



Workshop on Trading Transparency

**Review of the advise delivered by  
CESR/EREGEG – Introductory  
statements by EREGEG**

Johannes Kindler  
EREGEG Vice President

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Energy trading is of increasing importance within European energy market

- **in particular as regards electricity trading,**
- **but also trading of gas has evolved over time.**
- **trading provides hedging opportunities which are important for market participants in order to ensure price predictability.**
- **trading plays an important role for integrating renewable energy sources, and**
- **is crucial for achieving the EU internal market.**

Even though only a moderate portion of electricity trading is executed over power exchanges

- **exchanges constitute economically important price signals to other segments of energy markets, and**
- **exchange prices have strong impact on OTC and energy derivatives pricing.**

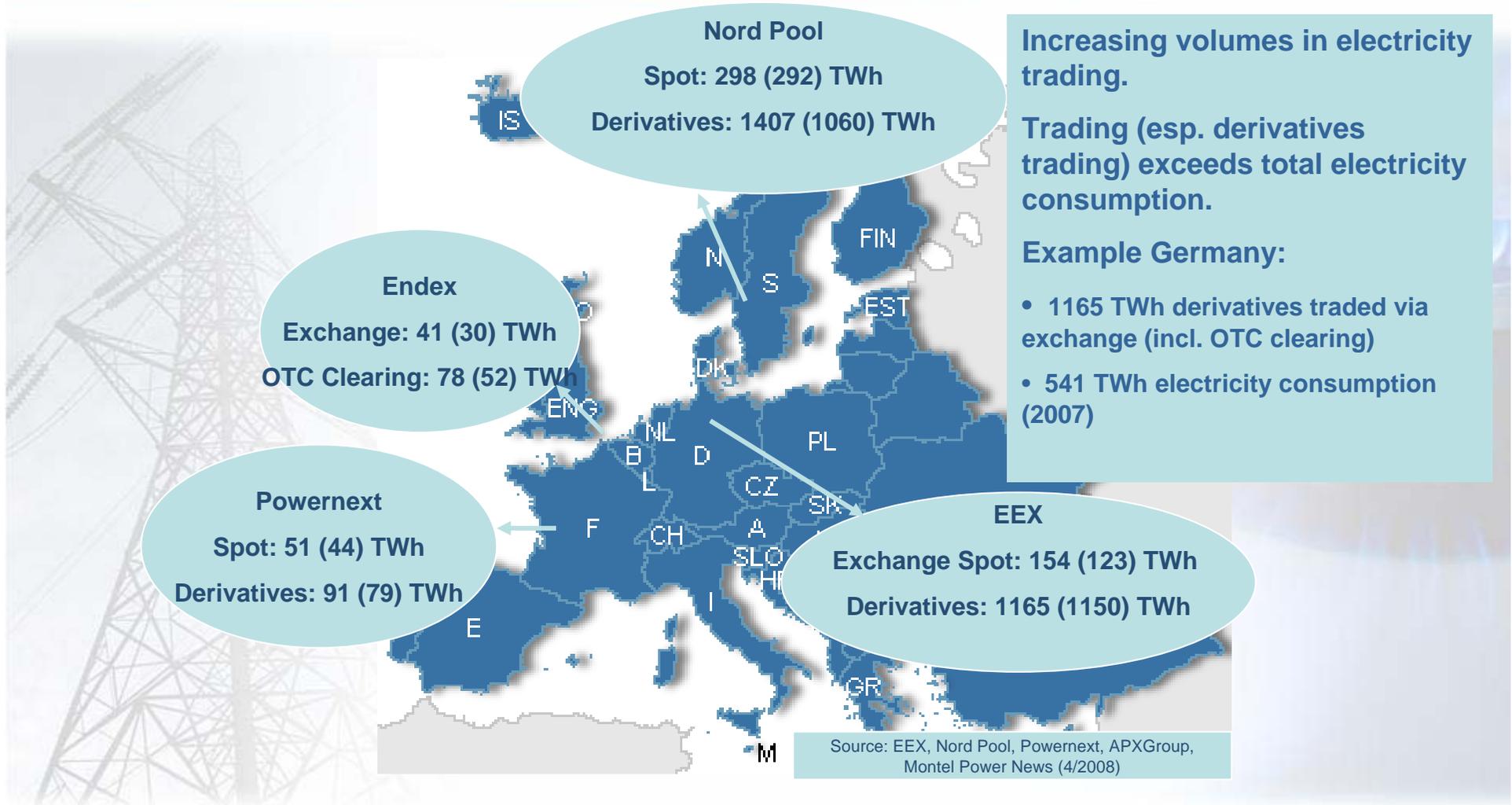
In order to facilitate fair and orderly trading and to enhance confidence in market integrity adequate supervision and regulatory oversight is essential:

