

Benefits for Industrial Consumers through a Competitive Gas Market Delivering Security of Supply

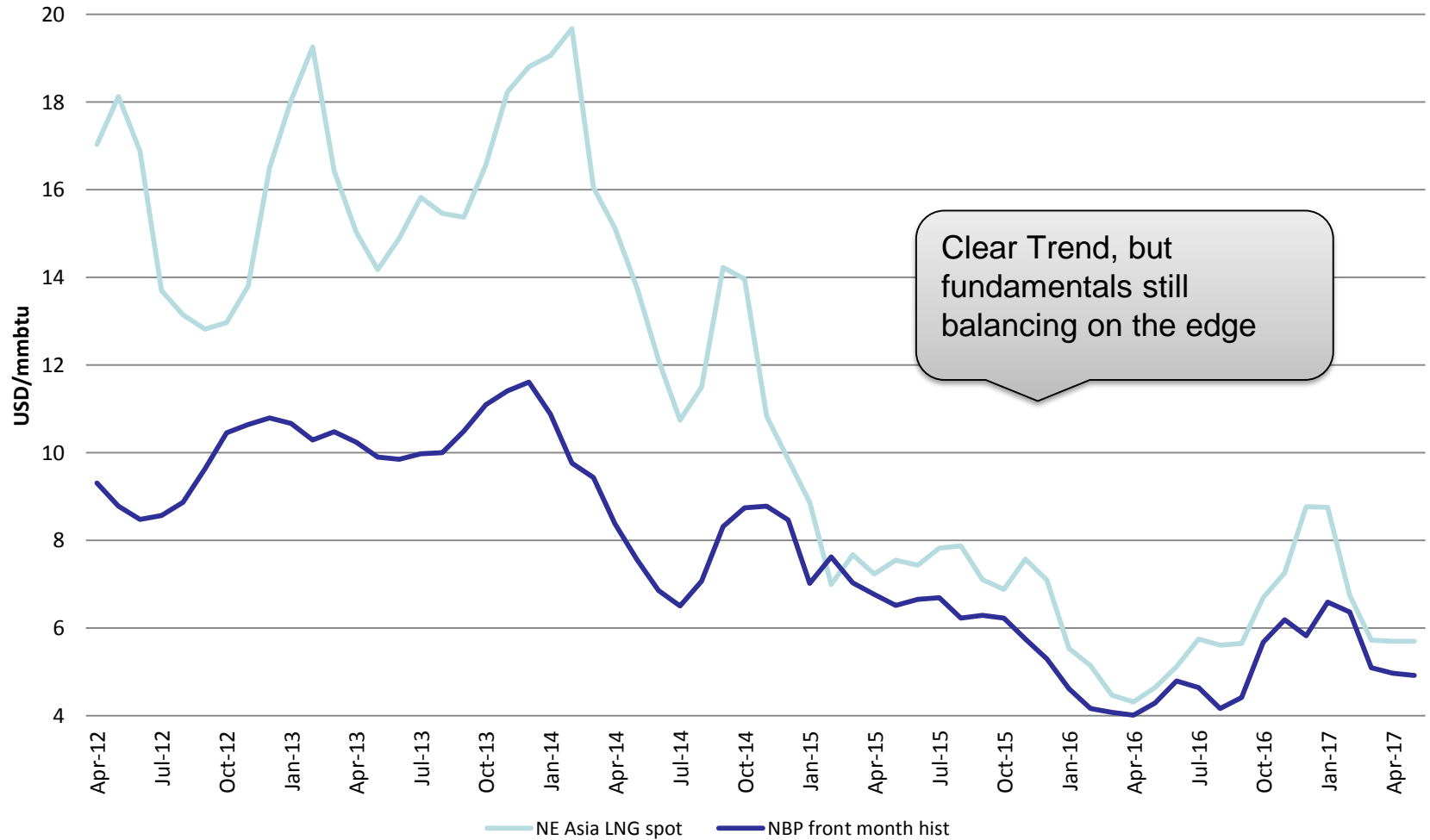
IFIEC Europe Energy Forum 2017

Steinar Solheim
Chair Working Party Gas

Global Natural Gas Prices



North East Asia VS NBP Front-Month



Study on Quo Vadis Gas Market

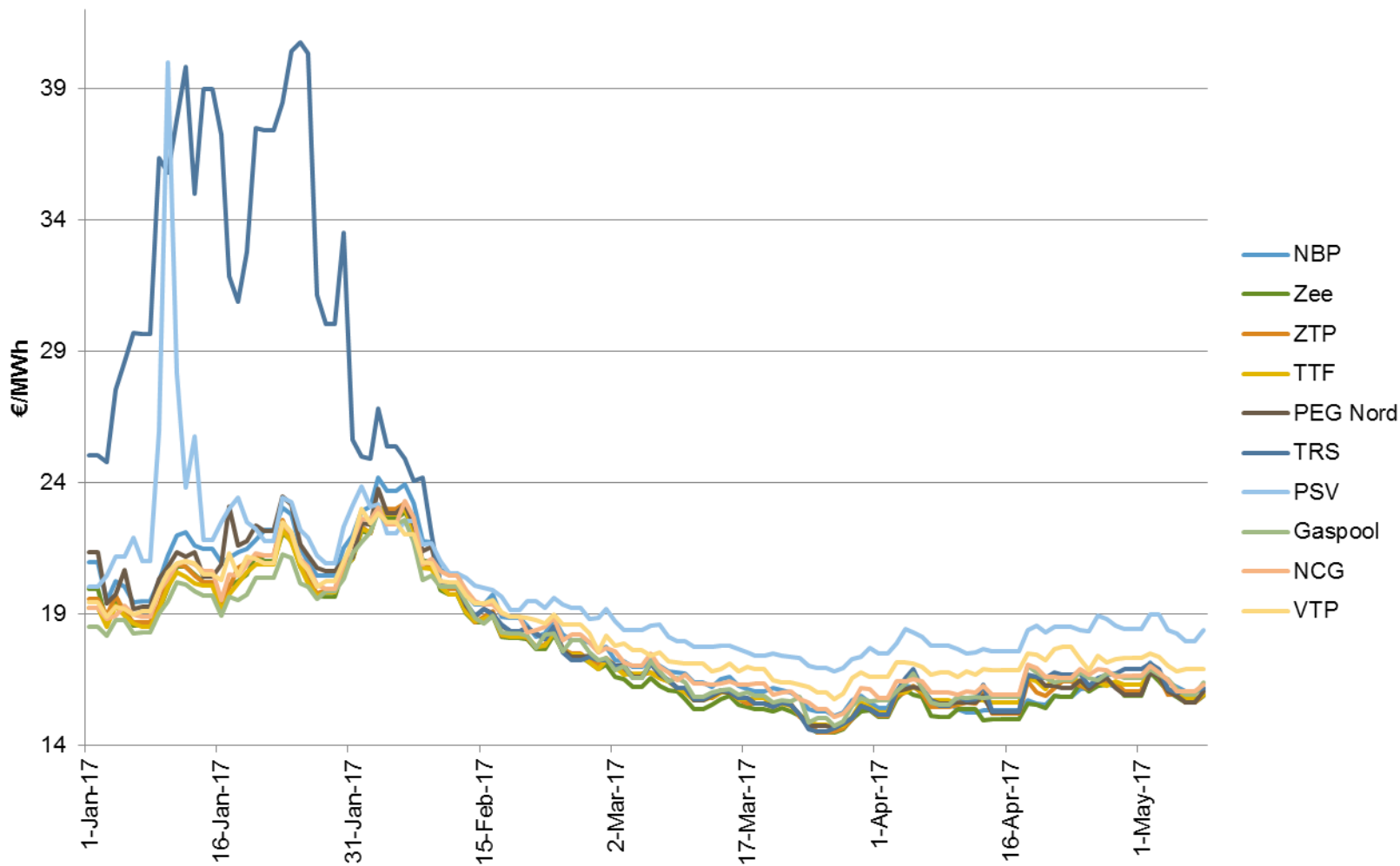
- DG Energy has taken the initiative to this study
- The aim is to provide substantiated analysis as to whether the current regulatory framework in EU is the most effective in order to maximise overall EU welfare or whether amendments may be necessary, and if so provide recommendations.
- DG Energy will select a consultant company to assist in this work.
- DG Energy invited stakeholders to comment their views on the current gas market (Jan 2017). IFIEC responded.

IFIEC'S Response on Quo Vadis (1)

