



Regulating EU Gas Supply Security in a Global Gas Market P

Jacques de Jong

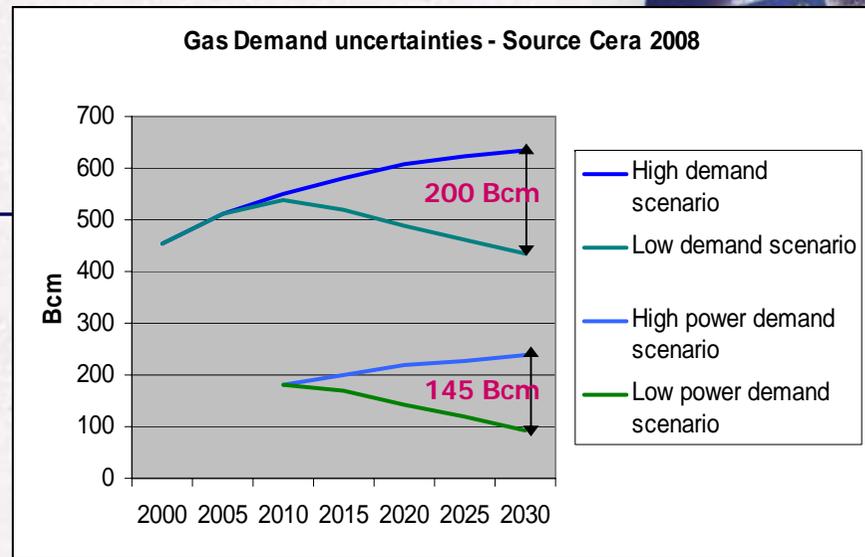
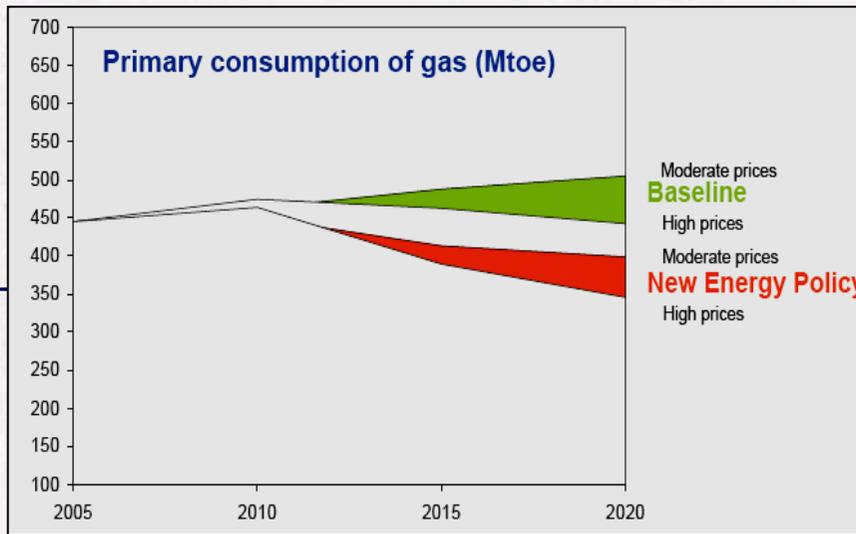
Clingendael International Energy Programme

- World Forum on Energy
Regulation IV
Athens, Greece
- October 18 - 21, 2009

Content



- Security:
 - Gas Demand,
 - Gas Imports
 - Gas supply
 - Gas infrastructures
- The regulatory challenge ?



