



Regulating EU Gas Supply Security in a Global Gas Market P

Jacques de Jong

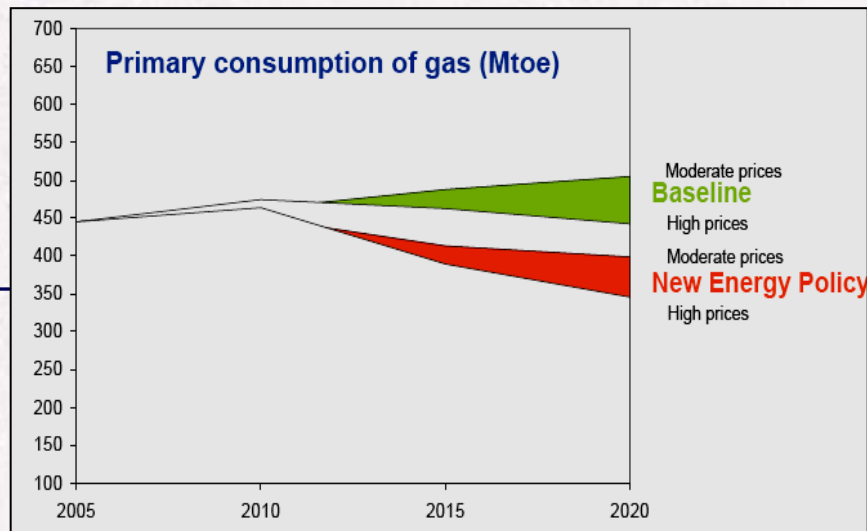
Clingendael International Energy Programme

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

Content

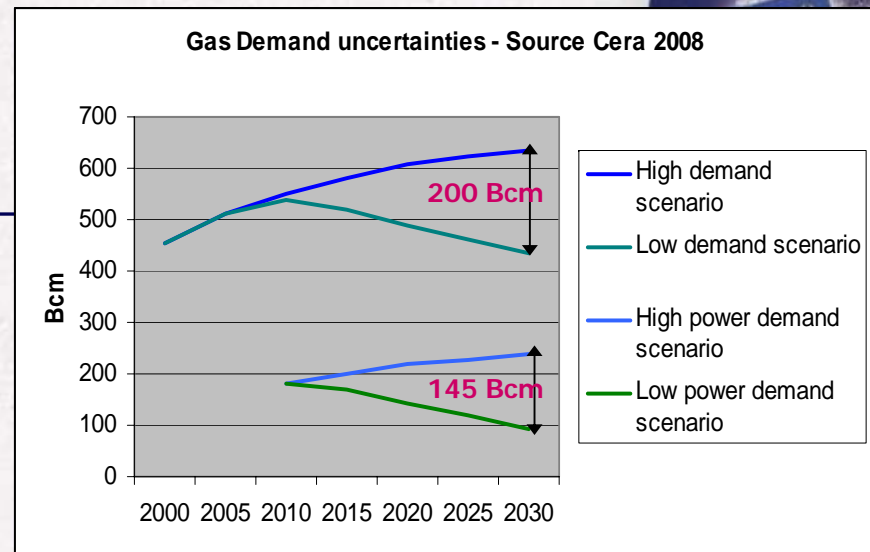


- Security:
 - Gas Demand,
 - Gas Imports
 - Gas supply
 - Gas infrastructures
- The regulatory challenge ?



