



Introductory gas roadmap paper

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Introductory gas 'road map'

- The need for a gas 'road map'
 - ◆ strategy paper (draft) Madrid Forum JWG, 2002 contained long-term vision
 - ◆ progress has been made, but problems remain
- Where are we now?
 - ◆ what the legislative framework provides
 - ◆ what are the significant problems outstanding
- Way forward
 - ◆ need for industry and stakeholder input

Purpose of introductory paper

- The ERGEG introductory gas road map paper:
 - introduces ERGEG's proposed work and sets out a timetable for progress
 - highlights areas where progress and action is needed
 - does not prioritise or offer solutions at this stage
 - highlights the importance of hub-based trading
 - seeks support for the proposed way forward
 - requests industry and stakeholder participation in case studies

A long-term vision

- Effective competition within a single European Market:
 - real benefits for gas and electricity consumers
 - sustainable levels of investment, secure supplies
 - choice
 - companies able to cross borders to seek customers
- At a technical level:
 - real supply-side competition
 - entry–exit tariffs
 - liquid hub-based trading

Where are we now?

- The legislative framework:
 - needed to support the long-term vision
 - full implementation essential
 - does not currently specify all the necessary details
- Progress has been made:
 - eg, improved rules for access to storage
- But much still to be done

Where there are significant issues

- Trading is not yet liquid; some markets have no hubs
- Contractual and physical flows remain linked
- There are contractual or commercial problems with gas and capacity availability
- Cross-border transportation remains particularly problematic
- Greater transparency and improved information management is needed
- Unbundling
- Gas quality

Way forward

- Need to set priorities and define a programme of work
- No consensus at this stage, therefore need to develop in the full road map paper
- ERGEG proposal
 - strong regional element, therefore case studies to examine barriers to progress
 - trading at hubs; hub–hub trading
 - but regional solutions need to accommodate goal of a single European Market
 - common principles

Regional case studies

- Learn lessons about development of liquid hubs
- Removing barriers to development of hubs and hub–hub trading:
 - access to capacity between hubs
 - information management and transparency
 - availability of gas
 - interoperability
 - regulatory oversight across borders (including unbundling)
- Needs co-operation with industry and stakeholders

Conclusions

- Progress is needed, input from stakeholders essential
- focus on case studies, to ensure that solutions are practical
- while maintaining common principles
- Full implementation of current (and future) legislation is essential
- Wide variation in powers of regulators needs to be taken into account

Timetable

- now: ERGEG develops full roadmap paper, reflecting Madrid discussions
- November 2005: road map paper published for consultation
- early 2006: final road map paper published
regional case studies
developing common principles