



„Quo vadis’ gas market regulatory framework – study on gas market design for Europe

EU-Russia GAC Worsktream 2 meeting, 1 December 2017, Vienna

Content

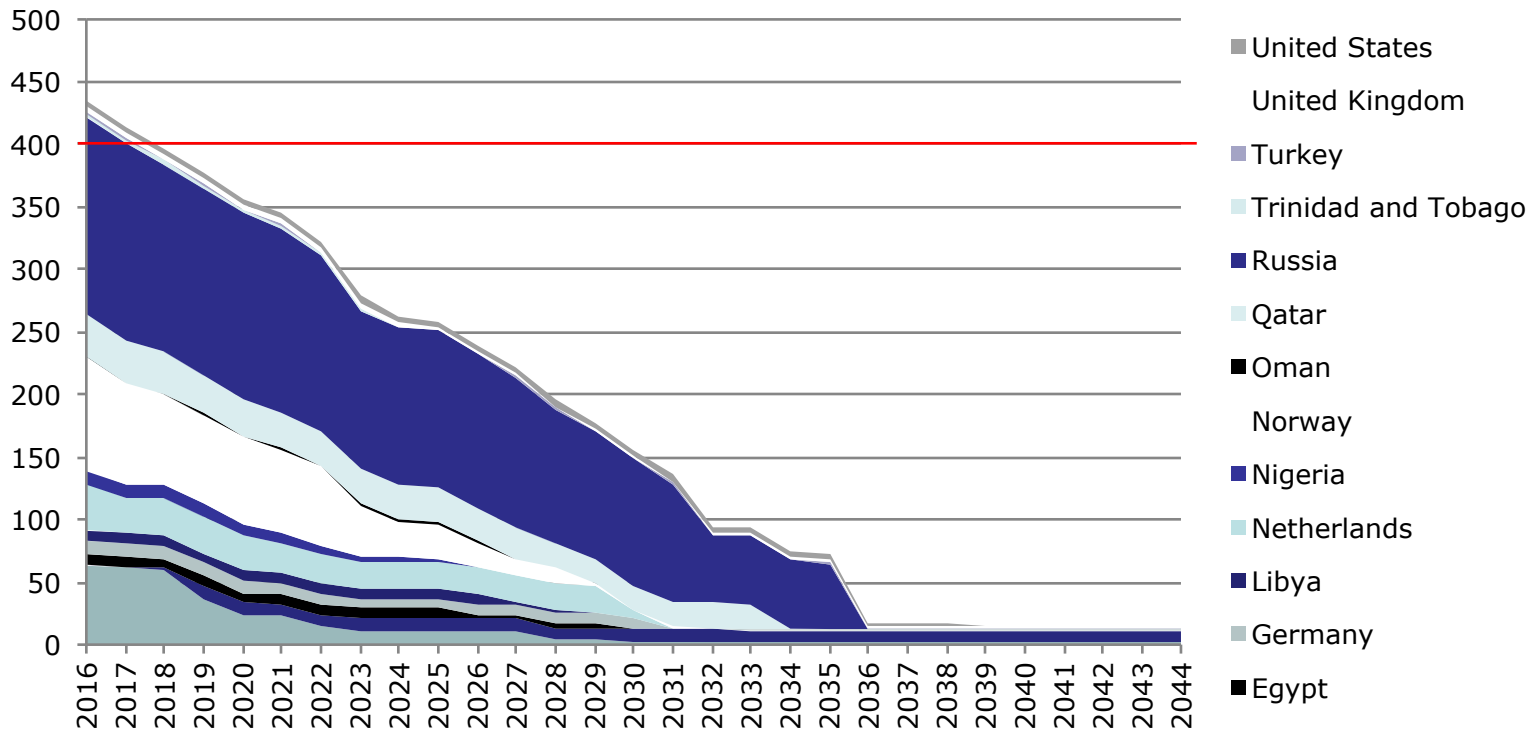
- 1. Background and purpose of the QV study*
- 2. Analytical approach*
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Background and purpose

- *Starting point 2016 with observable trends*
 - **LTC (capacity, commodity) contract expiry**
 - **Increased import dependency**
 - **Improved market integration but...**
- *Objective: Analyse whether current regulatory framework is the most effective in order to maximise overall EU welfare*
- *Provide recommendations for potential changes*

