Gas Market Developments
5th Vienna Forum on European Energy Law

Peter Hohaus
Senior Policy Advisor
Uniper SE, Representative Office Berlin
Uniper’s business portfolio

**Power Generation**
Uniper owns and operates a sizeable portfolio of power plants located across Europe and Russia, encompassing the full range of generation technologies (predominantly hydro, gas as well as coal and oil).

**Global commodities**
Uniper’s commodity trading business is active in power, emission certificates, natural gas, LNG, coal, and freight.

**Energy storage**
Our gas storage facilities in Europe help ensure the reliability of the gas supply. We also operate power-to-gas facilities.

**Energy sales**
Through our sales organizations in Germany, France, and the Netherlands, we market a wide range of electricity and gas products to industrial customers, municipal utilities, and energy partners.

**Engineering Services**
Our engineering and technical expertise enable us to provide a broad range of engineering services, from pre-investment surveys right up to decommissioning.

**Third Party Services**
We provide flexible, bespoke services for the construction and operation of power stations, for fuel (coal, natural gas, LNG, biomass) procurement, for energy and commodity trading, and for energy marketing.
Uniper helps keep energy reliable
Uniper as international diversified natural gas undertaking

Where Uniper is active

Uniper trades Gas via OTC and at the major energy exchanges, including EEX (DE), APX (UK and NL), Endex (BE and NL), Powernext (FR), ICE (UK), and NYMEX (US).
Uniper Energy Storage
Growing importance of European Energy Policy since the 90‘s

- **EU-Legislation**: existing in the fields of climate protection, renewable energies, energy efficiency, competition policy / internal market, security of supply

- **Energy Policy of the European Union**:
  - Primary law of EU did not have an own legal competence for energy policy
  - Lisbon Treaty created a consolidation of powers for energy policy (Art. 194 TFEU), but Member States still have the right to determine the conditions for exploiting its energy resources, its choice between different energy sources and the general structure of its energy supply
The balance of the Energy Policy Triangle
The importance of natural gas for the European Union

- Abundant reserves – 250 years
- Wide operating distances (pipeline & LNG)
- Gas storage facilities
- Cross border cooperation in principle reliable

- Natural gas is the fossil with the fewest share of CO₂
- Biogas is even CO₂-neutral
- Lowest CO₂ abatement cost

- Gas market liquidity is rising
- Price sensitivity
- Economic viability of gas in power generation

- Proved and reliable
- Multifunctional: heating sector, power production, mobility
- Efficient use in households and industry

- Climate
- Market
- Security of supply

Natural gas
European Diversification already improved

traditional gas supply sources

- LTCs Russia / North Africa
- North Sea production

current & future supply prospects

- LTCs Russia / North Africa
- LNG-imports
- Southern Corridor
- Eastern Mediterranean

1) only pipeline 2) Azerbaijan, Irak, Iran, Turkmenistan 3) including unconventionals
Global Shale Gas Perspective

Abundant unconventional gas resources are spread across all continents

Major global shale gas opportunities¹
(technically recoverable shale gas resources, bcm)

1. Only countries included in EIA study
Russian gas supply market share in Europe challenged by LNG, Unconventionals & 4th Corridor

- 4th corridor and unconventionals hardly to balance North Sea decline.
- Current demand situation, investment in 4th corridor, global LNG overcapacities & unconventional gas development might challenge Russian share.
Development of EU-Gas Market Liberalization

13 April 1998
- Free choice of supplier

June 1998
- Abolition of territory protection in Germany

July 2000
- Regulated or negotiated Third-party access

May 2002
- Unbundling of accounts

May 2003
- Legal Unbundling

June 2003
- Amendment Energy Law

July 2005
- Implementation BNetzA in Germany

Sep 2007
- 2nd EU-internal Market Package

Sep 2009
- 3rd EU-Internal Market Package

Free choice of supplier
- Negotiated Third-party access
- Regulated Third-party access

Abolition of territory protection in Germany
- regulated or negotiated Third party access
- Duties of Transmission System Operators

Association agreement
- Amendment Energy Law
- Amendment Energy Law

1st EU-Internal Market Package
- Amendment Energy Law

2nd EU-internal Market Package
- 3rd EU-Internal Market Package

3rd Package in Force
Further Development European Internal Gas Market

• Gas Target Model

  - discussion between Commission, regulators and stakeholders to reach a real integrated European Gas Market

  - different models have been under discussion, such as

    - cross-border market areas

    - trading regions

  - Follow up now on European Level?
On the way to an integrated European Natural Energy Market

EU-goal: one gas market without borders

- real „level playing field“ for all market players
- better conditions for cross border gas supply/ better coordination between national networks
- no price regulation on commodity markets
- further development of liquid gas hubs
- full implementation of the „3rd EU-Energy-Internal Market-Package“ in all Member States
European Energy Union

- Communication European Commission (25 February 2015)

- one of 10 policy priorities of Commission’s President Juncker

- **vision:** Common European Space for energy (EU and beyond), in order to produce and consume energy by using new ways

- **purpose:** new impulse to current legal framework in the light of a new focus on energy security

- strategy with **five mutually-reinforcing and closely interrelated dimensions**
  - Energy security, solidarity and trust;
  - A fully integrated European energy market;
  - Energy efficiency contributing to moderation of demand;
  - Decarbonising the economy, and
  - Research, Innovation and Competitiveness
European Energy Union

• European Commission: Energy Security Package (16 February 2016)

• political aim: focus on security of gas supply, but also on overarching goals, such as reducing energy demand, better management of supply from EU-external resources and enhancing the stability of EU’s energy market

• concrete proposals:
  - proposal for amending Security of Gas Supply Regulation 994/2010
  - proposal for amending a decision on intergovernmental agreements in energy
  - liquefied natural gas (LNG) and gas storage strategy
  - heating and cooling strategy
Gas deliveries to Western Europe more robust with Nord Stream
Further pipeline projects to link supply sources and European gas markets with the Caspian Region are on the way

- Trans-Adriatic-Pipeline (TAP), planned route
Conclusion on Natural Gas

• Natural gas remains an essential fuel for the energy mix within the EU.

• No “Either-or-Situation” shall arise with regard to current or possible future energy partners; existing partnerships have to be strengthened and new ones have to be developed; this applies for the Southern Gas Corridor, but also for prospective future LNG-deliveries from the North-American-Continent.

• Russian Gas Volumes are in a short term not alone replaceable with LNG or other pipeline gas.

• Security of Gas Supply should in principle be secured with market based instruments. A basic condition for this is a full implementation of the Internal Energy Market Rules in all Member States. Especially some Member States in Eastern Europe have still to deliver their homework here.

• The international dimension of the energy markets is very important, in order to get the necessary energy supplies from third countries; the EU should keep a facilitating role; we need a consistent External Energy Policy, but it is not the role of EU to enter into negotiations with gas producers.