



UNECE WORKING PARTY ON GAS

Report on 2 Studies:

- ◆ «The Impact of the Liberalization of Natural Gas Markets on Gas Demand and Prices in the UNECE Region: Gas Saving to Reduce Natural Gas Demand and Enhance Energy Security »

- ◆ «Development of Efficient Mechanisms of Natural Gas Markets Regulation in the UNECE Region»

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Deputy Director General
25 November 2010,
Palais des Nations



LIBERALIZATION STUDY: MAJOR GOALS

- **Analysis of the current state and future prospects of the energy market development**
- **Determination of the relationship between free market, market prices, sustainable supplies and efficient energy use**
- **Finding the mechanisms for energy markets functioning improvement**





LIBERALIZATION STUDY: GROUP OF EXPERTS

Chapter 1

Ms. Alisa Cherepanova (Russia)
Ms. Yulia Emeliashina (Russia)
Mr. Bosko Kenjic (Bosnia and Herz.)
Mr. Dragisa Martinovic (Montenegro)
Mr. Alain Tournebise (France)

Chapter 2

Mr. Alexei Bulgakov (Russia)
Mr. Jacques Deyirmendjian (France)
Ms. Inessa Garova (Italy)
Mr. Helmer Horlings (The Netherlands)
Ms. Tatiana Krylova (Germany)
Mr. Sergei Shilnikov (Russia)

Chapter 3

Mr. Jiri Filippi (Czech Republic)
Mr. Svetolsav Ivanov (Bulgaria)
Mr. Osama Kamal El Din (Egypt)
Mr. Tamas Korosi (Hungary)
Mr. Alexandar Melamed (Bulgaria)
Mr. Nikolai Rantsev (Russia)
Ms. Yulia Tarasuk (Russia)
Ms. Manuela Tsanova (Bulgaria)

Chapter 4

Mr. Patrice Dreiski (OSCE)
Ms. Tatiana Gospodinova (Russia)
Mr. Gheorge Radu (Romania)
Mr. Andre Schumann (Germany)

Chapter 5

Mr. Jacques Deyirmendjian (France)
Mr. Yuri Drozdov (Russia)



LIBERALIZATION STUDY: TIMETABLE

MILESTONES	MONTH/YEAR
✓ Development of draft Questionnaire and Study structure	February - December 2008
✓ Presentation of the Study concept at the 10 th Working Party on Gas meeting	January 2009
✓ 1 st experts meeting in Moscow. Review and approval of the Study structure and Questionnaire by the international experts. Election of experts contributing to the study	March 2009
✓ Distribution of Questionnaire and gathering of information	April - July 2009
✓ Analysis of collected data from the Questionnaire	August – September 2009
✓ 2 nd meeting of Study experts. Review of the Study preliminary results	September - October 2009
✓ Study report and conclusions preparation	October – December 2009
✓ Study results presentation at the UNECE WPG Session	January 2010
✓ Preparations for the Study editing	January- March 2010
✓ Study publishing by the UNECE Secretariat	January 2011



LIBERALIZATION STUDY: STRUCTURE

- ❑ Introduction: OAO Gazprom Promgaz
- ❑ Chapter 1 “Structure of gas market and pricing policy”:
Head - Mr. Tournebise (GDF SUEZ)
(6 experts)
- ❑ Chapter 2 “Impact of liberalization of natural gas market
on gas demand, prices and improvement of efficiency”:
Head - Mr. Horlings (Gasunie)
(5 experts)
- ❑ Chapter 3 “Liberalization of natural gas markets and security
of supply”: Head - Mr. Ivanov (Overgas)
(8 experts)
- ❑ Chapter 4 “Liberalization of gas market and natural gas
saving to reduce gas demand to enhance energy security”:
Head – Mr. Dreiski (OSCE)
(4 experts)
- ❑ Chapter 5 “The role of LNG in the process of gas markets
liberalization in the UNECE region”: Mr. Deyirmendjian
(Deynenergies SAS), Mr. Drozdov (Promgaz)
(2 experts)
- ❑ Conclusion: OAO Gazprom Promgaz





LIBERALIZATION STUDY: ADVANTAGES AND DISADVANTAGES OF A LIBERALIZED MARKET

➤ Advantages:

- ✓ The downstream sector will be covered by a great number of companies such as transporters, shippers, suppliers, distributors, network operators
- ✓ Security obligations implied in regulatory framework

➤ Disadvantages:

- ✓ Focus on projects with short-term profitability
- ✓ Avoiding participation in long-term contractual arrangements
- ✓ Avoiding development of assets for emergency use

