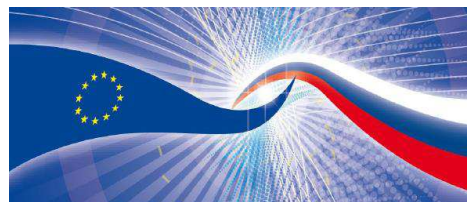


Comparison of existing and new options for creating new gas transportation capacity in the EU (CAM NC INC/Art.20(d), Exemptions/Art.36, PCI/TYNDP)

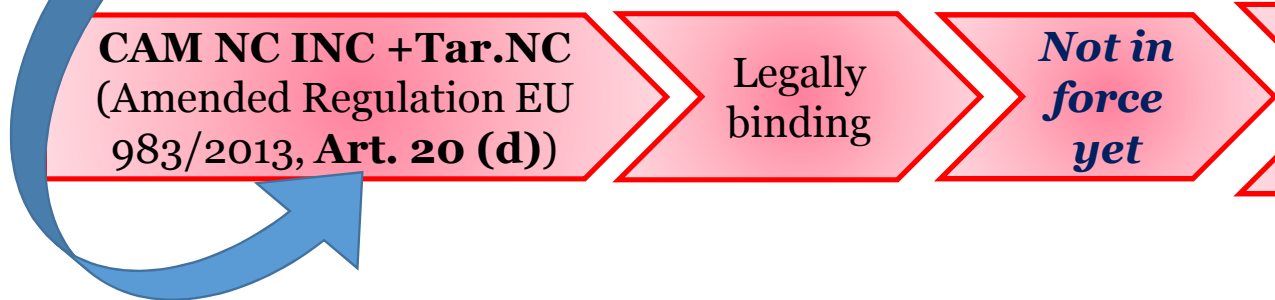
E.Orlova (Foundation “Institute for Energy & Finance”),

A.Konoplyanik (Gazprom export/Russian State Gubkin Oil & Gas University)

Presentation at the 24th round of Informal Russia-EU Consultations on EU Regulatory Topics (Consultations) combined with the 17th meeting of the EU-Russia Gas Advisory Council’s Work Stream 2 on Internal Market Issues (WS2 GAC), E-Control, Vienna, 30 November 2015

