG MMR

The ACER [LNG market monitoring report \(MMR\)](#) was presented and the link to the [LNG price assessment](#) was highlighted. ACER explained that the report offers an in-depth analysis of the European LNG market across three chapters: global market dynamics, LNG trade mechanisms, and the European market's functionality. The report highlights the market's transformation since the Russian crisis, noting among other things that EU27 had increased LNG imports by 57 billion cubic metres (bcm) since 2021, thereby becoming the largest LNG importer ahead of China and Japan. A reference was also made to the increased production capacity expected by 2030, equivalent to half of the current trade level, as well as to other relevant factors and to the fact that USA has become a top LNG exporter. The report emphasises how the new LNG import capacity alleviates congestion and reduces price spreads (see the figure below).

Overview of North West Europe LNG and TTF month-ahead price difference (EUR/MWh), Netherlands and Germany nominal and used LNG capacity (GWh/day) - January 2022 - December 2023



Finally, it was noted that the adoption of the [REPowerEU](#) led to a series of coordinated measures across the EU, driving a structural decrease in gas demand and contributing to the reduction of price volatility

4. REMIT II AND THE LNG PRICE ASSESSMENT

The REMIT II legal framework and the links to the LNG price assessment were presented by ACER. The experts were given the opportunity to provide feedback on all matters concerned, including the improvements to be made in the implementation framework, particularly in introducing reporting scenarios and advancing the collection of LNG market data.

5. CLOSING SESSION

ACER thanked the LNG Experts for their contribution to the process of ACER's daily LNG price assessment and benchmarks and informed them that the next LNG PAB meeting would take place during the second half of 2024.

Action Points

1. Feedback in writing on the future development of the [ACER Guidance on reporting LNG market data](#) - further inputs into LNG market data collected
2. ACER will circulate a detailed proposal for the inclusion of FOB transactions addressing the concerns raised by the experts