



EU-RF Gas Advisory Council

Update on progress of the Internal Market Work Stream

- 4th meeting of EU-Russia Gas Advisory Council
Brussels, 20 July 2012

The Internal Market Work Stream is a good forum to gain mutual understanding

- **Participants from different parts of the gas sector, regulators, government**
- **2 meetings of the IMWS since last GAC:**
 - **26 April in Vienna**
 - **26-27 June in Moscow**
- **Key topics discussed:**
 - **Implementation of the Third Package (new rules concerning entry-exit regimes)**
 - **Mechanisms for new capacity (coordinated opens seasons/incremental capacity)**
 - **Interoperability**
 - **Pricing of natural gas and long-term contracts**
 - **Situation on the Russian domestic gas market**
 - **Glossary of terms to facilitate mutual understanding**

The implementation of the Third Energy Package provides a level playing field

- Effectively unbundled TSOs focus on optimizing the movement of gas between different points in the network
- The introduction of entry-exit systems is the basis for the flexible movement of gas within the internal market while accommodating long-term and long-distance deliveries
- The entry-exit system allows both the delivery of gas to customers and trading at the hub – market players to decide how far downstream they go
- EU work is now focusing on harmonization of market rules via guidelines/codes addressing
 - Contractual congestion (CMP Guidelines)
 - Efficient capacity allocation (CAM Network Code)
 - Market-based balancing (Balancing Network Code)
 - Tariffs to promote cross-border trade (Tariffs Network Code)
 - Technical rules (Interoperability Network Code)

Key issue for further discussion remains system for new capacity

- **Russian side presented concept of "coordinated open seasons" setting out a mechanism that would – once firm commitment for new capacity from market is present – assure that (potentially several) TSOs take necessary measures to build capacity**
 - **This mechanism would enable projects such as South Stream (but also smaller pipelines/capacity expansions) to be built if there is demand**
- **On the EU side regulators and stakeholders are working on a mechanism to complement the existing Capacity Allocation provisions to new capacity (incremental capacity) on the basis of in particular an economic test – target is a strategy paper by year end**
- **There is general agreement that a system is needed that can assure the building of new capacity on the basis of certain criteria/level of commitment and that larger projects necessitate intensive coordination between those involved**
- **Further discussions are needed in the Work Stream to crystallize out key characteristics – the work of the group can become an important element to the discussion of incremental capacity**

The IMWS will continue work in the autumn – next steps

- **Continuation of updates/exchanges on implementation of Third Energy Package with specific focus on effects for Russian companies**
- **Furter discussion on coordinated open seasons/incremental capacity – providing input to process lead by EU Regulators (CEER)**
- **Deeper analysis of developments on Russian gas market and corresponding repercussions on EU players and EU market**