



# **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**

# Visit of Consultations/IMWS participants to the Central Dispatch Center of Gazprom, 26.06.2012





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

- Effectively unbundled and coordinated TSOs focus on optimizing the movement of gas between different points in the network, incl. optimization of contractual & physical flows/routes (diminishing unnecessary new construction)
- 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 (through a chain of cross-border interconnection points)
- 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**