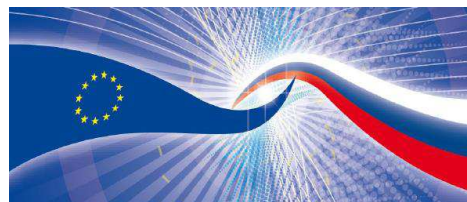


Options for creating new cross-border gas transportation capacity

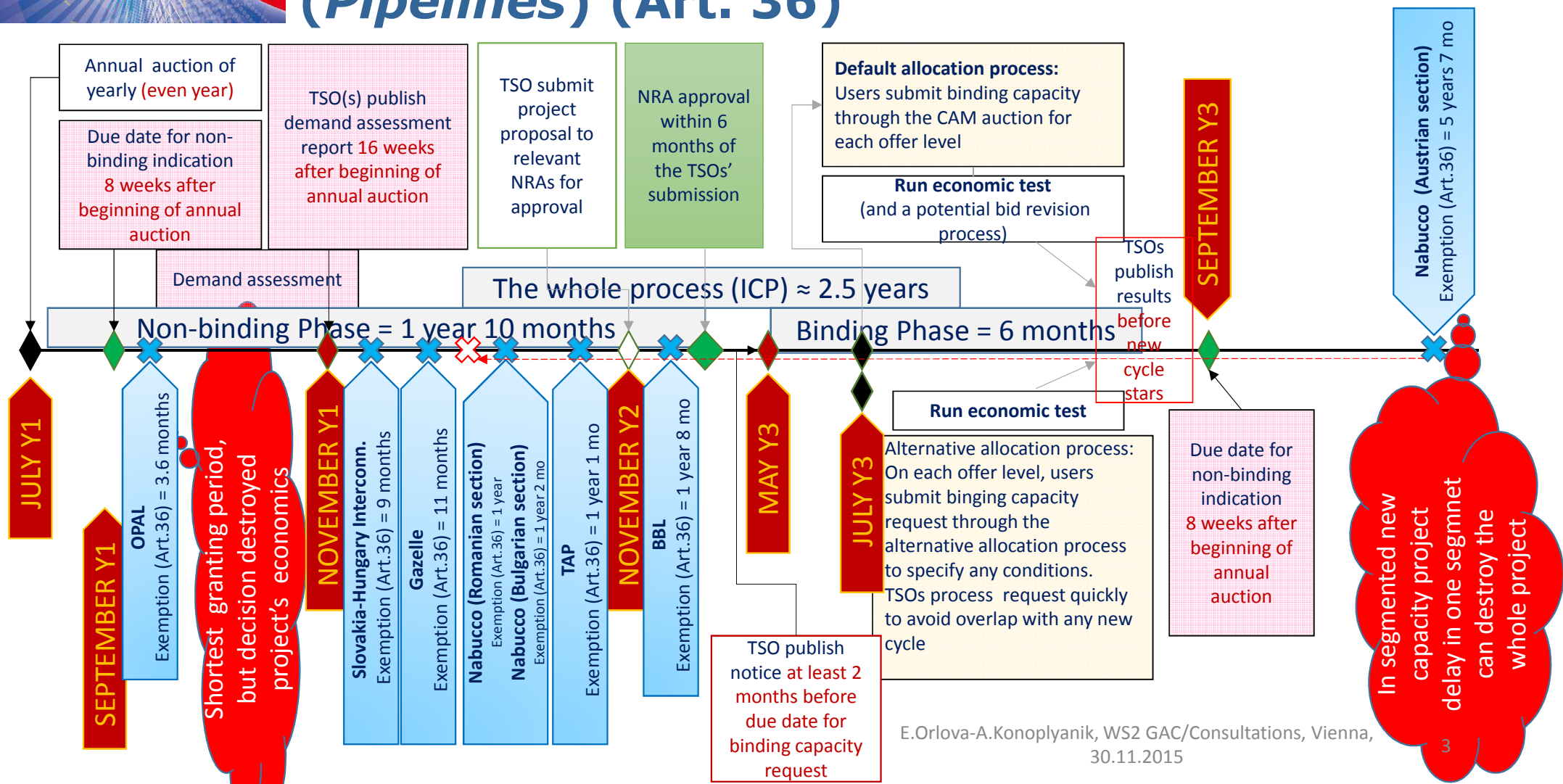


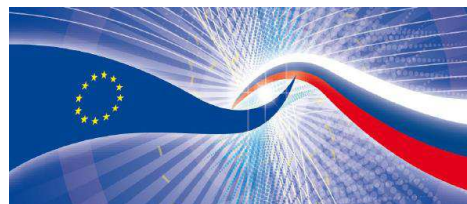
ACER to DG ENER 16.10.2015 => Comitology (jointly with Tariff NC?) => 2017? => Early implementation?

(1) Which procedure is best financeable & manageable, market-based, with least / "tolerable risks & uncertainties" (for all parties involved) to cover justified demand for new cross-border transportation capacity?
(2) If CAM NC INC to go to Comitology jointly with Tariff NC, this is additional argument in favour of long proposed "pilot test" to enable DG ENER to further improve CAM NC INC procedure before it is "fixed in stone"

