



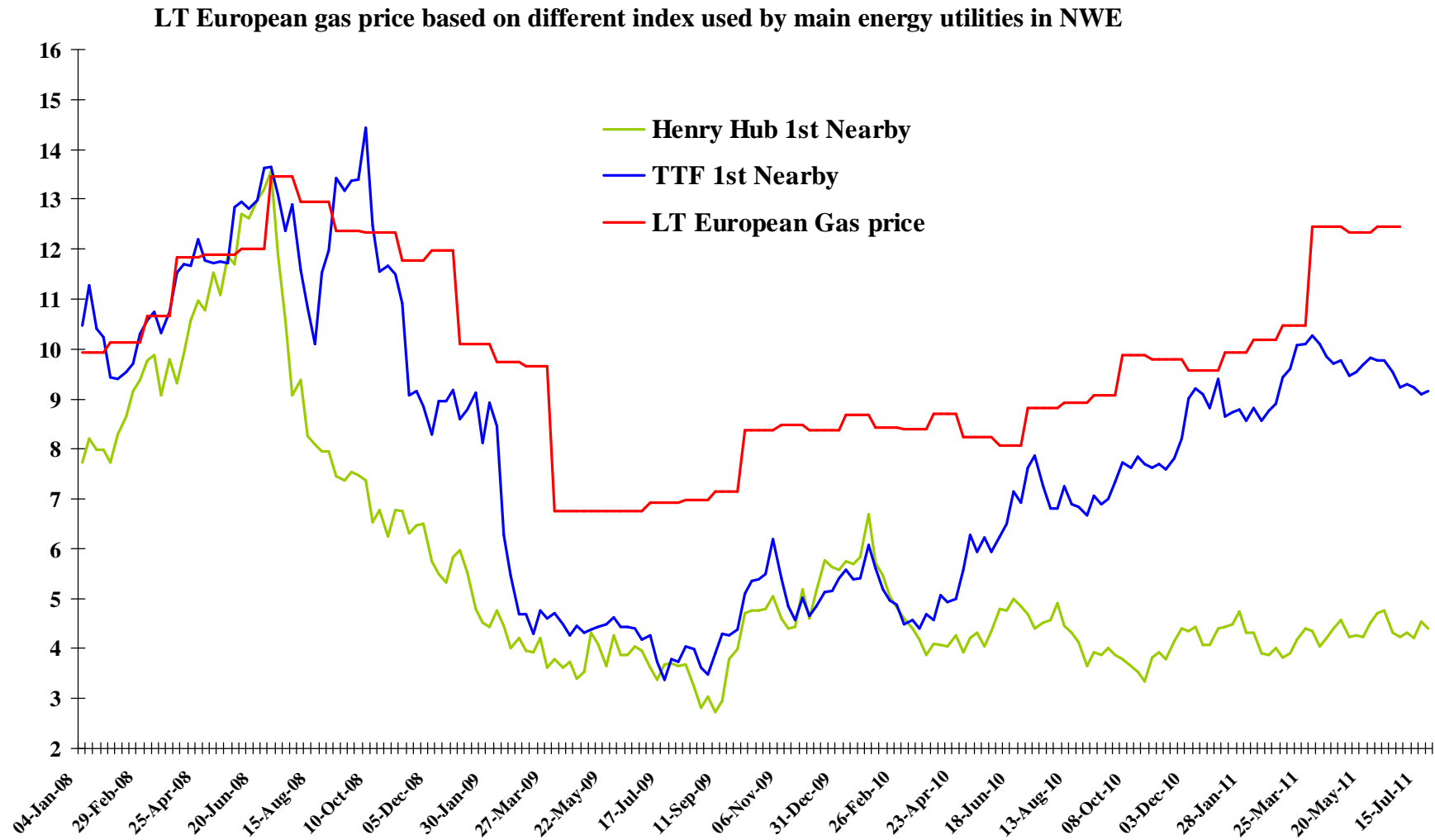
**IFIEC'S & CEFIC'S VIEWS ON THE  
EUROPEAN GAS MARKET**  
"Liquidity at gas hubs is a prerequisite  
for competition"

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Steinar Solheim, Chair IFIEC WP Oil and Gas

## GAS PRICE SHOULD BE DEFINED BY THE SUPPLY/DEMAND BALANCE

- Gas price in South and Central Europe is directly linked to the oil price.
- Gas price in North West Europe hubs is indirectly linked to oil price due to the long term oil indexed contracts.
- Oil will be more scarce product than gas and the price is controlled by a cartel.
- The reason why producers are fighting in order to keep oil indexed contracts is not because it will be to the benefit of the consumers.

# Market gas price versus European LT gas price



## LIQUIDITY AT HUBS IS PREREQUISITE FOR GAS TO GAS COMPETITION

- Not sufficient liquidity at gas hubs in South and Central / Eastern Europe.
  - e.g. Italy is a 80 BCM market, but PSV is still not liquid.
- The consequence of low liquidity is that price signals are not reliable.
- One way to increase the liquidity will be to introduce an obligation for dominant players to sell part of their gas portfolio on hubs.

## CAPACITY ALLOCATION - BALANCING

- Standardised firm capacity should be up to 1 year duration.
- IFIEC & Cefic support ACER's suggestion that at least 10% of the available firm capacity at each interconnection point shall be set aside for firm capacity services with a duration of less than one quarter.
- There should be a reserve price equal to the regulated tariff at capacity auctions.
- Restrictions on renomination rights can not be implied in markets with an illiquid intra day market.
- IFIEC and Cefic support that booking platforms are established . An action plan should be established with the aim of reducing the number of platforms in Europe.