

Recent Regulatory Developments in the gas market of the Energy Community

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Energy Community Supply/Demand



Key factors:

- Anchor Loads (power plants)
- Competition with other fuels (coal, lignite, hydro, others)
- Development of infrastructure (transmission, storage, distribution)

	2005	2015 (f)	2025 (f)
Demand (bcm)	26,2	32,8	45,0
Supply Gap (bcm)	-	15,0	29,4

Source: World Bank "South East Europe Gasification Study", 2007 (www.energy-community.org)

The Energy Community Gas Market

- Huge differences between the countries:
 - Mature gas markets for most EU-MS (Italy, Austria, Romania, Hungary)
 - Emerging in others (Greece, Bulgaria, Slovenia)
 - Turkish market also growing fast
 - Developed gas markets in some of the Contracting Parties' markets (Croatia, Serbia)
 - Minimal development in FYR of Macedonia, Bosnia and Herzegovina
 - Negligible or non existent consumption, infrastructure and supply in UNMIK, Montenegro, Albania

Existing Gas Supply

- Strong dependence on imports
- For the vast majority, long term contracts govern gas supply
- Limited supply side options (main suppliers Russia and Algeria)
 - Imports of Russian gas via existing routes
 - Imports of LNG (Greece, Turkey and Italy)
- Poor interconnection in the region
- Backhaul opportunities, cross border storage and LNG facilities not exploited
- Contractual rather than physical congestion in transit, spare capacity
- ***Increasing need for diversification of gas supplies and development of gas interconnectors between the existing national grids***

Legal and Regulatory Framework

- The situation is better than expected and is improving
 - **Primary gas legislation** passed or about to be passed
 - **Regulators** for the gas sector have been set up in all countries except BiH
 - **Unbundling is underway**, with accounting completed in every case where applies; legal and organizational unbundling in most cases – TSO and DSOs established in majority
 - **Transmission tariff methodologies** are being developed
 - The **licensing regime** varies greatly
- Much work needed to make the framework operational
- Cross border issues hardly addressed; However, big potential for ***immediate cross border trade exists***