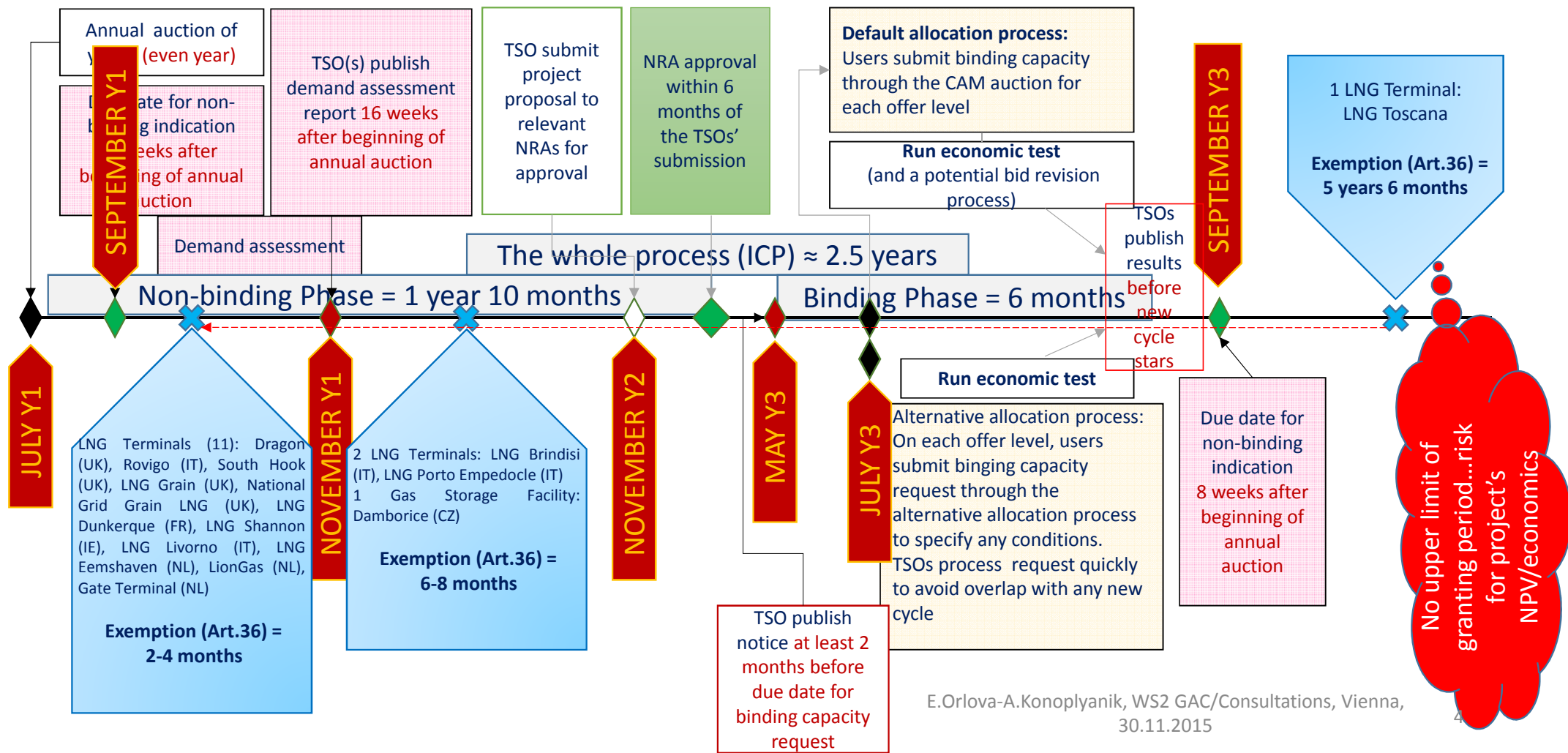


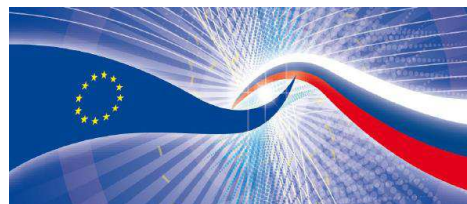
New Process for Incremental Capacity Project (CAM NC INC) vs Exemption Process (Pipelines) (Art. 36)