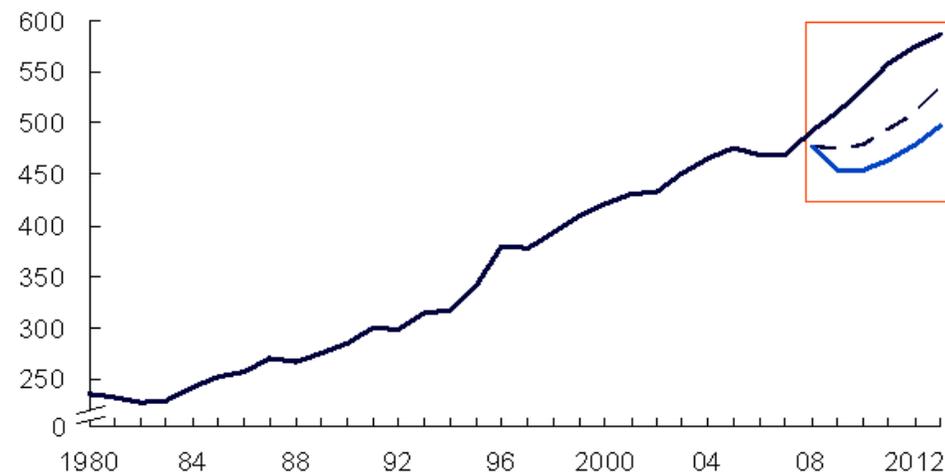
EU Gas demand

Source: CIEP Gas Day 2009

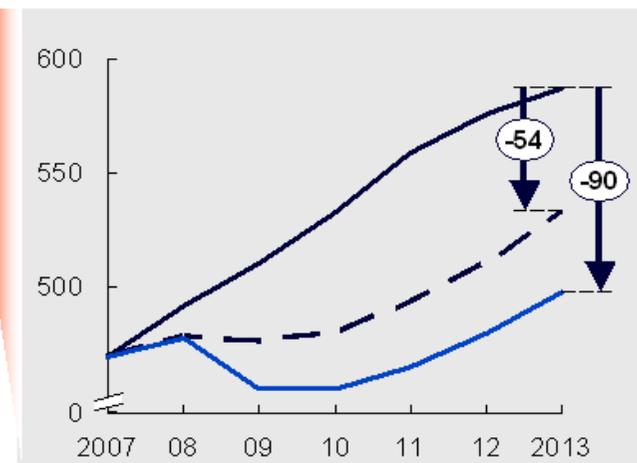
Short term: Europe is being hit hard, losing up to 90 bcm in 2013 vs. pre-crisis estimates

