

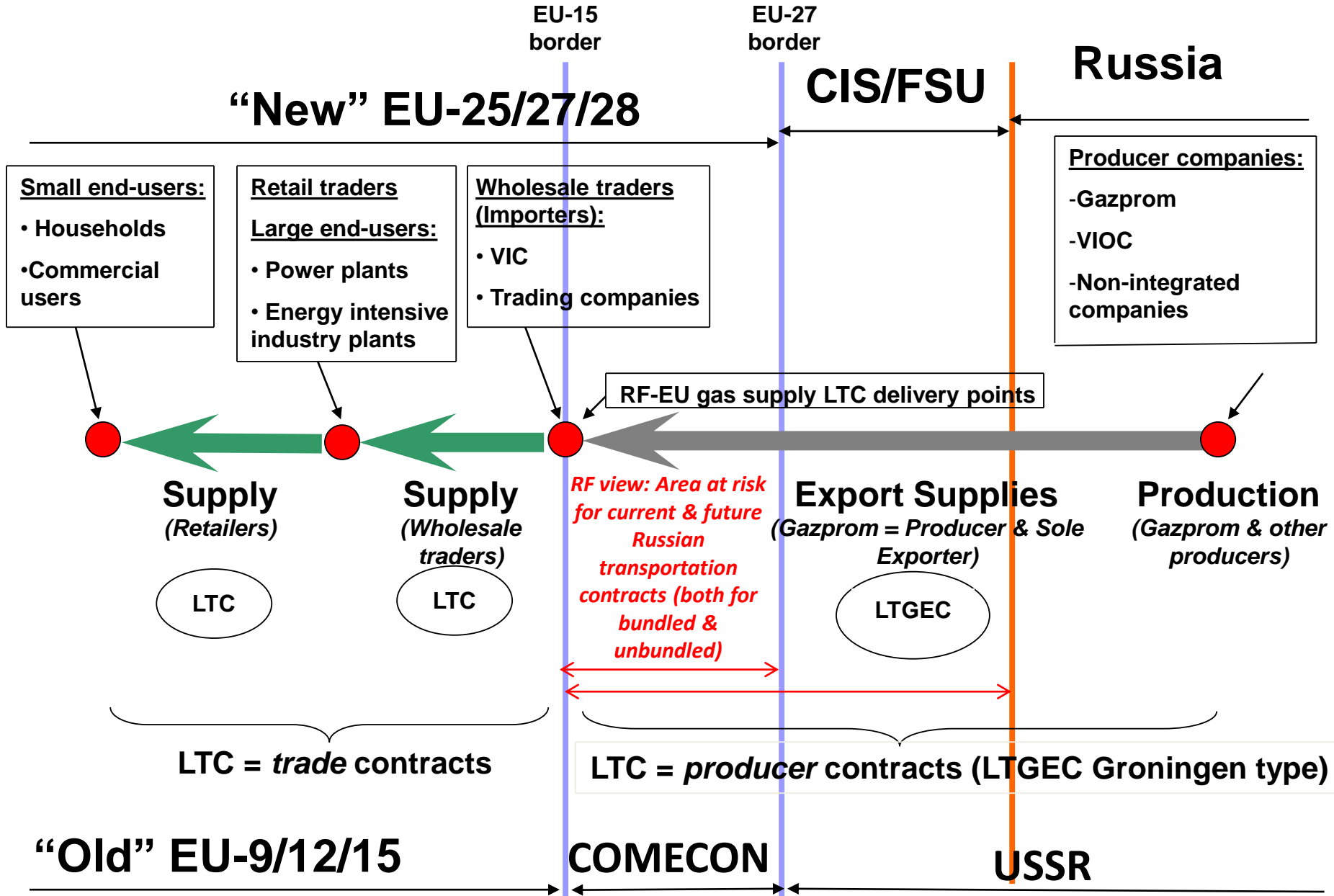
# **In the search of an efficient EU gas market model: Quo Vadis?**