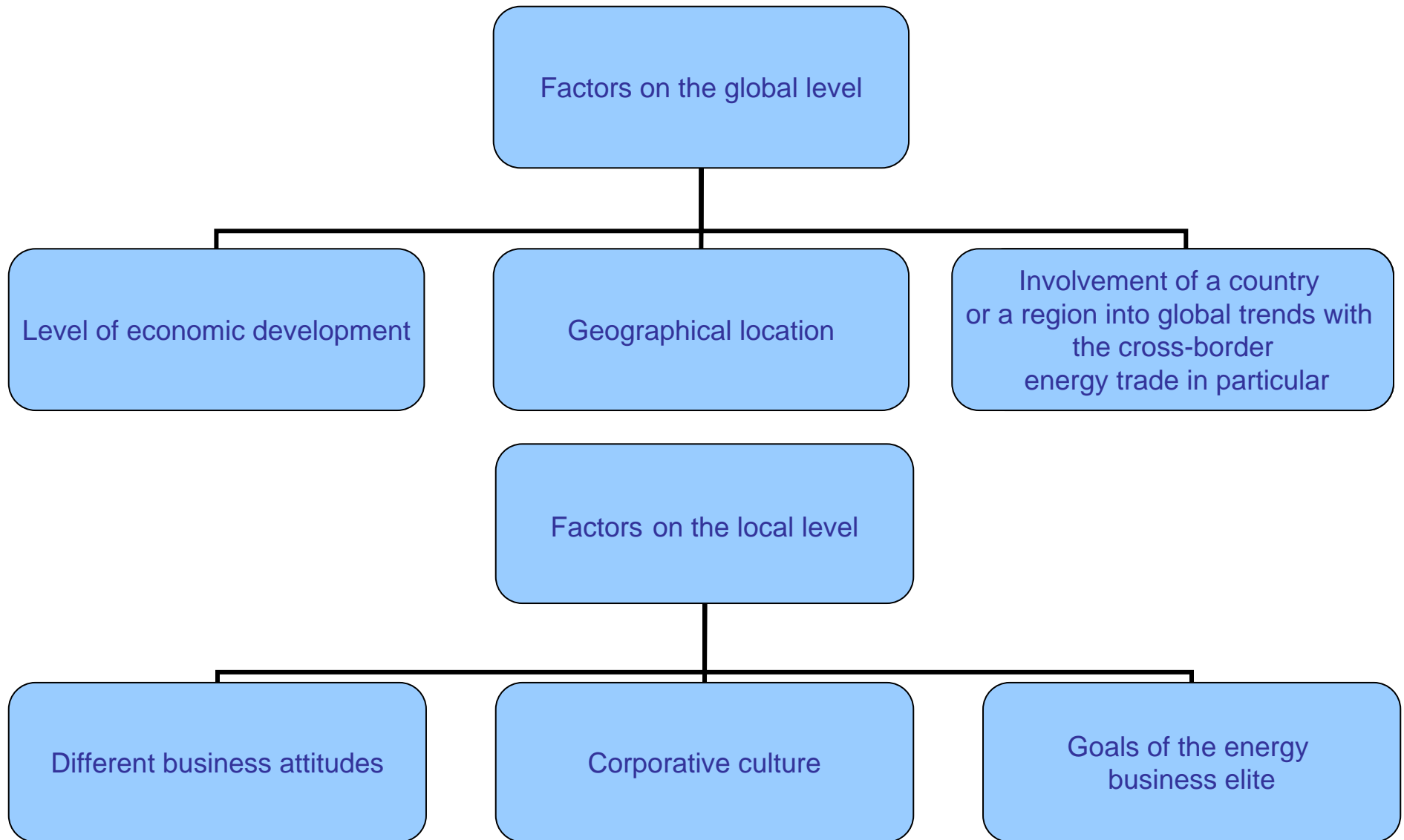


LIBERALIZATION STUDY: CURRENT STATE AND FUTURE PROSPECTS OF THE ENERGY MARKET DEVELOPMENT

- **Main trend – a move from monopoly to oligopoly**
- **Major energy companies expand their presence and activity in the neighboring countries, building emergence for “energy giant” companies**
- **Long-term contracts is the dominant mechanism for price formation**



LIBERALIZATION STUDY: FACTORS FOR LIBERALIZATION IMPLEMENTATION





LIBERALIZATION STUDY: MECHANISMS FOR IMPROVEMENT OF ENERGY MARKETS FUNCTIONING

- Regulators to ensure a level playing field for all participants in the market**
- Diversification of supplying roots**
- Development of crucial gas infrastructure**
- Development of long-term security of supply projects**



REGULATION STUDY: MAJOR GOALS

- **Analysis of the evolution of the international regulatory mechanisms development in the natural gas markets**
- **Determination of the current interests for natural gas producing, consuming and transit states and risks and threats for their energy security**
- **Finding ways to harmonize international regulatory mechanisms of natural gas markets for the sustainable development of the parties**



REGULATION STUDY : WHY THE STUDY IS TOPICAL?

- **World energy market volatility threatens world economic development**
- **Geopolitical rivalry and political controversies of global scale are to be overcome**
- **Interrelated interests of energy producing, consuming and transit states**
- **Growing sophistication of the energy business projects**
- **Different approaches to price formation issues**
- **Harmonization of the legal systems**



REGULATION STUDY: TIMETABLE

MILESTONES	MONTH/YEAR
Decision to launch the Study at 20th WPG Session	January 2010
Discussion on goals, purposes and methodology of the Study in Moscow	March 2010
Online development of provisional Terms of Reference	May 2010
Further discussion on goals, purposes and organizational structure in preparation for 21st WPG Session	November 2010
Election of Chairman, Task Force Leader, Chapter Heads; Adoption of Terms of Reference and further Timetable at 21st WPG Session	January 2011



THANK YOU FOR ATTENTION!

