5th Vienna Forum on European Energy Law

Roundtable Discussion Gas Market Developments

Takácsné Tóth Borbála
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• Energy policy research centre and think-thank based at the Corvinus University of Budapest – founded in 2004
• Associated consultancy
• Mission: to provide professional analysis, advice and training to promote energy markets that are sustainable both commercially and environmentally
• Founders are economists with regulatory experience
• Strong methodological background
• Education and training
Internal market for gas

- Price gap between East and West has diminished, falling prices (global)
- Hardware in place:
  - Better interconnectivity
  - Reverse flow
  - Few more PCI to build
- Software in place
  - TAR NC, CAM NC
- Market: Short term trade

Infrastructure need defined by LNG strategy
Results of the March 2017 European capacity auction

2020-30 booking leaves 20% of technical capacities available for short term bookings
2018: 20% of capacities are booked on the same route
2017: ~10% of 2017 consumption was booked on yearly auction – shorter term booking is the bulk

REKK: Based on Prisma
The reason why NS2 is dividing Europe

- Modelling NS2 to be built overnight in 2015
- Due to the growing number of congestions price difference between Western and Eastern Europe increase:
  - significant price increase in the CSEE region (0.4–1.1€/MWh)
  - marginal price drop in Western Europe (0.2–0.3 €/MWh)
- The overall welfare effect of NS2 is negative, although Western European consumers and TSOs realize gains.

Scenario assumptions:
- All contracts except for Trans-Balkan rerouted (RU-AT, RU-BA, RU-CZ, RU-FR, RU-DE, RU-HU, RU-IT, RU-RS, RU-SK, RU-SI)
- Price of Russian gas delivered remains unchanged for existing contracts
Disruption on NS2 in January

- Storage and LNG can fill the gap
- Prices in SEE: less effected than in Western Europe
- No congestion on pipelines

Price change compared to January normal (€/MWh)
Key messages

• When creating an internal market keep an eye on dominant players
  □ foster competition of suppliers
  □ Prevent market foreclosure situation (easier than to open competition cases ex-post)
  □ Do not expect long term bookings when traders have choice and want to trade shorter term

• In a buyer position make access to market easy for new entrants

• Get used to security of supply problems – or try to reduce vulnerable consumers’ gas consumption (renewables, energy efficiency)