## **(introductory remarks of the moderator)**

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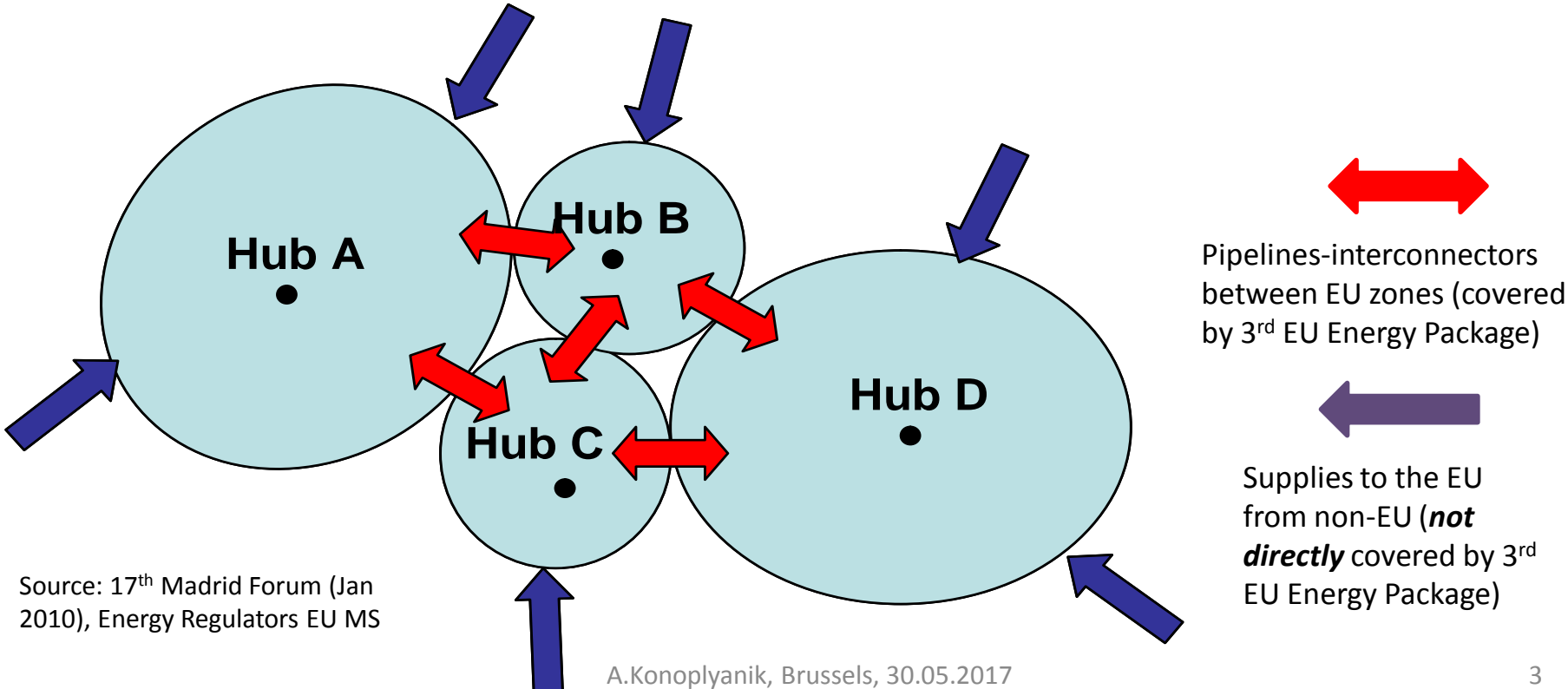
Workshop "In the search of an efficient EU gas market model"  
(under the supervision of the Co-chairs of Work Stream 2 -  
"Internal Markets" of the Russia-EU Gas Advisory Council),  
Representative Office of PJSC "Gazprom" in Belgium,  
30th May 2017