EU Gas demand

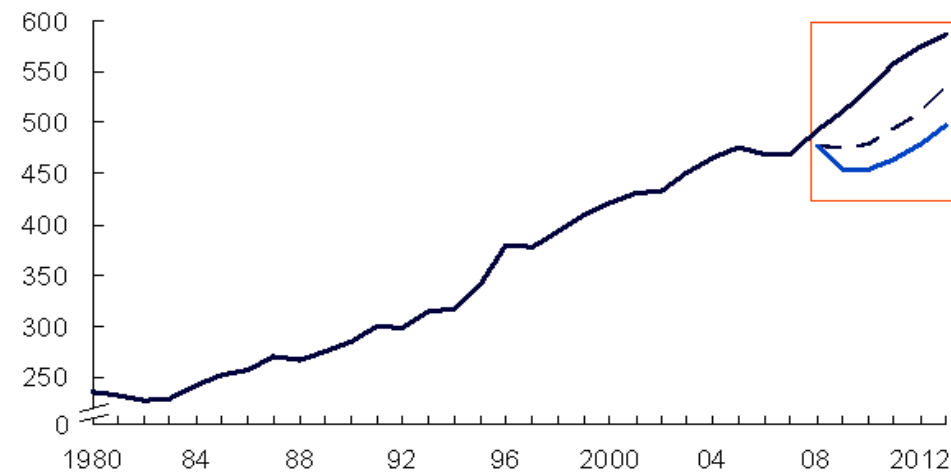
Source: CIEP Gas Day 2009



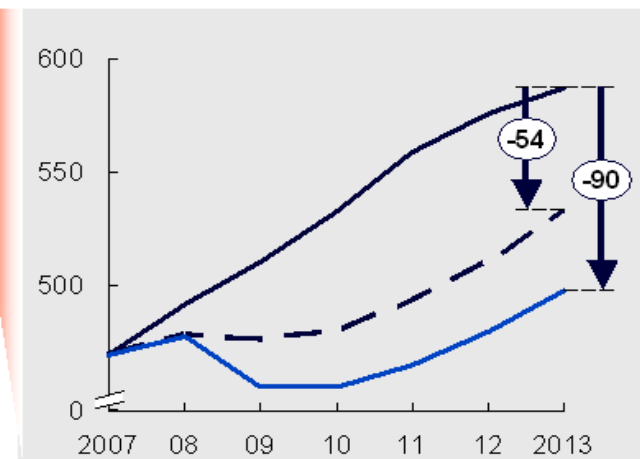
Short term: Europe is being hit hard, losing up to 90 bcm in 2013 vs. pre-crisis estimates