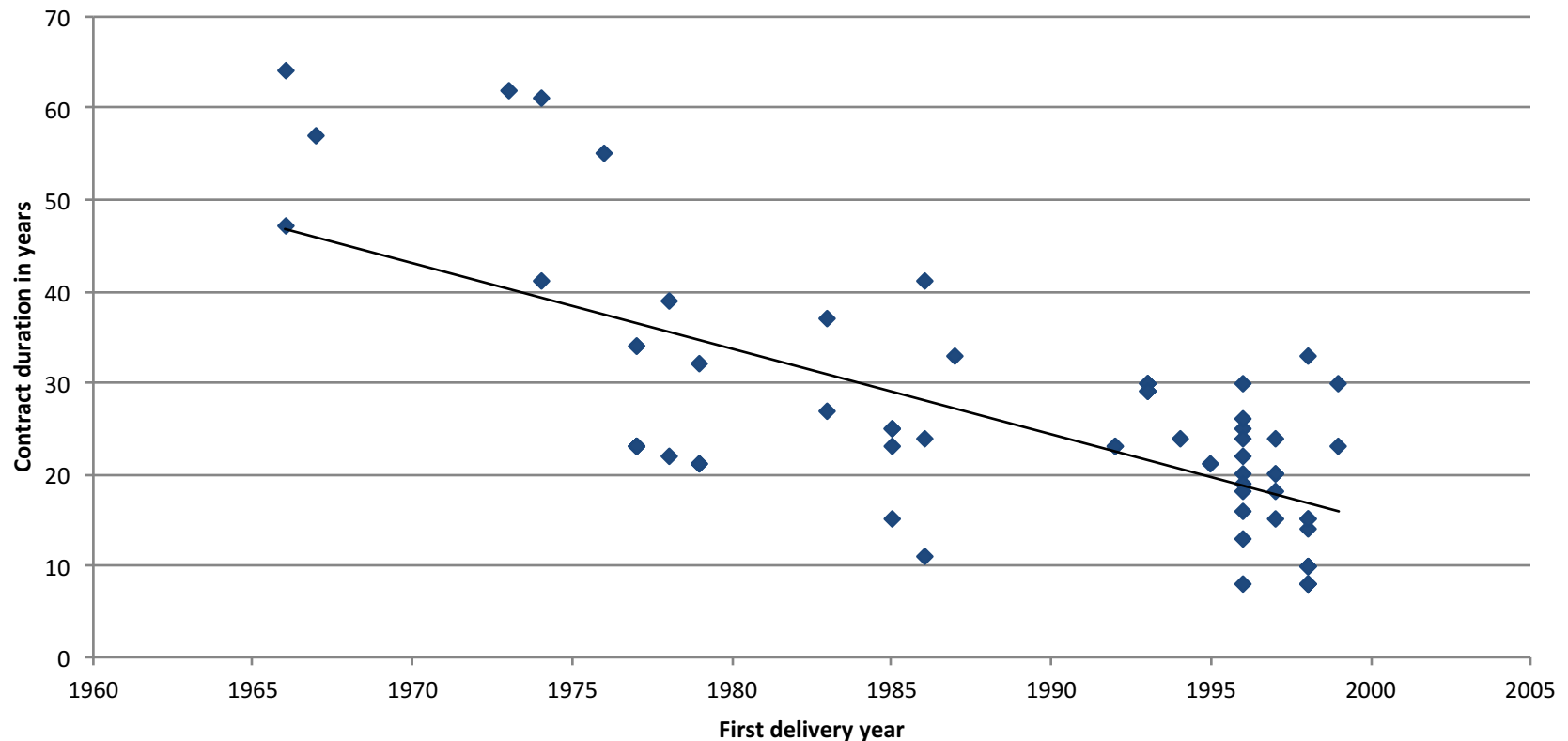
Long-term commodity contracts show a quasi linear decrease until 2036 and beyond

Development of long-term commodity contracts (bcm) – *initial analysis*



Source: CEDIGAZ, DG ENER analysis

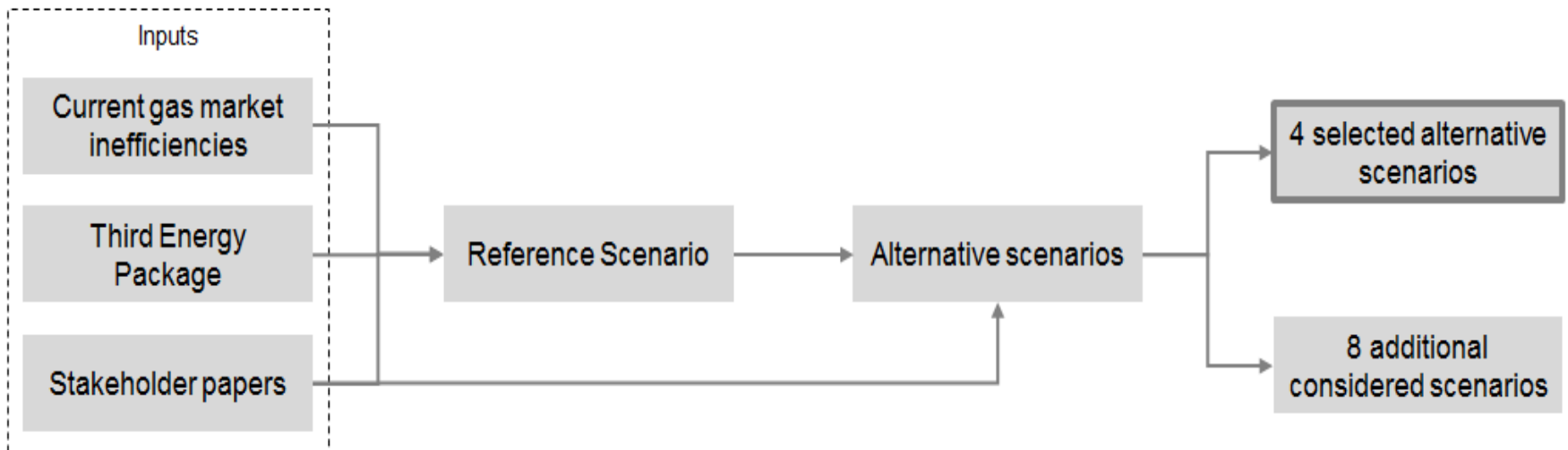
Contract duration of LTCs via pipeline in Europe