# Russia-EU historical gas value chain: different types of LTC



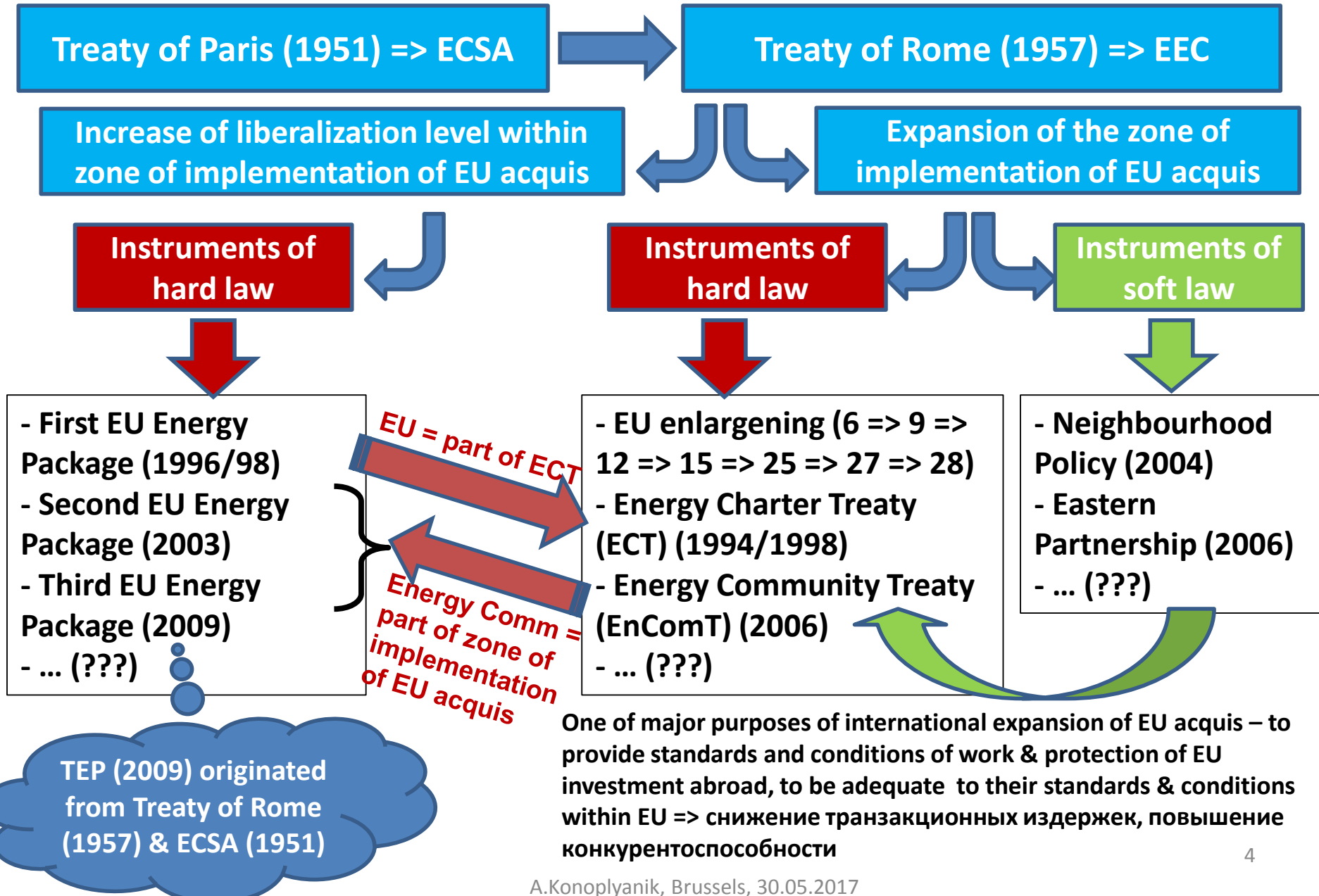
# Organization of internal EU gas market acc. to 3<sup>rd</sup> (2009) EU Energy Package: radical change of wholesale market architecture compared to previous one

- No single (homogenous) internal EU gas market in the near future even as economic model
- All market areas to be organized as **entry-exit zones** with **virtual liquid hubs** => uniform capacity allocation ("**bundled products**") & gas pricing ("**spot & exchange pricing**") mechanisms;