Gas demand, bcm

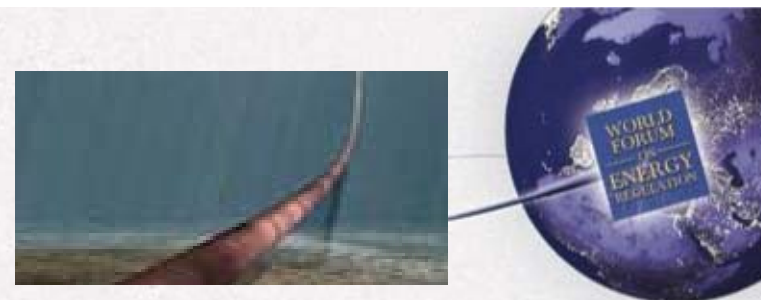
Total gas demand



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



New infrastructures

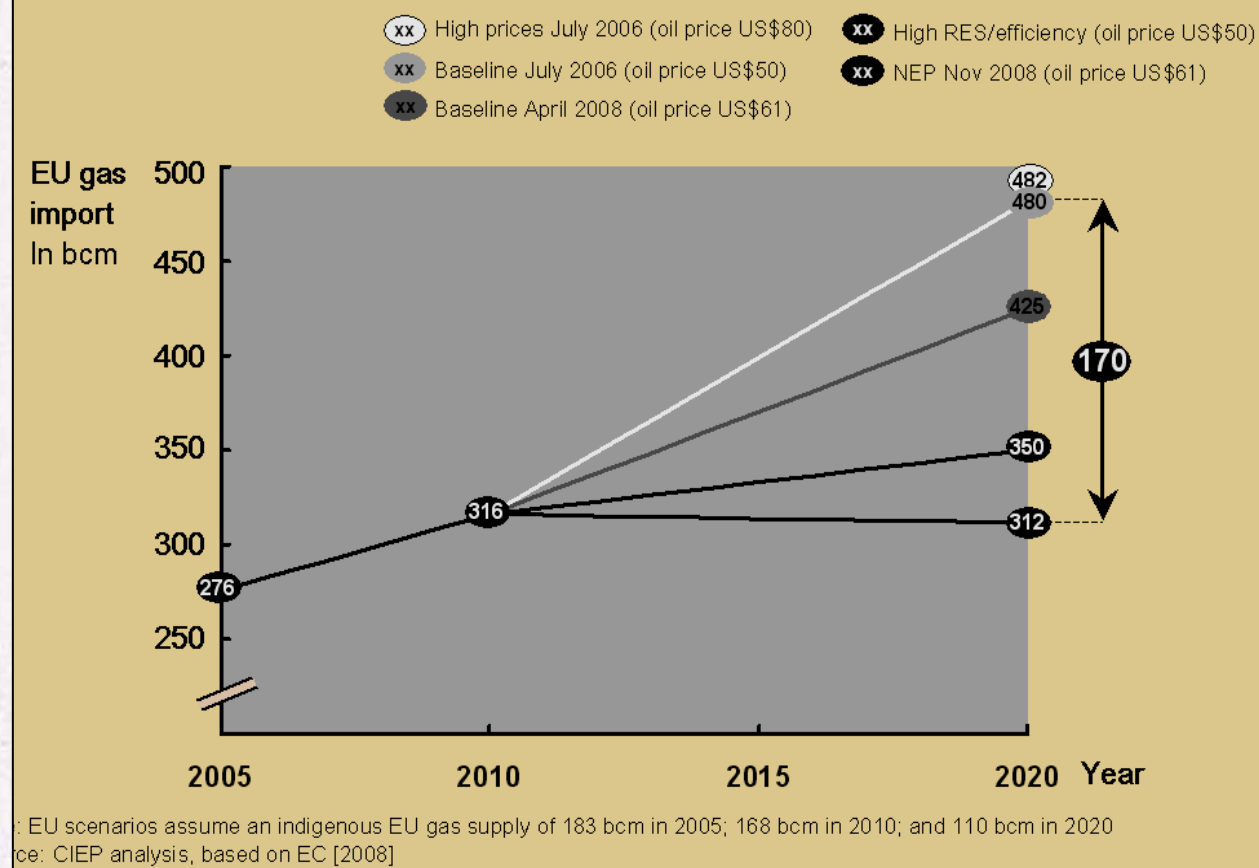


