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

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

1. Qualitative phase

Inputs
- Current gas market inefficiencies
- Third Energy Package
- Stakeholder papers

Reference Scenario

Alternative scenarios

4 selected alternative scenarios

8 additional considered scenarios

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