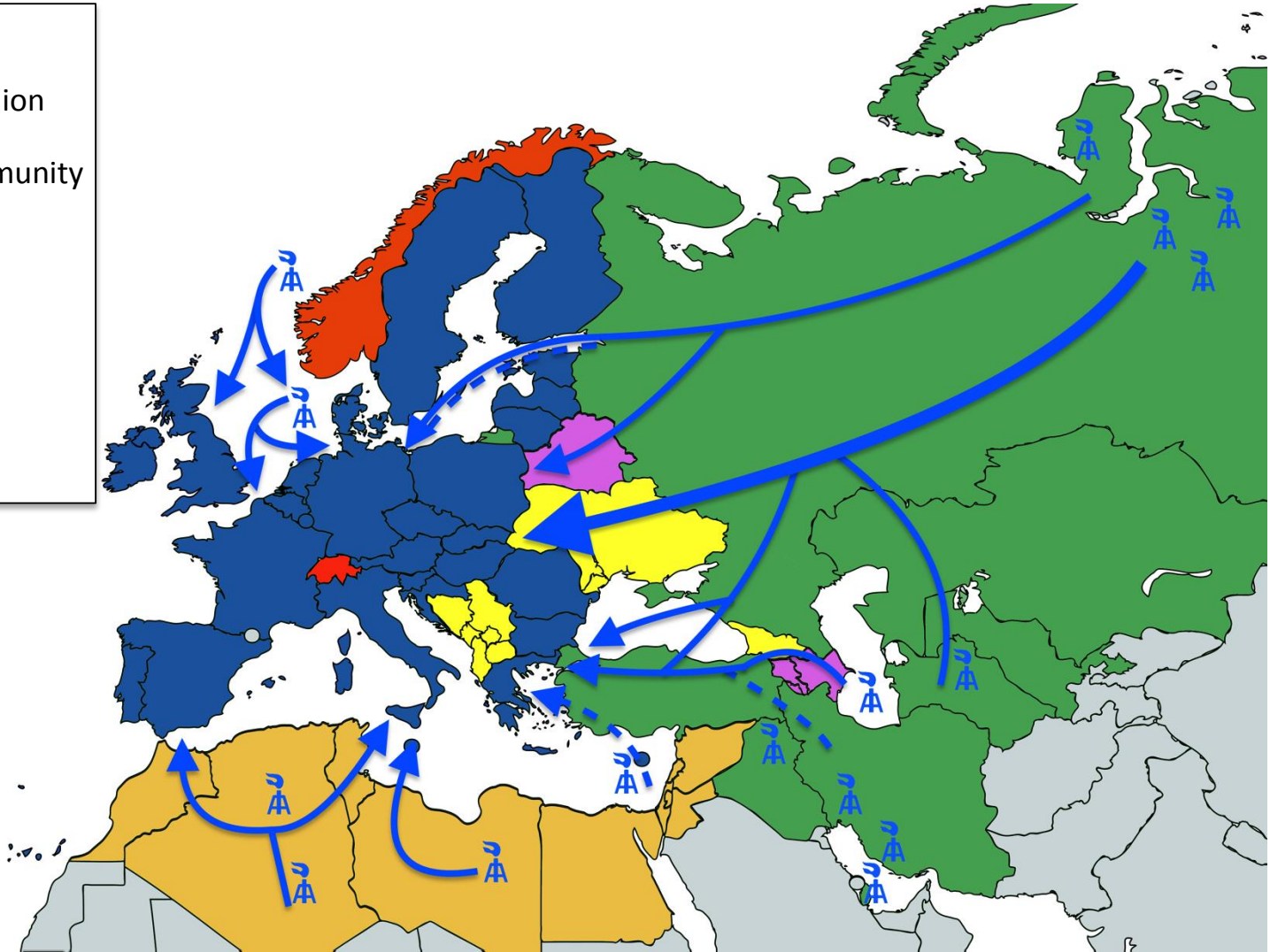
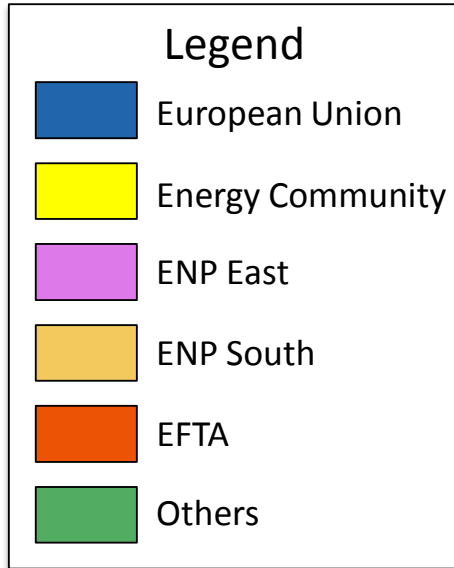


Source: 17<sup>th</sup> Madrid Forum (Jan 2010), Energy Regulators EU MS

# Instruments of internal liberalization & international expansion of EU acquis communautaire in energy: history about almost 70Y-long



# Internal EU gas market vs “Broader Energy Europe” (EU “energy acquis” expands through the cross-border gas value chains upstream from the EU)