Gas demand, bcm

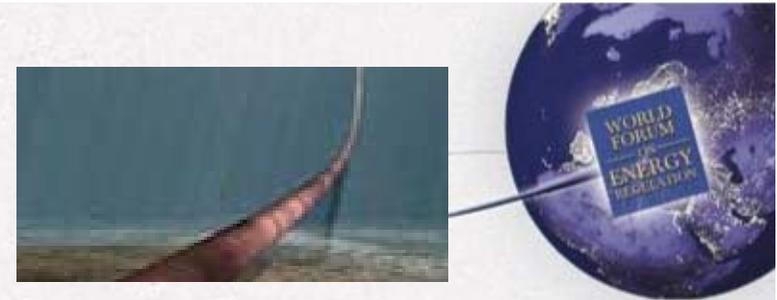
Total gas demand



- / ■ Pre-crisis
- - - / ■ Quick recovery
- / ■ Long freeze



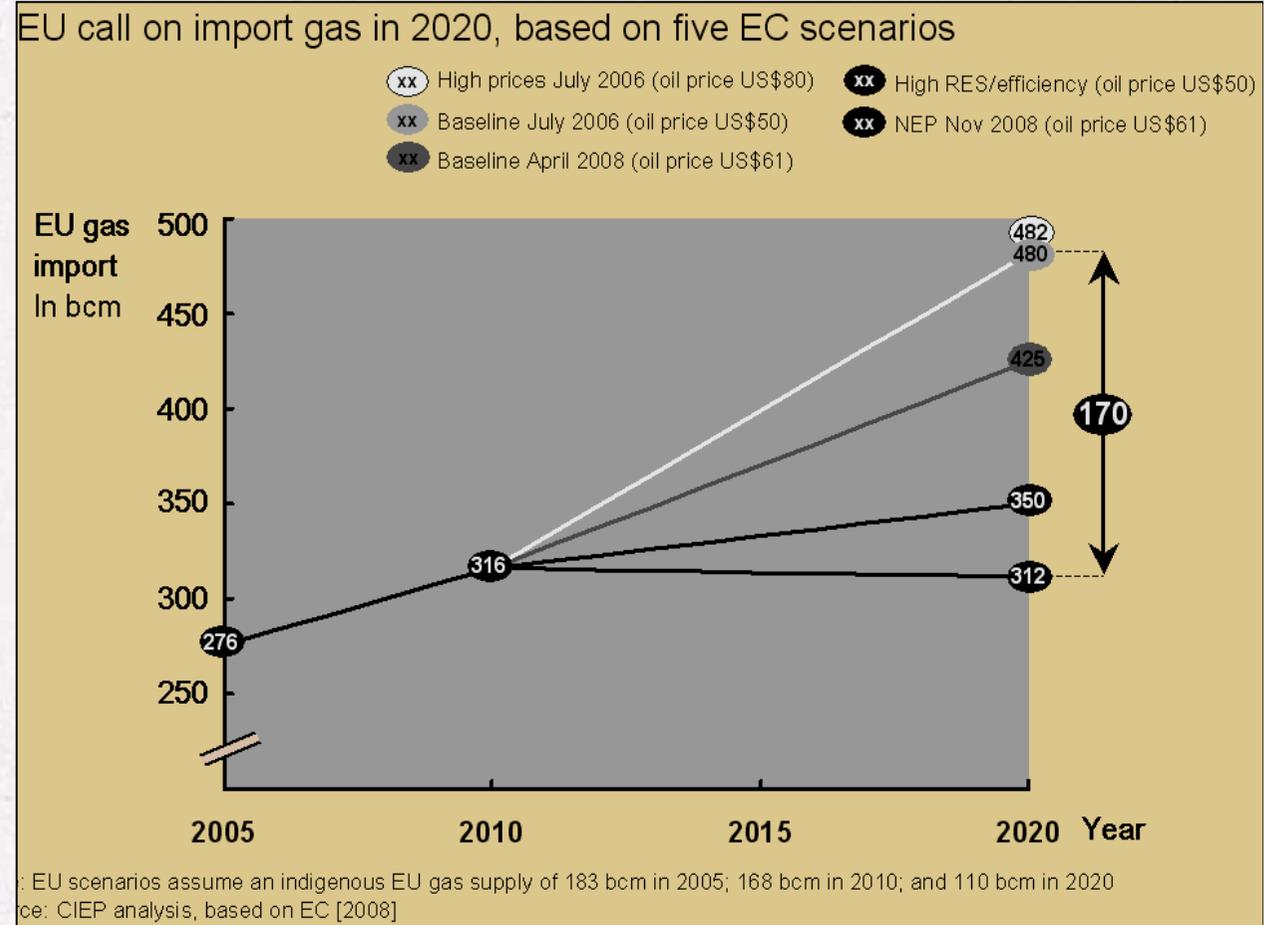
New infrastructures



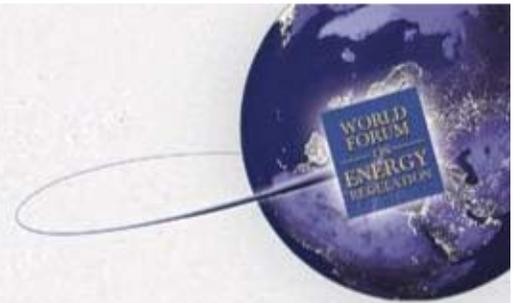
- Meeting increasing gas-imports ??
- Meeting intra-EU SoS?

But:

