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UGS : a resilient business at the crossroads of gas and electricity

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Over the last decade, the energy market landscape has undergone a tremendous evolution in Europe, and even more so on a global scale. The structural changes of gas and electricity markets from predominantly integrated structures towards more liberalized and flexible markets have been coupled with the adoption of new ambitious environmental policies, strongly focused on decarbonisation. The recent shale gas discoveries as well as the Fukushima nuclear disaster have shed new light on the future shape of the energy mix. In Europe, gas supply/demand patterns are marked by declining indigenous production and growing import dependency. Finally, the global financial crisis, which took full swing in 2009, has significantly altered the world's energy parameters.

All this has had a considerable impact on the natural gas storage business, which had so far enjoyed a relatively stable and predictable gas development environment. The gradual yet prompt redefinition of the energy landscape, as well as the recent turbulent global events, have proved to be a sort of a "stress test" for the storage industry allowing to assess its resiliency. But they have also provided food for thought and have prompted it to draw several conclusions and lessons for the future.

Firstly, the recent developments have underlined the key role of natural gas in the future world energy mix, which is of utmost importance for the future of gas storage.

Secondly, as the events of the past decade have shown, storage is a resilient business able to respond to new flexibility requirements yet satisfying traditional storage needs to cover seasonal variations and to ensure security of supply. Undoubtedly, the role of gas storage to guarantee security of supply will remain of paramount importance. In particular in countries where gas demand is expected to grow sharply (Asia, Latin America, Balkans etc.), storage will remain key to match supply and demand on peak and seasonal basis and to secure the operations of new pipeline projects. However, additionally to this, storage will increasingly respond to new market requirements linked with the development of competition on the one hand and the new environmental goals on the other. In particular, the increased market dynamics trigger now new short-term arbitrage and trading opportunities which can be valued thanks to flexible storage. Moreover, the new environmental policies which encourage renewable energy production will also pave the way for the development of flexible storage.

Finally, the storage industry appears to involve extremely high technical skills, a profound knowledge in geosciences, and an excellent safety track record. It is precisely for these reasons that it will play a major role in designing and applying new innovative energy solutions located at the crossroads of gas and electricity, such as, for instance, Carbon and Capture Storage, Compressed Air Energy Storage or other. Storage will therefore be one of the answer to the new challenges of low carbon economy.