- Meeting increasing gas-imports ??
- Meeting intra-EU SoS?

But:

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

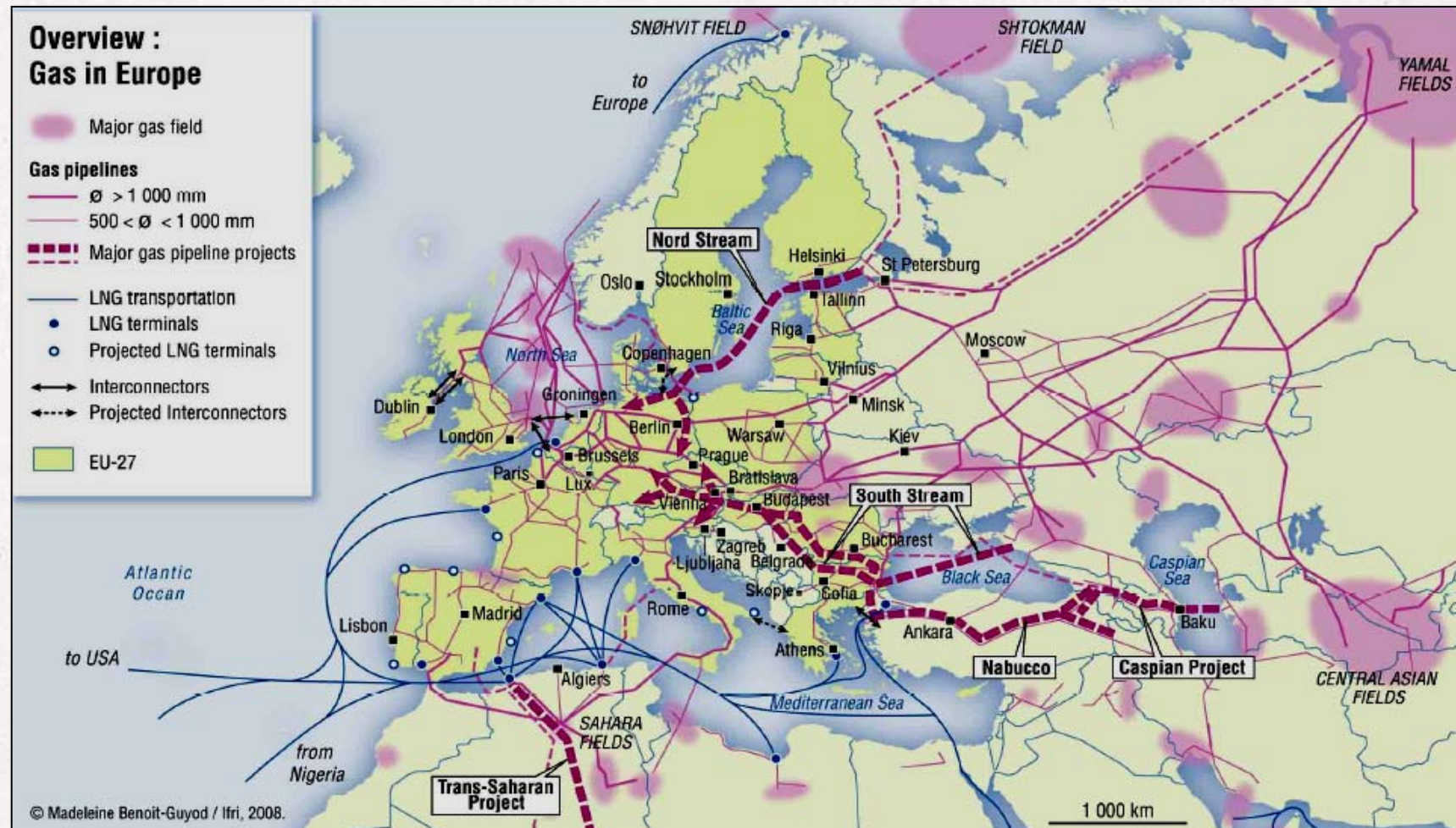
EU call on import gas in 2020, based on five EC scenarios



