

Quo Vadis EU gas market regulatory framework –  
Study on a Gas Market Design for Europe

Some questions on Preliminary Report published  
by E&Y and REKK in June 2017

## Three types of questions and comments

1. General questions on the principles and essence of Quo Vadis study
2. Technical questions on methodology, wording, calculations

# 1. General questions on the principles and essence of Quo Vadis study

- 1.1. Why is there little consistency in the Quo Vadis study vs. past and present goals of the EU Commission to modernise the EU gas market? [some new principles contradict current EU legislation]
- 1.2. While the US and British gas market model seemed to be a blueprint for the Third Energy Package - why does the Quo Vadis study no longer use their example as an ultimate goal?
- 1.3. Why does the Quo Vadis study favour so much the NON-market instruments vs. the development of free market competition in EU gas industry (as has been the case for the past decade)?

## Third Energy Package (2009)

Goals: Liberalisation,  
Equal rules for all market players,  
more competition and market  
rules

## Quo Vadis (2017)

New Artificial barriers for market  
players (scenario 1 and 4)

NON market development of  
market zones (scenario 2 and 3)

Why create artificial barriers, cross subsidies, new red tape etc. rather than simplify common rules for all market players and let the competition do its proper job?

1.4. Why doesn't the Quo Vadis study examine the problem of overregulation in the EU gas industry which leads to great unpredictability for investors? Why doesn't the study provide any measures to fight overregulation and red tape? [in contrast to Juncker's main goals]



*My first priority as Commission President will be to strengthen Europe's competitiveness and to **stimulate investment** for the purpose of job creation.*

*Jean-Claude Juncker  
European Parliament, Strasbourg, 15 July 2014*

1.5. Can you give any examples of market models in other regions (or even other industries) similar to those proposed in the four scenarios of the Quo Vadis study?



## 2. Technical questions on methodology, wording, calculations, assumptions

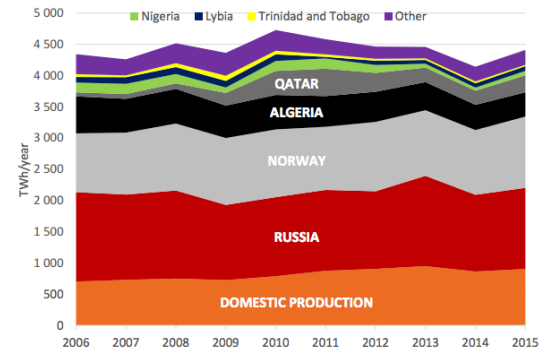
- 2.1. Could you provide the principles of the EU welfare calculation methodology?
- 2.2. Why in the section of the study on the challenges of the "Tariff Reform Scenario" there is no assessment of EU State Aid Rules and international obligations of EU member states which concern the protection of foreign investments?
- 2.3. Could you disclose the principles of compensations to TSO under "Tariff Reform Scenario"?
- 2.4. In the "Trading Zones Merger" scenario it is not clearly indicated, whether it shall take place ONLY after all technical constrains are removed.
- 2.5. The LNG glut scenario doesn't show the price levels of LNG. Could you disclose this information?

2.6. In the chapter on wholesale market concentration (p.55) HHI with domestic production included is close to unconcentrated market (1500) or moderately concentrated market (1500-2500), so it is methodologically unfair to label EU gas market as concentrated basing only on imported gas calculations of HHI index. Besides there is no supplier with a dominant position falling under the EU guidelines (40% market share).

2.7. In the chapter on wholesale market concentration (p.55) why don't you take into account competition with other fuels? Today it is not only gas to gas competition.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
HHI with domestic production	1921	1931	1884	1708	1619	1664	1739	1957	1875	1875
HHI without domestic production	<u>2539</u>	<u>2577</u>	2492	2268	2153	2324	2480	<u>2826</u>	<u>2653</u>	<u>2661</u>

Source: REKK



EU gas supply source structure. Source: Eurostat