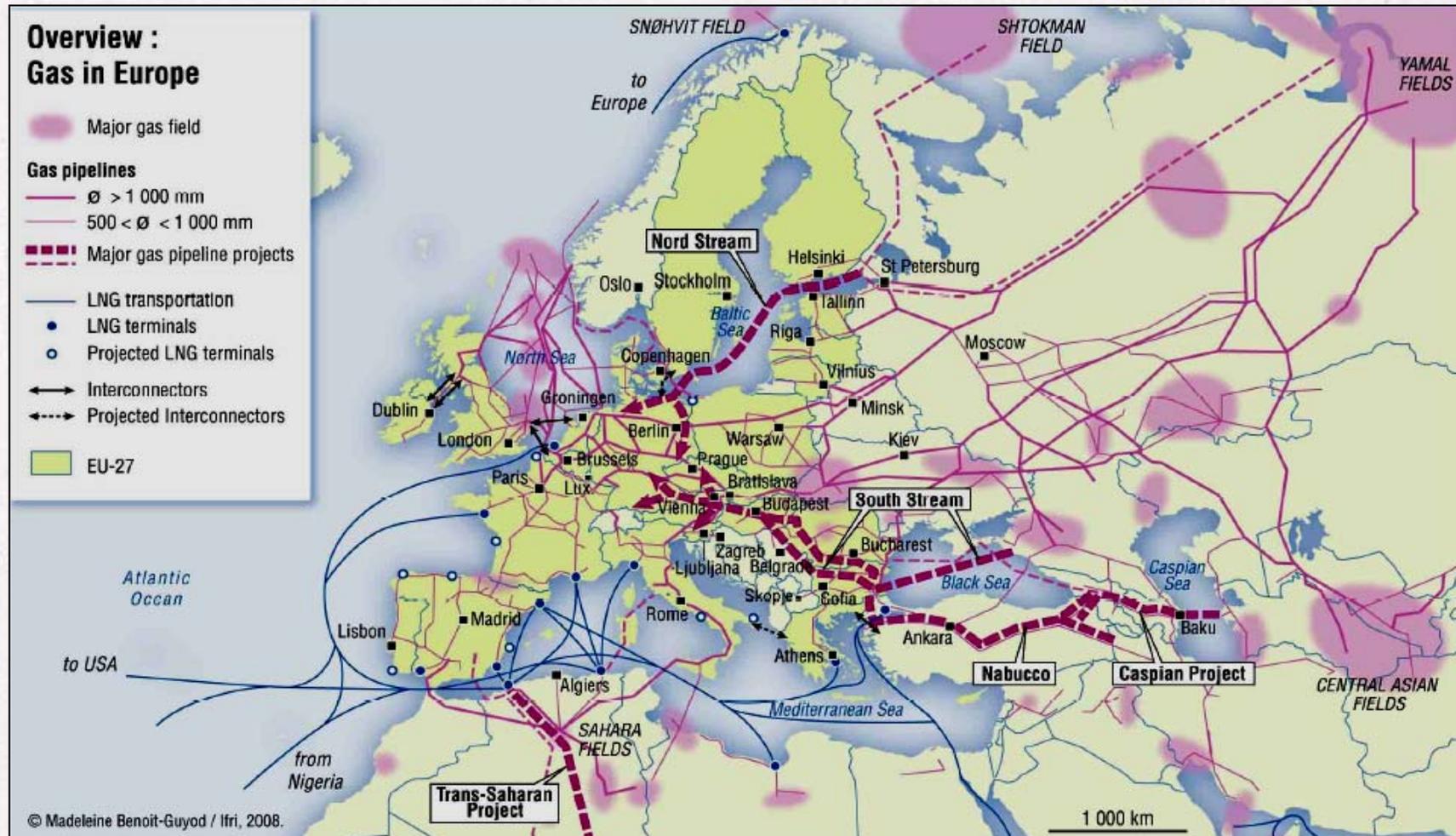
- Unbundling barriers?
- Regulatory risks
- Low ROI's
- Lack of cross-border (regulatory?) coordination



