



SEE Gas Market Report

5th JWG, Belgrade, Serbia, 13 September 2007

- **Following the approval of its internal rules the ECRB has set up three working groups on Electricity, Customers and Gas:**
- **The members are:**
 - **15 in total: EU MS (Austria, Bulgaria, Greece, Hungary, Italy, Romania, Slovenia); Energy Community (Albania, BiH, Croatia, fyr of Macedonia, Montenegro, Serbia, UNMIK); and Turkey (as an observer)**
 - **The scope of the GWG is to develop the work of the ECRB on the EnC gas market, participate in all relevant events and collaborate with regional stakeholders on the gas issues.**
 - **RAE has been elected as the chairman of the GWG with a 1 year term.**
 - **Its work will be supported by the ECRB Section of ECS. A gas expert has been appointed (starting from 15 October 2007)**
 - **For the time being support is being provided by USAID (Pierce Atwood) and experts from the WG members (Serbia)**

Overview

- **According to the ECRB Work program, the ECRB GWG is conducting a Gas Survey to cover all its members:**
 - **Builds upon the experience of the former CEER WG SEEER (2004-2005)**
 - **Provides current data on state of play for natural gas in the region, identifies needs, offers recommendations**
 - **Focuses on gas market and structure, regulatory relationship to gas infrastructure conditions and issues, regulatory role with respect to investment needs and projects**
 - **The first comprehensive results will be available at the 1st EnC Gas Forum in November 2007**
 - **Will be expanded in the future**

■ Three main areas:

- Existing gas demand/supply, infrastructure and market operation (supply, transmission, distribution, storage, LNG) and anticipated future evolutions
- The legal and regulatory framework in the countries of the region
- Infrastructure development:
 - Legal and regulatory framework: responsibilities and roles
 - Existing arrangements for regional approach

Scope of the Report

- **It is the starting point of the efforts of the GWG**
- **Will not duplicate the work that others (ECS and the WB) are already undertaking, but will try to supplement it**
- **Will serve as the platform for the provision of regulatory input on the issues related to the development of the SEE gas market**
- **Practical approach applied: limited time; and respect for other studies currently underway or finalised, including extensive work by the Energy Community Secretariat**

Methodology

- **Countries were asked to update prior information (gathered in 2003) and also to answer the new questions**
- **New questionnaire developed based on the old questionnaire, with a more concrete focus on:**
 - **the legal and regulatory side**
 - **Investment needs and plans – and the regulatory relationship to these**
- **Identification of sub-group to review questionnaire, responses, drafts**

Schedule for Completion

- **ECRB Gas Survey begun in May 2007**
- **Currently, 14 of 15 responses received (missing Bulgaria)**
- **Draft Survey in process; under consideration by subgroup, for –potential- distribution to the ECRB at the 27 September ECRB meeting; broader circulation anticipated after October**
- **Interim report anticipated before November Gas Forum**

Preliminary Findings (1)

- **Independent regulators for the gas sector have been set up in all GWG countries except BiH and Albania**
 - **In BiH and Albania draft legislation is pending to give the existing electricity regulatory authority competence in the gas sector as well (both anticipated for passage by end of 2007)**
- **But: negligible natural gas (consumption, infrastructure or supply) in UNMIK, Montenegro, Albania & minimal in fyr of Macedonia and BiH**

Preliminary Conclusions

In terms of the legal and regulatory framework, many forward steps have taken place in the last year or two:

- Primary gas legislation passed or about to be passed, consistent with EU requirements/Energy Community Treaty
 - 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
 - Big differences between the countries (East-West)
- A lot of work is needed to make the framework operational

Preliminary Conclusions

- **Low gas penetration for the majority (mainly non EU)**
- **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 and almost no mechanisms in place for cross border trade**

Preliminary Conclusions

Large projects in the planning stages:

- **Mainly for pipeline gas**
- **Limited legal and regulatory provisions for infrastructure development (pipelines, LNG and storage)**

Key Regulatory Challenges...

- **Foster and accelerate implementation of the EU acquis (especially when this is under evolution, i.e. 3rd package)**
- **Develop the framework for infrastructure development under (mainly) emerging markets' conditions**
- **Foster cross-border trade:**
 - **full exploitation of existing infrastructure**
- **Foster security (and diversity) of supply but also put in place mechanisms for the enhancement of competition**
- **Develop a framework for transit**

To be continued...



Thank you for your attention