GAS TRANSPORTATION INFRASTRUCTURE DENSITY IN THE EU: CEE vs NWE

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Well functioning markets vs density of infrastructure: CEE vs NWE

• EU internal market is in the making & not homogenous yet
• EU market zones have different level of competitiveness & their marketplaces – of liquidity: f.i. NWE vs CEE
• CEC/DG COMP sees the reason for low CEE markets liquidity & competitiveness in Gazprom’s non-market behaviour & thus proposes its “positive discrimination” within existing available infrastructure
• But maybe the explanation is different? Whether necessary fundamentals / prerequisites are in place in CEE to provide adequate market liquidity & competitiveness (like in NWE which marketplaces are considered EU as if already liquid – TTF, NBP, - though business thinks differently – see presentation of A.Wagner)?
• Adequate infrastructure density is (one of) such prerequisites. It provides technical opportunities for diversification, which enables competition, etc.
• What is comparative picture between CEE & NWE?
EU countries areas vs gas transportation infrastructure* - almost linear correlation, BUT…

* Gas trunk & distribution lines
Calculations made by E.Orlova, PHD postgraduate student, Chair “International Oil and Gas Business”, Russian State University of Oil and Gas, based on the data 2011/2012, kindly provided by ENTSOG, Eurogas
Gas transportation infrastructure density in the EU*
(trunk lines only, km/100 km²)

How much will it cost and how long will it take to cover this gap in gas transportation infrastructure density between NWE and CEE to make diversification possible in CEE?

* Preliminary results
Calculations made by E.Orlova, PHD postgraduate student, Chair “International Oil and Gas Business”, Russian State University of Oil and Gas, based on the data 2011/2012, kindly provided by ENTSOG
NWE & CEE gas transportation infrastructure* density ratios by country (km/km²):
CEE in lower values

Belgium 2.36
the Netherlands 3.59
France
UK
Austria
Germany 0.0

Gas transportation infrastructure density ratio
Historically/retroactively extrapolated data
Factual data

CEE

* Gas trunk & distribution lines
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CEE (2012) & corresponding NWE gas transportation infrastructure* density ratios (km/km²): time gap measured by decades

* Gas trunk & distribution lines

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Time gap between NWE & CEE gas transportation infrastructure* density ratios (years, NWE compared with CEE 2012 levels)

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<td><strong>Hungary, Czech</strong></td>
<td>have not reached 1970’ level</td>
<td>26</td>
<td>2 times higher</td>
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<td>10</td>
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<td><strong>Slovenia, Romania</strong></td>
<td>have not reached 1970’s level</td>
<td>42</td>
<td>25</td>
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<td><strong>Bulgaria</strong></td>
<td>has not reached 1970’s level</td>
<td>has not reached 1970’s level</td>
<td>42</td>
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CEE vs NWE gas transportation infrastructure* density ratios comparison (km/km²): the gap seems to increase... (1)

* Gas trunk & distribution lines

Ovals show the periods when the historical density ratios of transport infrastructure in NWE (Belgium, Germany) correspond to the more recent levels of this ratio in CEE (Hungary, Slovakia).

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CEE vs NWE gas transportation infrastructure* density ratios comparison (km/km²): the gap seems to increase… (2)

Gas infrastructure density ratio

- Benelux: K=2.37
- Hungary: K=0.98
- Slovakia: K=0.72

* Gas trunk & distribution lines, preliminary results

Calculations made by E.Orlova, PHD postgraduate student, Chair “International Oil and Gas Business”, Russian State University of Oil and Gas, based on the data 2011/2012, kindly provided by ENTSOG, Eurogas
Gas transportation infrastructure density ratios comparison, (km/km^2)

Stagnation of gas transportation infrastructure density ratio in CEE after joining the EU? Is it really so?
Why so???

* Gas trunk & distribution lines, preliminary results
Calculations made by E.Orlova, PHD postgraduate student, Chair “International Oil and Gas Business”, Russian State University of Oil and Gas, based on the data 2011/2012, kindly provided by ENTSOG, Eurogas
Conclusions

• Infrastructure density is a material background/prerequisite for introducing non-discriminative competition, e.g. without:
  – deficit of infrastructure and
  – “positive discrimination” of incumbents who created existing infrastructure

• How much have it cost for NWE states to reach their today’s levels of infrastructure density (which is considered by EU regulatory authorities as providing adequate liquidity for competitive marketplaces) from today’s CEE levels?

• How much will it cost to CEE states to reach today’s NWE infrastructure density levels to provide material background for competitive markets? Who will pay for this? How long will it take?

• What rules need be created in EU for this? Whether current draft amended CAM NC provides adequate regulatory rules for this?

• We propose to investigate and respond to this questions together within GAC/Consultations framework
Thank you for your attention

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