Gasinfrastructures to Europe



IFRI-Nies

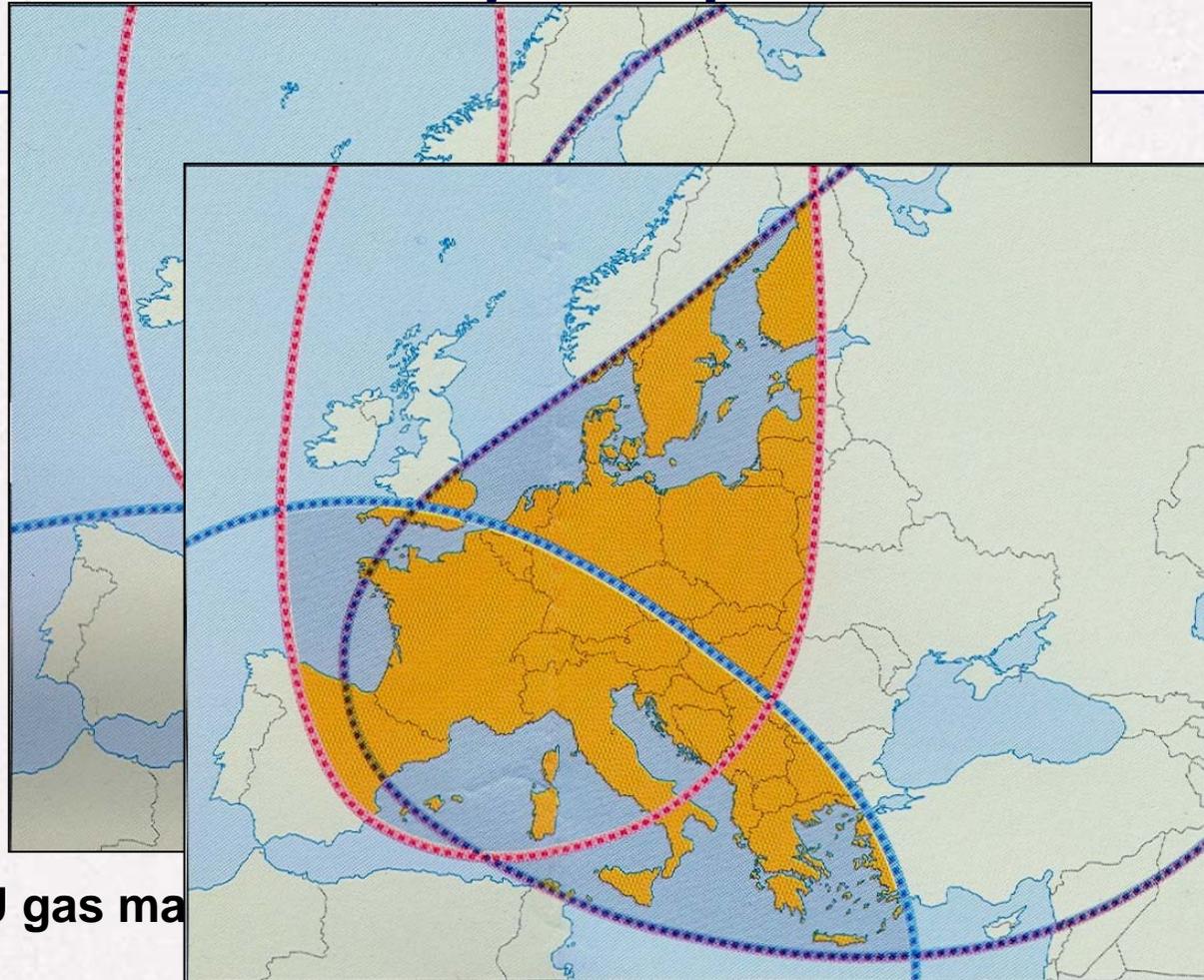


Jacques de Jong - World Forum on Energy Regulation IV - Athens, Greece - October 18-21, 2009

EU gas market & pipeline



Source:
Gasunie-1999



It makes probably sense to expand the internal European pipeline network in order to improve competition in the upstream commodity market

