



Gas Transmission Europe

GTE Position Paper on Transit

Jacques Laurelut – GTE Vice President

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General objective of the GTE Paper on Transit

> To make a GTE contribution to the issue of “transit”,

with regard to the conclusions of Madrid Forum VIII inviting ERGEG to present a report outlining how to deal with “transit” under a regulated access regime



Three categories of transit

1- **“Regular” transits** (i.e. all those not falling under cat. 2 and 3)

- are under national regulators supervision
- may have terms and conditions different from those for domestic transportation

2- **Transit under existing contracts**

- concluded under 1991 Transit Directive
- concluded before 1991

let explicitly valid under art.32 of the 2nd Gas Directive

should not be questioned, according to the sanctity principle

3- **Transit on new infrastructures**

(dedicated to transit)

may be, if required, exempted from regulation according to art. 22 of the 2nd Gas Directive.

GTE paper mainly deals with category 1



Some facts about transits

1- Transit routes are in competition

2- There are considerable differences between Member States with regard to transit

3- Characteristics of transit may be very different from those for domestic transportation
(distances, long term/short term...)

4- Services rendered under transit contracts may be very different from those for domestic transportation (balancing, PSO)

5- Transits play a key role in the Security of Supply

6- In some cases, it may be difficult to identify transit flows

**TRANSIT
SHOULD BE
TREATED
VERY
CAUTIOUSLY
being
conscious that
there is no
universal
solution**



Competition between transit routes

Competition is present at 3 levels :

- **between projects before construction**
- **between pipes in place**
- **between pipes and LNG routes**

Example: Transit from Middle East to the UK

Tariffs play an important role in the shipper's decision on the route to use

Transit is often a competitive activity



Existing situation for transits

Among Member States there are differences with regard to:

the share of the transit volumes reported to the total volumes of the country

the size of the country → the potential length of transit routes

the status of pipes used for transit : dedicated pipes or integrated networks

the management of network access: tradability of capacity rights, balancing/PSO requirements

Transit has to be considered on a case by case basis

It may be treated either with one unique system for transit and transportation for the internal market or with 2 different systems



Security of Supply

Transit provides an important contribution to the SoS of importing countries.

=> The transmission regulation in the transit countries should not endanger the SoS of the supplied countries downstream.

Example: A shipper holding last resort supplier PSOs - UIOLI



Investment risks

Because of

Huge investments to be made at one go

and

competition between routes

**transit may have different risks
from domestic transportation which need to be recognised**



Means for taking into account the risks, in order to make the projects financing possible:

- **exemption from regulation for new projects without excessively restrictive conditions,**
- **transportation contracts on a long term basis**
- **predictable and stable regulatory framework**
- **specific long term regulatory deals**



Compatibility of Entry-Exit tariffs and transit

Entry-Exit tariffs may produce a cost reflectivity distortion :

- Long distance transits may be charged too low
- Short distance transits may be charged too high

Leading to cross-subsidization between transit users and domestic users (one of the potential shortcomings of the entry-exit system)



In cases where distortions are suspected, a separate tariff system for transit and domestic transportation and/or a specific treatment for transit exit points could be more appropriate



Items that could be further studied

For transit on new dedicated pipelines, solutions may be found through the exemption process (art. 22 of the 2nd Gas Directive)

Case of interconnected network used for both transit and domestic transmission with identifiable and unacceptable distortions linked to cross-subsidisation

If the transit market value is lower than the TPA tariff (short distances for instance):

How to attract potential transit users?

If the transit market value (or the development cost associated) is higher than the TPA tariff (long distances for instance): Increase of the mean transmission for transit users

How to adjust transit price to the market value?

solution : specific point-to-point tariff for transit??