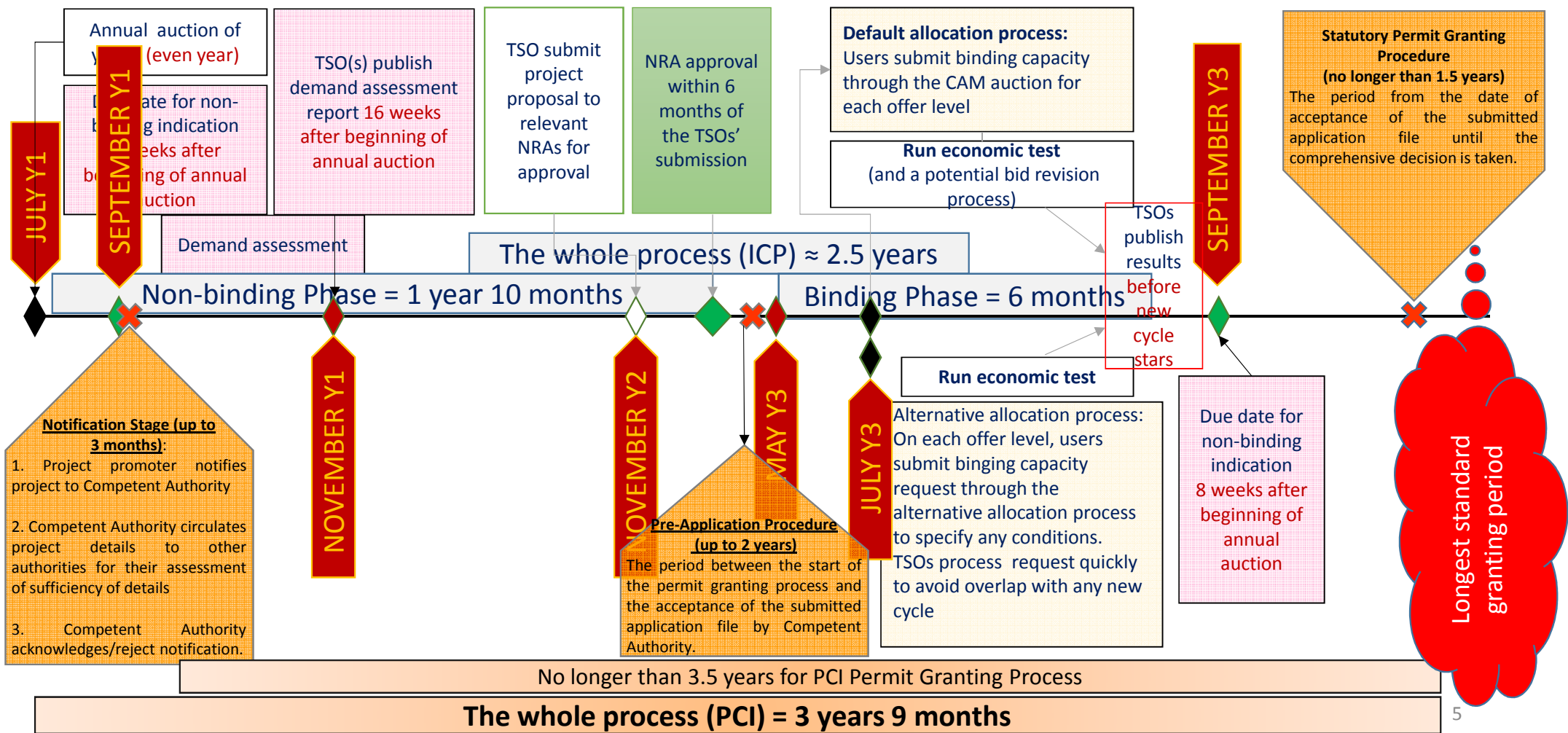


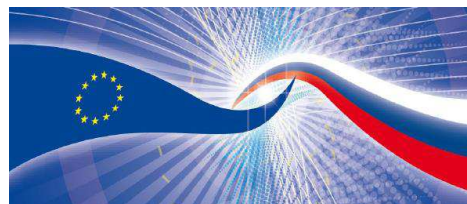
New Process for Incremental Capacity Project (CAM NC INC) vs Exemption Process (LNG Terminals & Gas Storage Facility) (Art. 36)





