About the architecture of common gas market of Eurasian economic Union

Geneva, 2016
Eurasian economic Union (EEU)

С 01.01.2015 г.
Republic of Kazakhstan
Russian Federation

С 02.01.2015 г.
Republic of Belarus
Republic of Kazakhstan
Russian Federation

+ Republic of Armenia

Since 12.08.2015
Republic of Belarus
Republic of Kazakhstan
Republic of Armenia
+ Republic of Kyrgyzstan
Russian Federation
Basis for the development of the EEU common gas market formation concept

**Eurasian economic Union Agreement**
Signed 29th of May 2014

**Article 83**
Member countries develop the **CONCEPT** and a **PROGRAMM** on EEU common gas market formation, adopted by the Supreme economic Council.

**Article 104**
For setting the EEU common gas market Supreme economic Council will adopt the EEU common gas market formation concept.

The working plan on the Acts development and international

Developers – Eurasiy economic commission, Member countries

Overview of the concept project on the Supreme economic Council – 31st of May 2016
EEU common gas market formation stages

Stage I
• EEU common gas market formation PROGRAM DEVELOPMENT AND VERIFICATION

2016 – 2017

Stage II
• REALIZATION OF PROGRAMM of the EEU common gas market formation, development of common rules of access to the gas pipelines systems, situated on the territories of the member states

2018 – 2023

Stage III
• INTERNATIONAL AGREEMENT ESTABLISHMENT within the EEU common gas market formation

2024
EEU common gas market formation objectives

The increase in energy security of the member states

The increase in reliance, affordability and quality of the household gas supply within the member states

The increase in economic efficiency of gas pipelines systems use within the member states
## EEU major Indicators of the gas field in 2015

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Republic of Armenia</th>
<th>Republic of Belarus</th>
<th>Republic of Kazakhstan</th>
<th>Republic of Kyrgyzstan</th>
<th>Russian Federation</th>
<th>EEU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gas reserves</td>
<td>-</td>
<td>3,0</td>
<td>1 500,0</td>
<td>6,0</td>
<td>32 600,0</td>
<td>34 109,0</td>
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<tr>
<td>gas extraction</td>
<td>-</td>
<td>0,2</td>
<td>45,7</td>
<td>0,03</td>
<td>633,4</td>
<td>679,3</td>
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<tr>
<td>Gas Export (overall)</td>
<td>-</td>
<td>-</td>
<td>12,7</td>
<td>-</td>
<td>192,4</td>
<td>205,1</td>
</tr>
<tr>
<td>Gas export to the third countries</td>
<td>-</td>
<td>-</td>
<td>3,9</td>
<td>-</td>
<td>169,1</td>
<td>173,0</td>
</tr>
<tr>
<td>Gas Import (overall)</td>
<td>2,3</td>
<td>18,8</td>
<td>5,8</td>
<td>0,2</td>
<td>8,7</td>
<td>35,8</td>
</tr>
<tr>
<td>Gas Import to the third countries</td>
<td>0,4</td>
<td>-</td>
<td>3,2</td>
<td>-</td>
<td>-</td>
<td>3,8</td>
</tr>
<tr>
<td>Domestic consumption of gas</td>
<td>2,3</td>
<td>19,0</td>
<td>12,1</td>
<td>0,2</td>
<td>444,3</td>
<td>477,9</td>
</tr>
<tr>
<td>main gas pipeline, thousands km</td>
<td>1,7</td>
<td>7,9</td>
<td>14,9</td>
<td>0,7</td>
<td>175,0</td>
<td>200,2</td>
</tr>
</tbody>
</table>
Mutual trade of gas 2015

- FROM RUSSIA TO KAZAKHSTAN: 2,6 bln. cubic m.
- FROM KAZAKHSTAN TO RUSSIA: 8,7 млрд. куб. м
- FROM KAZAKHSTAN TO KYRGYZSTAN: 0,2 bln. cubic m.
- FROM RUSSIA TO ARMENIA: 1,9 bln. cubic m.
- FROM ARMENIA TO REP. OF BELARUS: 1,9
- FROM BELARUS TO RUSSIAN FEDERATION: 18,8 млрд. куб. м
- FROM KYRGYZSTAN TO REPUBLIC OF KAZAKHSTAN: 0,2
Targets of EEU common gas market formation

