SEEGAS Green Field Analysis

Landmark Study of the South East and East European Gas (SEEGAS) Markets

15 December, 2020
Lisse Geert van Vliet, Gas Unit, Energy Community Secretariat
Ema Potocnik, Legal Unit, Energy Community Secretariat
Maia Makharashvili, Regional Office, Energy Community Secretariat
I. The Relevance of a SEEGAS Study
II. Proposed Outline
III. Legal Barriers to Integration
IV. Regional dimension: the South Caucasus
V. Provisional Timeline for SEEGAS
V. Conclusion
I. The Relevance of a SEEGAS Study (1/2)

• The Network Codes were one of the foundational steps that brought gas markets closer to the envisioned target model.

• The market balancing regime is obliged to promote the development of the short-term market, which it itself needs in the early stages, in order to then transform into a well-functioning liquid wholesale market.

• The correct implementation of the Balancing Network Code has significant benefits for TSOs and participants. The gas exchange is a key infrastructure element in this process.

• Nearly all countries represented in the SEEGAS Platform are enabling at the moment the development towards hubs and exchange traded markets.
I. The Relevance of a SEEGAS Study (2/2)

- The Secretariat aims to collect the national experience of each participating country and publish a landmark study, in close collaboration with the industry.

- **One landmark study** for gas trading in this region would:
  - Provide for each country a solid market analysis by and for regional market players.
  - Create awareness and potentially attract other market participants, thereby increasing security of supply and competition in the mentioned market area.
  - Highlight the existing barriers to further integration and development of the markets, while proposing concrete solutions and potential steps forward.
II. Proposed Outline

- 1. Introduction
- 2. SEEGAS Analysis
  - 2.1 Balancing Target Model
  - 2.2 EU Gas Markets
  - 2.3 CP Gas Markets
  - 2.4 Observer Countries’ Gas Markets
  - 2.5 Future Outlook for the Trans-Balkan Pipeline
- 3. Legal Barriers for Integration
  - 3.1 Interconnection Points
  - 3.2 Tariffs
- 4. Clearing
- 5. Recommendations
III. Legal Barriers to Integration

- **Interconnection Points (IPs)**
  - Several issues on IPs between Ukraine and EU member states, which are hindering further market integration and efficient trading in the region.

- **Tariffs**
  - High tariffs for transportation of gas are applied in some parts of the region.

- Analysis of the existing IPs and the potential effect of market opening following European best practices.
IV. Regional dimension: the South Caucasus

• Stakeholders in Georgia are actively structuring a project towards the development of a gas exchange and OTC auction platform, following the ongoing market liberalization.

• Need for convergence and adjustment to neighbouring gas markets:
  ✓ Turkey
  ✓ Azerbaijan
  ✓ Armenia
  ✓ Russia

• Focus in the study: opportunities, barriers (political, technical and legal point of view)

• Final outcome: recommendations for a roadmap towards market integration among the EU member states, EnC CPs and possibly Turkey and South Caucasus region (Eastern partners).
### V. Provisional Timeline for SEEGAS

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>15th of December 2020</td>
<td>First SEEGAS platform meeting: Energy Exchanges and TSOs</td>
</tr>
<tr>
<td>15th of March 2021</td>
<td>Second SEEGAS platform meeting: Focus to be seen, depending on the development and input</td>
</tr>
<tr>
<td>1st of May 2021</td>
<td>Deadline Draft SEEGAS study</td>
</tr>
<tr>
<td>1st of September 2021</td>
<td>Deadline Final SEEGAS study</td>
</tr>
</tbody>
</table>
VI. Conclusion

- The outreaching idea of **collecting best practices in gas trading** in markets which are still at the **beginning of full liquidity** creation and state of the art market operation, will provide a **greenfield analysis** which is still missing in the region.

- Key industrial stakeholders will share the experiences they have made and representatives from the industry will have the possibility to connect and exchange view on a neutral ground.

- The **Secretariat**, which is unique position and expertise will be able to **connect, structure and monitor the process** of market development in the Contracting Parties and other participating countries.

- 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

lisse.vanvliet@energy-community.org
ema.potocnik@energy-community.org
maia.makharashvili@energy-community.org

GET IN TOUCH

🌐 www.energy-community.org
🐦 Ener_Community
linkedin /company/energy-community
Facebook /Ener.Community
YouTube /EnergyCommunityTV