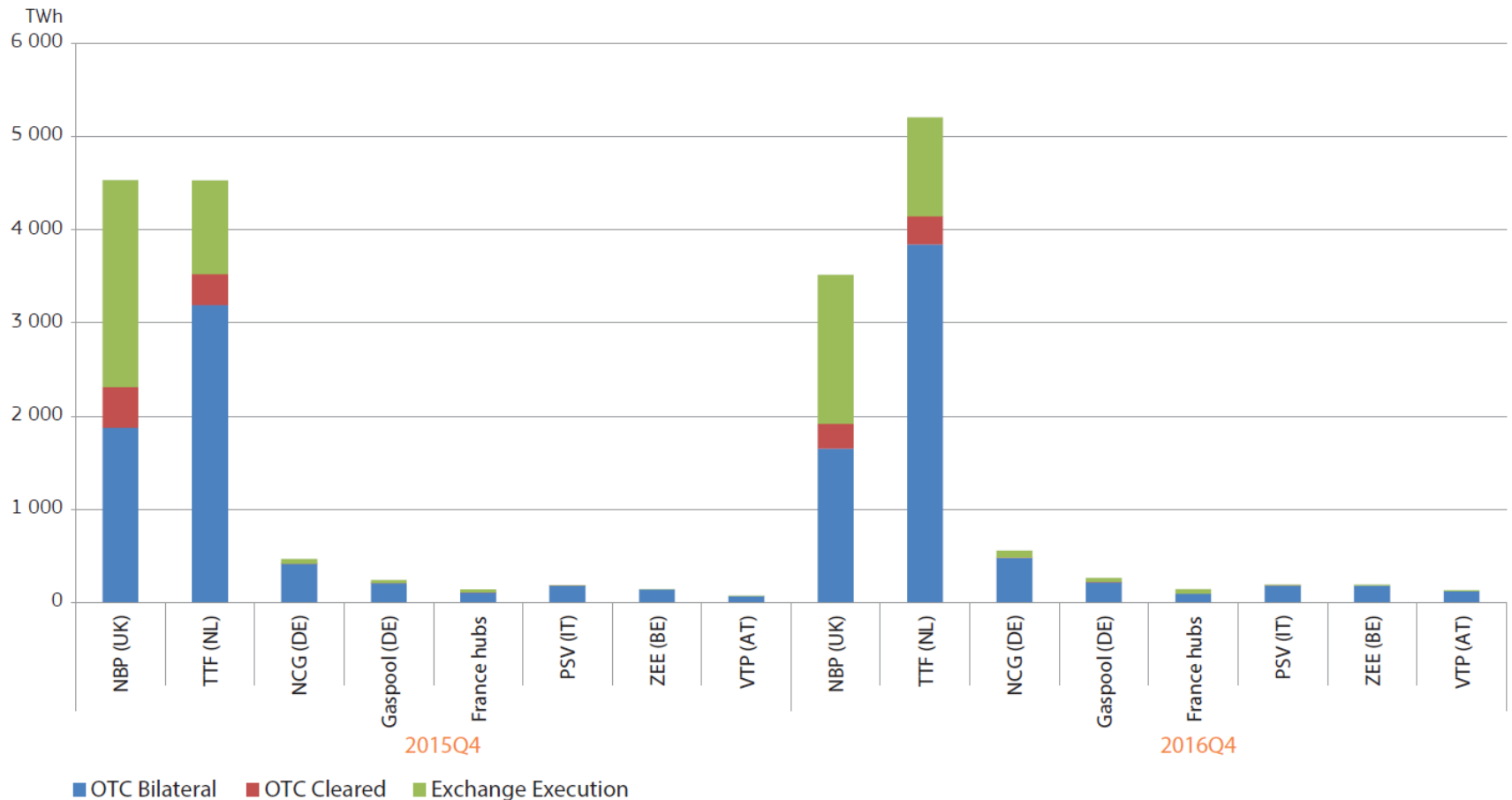
- European industrial consumers are still exposed to a comparative disadvantage for energy prices, compared with their main global competitors.
- The limited number of suppliers and the strong position of some incumbents is a challenge for the consumers.
- Low liquidity at gas hubs in Southern and Central Europe.
- Bottlenecks in the transportation system should be removed before hubs are merged.
- IFIEC supports investments in pipelines in order to increase reverse flow and remove bottlenecks, but there should be a detailed cost/benefit analysis before a investment decision.

European Day-Ahead Gas Prices

PSV and TRS diverging in times of distress



Traded Volumes on the Main European Gas Hubs Q4 2015 – Q4 2016



Source: European Commission based on Trayport Euro Commodities Market Dynamics Report

IFIEC'S Response on Quo Vadis (2)

- IFIEC supports strongly Demand Side Response as a tool to increase security of Supply and reduce investments in storage.
- Better cooperation between TSOs will lead to cost reductions.
- Reference prices for (IP) transport capacity should be cost reflective, based on actual costs (of efficient) network operators.
- IFIEC encourages ACER to perform a cost benchmark of TSOs to define in which incurred costs are related to output parameters.

New Transportation Tariffs in the Netherlands

- GTS will lower transportation tariffs from 1.7.2017.
- The Dutch Regulator (ACM) has made a benchmark of GTS with other TSOs. The study showed that GTS was less efficient than some of its counterparts.
- New tariffs will apply until end of 2021.
- GTS's revenues will fall by around 100 mill euros in 2017, and by a further 100 mill euros in 2018-21 a 20% reduction over the five-year period.
- The new tariffs is accepted by GTS.

New Regulation on Security of Gas Supply (1)

- The new Regulation will replace the Regulation of 2010.
- Provisional agreement between Council and Parliament in April 2017.
- The general purpose of the regulation is to minimise the impact of a potential gas disruption by improving the cooperation between MS in an emergency situation.
- EU is divided into regions, and there will be mandatory regional preventive action plans and emergency plans.

New Regulation on Security of Gas Supply (2)

- A solidarity concept is introduced. It will be a last resort mechanism after all the emergency measures have been exhausted.
- If a long term contract provides more than 28% of annual gas consumption in a MS, it will be notified to the competent national authority.
- Voluntary Demand Side Response is one of the new mechanisms introduced. Strongly supported by IFIEC. This will reduce need for new storage. It will be arranged through auctions.