

INTERNATIONAL FEDERATION OF INDUSTRIAL ENERGY CONSUMERS

IFIEC Europe

IFIEC EUROPE – Comments on recent developments on the European Gas market.

Europe has important manufacturing bases in energy intensive industries including steel, aluminium, chemicals, and paper. Due to downstream global competitive pressures and tight internal environmental legislation, these industries operate some of the most efficient processes in the world.

IFIEC is concerned to ensure that manufacturing industry in the EU has access to gas at internationally competitive prices. IFIEC believes that in the long term competition among gas suppliers is the best way to achieve competitive prices. In the transition from the old position of established monopsony/monopoly national suppliers there are clearly difficulties. IFIEC believes that urgent action is required to overcome these challenges.

From the perspective of IFIEC members, development of competition in the gas market has been painfully slow and we are most concerned by the lack of a concerted road map to increase the momentum towards the goal of a correctly functioning competitive market.

These concerns can be grouped into 3 broad areas:

1. Market Structure

The supply side is highly concentrated and the market is dominated by a few very powerful companies. IFIEC is most concerned to see that this trend appears to be continuing with recent developments (e.g. E.ON – Scottish Power, Gas Natural – Endesa, ...) and looks to support any steps which will reduce market concentration wherever it constitutes an obstacle to competition. We ask the Commission and national competition authorities to carry out thorough analysis before allowing any more consolidation at this very early stage in market liberalization.

IFIEC is concerned with the lack of progress in unbundling in the gas supply industry i.e. separate ownership of pipelines, storage facilities, terminals, and gas production facilities. The only sure way to achieve the desired level of competition is full ownership unbundling.

IFIEC believes that competition cannot be encouraged to work effectively unless measures such as gas release schemes are introduced and caps are imposed to limit market dominance in relevant markets.

2. Regulation and infrastructure

From the beginning, IFIEC was nervous about the clauses in the EU Directives on pipeline access and storage which allow owners to apply for exemption from offering Third Party Access (TPA) to the market. It is now clear that in practice every single pipeline project, storage project, and LNG terminal has applied for exemption and has been granted it. We have yet to see real evidence that TPA is being used by market participants to compete with incumbent players.

For competition to work it is essential that TPA access is available to infrastructure (storage, LNG, and pipelines). IFIEC is concerned about situations where owners of interconnectors and storage facilities are free to charge 'market related prices' as opposed to charges which give a fair and reasonable reward to the asset.

IFIEC supports strong pan European regulation via a European Regulator to ensure that market opening is not hindered by cross border issues between member states.

IFIEC believes that as far as possible common rules should apply throughout the EU. Gas balancing is one area where improvement needs to be made. Hourly balancing as opposed to daily balancing may be inhibiting competition.

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3. Information and transparency

A competitive market will only work if all interested parties in the market have equal timely access to information concerning all aspects of the supply chain. It is notable that in the work to agree Guidelines for Good Practice for Storage System Operators (GGPSSO) the supply side resisted and delayed the introduction of measures to make information available on the Internet in real time. Even the agreed Guidelines have yet to be fully implemented, e.g. consumers and other interested market players are unable today to ascertain the level of gas in storage facilities in the EU.