Gasinfrastructures to Europe



IFRI-Nies

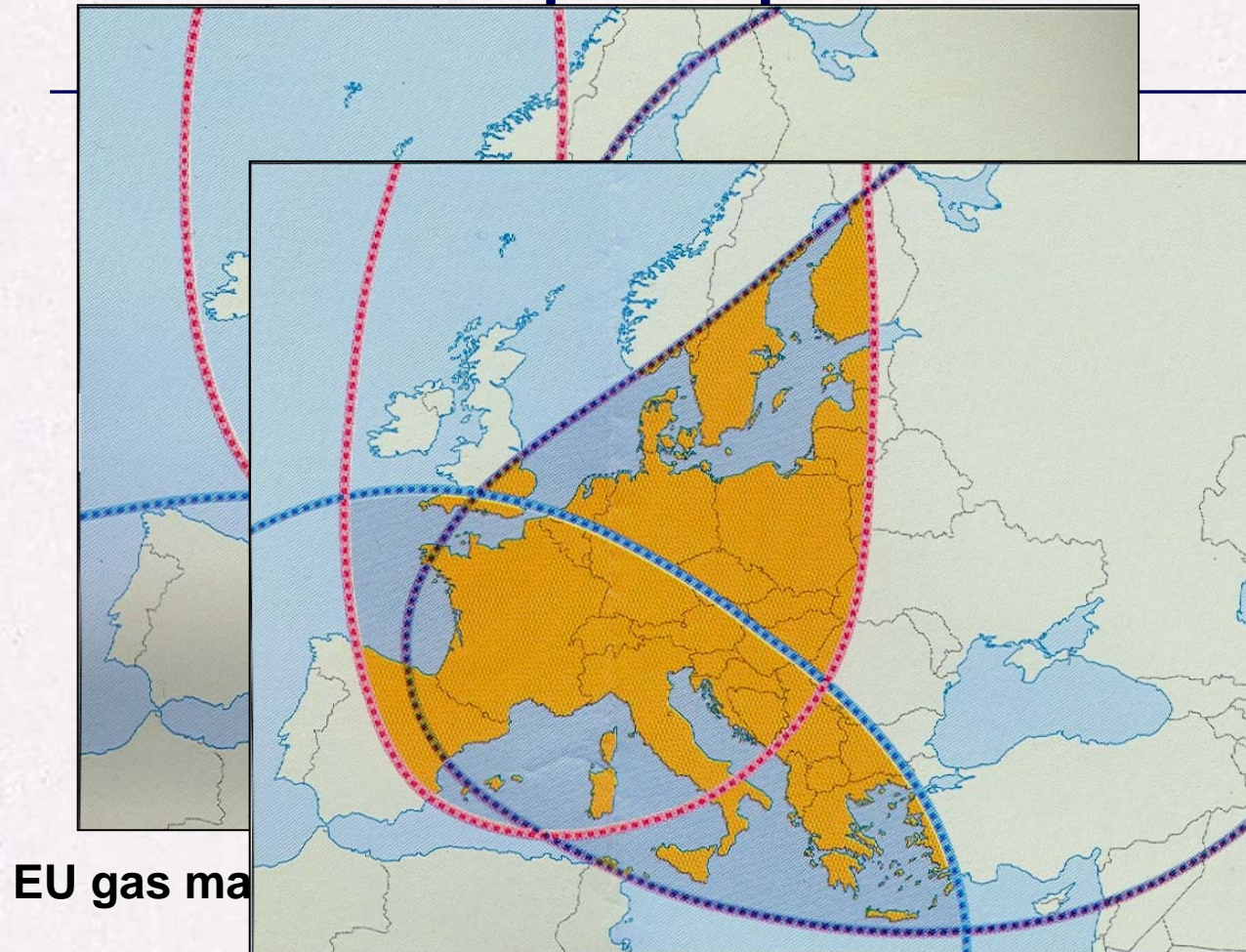


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EU gas market & pipeline



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

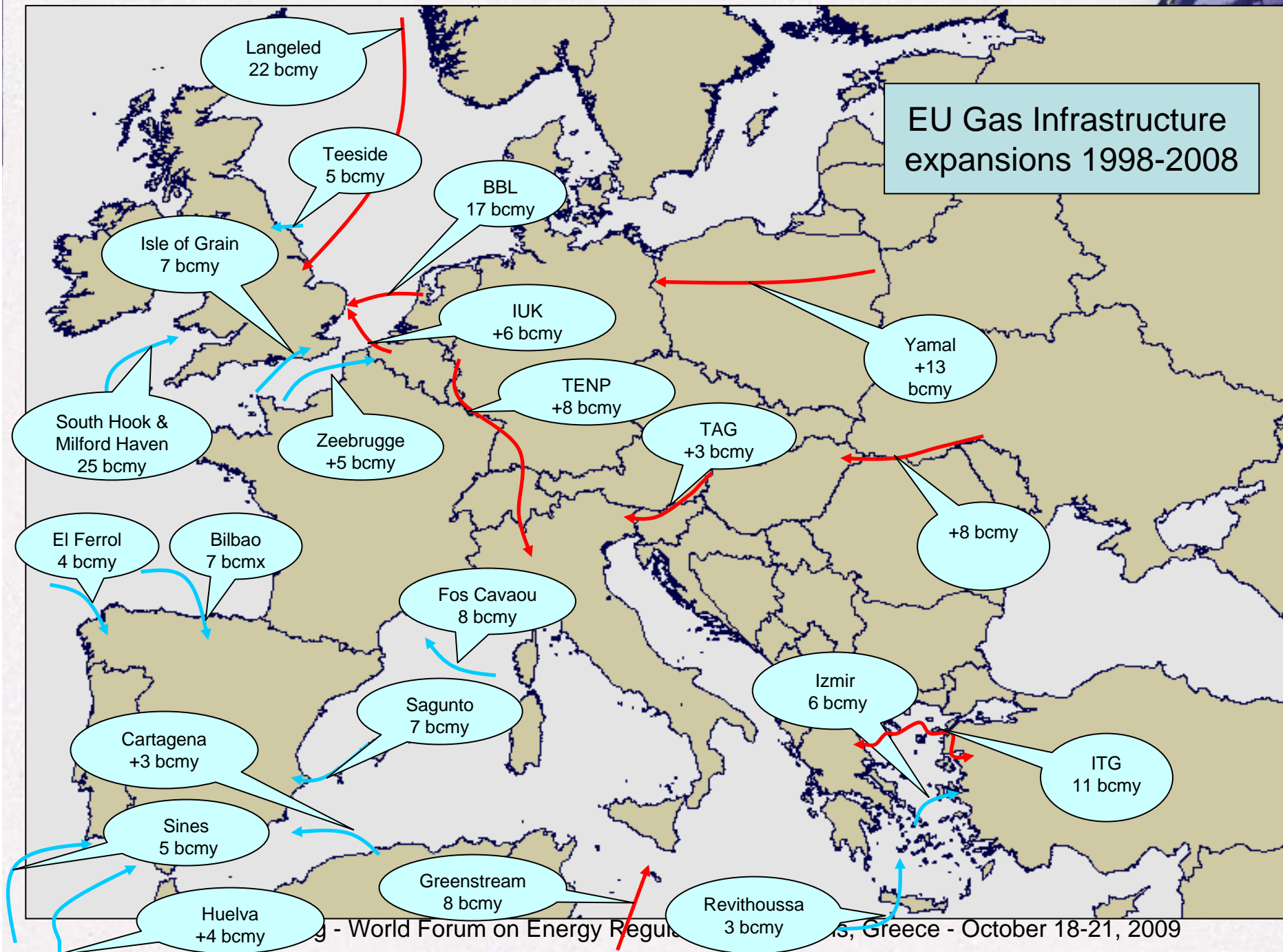
.....?