- **No Sarbanes-Oxley for energy trading, but what needs to be done, must be done.**
- **Cooperation between regulators is important to allow for an efficient market oversight.**
- **Energy regulators have in-depth knowledge of the functioning of energy markets.**

In order to foster the development of the **European internal electricity and gas market**

- **rules for trading need to be harmonised,**
- **transparency requirements need to be harmonised.**

# Traded Volumes in Europe 2008 (2007) – Electricity



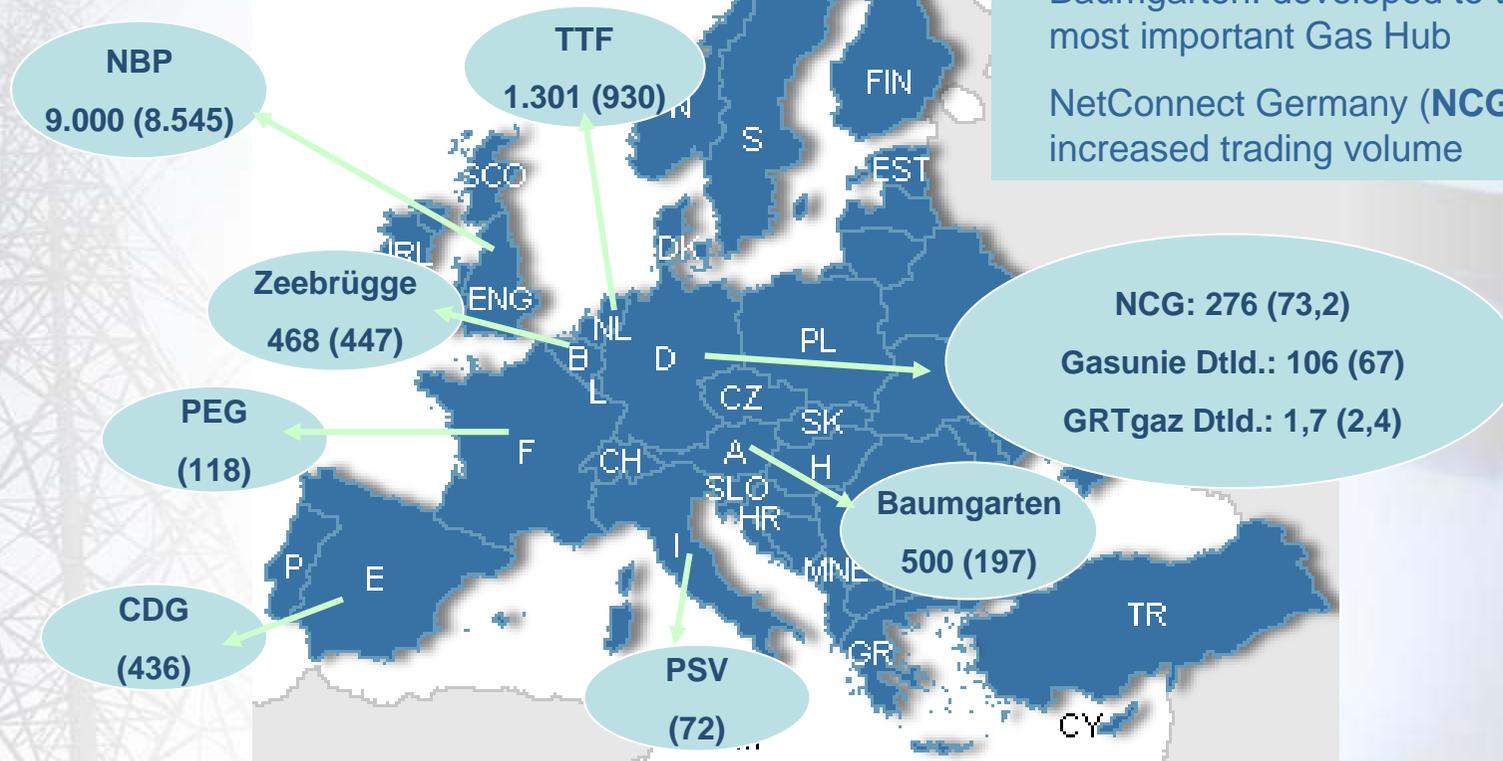
# Traded Volumes in Europe 2008 (2007) – Gas (TWh)