Map prepared by A.Haug

# TEP-based regulatory framework has been finally done

- Sept. 2007: EU announced development of Third Energy Package (TEP)
  - Russian State authorities/Gazprom:
    - Many immediate concerns, potential & real threats for existing contractual structures of Russian gas supplies to the EU
    - Positive consequences of TEP were not visualized/identified for new contractual structures
- 03.09.2009: TEP entered into force (5 doc's for Electricity & Gas)
  - *02.09.2009 (Alpbach) :*
    - *(i) W.Boltz (WB) proposal to A.Konoplyanik (AK) to organize a meeting (Gazprom vs. EU energy regulators) to explain EU intentions regarding TEP;*
    - *(ii) AK counter-proposal to WB: RF/GG experts will explain its justified concerns regarding TEP; to be converted to a series of meetings*
  - *19.01.2010: 1<sup>st</sup> informal consultations (29<sup>th</sup> round on 14.02.2017)*
- 03.03.2011: TEP to be incorporated in internal legislation of EU MS
  - *Oct.2011: Russia-EU Gas Advisory Council inaugurated with three Work streams: WS1 "Forecasts", WS2 "Internal market", WS3 "Infrastructure"*
  - *22<sup>nd</sup> meeting of WS2 "Internal markets" on 14.02.2017*
- 2010-2016: Framework Guidelines, Network Codes, Gas Target Model(s)
  - 06.04.2017 two last NCs entered into force (CAM NC INC & TAR NC)
  - Preparation of TEP-based internal EU regulatory environment has been finalized
- 2017: Quo Vadis => evaluation of efficiency of regulatory framework created through the period («остановиться, оглянуться...»/"to stop, to look around...")
  - Q: How best to do this exercise?

# Russia-EU cooperation within GAC on TEP NCs

- Examples: GTM, CAM NC INC & TAR NC, ...
- **GTM (2011-2013)**: initiated, inter alia, by Russian side within GAC + fight against initial GTM deficiencies
  - Initial proposal by EU consultant: only spot, not LTC, trade not delivery, etc...
- **CAM NC INC & TAR NC (2013-2016)**:
  - Jan' 2010: CAM NC (Reg.715) is not optimal
    - allocation of existing capacity only, no procedure for development of new capacity, wrong perception that new capacity is not needed in EU (based on 70% utilization rate of existing EU GTS)
  - first ever participation of RUS/GG representatives in drafting EU legislation (as sparring partners: 2 of 6 "Prime Movers")
  - 2016: test study of draft CAM NC INC with ENTSOG & 3 EU TSOs (Dutch, Belgian, French): final stage – 9 improvements proposed – all agreed upon by CEC & Comitology)
- To use accumulated positive experience of RF-EU cooperation within GAC on topical sensitive issues for **Quo Vadis (2017)**
  - Efficiency of regulatory framework assessment = task for WS2 GAC

# Different facets of Quo Vadis EU project

- One of its dimensions: to adequately evaluate efficiency of EU regulatory framework (NCs developed through 2010-2016 on the basis of TEP) => means to agree on:
  - which particular EU gas market architecture (structure/GTM) it shall correlate with
    - exiting one (TEP-based: number of E-E market zones with VTP within each of them) or,
    - some new one (e.g., single internal homogenous EU gas market zone with single gas price differentiated by transportation distances from VTPs (Ramsey pricing)), or etc.?
  - What is “an optimal EU gas market architecture”? For whom?
    - For EU end-users only (within import-dependent EU in energy/gas)?
    - Or a balanced one within Broader Energy Europe (cross-border EU-oriented capital-intensive immobile gas value chains of pipeline gas within mutually dependent states through these chains)?
  - To have a balanced vision (and to achieve an adequate well-balanced result in Quo Vadis) => practical to continue within WS2 framework expert debate on these & related issues as a potential input to/benefit for Quo Vadis



