

Future Development of the European Gas Market

Views of the
European Federation of Energy Traders

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European Federation of Energy Traders

- 75 energy trading companies from 19 European countries
- Dedicated to stimulating and promoting energy trading
- Retail energy competition relies on robust traded wholesale markets
- Traded markets depend on fair access facilitating many market participants

Protecting consumer interests

- Best achieved through market mechanisms allowing consumers a choice of supplier and promoting efficient use of resources.
- The most competitive markets in the EU have high service levels.
- But several major markets in the EU are not yet liquid enough to protect consumer interests.

Current gas market characteristics

- Markets remain localised and at different stages of development
- Incompatibility and lack of harmonisation is causing unacceptable risk
- On the Continent it is frequently difficult to:
 - access capacity or
 - buy/sell significant quantities of gas.
 - manage risk
- **Lack of market liquidity creates wholesale risk, prevents market signals and stifles retail competition.**

Underlying causes of lack of liquidity

- Long-term arrangements favour incumbents and transit companies
 - Difficult to obtain capacity
 - Ineffective anti-hoarding
- Lack of market based mechanisms for allocating scarce capacity
- Inconsistent implementation of Entry/Exit
- Penal balancing regimes
- Lack of transparent market information
- Ineffective implementation of unbundling

What improvements are needed?

- Effective daily-balancing markets
- Release of unused capacity on a firm basis, until market is established
- Larger Entry-Exit zones, designed to facilitate new entry ...with coordination between zones
- Better unbundling implementation
- Improved information transparency
- Create a positive framework for incumbent suppliers to offer gas and flexibility to the market

Key focus areas

- Development of liquidity at Gas Hubs
- Non-discriminatory access to transportation across Europe
- Reduction of transaction costs

For further information

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