Abundant internal pipelines

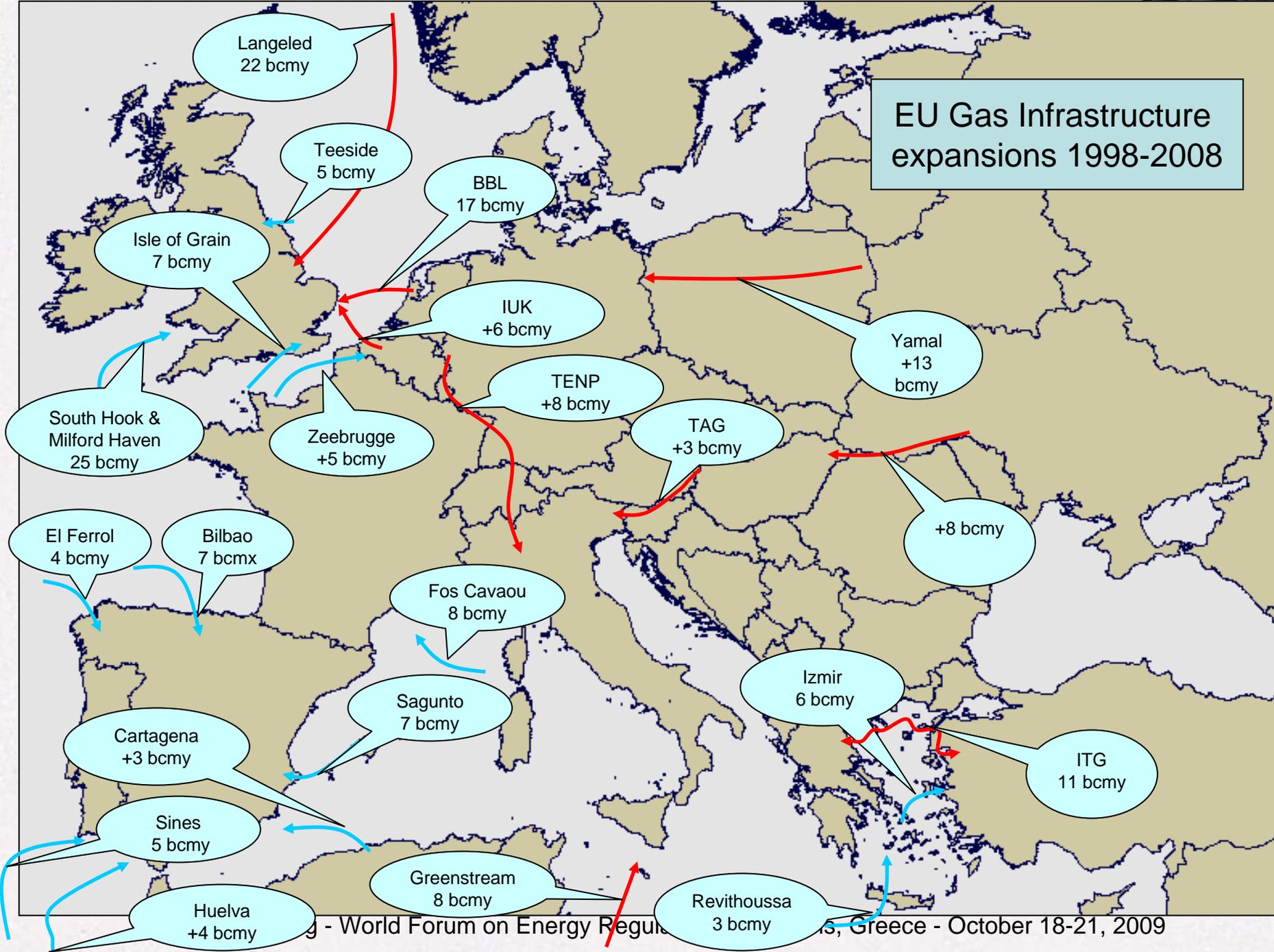
.....?