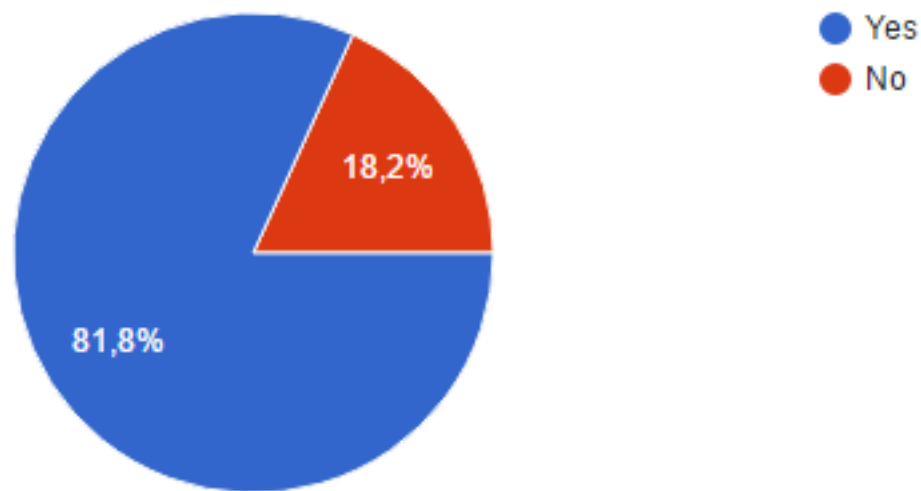
# Quo Vadis: how best to organize the cooperative process

- In the import-dependent EU, assessment of efficiency of domestic regulatory framework cannot (SHALL NOT) be done from the internal EU standpoint only, but within the “Broader Energy Europe” perspective (with due regard to justified concerns of the external EU suppliers) => only/best in cooperation with all (EU & non-EU) stakeholders
- BUT: vision of the stakeholders might differ (*11 applicants for Quo Vadis consultancy contract vs. 17 stakeholders provided their responds*)

# Results of 30.05.2017 Workshop registration poll (non-Gazprom Group attendants' answers only)

Is there a need for further improvement of the EU gas market regulatory environment?

33 отбета

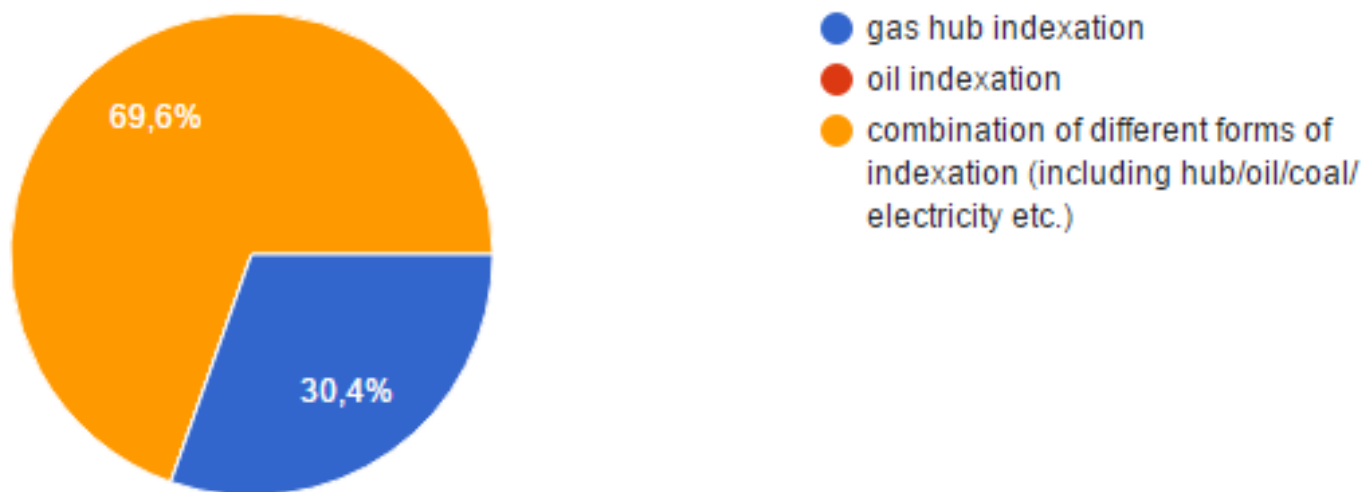


Collected & summarized by D.Udalov

# Results of 30.05.2017 Workshop registration poll (non-Gazprom Group attendants' answers only)

What is the most effective future pricing mechanism for the EU internal gas market