- **NON DISCRIMINATORY ACCESS** of participants of EEU common gas market
- creation of the positive environment for **FAIR COMPETITION** between the participants of EEU common gas market
- **TRANSFER TO THE MARKET MECHANISMS OF PRICE FORMATION** for gas on common market of the EEU
- creation of the positive environment **INVESTMENT WISE FOR THE DEVELOPMENT OF GAS PIPELINES SYSTEMS** of Member States, Including **COMMON PROJECTS**;
- **NON DISCRIMINATORY AND TRANSPERANT DISTRIBUTION** of **FREE CAPACITY IN PIPLINE SYSTEMS** between the participants of the common gas market of the EEU according to the COMMON RULES FOR **GAS PIPELINES SYSTEMS ACCESS** within the member states of the EEU
- **UNIFICATION OF NORMS AND STANDARDS ON GAS** of the Member States for the **TECHNICAL DOCUMENTATION**, regulating the functioning of gas pipelines systems within the Members States.
Major principles of EEU common gas market formation

EEU common gas market formation according to:
- main **PRINCIPLES OF EEU COMMON ENERGY MARKET FORMATION**, point 1 Article 79 of the Agreement,
- **MAIN PRINCIPLES OF EEU COMMON ENERGY MARKET FORMATION**, point 3 Protocol on Gas (Application No. 22 to the Agreement).

- Ensuring **MARKET PRICE FORMATION** on energy resources
- Ensuring the **DEVELOPMENT OF Competition** on the common markets of energy resources
- **Absence** of technical, administrative and others **BARRIERS OF TRADE** of the energy resources, appropriate equipment, technologies and the relevant services
- Providing **TRANSPORT INFRASTRUCTURE DEVELOPMENT** of common energy resources markets
- **ENSURING NON DISCRIMINATORY CONDITIONS** for economic entities of member states on the common energy resources markets
- enabling environment for **INVESTMENTS ATTRACTION** in the energy complex
- **HARMONISATION OF NATIONAL NORMS AND RULES** on functioning of technological and commercial infrastructure of the common energy resources markets
- NON-use in mutual trade of **IMPORT AND EXPORT CUSTOMS DUTIES** (other duties, taxes, etc.)
- **SUPPLY OF THE INTERIOR DEMAND** in gas of Member States
- **PRICES AND TARIFFS ON THE GAS TRANSPORTATION SERVICES** for the efficient use within the Member States **THAT ARE MADE ACCORDING TO THE LAWS OF MEMBER STATES**
- **UNIFICATION OF NORMS AND STANDARDS ON GAS** of the Member States
- **ENSURING OF ENVIRONMENTAL SAFETY**
- **INFORMATION EXCHANGE** based on information of domestic consumption of gas
The PARTICIPANTS of the COMMON MARKET of GAS – the gas SUPPLIERS and gas CONSUMERS and, if necessary, authorised by a member state for the supply and (or) purchase of gas for common gas market of the Union

The SUBJECTS OF MARKETS

The OPERATORS
- gas transmission systems
- exchange trading

INFRASTRUCTURAL ORGANIZATION OF THE COMMON MARKET OF GAS

IN THE FUNCTIONING OF THE MARKET ACTIVITY WILL BE CARRIED OUT IN THE FOLLOWING AREAS:

- TRANSPORTATION
- DELIVERY

- Mutual trade UNDER DIRECT CONTRACTS ON DELIVERY of GAS
- Mutual trade ON the stock EXCHANGE
- HARMONIZATION of NORMS AND STANDARDS on gas

IN THE FUNCTIONING OF THE MARKET ACTIVITY WILL BE CARRIED OUT IN THE FOLLOWING AREAS:

- regulation of activity of subjects of natural monopolies in the sphere of transportation
  - antitrust regulation
  - customs and tariff regulation
  - technical regulation
  - regulation of stock trading

- Development of normative legal acts of member States and acts of Union bodies, governing a common gas market of the Union
- Development of indicative (forecast) balances of gas Union
- Coordinating the activities of operators of transport systems
- Coordinate the implementation of joint projects of interstate special regulators
- Analysis of data for monitoring the functioning of the common gas market of the Union
Price formation mechanisms on the EEU common gas market