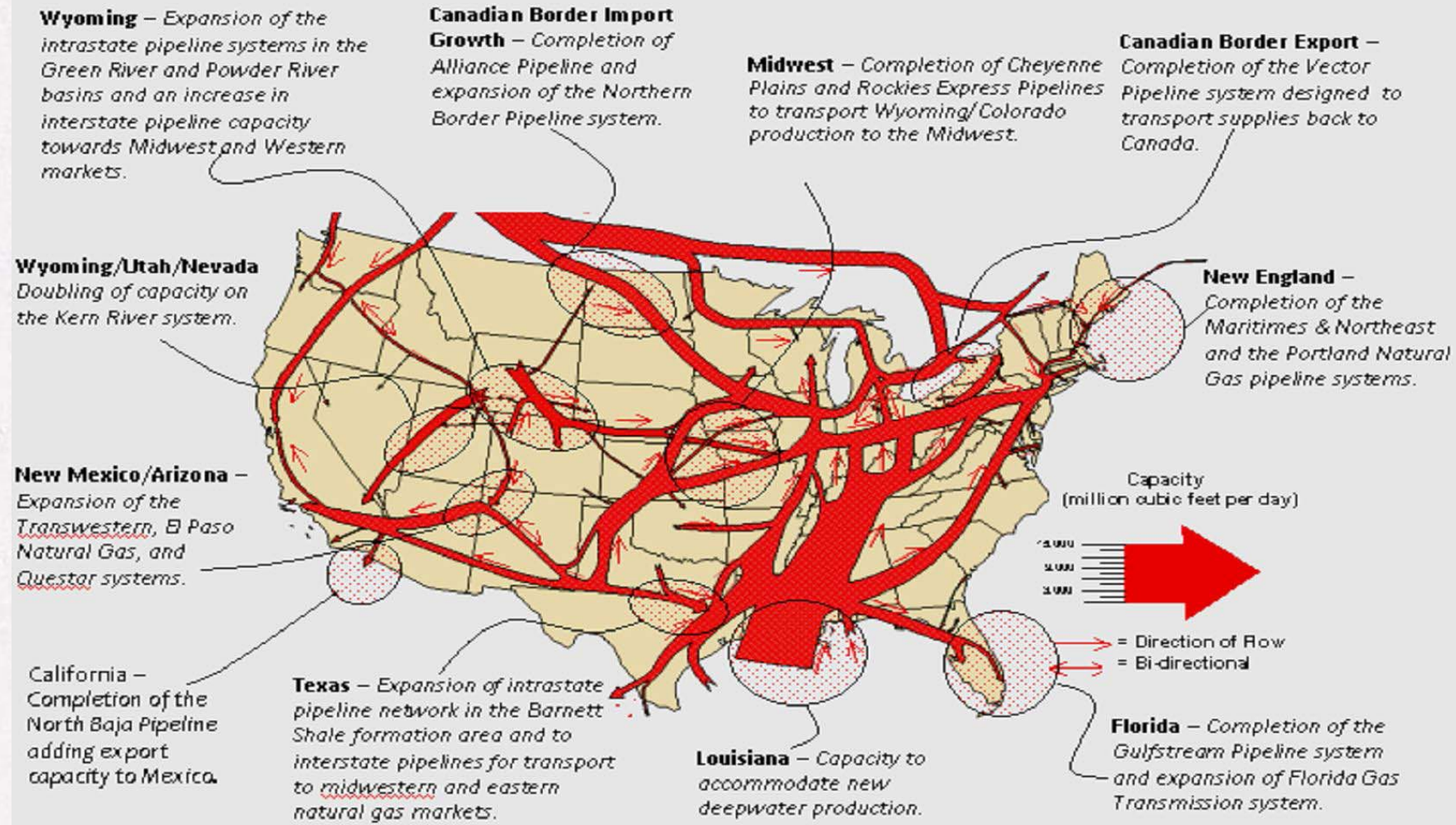
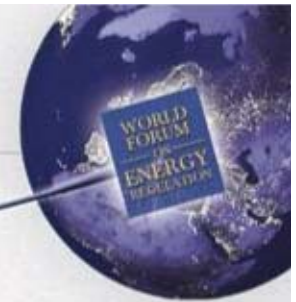
2008 IEA Gas Market Outlook:

- **“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



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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**

