



Consultation on the draft consent decision of the Dutch Minister of Economic Affairs in respect of gas extraction at Groningen
[reference DGETM-EO / 18219286]

ENGIE's response paper

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ENGIE is particularly concerned by the draft consent decision of the Dutch Minister of Economic Affairs referred DGETM-EO / 18219286 and related to the cap of L-gas production from the Groningen field for the gas year 2018-2019 (the "**Draft Consent Decision**"). As a European gas midstreamer, ENGIE has been shipping for years large quantities of low-calorific gas (L-gas) to Belgium and France, through its long term supply contract with GasTerra, for the supply of 1,8 million of French and Belgian L-gas end-users. In that respect, ENGIE welcomes the consultation launched by the Dutch Minister of Economic Affairs regarding the Draft Consent Decision.

ENGIE wishes to draw the attention of the Minister to the fact that part of the L-gas flows from the Netherlands is currently converted into H-gas and is injected into the H-gas network in France. Between October 1, 2016 and September 1, 2018, GRTgaz has already injected a total of 0.9 billion Nm³ of L-gas into its H-gas network. ENGIE expects 0.6 billion Nm³ of L-gas converted in France in gas year 2018-2019. These conversions are a direct consequence of ENGIE's oversupply in L-gas from GasTerra. Thus, the size of ENGIE's contract with GasTerra influences the physical offtake of L-gas in France and Belgium.

The oversupply due to GasTerra's contract will dramatically increase in the coming years, notably because of the gradual conversion of L-Gas end-users to H-Gas in France and in Belgium. Such growing oversupply will lead to a massive "waste" of L-Gas produced in Netherlands: even if only 25%¹ of ENGIE's excess gas volumes were physically converted, the total "waste" of L gas will reach 9 billion Nm³ over the next decade if no measures are taken.

¹ Consistent with the realized physical conversions in gas years 2016-2017 and 2017-2018.



Such a situation is inconceivable as the Dutch authorities have declared that Groningen gas should be exclusively used as a last resort and for the sole purpose of ensuring security of supply. The fact that Groningen is used as a marginal L-gas resource implies that any decrease in L-gas off-take has an immediate and direct impact on the Groningen production, thus on the Groningen cap. This analysis is also supported by the Minister of Economic Affairs himself, as he acknowledged, in his letter to the Dutch Parliament dated June 6, 2018, that measures in France for limitation of L to H conversion would decrease Groningen production.

Only an adaptation of ENGIE's contract with GasTerra will eliminate this risk. ENGIE is ready to decrease immediately its L-gas supply contract with GasTerra to the level of its French and Belgian physical needs. If this is done, L to H conversions in France will disappear because they will be no longer needed.

Moreover, ENGIE notices that the Draft Consent Decision did not take into account the baseload conversion firm service² that Fluxys is ready to propose to shippers in Belgium on a yearly basis³ and which represents 0.9 billion Nm³ of pseudo L-gas generated from nitrogen plant at Lillo.

Given the serious events in the Groningen area over the last years, ENGIE is therefore surprised that the proposed Groningen cap does not take into account the existing levers, in France and Belgium, as described in this document.

² Source : Fluxys – Transmission Programme – Service Offer Description - § 3.6 Gas quality conversion service H \leftrightarrow L : https://www.fluxys.com/belgium/en/Services/Transmission/Contract~/media/Files/Services/Transmission/TermsConditions/Version20151029/Fluxys_TransmissionProgramme_EN_20151029.ashx

³ Source : Fluxys – Access Code for Transmission – Annex C.3 - § 5. Quality Conversion H \leftrightarrow L (based on document approved by CREG on 26 April 2018) : https://www.fluxys.com/belgium/en/services/transmission/contract~/media/Files/Services/Transmission/TermsConditions/Version20180426/ACT_Full_PLANC_EN_Approved.ashx