**PRICE REGULATIONS**

- Maintenance of the MARKET PRICES, ENSURING THE COMMERCIAL VIABILITY OF GAS SALES
- Acceptance of the agreed decision by Member States regarding the TRANSFER OF DOMESTIC PRICES ON GAS within the EEU

**TARRIF REGULATIONS**

- Price formation on EXCHANGE TRADE based according to the competent authorities of member States procedure
- TARRIF FORMATION should be based on the GAS CONSUMERS BALANS OF INTEREST GAS SUPPLIERS AND NATURAL MONOPOLIES MEMBER STATES, providing:
  - the accessibility of the provided services
  - an appropriate level of quality for consumers
  - effective functioning and development of subjects of natural monopolies
Regulation of the EEU common gas market

EEU AUTHORITIES
(Supreme Council, INTERGOVERNMENTAL COUNCIL, Eurasian economic commission)

THE BODIES OF THE EEU COMMON GAS MARKET
(Council of heads of state bodies member States, working groups of the special Commission) that may be established to provide interaction of public authorities of member States, members of the EEU common gas market and infrastructure organizations of the EEU common gas market

THE GENERAL SUBJECTS OF THE GAS MARKET: PARTICIPANTS AND INFRASTRUCTURE ORGANIZATIONS

THE MAIN DIRECTIONS OF INTERACTION

- development of NORMATIVE LEGAL ACTS of MEMBER STATES and ACTS of the bodies of the EEU governing a common gas market of the EEU
- development of INDICATIVE (FORECAST) BALANCES of GAS EEU
- HARMONIZATION of LEGISLATION of MEMBER STATES in the field of transportation and delivery of gas
- ANALYSIS of DATA for MONITORING the functioning of the common market of the EEU
- THE APPLICATION OF UNIFORM RULES OF ACCESS TO GAS TRANSPORTATION SYSTEMS
Stages of formation of common gas market of the EEU

Stage I

• THE HARMONIZATION OF LEGISLATION of member States in the field of regulation of the common market of gas
• ENSURING AVAILABILITY AND completeness of DISCLOSURE of INFORMATION about available capacities of gas transmission systems
• UNIFICATION OF NORMS AND STANDARDS ON GAS for gas and gas transmission system
• the establishment of INFORMATION EXCHANGE
• development and approval of UNIFORM RULES of ACCESS TO GAS TRANSMISSION SYSTEMS
• the establishment of an AGREED EXERCISE OF STOCK TRADING gas in the total gas market
• the formation of the INDICATIVE (PREDICTIVE) GAS BALANCE of the Union
• IDENTIFICATION OF INFRASTRUCTURE CONSTRAINTS in the transportation of gas between member States, development of proposals on their elimination

2016 – 2017

Stage II

• the FUNCTIONING of one or more COMMODITY EXCHANGES on the territory of the Union
• ENSURING NON-DISCRIMINATORY ACCESS TO TRADING gas
• ACCESS TO GAS TRANSPORTATION SYSTEMS
• THE USE OF DIFFERENT MECHANISMS, including long-term applications of gas suppliers, for the DEVELOPMENT OF CAPACITIES OF GAS TRANSMISSION SYSTEMS
• AN INCREASE IN INVESTMENT ACTIVITY, including through the implementation of joint infrastructure projects
• CONSULTATION of member States on the transport and supply of gas to third countries in areas in which member States compete or may potentially compete with each other

2018 – 2023

Stage III

• THE ENTRY INTO FORCE OF AN INTERNATIONAL TREATY within the Union about forming a common gas market of the Union
• TO ENSURE FREE OF GAS SUPPLY in required volumes and flows
• THE MAINTENANCE OF MARKET PRICES, ENSURING COMMERCIAL PROFITABILITY OF GAS SALES
• the adoption of agreed decisions on the TRANSITION TO EQUALLY PROFITABLE GAS PRICES on the territories of the States members

2024

The decision to transition to the next phase and its content are made of the Supreme Eurasian economic Council on the basis of the agreed proposals of member States.
Thank you for your attention.

Questions?

Alexander Malec, the Department of energy ECE