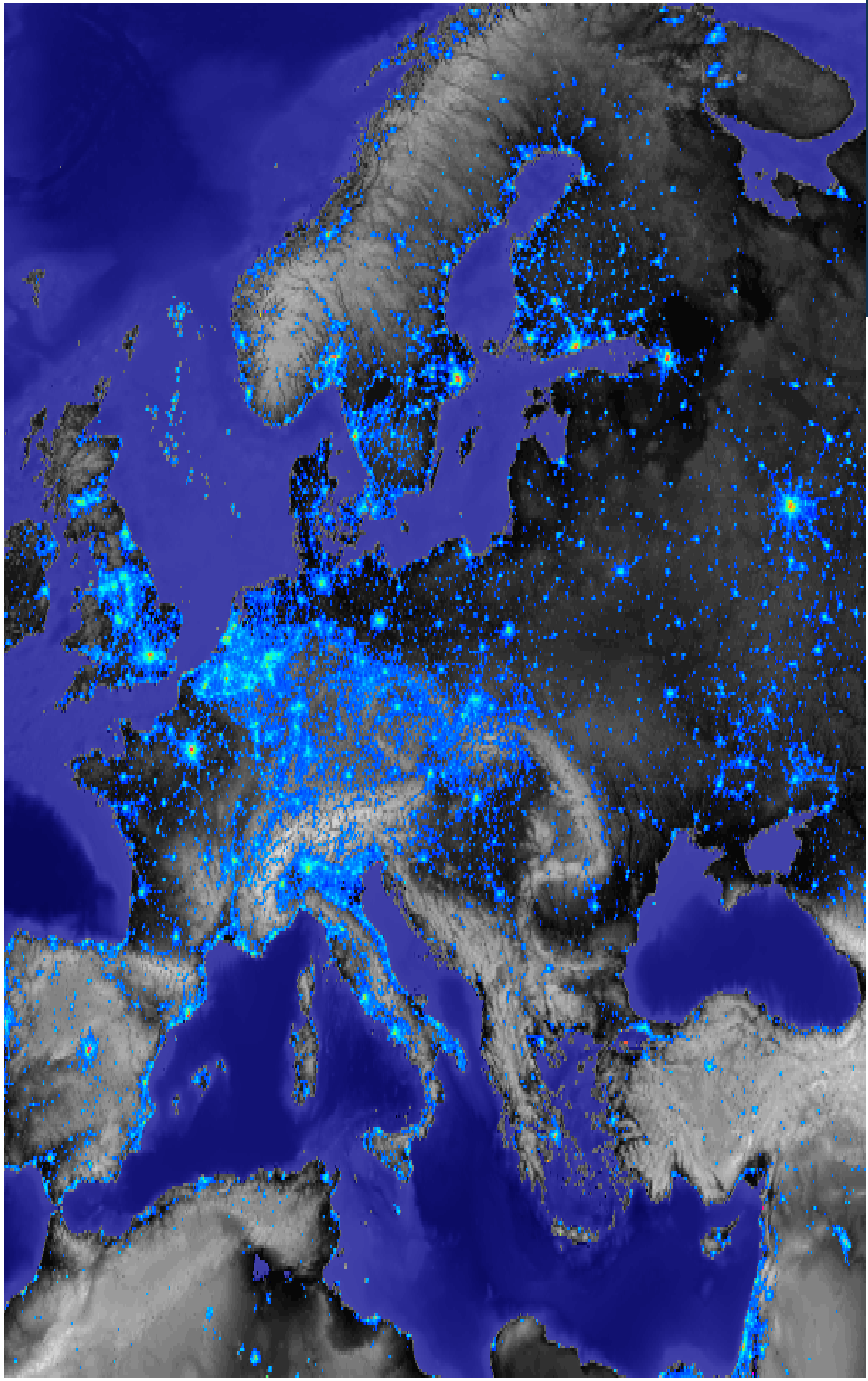

Gas Target Model: perspective of the Netherlands

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Netherlands: gas country

- Dutch gas balance:
  - production: 85 bcm/y - export: 60 bcm/y
  - import: 20 bcm/y - consumption: 45 bcm/y
- Exports: Germany, Belgium, Italy, France, UK and Switzerland.
  Imports: Norway, Russia and since mid 2011 LNG.
- Consumption:
  - share of gas in energy consumption: 40%;
  - 60% of electricity generated by gas-powered installations;
  - almost 100% of households connected to the gas network.
- Remaining reserves: 1,250 bcm (950 bcm in Groningen field).
  - production will continue for decades;
  - shift from net exporter to net importer around 2025.
  (New development: unconventional gas ??)
- Contribution to State budget: € 12 bln. in 2011 (5% of central government income).

Netherlands: development of gas market

- Trading platform Title Transfer Facility (TTF) started 2003: virtual point in gas grid where ownership is handed over.
- TTF supports OTC, spot market and futures trading through APX-Endex.
- Volume developments 2003 – now:

	traded volume	net volume	churn
2003	2.5 bcm	1.5 bcm	1.8
2008	65.2 bcm	20.2 bcm	3.2
2010	114.8 bcm	33.8 bcm	3.4
2011 (Q1+Q2)	75.7 bcm	18.2 bcm	4.2

- Price developments: high correlation in Northwest-Europe: NBP, Zeebrugge, TTF.
- Gas market reform 2011:
  - new gas act: stimulates exchange of gas on the TTF;
  - new balancing regime: increased trade on TTF; increased availability of short term flexibility products on the TTF.

=> TTF same rating as NBP in ICIS Heren Tradability Index (08/2011).

Netherlands perspective on Gas Target Model

The general objectives are in line with Dutch gas market reform:

- promote competition on the wholesale market and facilitate new entrants;
- secure supplies in long, medium and short term.

But: questions with regard to quantitative indicators:

- HHI doesn't say everything as long as the other participants have enough capacity to meet total demand.
- Why only look at size of a zone (20 bcm?)? Variations in demand (summer/winter; industry/households) and number of customers might be more important .
- 3 different sources: in line with EU policy like infrastructure package. But realistic in all situations?
