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Our ref. GT-MT-RB-L225
Subject / ref. NCTAR

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Dear Madams, dear Sirs,

On 5 March 2018 we have taken note of the draft decision of the Autoriteit Consument en Markt (ACM) regarding the implementation of the European network code on harmonized transmission structures (NCTAR) (reference ACM/UIT/471347).

As previously addressed by Gate terminal B.V. (Gate) (ref. GT-MT-SA-L217 26-09-2017 and GT-MT-RB-L223 26-01-2018) changes in the transport tariff system will impact the competitiveness of Gate as a LNG terminal.

Despite the substantiated arguments that were brought in during the several consultation sessions organized by both ACM and Gasunie Transport Services B.V. (GTS) supporting the rebated entry tariff for LNG terminals and the so called 0-100 entry-exit split as proposed by GTS, we regret to have taken note that the ACM has chosen otherwise. In our believe the ACM has not substantiated their choice for the deviation from the GTS proposal, more over their choice to deviate from the current entry-exit split of 35-65%.

In the interest of Gate as LNG terminal operator, we would like to address i.e. repeat our position with regard to this subject.

Customers with their typical long term commitments trade and deliver LNG into the terminal and send regasified LNG into the TSO's grid. In comparison to the delivery of gas by pipeline systems, the production and demand of LNG is widely spread over the globe and therefore traded and delivered by parties from different places to different places. A consequence of such global delivery of a commodity compared to the continental deliveries of gas by pipeline, is that LNG is traded on the basis of global price signals typically resulting in lower utilization rates (load factor) of LNG import terminals that may vary from time to time.

Notwithstanding any potential tariff effect, LNG will be the only geopolitical alternative for the delivery of gas to the European community. This has been acknowledged by the European Commission. It is therefore that the commission offers the explicit possibilities to allow specific lower (rebated) tariffs for LNG import terminals in Europe. As we understand, in Europe some of the TSO's already have or will introduce lower transport tariffs for the entry and transport of regasified LNG into their grids.

Although the ACM indicated that the argument to allow for a rebate on the entry tariff can only be if there would be an security of supply issue that would impact the gas supply into the Netherlands and currently such circumstances do not apply, we believe that the validity of such argumentation can only be judged once they apply. Having multiple suppliers of gas into the national and European grid subscribes to the mitigation of any future security of supply issue. We therefore wish to reiterate the importance of the position of Gate in that respect.

As we learnt during the several consultation sessions an alternative for rebated or even zero entry tariffs is the way the transport tariffs are split between entry and exits. We believe a 0-100% entry-exit split for all entries and exits would attract gas entering



into the Netherlands and as a result commodity trading on TTF so contributing to competitive wholesale prices and to lower transport tariffs. It therefore also contributes to the security of supply of gas into Europe and therefore the Netherlands.

As substantiated during the consultation sessions and in our previously sent letters, Gate would highly welcome such lower entry tariffs in the Netherlands too, since they would contribute to a level playing field for all interested parties which benefits the market.

We are strongly convinced that the ACM proposal of shifting into the opposite direction, i.e. from 35/65 to 50/50, further deteriorates the attractiveness of importing gas and LNG to the Netherlands thus undermining the leading TTF position which in the end is detrimental to the final customers. In combination with the price increase as a result of reduced storage transport fees, this change would result in an important and unpredicted increase of the entry tariffs. Once long-term contracts expire price-sensitive entry bookings will relocate to gas market areas with lower entry fees and a more stable regulatory framework. Indeed as far as we know few regulators use NCTAR to change the allocation of costs over entry and exit.

With reference to the above, Gate sincerely ask the ACM to reconsider its position with regard to the entry tariff level.

Yours sincerely,



Managing Director of Gate terminal B.V.