

**A.Konoplyanik’s bullet points for Panel discussion “*Are routes Through the Southern Corridor the Right Fix for Central and South Eastern Europe’s Future?*” (EGC-2017, 24.01.2017, 16:05-16:50)**

**From *competition* between individual new pipeline proposals, based on the “old” EU rules, to *cooperation* of shippers, TSOs, NRAs under “new” EU rules :**

1. Three types of perceived competition in SEE – e.g. between:
  - a. Russia/producer/exporter-“sponsored” & EU/consumer/importer-“sponsored” pipeline projects (incl. from alternative to Russian supplies),
  - b. Different EU-“sponsored” pipeline & LNG regas projects,
  - c. Three different EU regulatory models/procedures of initiation, financing, development of new capacity:
    - i. “Old” – (a) PCI and/or (b) Exemptions under Art.21-22 (2<sup>nd</sup> Gas Directive)/Art.35-36 (3<sup>rd</sup> Gas Directive),
    - ii. “New” – (c) CAM NC INC (originated from Art.13.2 Third Gas Directive)
2. “Russia-sponsored” projects:
  - i. South/Turkish Streams (offshore & onshore parts) e.g. their continuation/prolongation onshore EU, incl. Poseidon project proposal, - to the existing delivery points (destination markets) under existing LTC (supply)

“EU-sponsored” projects:

  - i. TANAP-TAP (EU Southern Gas Corridor), incl. its potential capacity expansion
  - ii. Vertical Gas Corridor (CESEC)
  - iii. IGB/IBR & other interconnectors with reverse flows
  - iv. Integration into these pipeline systems of LNG regas facilities & LNG/ storages (both existing onshore & proposed FSRUs)
3. Evolution of pipeline development concept in SEE: From “*offer of capacity*” based on *old* EU PCI/Exemptions rules (NABUCCO) - to “*demand for capacity*” based on bilateral IGAs (South Stream: “no go” if contradicts Third Energy Package) or on *new* EU rules (CAM NC INC)
  - a. Failure of NABUCCO: lack of shippers’ readiness to book transportation capacity

- b. Failure of South Stream (onshore): opposition of EU to allow unilateral deviation from EU Third Energy Package rules (unbundling, mandatory TPA) in post-2009 period
  - c. Contradiction between (non-compliance of) bilateral IGAs & EU rules for unbundled internal market = prerequisite for development of new EU rules for development of new capacity within unbundled EU gas market based on “demand for capacity” approach
4. Difference in the major purpose of development of new capacity:
- a. Russia (producer/exporter initiative): firstly, to reroute to the new transportation routes with the same delivery point capacity (transportation) contracts within existing valid long-term supply contracts after expiration of the above-mentioned transportation contract which is part of this supply LTC
    - i. Originates from the Russian GTS which incorporates existing and new resource bases (multiple fields).
  - b. EU (consumer/importer initiative): firstly, to develop new transportation routes from the new supply source(s) to diversify from dominant Russia supplies
    - i. Southern Gas Corridor originates from Azeri Shah-Deniz II (from new single field)
5. Financeability/bankability:
- a. former EU rules: competition between the projects for access to EU public finance to make project (new capacity) financeable;
  - b. new EU rules: demand for capacity = shipper’s readiness to book capacity long-term = security for project (debt) financing = no need for public finance (except “up to 20%” quota for short-term shippers)
6. Conclusion: from competition between individual “distance” pipelines to “entry-exit” approach with multiple entry capacities (pipeline and LNG regas) based on “demand for capacity” approach (covering all shippers’ requests) based on new EU regulatory rules (adopted by comitology procedure in end-2016)
- a. Southern Gas Corridor to become an integral part of such integrated system: to convert it from isolated East-West pipeline endeavored as alternative to Russian gas supplies into well-integrated in all four geographical dimensions system with reverse flows at ICs
  - b. Similar approach was proposed in IENE’s June 2016 Publication “TAP is Not Enough”