23 ответа

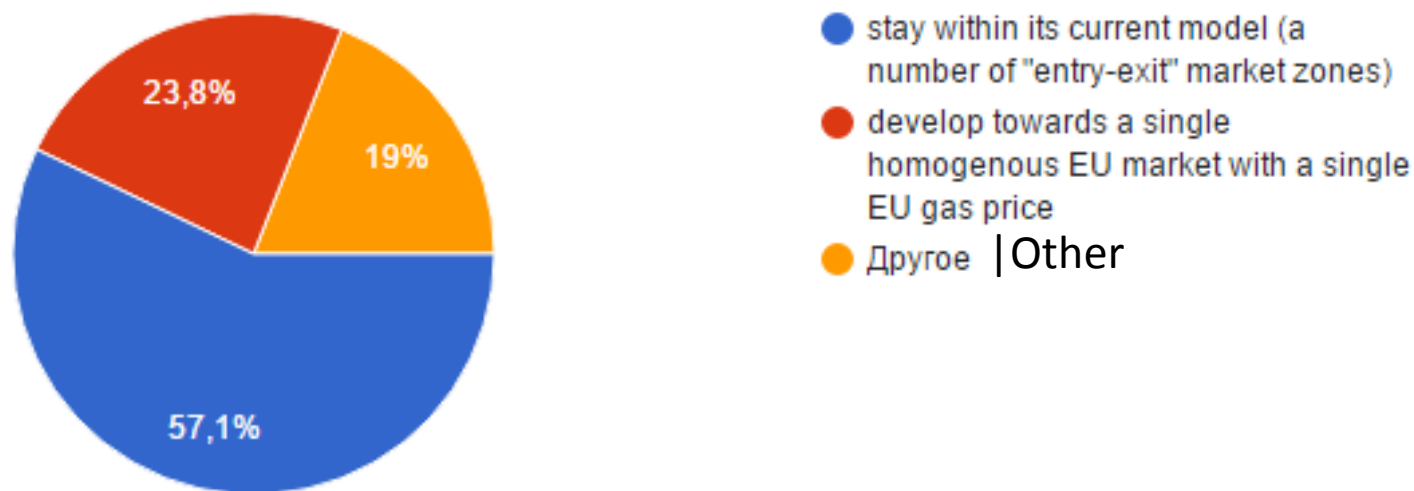


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# Results of 30.05.2017 Workshop registration poll (non-Gazprom Group attendants' answers only)

Should the future architecture of the EU gas market

21 ответ

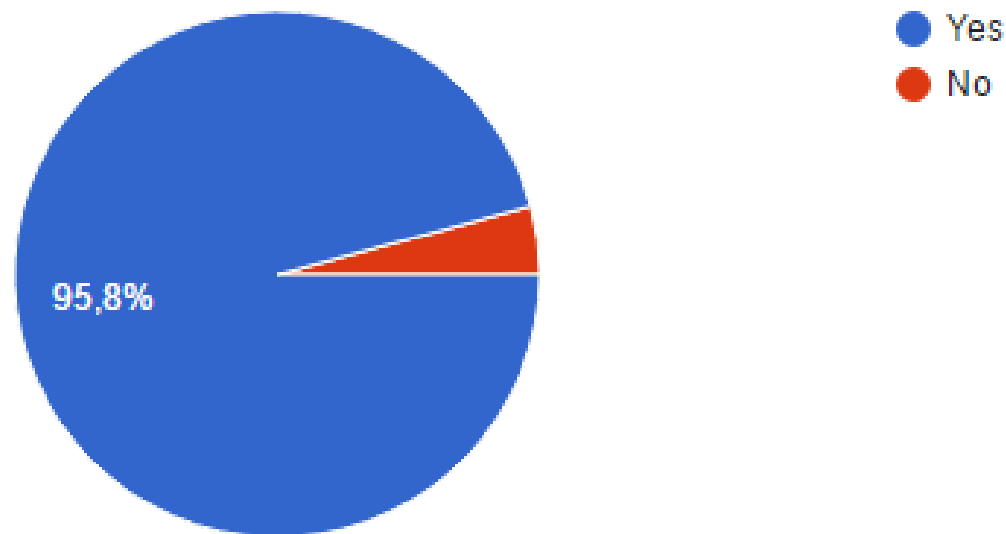


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# Results of 30.05.2017 Workshop registration poll (non-Gazprom Group attendants' answers only)

Shall stakeholders be fully involved in any further market developments initiated by the EU regulatory bodies?

24 ответа



Collected & summarized by D.Udalov

**Thank you for your attention**

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