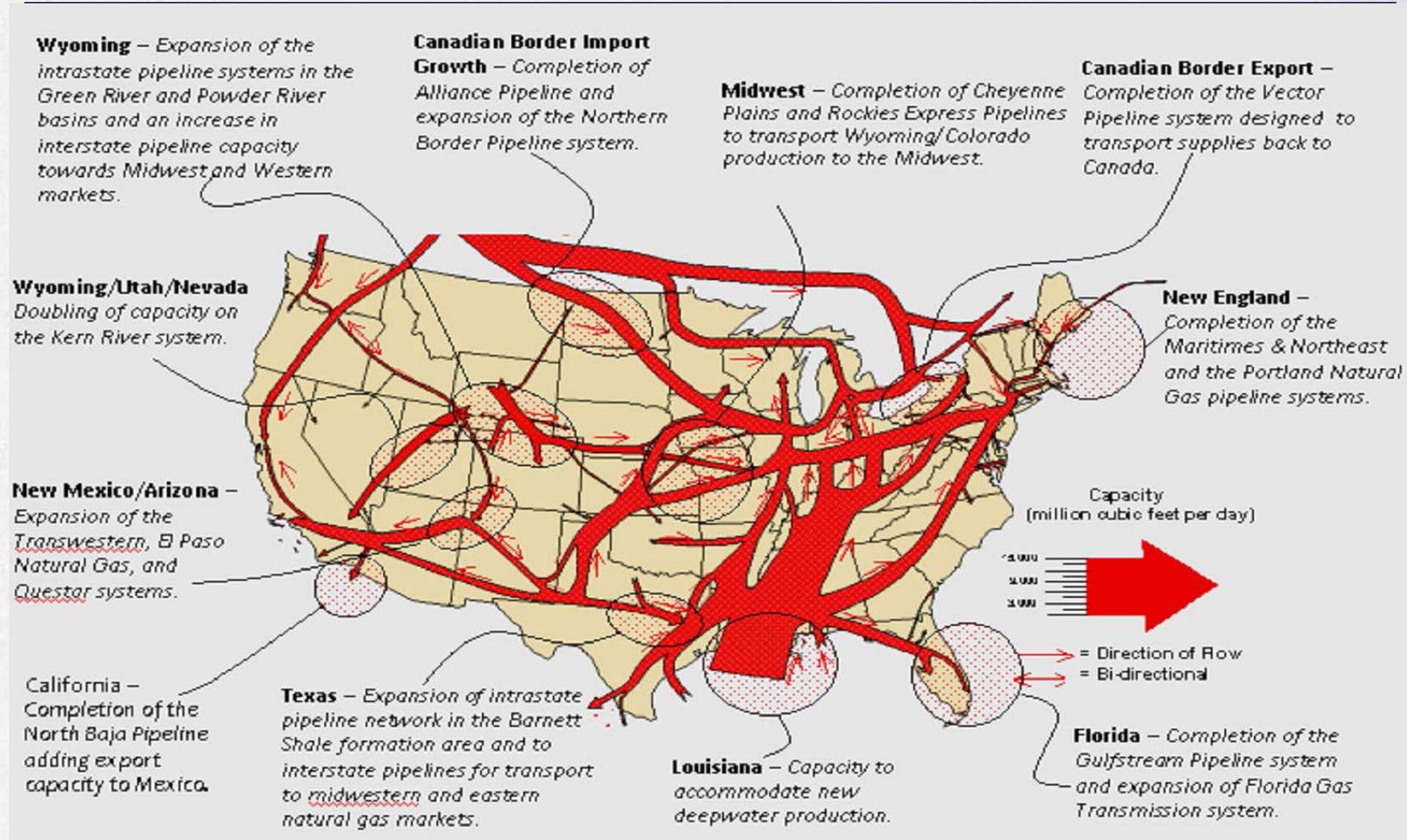
2008 IEA Gas Market Outlook:

- **“in marked contrast to North American pipeline investment, investments in internal connections and new supply projects in Europe continue to lag”.**
- **“It is hardly possible these days to close contracts for the following year’s cross-border capacity anywhere in Europe....”**

EU Gas Infrastructure expansions 1998-2008



Lessons from the US? Additions to US Transmission Grid 1998-2008



Issue....



- **Delay of investments in cross border gas infrastructures cannot be attributed to the market... Open Seasons processes demonstrate clearly the willingness of market participants to commit.**
- **Economics of these investments are flawed by regulatory framework, imprisoned by its revenue and tariff setting practices, risk allocation and regulatory decision-making processes.**

Remedies (1)



- **Tariffs:**

- **Shippers & TSO's, involved in new capacity via open seasons, should bear risks & rewards**
- **Tariffs for new cb-infra to be sufficient for viable economics**
- **Fixed (perpetual) tariffs, reflecting actual Capex.**

- **Contracts:**

- **LT standardised cap.contracts to be endorsed, linked to LT commodity contracts**
- **TSO's to offer customized non-standardised contracts as well**

Remedies (2)



Tariff differentiation:

- **Effective for improving economics in specific cases**
- **Non-discrimination to be applied**
- **Differ between old and new, ST & LT contracts**
- **Exit tariffs distinction between local use and transits**

Decision-making:

- **ACER's mission, "to promote the development of a strong and reliable energy infrastructure in the EU energy market"**
- **ACER, power to intervene in CB-issues**

So....?



Crossing national borders: essential in securing an adequate supply of natural gas for the EU.

It is time to construct the missing links.

- **Also, it is encouraging to note that NRAs have taken regional initiatives to jointly seek resolutions for cross-border matters**
- **These recommendations most likely fit the new 2009 Directive and it's supporting Regulations**

