

Italian plan to guarantee industrial storage capacity under fire

Italy's Council of Ministers has started weighing a contentious proposal to give industrial companies access to gas storage, the majority of which is currently reserved for shippers with domestic customers.

The law would make 5 billion cubic metres (Gm³) of new storage capacity available for industrial companies, not including power generators. It would essentially give these companies "virtual gas" by guaranteeing future storage.

While the cabinet is just beginning to consider the plan, ministers will be under pressure to make a decision quickly so that companies can take the outcome into account when negotiating their future supply contracts, which typically start in October.

"It should all be done in the next month, because otherwise it will be too late and the contracts will be closed," said Antonio Sileo, a researcher at the University of Bocconi's Centre for Research on Energy and Environmental Economics and Policy.

"In the next months, the wholesalers need to be able to decide whether to use virtual gas or the spot market," he said.

But with advocates voicing strong opinions for and against the law, the issue has become increasingly thorny to tackle, he said.

A group of Italian gas suppliers, including Edison Stoccaggio, Erg Rivara Storage, Gas Plus Storage, GDF SUEZ Energia Italia, Geogastock and Ital Gas Storage wrote a letter to the minister of economic development, Claudio Scajola, last week firmly opposing the measure.

The companies argued that the new law would "radically" change the current supply-demand scenario in Italy.

"The new regime would be characterised as a regime that is privileged compared to the current rules on access, allowing specifically identified financial players to stipulate medium and long-term contracts and simultaneously enjoy the flexibility now obtained from future storage capacity through 'virtual' storage services," the companies said in their letter to Scajola.

Supporters of the measure, have long argued that Eni, which controls the incumbent storage operator, Stogit, does not provide enough storage capacity.

As a result, Italy's gas industry can find itself short of supply when demand spikes, Sileo said, adding that this became particularly clear when gas imports declined in January 2006.

"The Italian gas system was not prepared for this elevated use of thermoelectric energy," he said.

If the new law is passed, it will indirectly force Eni to take action, Sileo added. "It will push Eni to invest in storage, to create more."

Italy's gas storage sector has frequently come under attack for its lack of competition and the inflexible allocation rules are often blamed for the PSV's poor liquidity. Stogit manages 97% of the country's storage capacity. SS