Some encouraging starting points

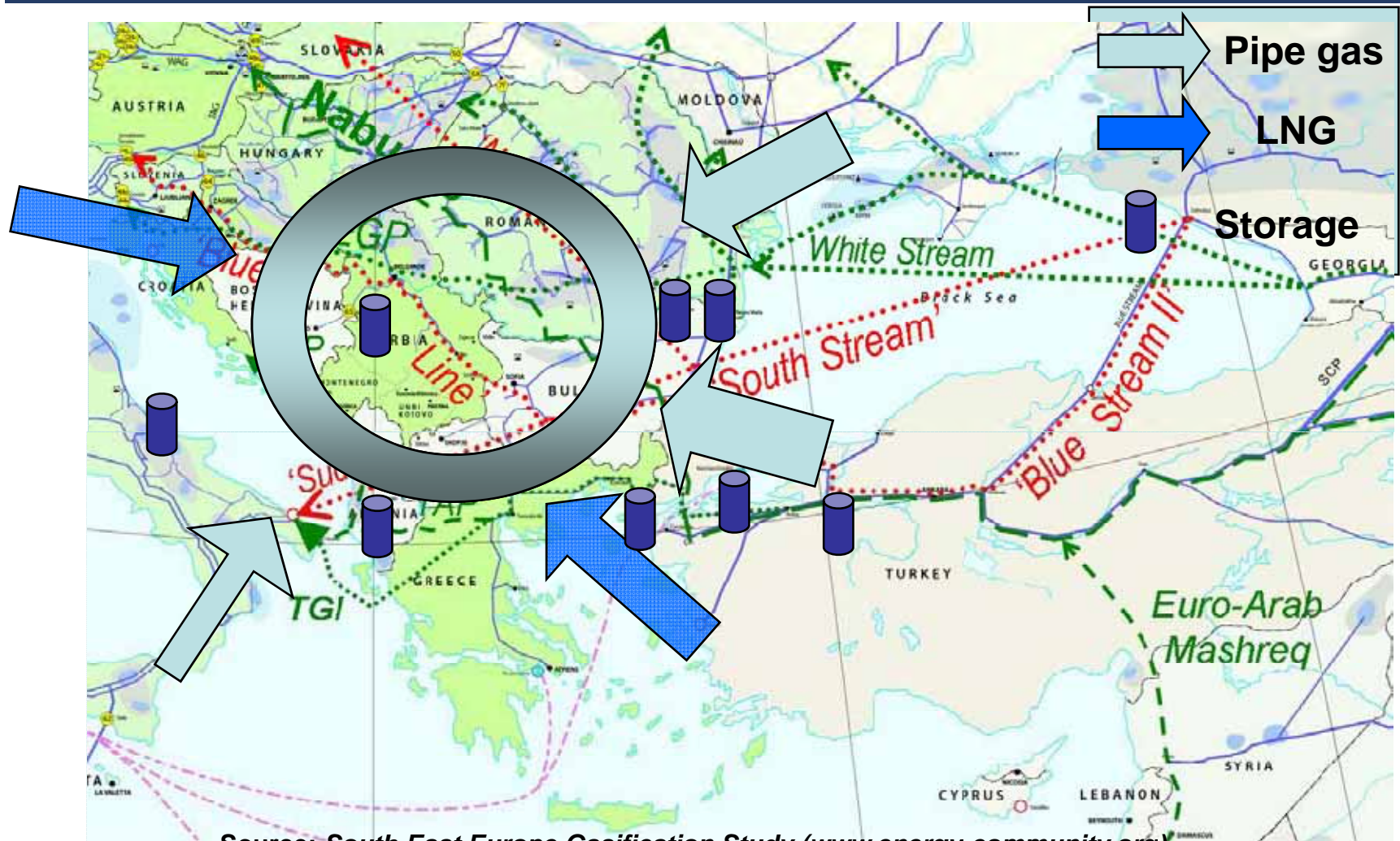
- Market rules have hardly been developed, thus regional harmonization easier, starting from mature countries
- Few strong interests hinder gas market development
- Gasification is economically feasible under certain conditions (WB/KfW study)
- Substantial benefits to accrue to the region:
 - Gas (and hence energy) cost reductions from economies of scale
 - Fast development of much needed power generation
 - Interconnection with EU minded projects and West European market
 - Urban, regional and global environmental benefits

A new picture for transit ?



Source: South East Europe Gasification Study (www.energy-community.org)

A potential Gas Hub ?



...but what it takes?

- **Harmonized Legal and Regulatory Framework:** The Energy Community Treaty provides a good basis along the lines of the Community Aquis
- **Massive investments in infrastructure:** National gasification plans should go in parallel to regional and transit projects
- **Extensive exploitation of existing infrastructure:** There is considerable amount of existing capacity which remains unexploited
- **Who will bare the risk of the market:** small national markets; regional collaboration and support from the Donors and the European Union
- **Gas:** gas supplies are not easily accessible for the near future at affordable prices

Key Regulatory Challenges

- Develop the framework for infrastructure development under emerging market conditions:
 - Provide long term stability for investors without “destroying” the possibility for third party access;
 - Give to the regulated national TSOs the possibility to participate in cross border infrastructure development
- Foster cross-border trade:
 - full exploitation of existing infrastructure needed
 - develop a framework for transit and its “convergence” with domestic transmission
- Foster security and diversity of supply
- Develop the framework for a market based gas bridge to EU

The role of Greece...

- Greece can play an important role in these developments:
 - Most neighbors are seeking cooperation both for pipeline gas and LNG
 - Strong involvement in transit projects: ITGI, TAP, South Stream, other private projects
- Greek gas market is increasing rapidly (7%pa.)
- Spare capacity in the NGTS already exists
- An “infrastructure and market friendly” legal framework is close to be completed:
 - Regulated TPA for the National Grid, including LNG (DESFA)
 - Infrastructure projects can be developed by others
 - Market mechanisms (electronic bulletin board, secondary trading of capacity and gas, centralized wholesale market mechanisms, etc.) are incorporated

Thank you for your attention!

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