



An energy policy for Europe

Vincenzo Cavicchia
Chairman of EURELECTRIC WG Gas

XIIth Madrid Forum, 20-21 February 2007

An energy policy for Europe

- “Electricity generators rely heavily on competitive gas markets. **Malfunctioning gas markets thus adversely affect the price of electricity**” (Sector Inquiry, §319).
- **Convergence of the gas and electricity sectors** is vital.
- Urgent need for progress on bringing more competition to the gas market.
- Keep momentum and accelerate the pace.

A decorative blue wavy line is positioned at the top left of the slide, extending horizontally across the top.

An energy policy for Europe

- **Need for a pragmatic approach:**
 - Compliance with EU legislation and softlaw;
 - Effective unbundling
 - Fair access to network infrastructure
 - Transparency
- **Ownership unbundling does not solve the market integration problem & would take time.**
- **Urgent need for a more consistent EU regulatory process and seamless TSO coordination.**
- **Clearly define which issues should be covered by the European/ regional remit.**

An energy policy for Europe

Urgent needs for gas market users:

- Better use of cross-border **infrastructures**/ coordinated investments in new capacities
 - Contractual congestion is common even though there is often not a high utilisation of pipelines.
 - TSOs to implement the UIOLI principle.
- **Transparency** on gas infrastructure capacity (pipelines/ LNG/ storage), also at short term;
- Harmonised **cross-border rules** and procedures (e.g. balancing);
- Simplify the process: **one stop-shop** capacity allocation and day by day management;
- **Eliminate pancaking** mechanisms to reduce gas transit price;
- Promote **hub-to-hub trading** to enhance liquidity, reach gas to gas competition and cut the gas-oil price link.



An energy policy for Europe

- **Security of supply** is important:
 - Facilitate the construction of new LNG terminals to diversify sources/routes
 - EU strategic stocks not needed but increase in investment for storage capacity would help the market and diminish vulnerability to accidents and energy crisis
 - Develop new hubs and market integration
 - Gas Coordination Group to coordinate solidarity mechanisms
 - Management of geopolitical agenda to obtain competition and liberalised upstream market
- Security of supply measures should be **market oriented** to minimise cost incurred during normal operation.