



**-+Working Party on Gas of the UN-ECE
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Security of Gas Supply in a Liberalised Market

- Contribution to Round Table Discussion

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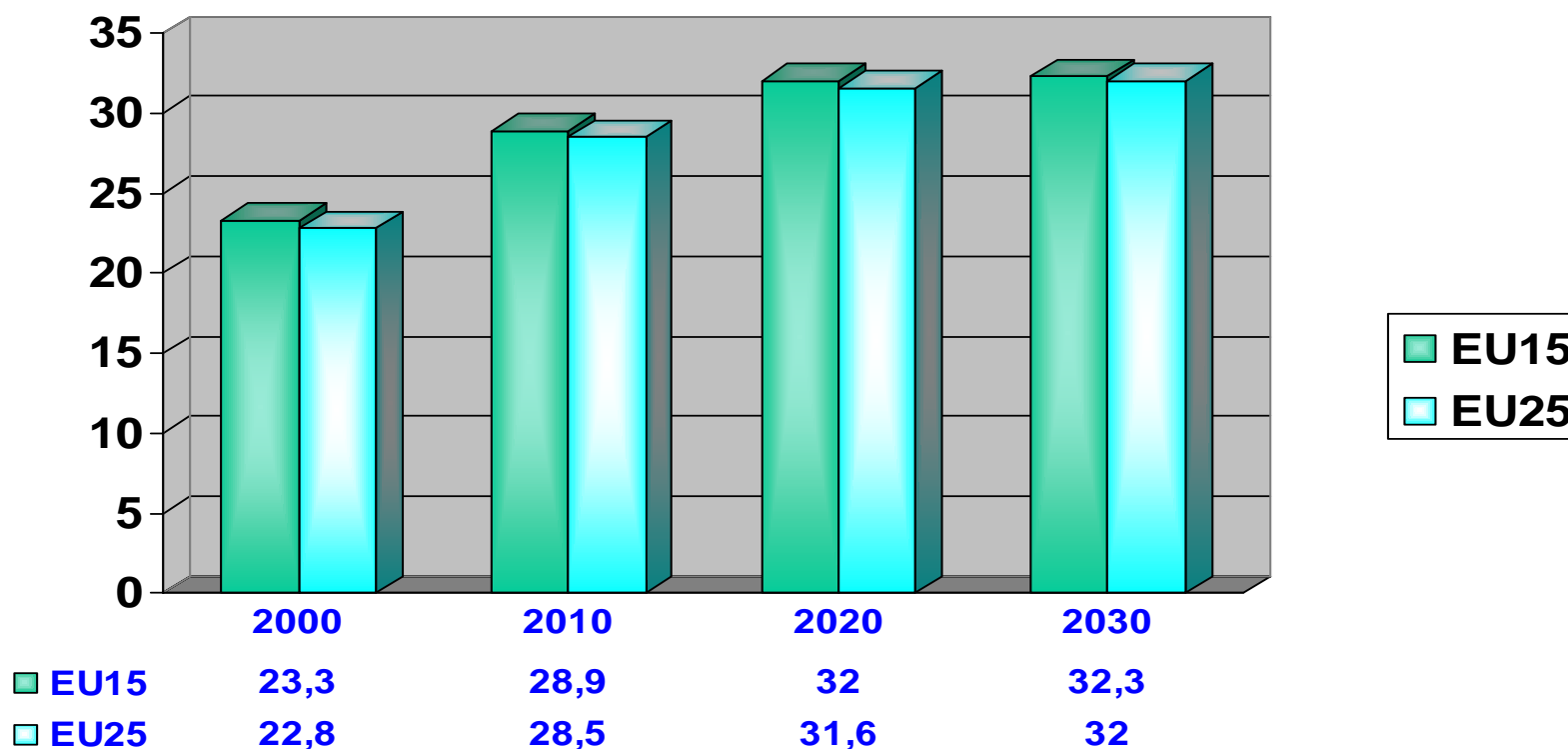


