

# 10<sup>th</sup> Gas Forum

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Exhibition and Convention Centre, Dunajska cesta 18, Ljubljana, Slovenia

6-7 October 2015

## General Development of EU and EnC Contracting Parties Gas Market Integration

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1. The Forum pinpointed the need for closer integration of the European Union and Energy Community energy markets, also to strengthen security of gas supply in the region. In this context the Forum stressed the necessity for the Energy Community to keep pace with European developments both concerning markets (shift to hub-based trading) and legislation (implementation of existing Third Package rules and preparation for the implementation of the trading and grid operation rules in the Gas Network Codes).
2. The Forum expressed the view that real progress in the Third Package implementation, including certification of TSOs and effectively independent regulators, is a pre-condition for the formal implementation of Network Codes in the Energy Community. The Commission acknowledged that the progress currently made by the Contracting Parties in implementing the Third Package will pave the way for tabling Network Codes for formal implementation in the gas sector within a sooner timeframe.
3. The Forum underlined that the transition towards hub-based trading needs liquidity and will necessarily require Contracting Parties to cooperate when setting up trading hubs. It also stressed that investments should be market need driven, instead of coupling investment decisions to political interest. The Secretariat noted the necessity to keep balance between both the valid political interest in security of supply and market orientated solutions by working to ensure coordination between European and national stakeholders to provide necessary additional finance.
4. The US Department of State highlighted the availability of US supplies for Europe with significant volumes of LNG in the next decade and stressed the benefits the Energy Community can gain in terms of security of supply and market liquidity by promoting LNG imports and new infrastructure that improves regional interconnectivity, such as the Serbian – Bulgarian interconnector. The advantages of diversifying import sources compared to infrastructure projects increasing dominance of existing sources were highlighted.

## The path towards a pan-European Security of Supply Region

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5. The Forum welcomed the Commission's intention to reform the current legislative framework on security of supply so as to come to a more coordinated *regional* security of supply policy. The Forum reminded the Commission of its intention to involve Contracting Parties in the drafting of the legal framework for security of supply and encouraged the Commission to use the upcoming revision of the Security of Supply Regulation to incorporate legal mechanisms to create a pan-European security of supply region. The Forum supported the intention of introducing a sound and clear legal basis which would transpose the (revised) Regulation 994/2010 on security of gas supply in the Energy Community. It welcomed the General Policy Guideline on a Joint Act on Security of Supply, to be adopted by the Ministerial Council in October, as a step into the right direction.

6. As a result of targeted discussions in breakout sessions, the Forum highlighted:
- Challenges for realisation of infrastructure exist, among others, in relation to guarantee financing and lack of harmonisation of regulatory rules between Contracting Parties and EU Member States.
  - Market related challenges such as decreasing gas demand and the related risk of stranded costs; uncertainties related to gasification commitment; lack of consumers' willingness to pay for security of supply.
  - Better inter-linking the Energy Community Contracting Parties and EU should be achieved by providing a symmetric legal framework that ensures equally binding obligations for both EU and Energy Community members as well as a functioning Energy Community dispute resolution mechanism.

## **Interconnectivity Hardware and Software and Gas Market Harmonisation**

7. The Forum welcomed the progress on the way towards more coordinated infrastructure planning, using the Ten Year Network Development Plan (TYNDP) and encouraged reflections how to apply this framework to Energy Community Contracting Parties, including solutions for a fair allocation of benefits at EU Member State / Contracting Party borders.
8. The Forum stressed the importance of the CESEC Initiative aiming to eliminate gas network bottlenecks in South East Europe. It expressly welcomed the fact that Contracting Parties were included in this initiative and encouraged Contracting Parties to use the political momentum of the initiative and to participate actively in the working groups. It stressed the importance of enforcing existing legislation both in the EU Member States and Contracting Parties and accompanying market related reforms allowing for free flow of gas as a key condition for successfully de-blocking the barriers to diversification.
9. The Forum welcomed considerations by individual Contracting Parties for voluntary Network Code implementation and the facilitating role the CESEC Process and the Gas Regional Initiative South South East provides in this relation. It underlined the benefits of a common binding legal basis, i.e. a formal transposition of the Codes into Energy Community law, for market integration. The Commission confirmed that the first Network Codes are likely to be proposed to the Contracting Parties at the Ministerial Council in 2016, provided solutions for the remaining problems concerning implementing Network Codes at EU-Energy Community border can be found and certification of TSOs and effective independence of regulators being implemented.
10. The Forum pinpointed the importance of incentives and utmost efficient administrative procedures for realisation of new infrastructure projects. In this context, the Forum urged Contracting Parties for swift implementation of Regulation 347/2013 and invited regulators to make use of the investment incentive recommendations developed by ECRB until entry into force of the Regulation.
11. The Forum acknowledged the role of competition law enforcement in liberalising Energy Community gas markets. EU Member States' and Contracting Parties' participants – market players and public authorities – are invited to screen existing long term contracts most notably concerning territorial restriction clauses, in gas supply and transport contracts, to monitor the conduct of incumbents and involve the Secretariat in a compliance assessment. The Forum welcomed the progress achieved in reforming the Ukraine gas market legislation in close cooperation with the Secretariat and encouraged Ukraine to continue this process.
12. The Forum invited the stakeholders of the Contracting Parties and neighbouring EU Member States to establish a suitable cooperation structure for taking practical steps towards any of the market integration options identified by the related study commissioned by the Secretariat, making use of existing coordination platforms such as CESEC, the Gas Regional Initiative SSE or other suitable formats. The Forum invited the Secretariat to coordinate related activities.