- Missing: importance of gas in the energy mix differs per country.

=> Does one size fits all?? National differences need to be respected.

=> GTM seems to start from the idea that all gas markets are or should be the same.

Netherlands perspective on Gas Target Model

Options to enable a functioning wholesale market:

- Entry-exit system has been put in place.
- The trading region model could be elaborated within the framework of the Pentalaterel Gas Platform (together with GRI NW).
- The cross-border market area might be a bridge too far, also from the (national) political perspective: perceived loss of autonomy and SoS concerns.

Current GTM takes current CAM and CMP proposals as a starting point:

- Might be too optimistic. Member States may have different views.
- Proposed pilot on implicit capacity allocation

Secure supply and economic investment climate:

- Coordinated open seasons or ‘market test’ to assess the need for additional investments in the transport system: allow long-term capacity booking; FID on economic criteria.
- In order for a market to function some redundancy in the infrastructure is needed for the gas to flow freely. Has to be reflected in the allowed cost recovery.

GTM: issues for future consideration

- Long term attractiveness of the EU market for non-EU suppliers: GTM acknowledges the added value of long term contracts for SoS and infrastructure investments.
  => Should be reflected in (framework) guidelines and net codes.
- Additional sources of flexibility needed. Not only for winter supply peak. Also for integration of intermittent sources of energy.
  => Role of GTM by improving investment climate?
- Relation and interaction between gas and electricity markets. Especially on integration of intermittent sources of energy (renewables) in the energy supply: acknowledged as an issue in GTM.
  => What are the consequences?
- Discussions on GTM to a large extent dominated by stakeholders from Northwest-Europe.
  => How to get other regions involved and aligned? How to incorporate their perspective?
- Relation between GTM and (framework) guidelines and net codes, now and in future.
  => make relation clear with every new (framework) guideline and net code.
  => make GTM a 'work-in-progress' document and keep it up to date.