## Gas trading is evolving.

National Balancing Point (**NBP**): still the most liquid European Gas Hub

Baumgarten: developed to the third most important Gas Hub

NetConnect Germany (**NCG**): increased trading volume



Sources: ENERGIE & MANAGEMENT, 15.2.2008; EEX;  
Petroleum Economist, Fundamentals of the World Gas Industry, 2008; brokers screen data

# Background to joint mandate to CESR and ERGEG

Joint mandate to CESR and ERGEG issued by the Commission on 21<sup>st</sup> December 2007

- Technical advice under Articles 22f and 24f of the 3rd Package proposals
- ⇒ **Are requirements within financial regulations sufficient to address market integrity in electricity and gas markets?**

## Main topics

- Market abuse
- Record keeping
- Trade transparency
- Exchange of information

## Approach

- Consultation with market participants (Call for Evidence, public consultations of the draft recommendations, Consultative Working Group)
- Final recommendations published in September 2008 (Advice on Market Abuse) and in December 2008

## Main recommendations

- **Market abuse:** tailor-made regime for energy sector
  - related markets (e.g. oil, coal and CO2 emissions) have to be considered
- **Transparency:**
  - **Fundamental data:** Disclosure obligations within energy sector regulations (legally binding requirements including sanction mechanism)
  - **Post-trade transparency:** anonymous publication of transactions close to real-time and aggregate market data (at the end of each day)
- **Supervision of trading**
  - **Record keeping** requirements for energy supply undertakings
  - **Exchange of information** between energy and financial regulators

## Transparency

- Elaboration of detailed transparency requirements
  - Should take account of previous work and focus on compatibility, practicability and suitability for energy trading
- Workshop in Summer foreseen by European Energy regulators to discuss the detailed requirements with the relevant stakeholders
  - CEER/EREGEG open for cooperation with CESR and a permanent dialogue with market participants

## Transaction Reporting vs. Record keeping

- Mandate of the Commission was limited to Record keeping and missing evidence at this stage
- EREGEG/CESR Advice: sensible to reconsider Transaction Reporting in connection with a potential EU regime for market abuse
- Analysis should take account of the experiences made in the US market
- CEER/EREGEG open to analyse this further and give a sound advice on it

## Harmonisation and Mutual Recognition of Trading Licenses in the EU Electricity and Gas Markets

- European energy regulators will analyse the current situation in the different Member States and assess the possibilities and obstacles to the creation of a single trading passport.

## Supervision of energy exchanges and gas hubs

- Current situation:
  - Regulatory oversight of energy exchanges and gas hubs differs due to different national requirements in the EU Member States.
  - Competencies and responsibilities are sometimes divided between different authorities, and may overlap in some cases.
- European energy regulators will elaborate best practices of supervision of energy exchanges and hubs

Thank you for your attention!

[www.energy-regulators.eu](http://www.energy-regulators.eu)



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October 18-21, 2009

Athens, Greece

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