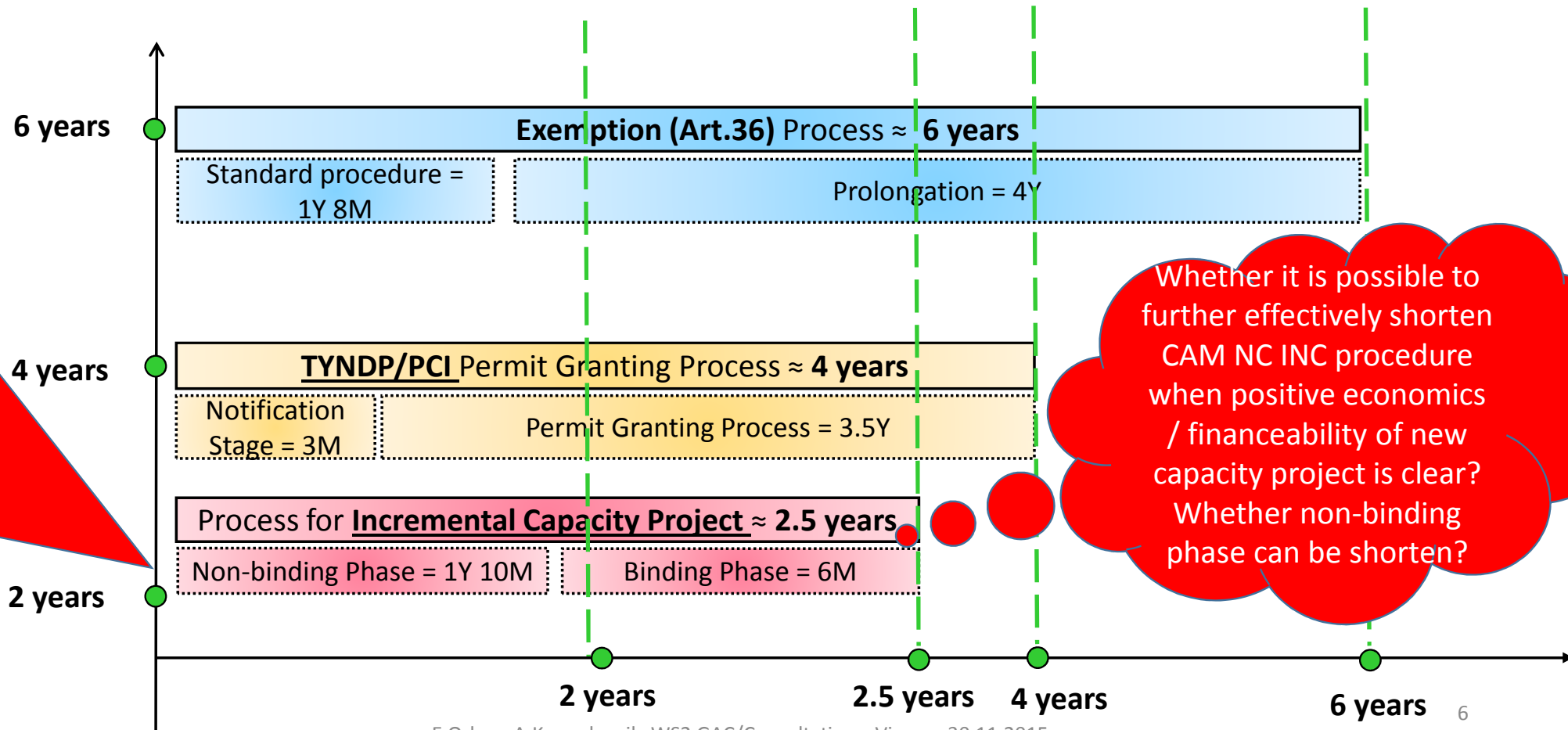
New Process for Incremental Capacity Project (CAM NC INC) vs TYNDP/PCI Permit Granting Process



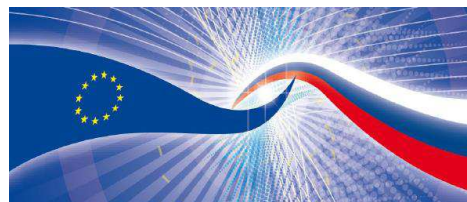


New Process for Incremental Capacity Project (CAM NC INC) vs Exemption Process (Art. 36) vs TYNDP/PCI Permit Granting Process

