

Workshop “In the search of an efficient EU gas market model”

Gas market design for Europe

Overview of discussion papers and stakeholders responses

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The focal topics to be investigated

- State of EU gas market regulatory framework – ideal gas market design
- Infrastructure-related issues
- Market merging
- Tariffs
- Long-term contracts

E&Y suggestion on the EU gas market design study

- Quantitative analysis of consumer and producer welfare at the EU level
- EU internal market gas pricing in accordance with the most liquid hub in Europe + transmission costs
- Elimination of cross-border tariffs
- Long-term contracts feasibility and their implication on efficient use of gas infrastructure

E&Y study on the EU gas market design

– main modeling scenarios

- Creation of artificial EU zones without congestion and transmission tariffs within the regions
- Single EU market with fully integrated infrastructure with tariffs set at the entry to the network and exit points to end user
- Outside suppliers bring gas to the border of EU and the allocation process is based on national supply-demand conditions

Opinions of the key stakeholders – ideal gas market design

- Flexible regulatory arrangements would help to future-proof the market ensuring that the regulatory regime is agile enough to allow market participants to respond to changing market conditions.
- Competitive European gas market comprising several entry-exit zones with liquid virtual trading points, where market integration and diversification of supplies are served by appropriate level of infrastructure, which is utilized efficiently and enables gas to move freely between market areas to the locations where it is most highly valued by gas market participants.

Opinions of the key stakeholders – infrastructure-related issues

- Future regulatory framework should not put at risk the use of existing infrastructure
- Avoid stranded assets
- More predictability and fair allocation of investment risks
- New infrastructure needs realistic timeframe for recovery within the appropriate tariff cost structure

Opinions of the key stakeholders – market merging

- Full market merger is not realistic, because of particular challenges from TSOs, political, regulatory and accounting perspective
- Revised policies should allow market mergers where they are evaluated as beneficial, but they should not be mandated by the EU legislation

Opinions of the key stakeholders – tariffs

- Transmission fees shall reflect efficient use of the network, allow for recovery of network costs and ensure market integration
- Efficient tariff structures would allow to avoid cross-subsidization
- Testing an EU free trade zone without internal cross-border tariffs, clever tariff structure on EU entry points

Opinions of the key stakeholders – long-term contracts

- Beneficial to market development as a whole but disadvantageous for market participants holding them as not allow to execute the gas portfolio efficiently
- As LTs expire there is a risk that significant price spreads between market areas will become a prominent feature of EU gas markets