



## ***Position paper of LNG prospects in the Danube Region***

Following years of declining utilization rates, the fortunes of European regasification terminals are set for a reversal on the heels of a shift in global supply and demand conditions. Stagnant and declining Asian demand combined with massive liquefaction capacity additions in Australia and the US will sustain a soft market expected to transform Europe into the LNG destination of last resort in the short-term.

However, it is increasingly evident that LNG access is significantly limited from reaching secondary and tertiary markets within Europe. This is the result of lingering physical and regulatory constraints that continue to obscure progress towards a single European natural gas market. For countries lacking direct access - in particular those of Central and Southeast Europe - these limitations have hamstrung the potential competitive and security of supply benefits that LNG can offer.

Recognizing this shortcoming, the European Commission is leading regional infrastructure investment efforts to improve integration and encourage LNG expansion. This is at the core of its recently published strategy for LNG and gas storage, which concluded that select PCIs will disperse LNG from countries with existing LNG terminals and increase uptake in CSEE. In particular, the communication refers to the six priority projects identified by CESEC that have the potential to contribute to the region's LNG access, resting on two fortified corridors from Croatia and Greece.

The report investigates the impact of global and regional gas market developments in the Danube Region (DR) and finds that under current conditions the global surplus of LNG will bring price relief to Europe but the DR will only experience limited benefits. As more LNG reaches Europe, the price difference between Western Europe and the DR will also increase. This is due to a lack of nearby LNG terminals, missing interconnectors and underutilization of existing infrastructure due to exorbitant tariffs. Modelling suggests that for the *Lech Kaczinsky LNG terminal* and the *HR-HU interconnector* in particular, *high tariffs* undermine utilization and limit regional social benefits.

Steadily decreasing demand and a pervasive low price environment render a number of modelled PCIs to go unutilized. The projects that achieve positive social NPV in 2020 are *IGB* and *Croatian LNG* terminals.

*Therefore we, the Countries of the Danube Region request the European Commission to ensure an ongoing dedicated high-level political attention in order to advance the implementation of the above-mentioned strategic projects as well as the elimination of high tariff levels currently hindering access to LNG.*