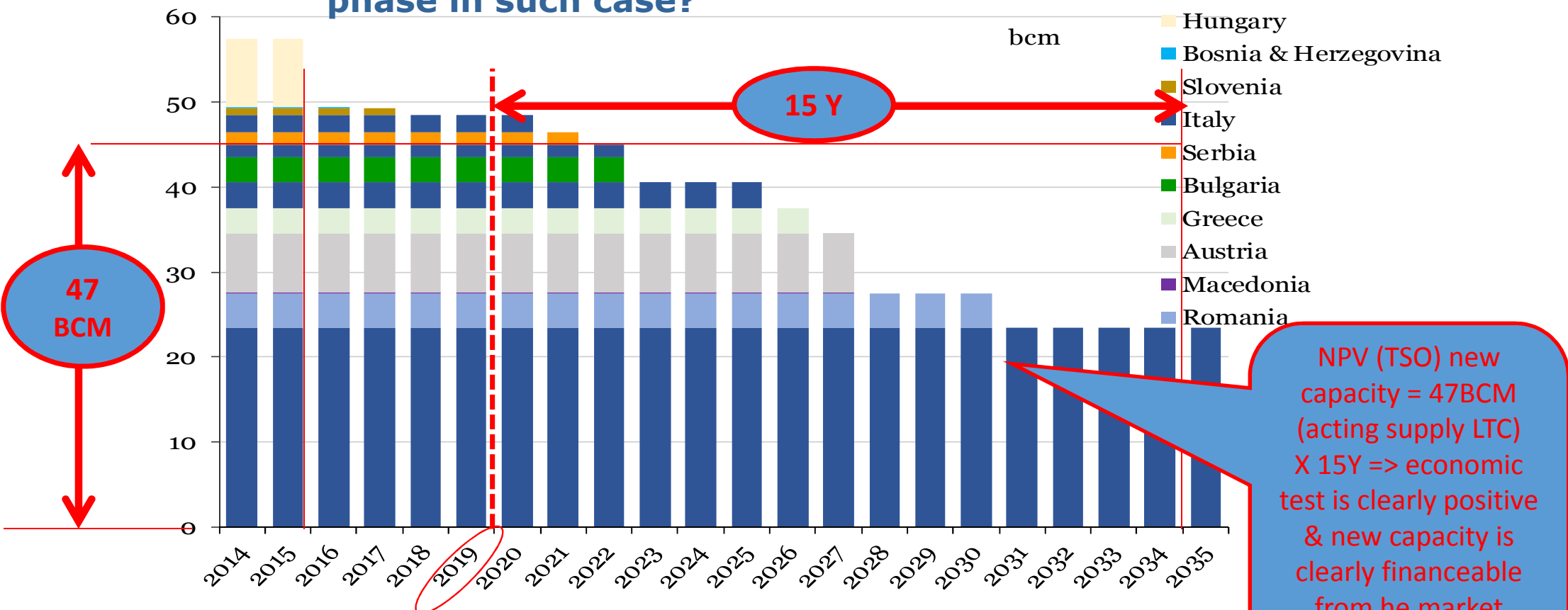
“Capacity offer” & “demand of capacity” approach within CAM NC INC may require different duration of non-binding phase



Whether it is possible to further effectively shorten CAM NC INC procedure when positive economics / financeability of new capacity project is clear? Whether non-binding phase can be shorten?

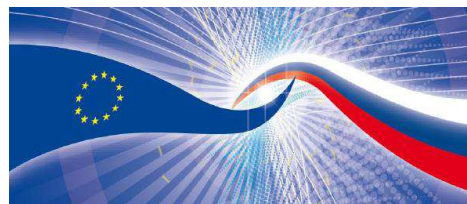


Illustrative example (early Turkish Stream option): Russian gas supply contracts to C/SEE with UA transit till 2035 = 100% security for TSO project financing of new capacity => whether 1Y10M would have been needed for CAM NC INC non-binding phase in such case?



Source: calculated by E.Orlova (FIEF) based on based on: "Turkish stream": Scenarios of by-passing Ukraine and barriers of European Commission". Vygon Consulting, June 2015 (fig.4, p.30).

NPV (TSO) new capacity = 47BCM (acting supply LTC) X 15Y => economic test is clearly positive & new capacity is clearly financeable from he market without EU public finance



Options for creating new gas transportation capacity: advantages, disadvantages & opportunities

Exemption (Gas Directive, Art.36)

- + short exemption decision process, especially for interconnectors (if no cross-borders, just single IP)
- prolongation of exemption decision process in case of project disintegration (delay in one segment can kill the whole project)

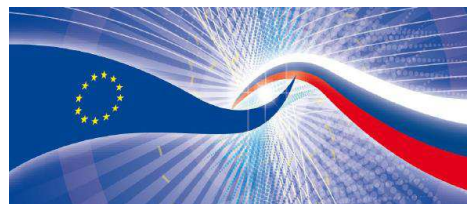
Project of Common Interest (TYNDP)

- longest permit granting process compared to other procedures

CAM NC INC (Amended Regulation EU 983/2013, Art. 20 (d))

- long non-binding phase, but
- + further shortening of non-binding phase is possible if, f.i., existing gas supply LTC will back-up new capacity (they will secure financing and will immediately pass positive economic test)

Open Season (GGPOS-2007)



Thank you for your attention!

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