SEEGAS Platform
South East and East European Gas Platform – Project Proposal: Connecting pan European Energy Markets

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I. SEEGAS following the European Experience

- The **SEE&EE Regions**, which include the **Energy Community Contracting Parties** and **Romania, Bulgaria, Greece, Croatia, Hungary, Slovenia, Slovakia and Poland**, are becoming increasingly liquid and interconnected.

- Nearly all countries are enabling at the moment the development towards hubs and exchange traded markets.

- Especially the gas market development in **Ukraine** and the strong interest of international traders is triggering the process of **market integration** in the **whole region**.

- The **same logic** which was applied 10 years ago in **Europe** could be envisaged in the **South East and East European region**.

- **One platform** for gas trading in this region would:
  - trigger **liquidity** and **interoperability**
  - attract further **market participants**, **increase security of supply** and **competition** in the mentioned market area
  - incentivise closed markets to open up for **competition** and **diversification** of supply sources
II. The development of PEGAS as a role model (1/2)

> 2008: Launch of Powernext Gas (spot and futures) – French gas TSOs and GDF Suez added as shareholders

> 2008: Creation of EPEX SPOT, 50/50 Joint Venture between POWERNEXT and EEX that initially operated the French, German and Austrian power spot markets

> 2009 Creation of EEX Power Derivatives, 20/80 joint venture between POWERNEXT and EEX on the power derivatives in France and Germany

> 2013: "Europeanization" of the gas activities of Powernext - cooperation with EEX in Germany and the Netherlands: PEGAS

> 2015: EEX becomes majority shareholder of Powernext – Italy, Belgium and UK added to the PEGAS portfolio

> 2016: Powernext becomes 100% owner of Gaspoint Nordic and starts a cooperation with CEGH – Denmark and Austria added to the PEGAS portfolio

> 2017: EEX Group becomes 100% owner of Powernext. Through a cooperation with PXE, Czech republic added to PEGAS portfolio

Role model for *SEEGAS

Usage of European best practices could enable interoperability and market access already at an early stage and reduce integration costs at a later stage. Necessary preconditions are existing in the markets. The need for an organized steering committee for such a process is needed. The Secretariat is in the best position to provide such support and bridge the gap.
II. Example of European market development
- PEGAS – Now EEX Gas (2/2)

Source: Powernext Annual Report 2018
III. Strategy for the development of SEEGAS

• Important for the market development would be an initiative which would try to bring all important participants which are working on the hub creation in each country at the moment at one table

• This would allow us to steer the process from the beginning and enable the creation of spread trading at the borders

• Spreads are especially important for trading companies but also for the well functioning of the balancing mechanism of adjacent TSOs

• Therefore the following strategy could be envisaged:
  • I. Reach out, explain and collect the interest of all engaged gas exchange projects in the region
  • II. Collect the interest of all TSOs engaged in this region and create a separate working group under the umbrella of the SEEGAS Project
  • III. Include international trading companies and their expression of interest
  • IV. Propose a strategy and roadmap for the development of a pan European platform
  • V. Potentially use the experience of the gas exchange project in Ukraine and cooperate with EBRD
IV. Important Stakeholders for the SEEGAS Project

Exchanges have made a significant contribution to today's liberalized pan-European energy market.

The SEEGAS Project could trigger faster interconnection and interoperability and decrease the time to market. Early common standards would lower the cost for integration in the future which is in any way inevitable.
V. Conclusion

- The Secretariat is in a unique position in order to support and incentivise the development of a common and integrated gas market in the SEE&EE-Region.

- The successful cooperation on the gas exchange project in Ukraine can be seen as a nucleus and good starting point for this initiative, as neighbouring exchanges and TSOs have already expressed their interest.

- The logical next step will be anyway further integration of the gas markets in the SEE&EE-Region, after which integration into the European system could potentially materialize.

- A cross border cooperation will follow naturally, especially through the interest of international trading companies.

- In order to kick-off and drive this process, an organized framework and an international cooperative structure would be needed.

- An independent international organisation like the Energy Community Secretariat would be the ideal body to bridge the gap between all stakeholders needed for this process.
THANK YOU
FOR YOUR ATTENTION

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