Directorate General for Energy and Transport



EU Market share of natural gas

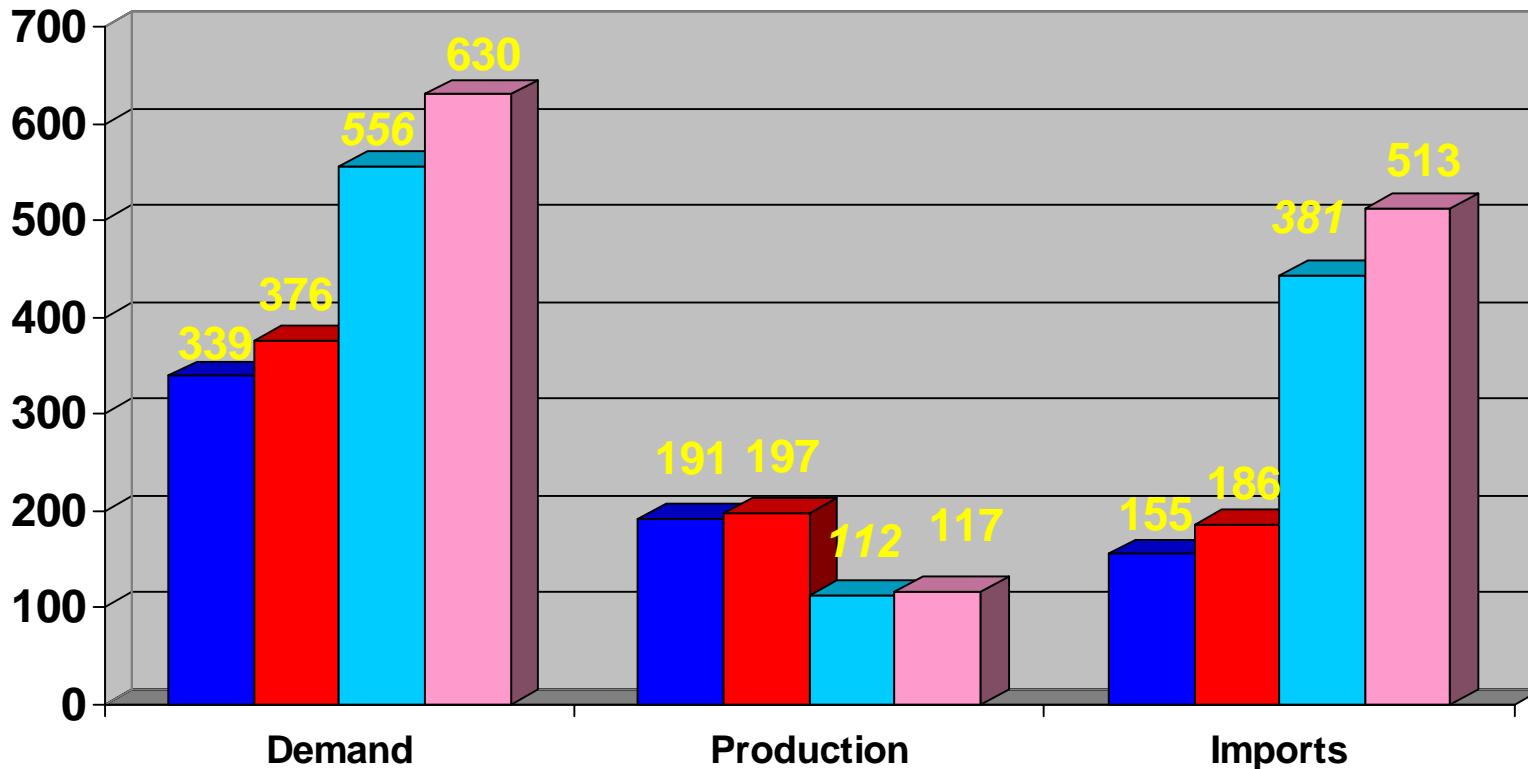
in % of Gross Inland Consumption





EU25 - Demand and Supply

in bcm



■ 2000 EU 15 ■ 2000 EU 25 ■ 2030 EU 15 ■ 2030 EU 25

Growth of demand: 67% Growth of imports: 175%





Security of supply in the internal market for gas

★ Short term - long term

★ 2nd IGM directive:

↪ unbundling provisions

↪ market opening provisions

★ Consequences:

↪ no single player will maintain overall responsibility for SoS

↪ new definition of roles and responsibilities required

★ Current situation:

↪ generally high level of SoS

↪ not transparent

↪ possible cross-subsidisation

↪ often not legally binding, so subject to change





Security of Supply in the 2nd Directive

- ★ **Public Service Obligations including long-term planning**
 - ★ **Monitoring and reporting duties of Commission and Member States**
 - ★ **TPA to upstream pipelines**
 - ★ **Exemption from TPA rules to new major gas infrastructure**
 - ★ **Refusal of access to the system**
 - ★ **Take-or-pay commitments**
-





SoS and exemption from TPA rules for infrastructure

★ Art 22(1)a:

↳ the investment must enhance competition in gas supply and enhance security of supply

★ Investments concerned:
interconnectors, LNG, storage

★ Conditions to apply

★ Case-by-case





Security of Supply Directive

- ★ **Proposal adopted by Commission in September 2002**
- ★ **Energy Council agreed on political orientation in December 2003**
- ★ **The text addresses short and long term aspects of security of supply**





SoS contribution to the internal market for natural gas

- ★ **Indispensable ingredient**
- ★ **supplementing internal market rules**
- ★ **distinction between different market segments:**
 - ↪ **large consumers: able to protect themselves by choosing the most reasonable option meeting their specific needs**
 - ↪ **small consumers: minimum output standards, in line with common sense of European gas industry**





Security of Supply Directive - short-term aspects (1)

- ★ **Short-term aspects aiming at the well-functioning of the internal market by**
 - ↪ safeguarding security of gas supply
 - ↪ adapting to new market environment
- ★ **This is achieved by**
 - ↪ definition of security of supply policies
 - ↪ determination of roles and responsibilities of market players
 - ↪ determination of minimum output standards





Security of supply Directive - short-term aspects (2)

- ★ **Further effects on well functioning of internal market:**
 - ↪ **customer switching suppliers**
 - ↪ **consumer protection**
 - ↪ **maintaining current level of security of supply**
 - ↪ **ensuring level playing field for market participants**
- ★ **thereby also avoiding distortion of competition**





Security of Supply Directive - long-term aspects

★ Safety net for long-term contracts

↪ importance

↪ reassuring message to producers, investors,
banking community

★ Solidarity or crisis mechanism

↪ extraordinary supply situations

↪ compensation mechanism





Additional policies

★ EU-Russia Energy Dialogue

↪ project of common interest

↪ non-commercial risk guarantee fund

★ Trans-European Network in Energy

★ Consumer – Producer Dialogue

★ Policies for Neighbouring Countries





Conclusions

- ★ **Changing market environment will affect the way security of supply is ensured:**
 - ↳ definition of policies and standards by Member States
 - ↳ assigning roles and responsibilities to market participants
 - ↳ Regulatory challenge will be to ensure security of supply without distorting competition, but guaranteeing the well functioning of the internal market
- ★ **A range of policies in place to ensure long-term security of supply**

