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# **EUROPEAN GAS MARKETS**

## **THE SECTOR INQUIRY**

**Maria Rehbinder**  
**EUROPEAN COMMISSION**  
**DG COMPETITION**

All views expressed are purely personal and cannot, under any circumstances, be considered as an official position of the European Commission

# OUTLINE

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- ◆ **Action so far**
- ◆ **What are we studying?**
- ◆ **What should you expect?**

## **Action so far - I**

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### **Inquiry prompted by rising prices and complaints**

- Prices (oil-price link & hubs)
- Entry barriers (difficult to source gas, difficult to access key infrastructure, anti-competitive discrimination)
- Lack of alternative offers to customers

### **Consultation with NRAs, NCAs, market players, customers**

## Action so far - II

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- **1200 (gas) questionnaires sent**
  - Suppliers, traders, importers
  - Producers
  - TSOs, storage operators, special capacity holders
  - Customers
- **Satisfactory response rate**
  - All main players replied
- **Analysis of responses underway**

## Action so far – III

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- **Interim report objectives**

- Get the facts right
- Competition problems

- **Cases as appropriate**

- **Always taking into account the regulatory framework, as it influences market and competition conditions**

# What are we studying? - I

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## ➤ **Market conditions**

- Getting the facts right

## ➤ **Competition issues**

- Restrictive agreements, abusive behaviour and state measures
- Remedies for structural problems

# What are we studying? – II

## *Getting the facts right*

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- **Wholesale markets – access to gas**
  - Functioning of the hubs – representativeness of wider market
  - Bilateral trading and swaps
  - Terms of producer-importer contracts (TOP, flexibility, review clauses, clauses limiting competition)
  - Prices (including effect of oil-price links)

# What are we studying? – III

## *Getting the facts right*

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### ➤ **Access to transit capacity**

- Available capacity
- Long-term reservations
- Reservations vs. use
- Swaps as substitutes for network use
- Refusals of access
- Refusals of access



# What are we studying? – IV

## *Getting the facts right*

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### ➤ **Access to flexibility**

- Overview of balancing regimes
- Data gathered avoided overlap with GGPSSO.  
Focus on hoarding, exclusionary behaviour

### ➤ **Access to customers**

- Customer choice
- Renegotiation vs. switching

# What are we studying? – V

## *Competition issues*



|                    | Market structure/<br>Vertical<br>Integration | Exclusion<br>from key<br>infra-<br>structure | Lack of<br>trans-<br>parency | Weak un-<br>bundling |
|--------------------|--|--|------------------------------|----------------------|
| Wholesale          | ✓  |  |                              |                      |
| Transit<br>network |  | ✓  | ✓                            | ✓                    |
| Flexibility        |  | ✓  | ✓                            | ✓                    |
| Customers          | ✓  |  |                              | 10                   |

# What are we studying? – VI

## *Competition issues*

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- **Market structure/vertical integration**
  - Anti-competitive clauses in up-stream contracts
  - Collaboration between incumbents
  - Denial of liquidity to wholesale market (hubs, bilateral trading, use of upstream flexibility)
  - Pricing as exercise of market power (including role of oil link)

# What are we studying? – VII

## *Competition issues*

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### ➤ **Exclusion from key infrastructure**

- access to network capacity
- access to storage capacity

# What are we studying? – VIII

## *Competition issues*

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### ➤ **Lack of transparency**

- Availability of network or storage capacity
- Interruption records
- Customer information

### ➤ **Weak unbundling**

- Most rights in key network elements handed to incumbent supplier when unbundled
- TSO incentives

# What should you expect? I

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- Too early to conclude on results
- But we are determined to get the facts right and address competition problems to make these markets work
- more active enforcement by COM and NCA

# **What should you expect? – Next steps II**



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## **What should you expect?**

- Interim report – late autumn 2005:  
addressing some of the issues**
- Final report 2006**
- Case investigations could be opened  
where appropriate (by COM or NCA)**



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*Maria Rehbinder*