Source: Cedigaz, DG ENER analysis and illustration

Analytical approach

I. Qualitative phase



Source: EY/REKK

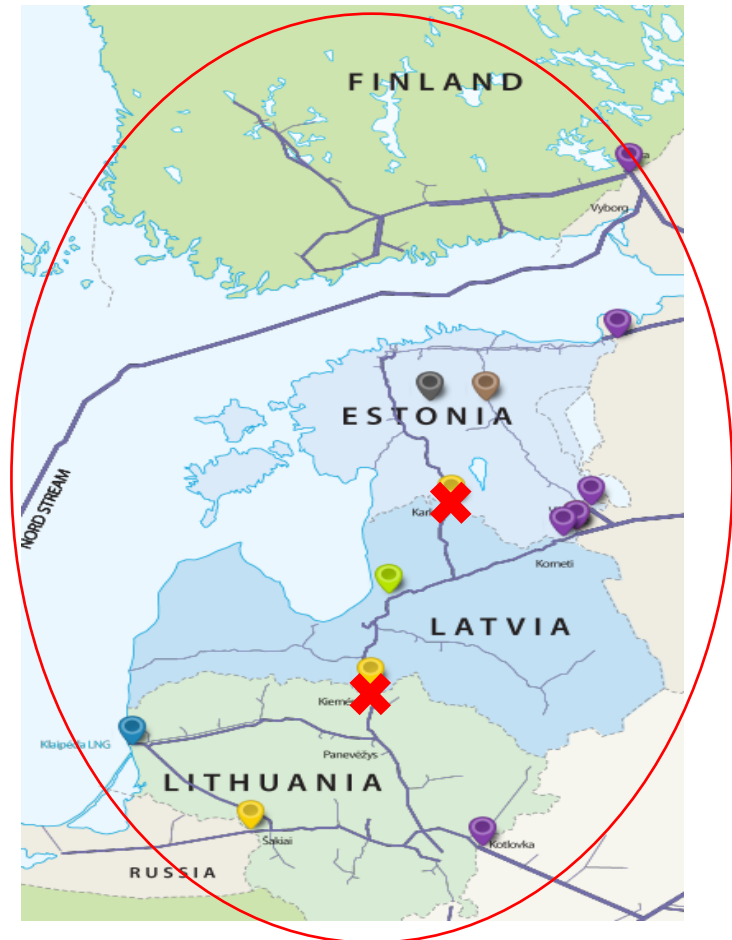
Tariff Reform Scenario

- Intra-EU border tariffs set to zero
- Gas storage entry/exit tariff set to zero
- Harmonised EU entry/exit tariff



Trading zone merger

- Merging of existing market zones with suitable network topology
- Reduction in contractual congestion and location spreads, increase in liquidity



Conditional market merger

- Merger of neighbouring zones separated by transmission capacities
- Single price as long as transmission capacity is available
- Gap in TSO revenues collected in higher tariffs at non-merged borders



LTC gas delivered at EU border/hub

- Intra-EU delivery point or delivery point beyond first hub dismissed from the LTC on gas supply from outside of the EU
- Gas delivery at the EU border or 'entry hub'
- Strengthening of upstream competition by widening the market



Next steps

- Next draft (phase 1) expected early December
- First modelling results (phase 2) early December
- 3rd Stakeholder workshop (13.12 in Brussels)
- Possibility for stakeholder feedback until 12 January

- Final study – to be delivered in Q1 2018 –
will contribute to policy discussion but will not provide all
answers; nor will it be immediate blueprint for action

**QV stakeholder discussion will continue in the
course of 2018**