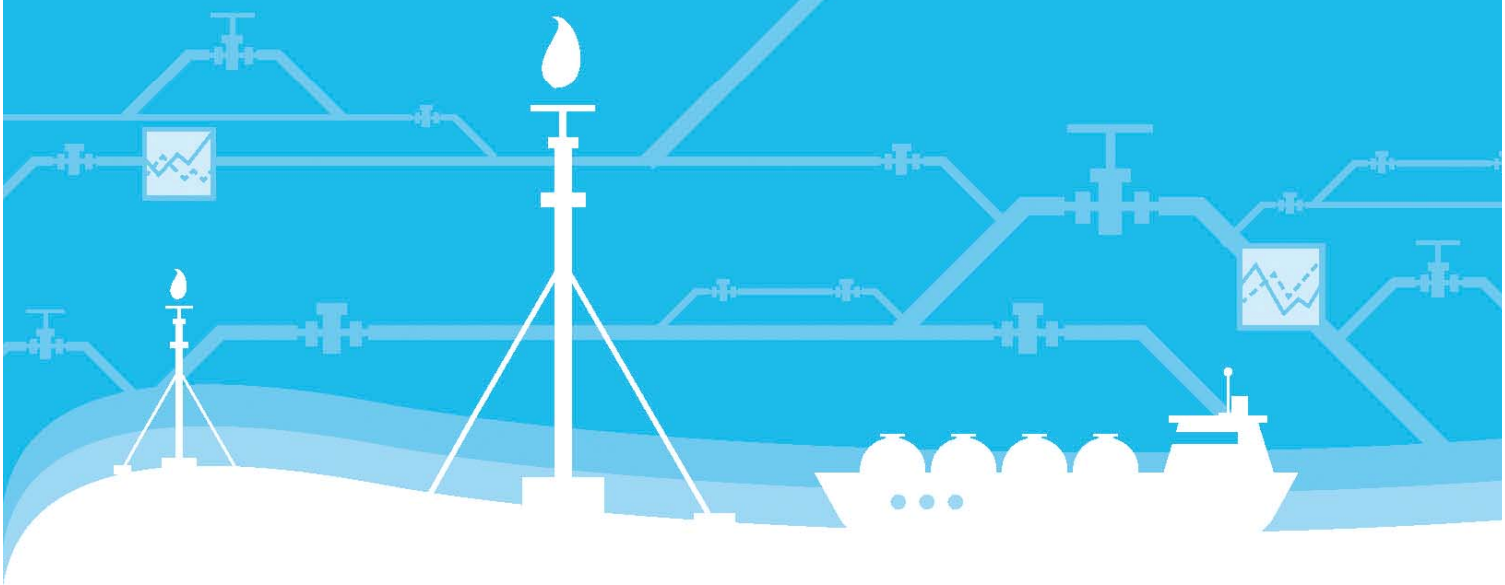
# Quarterly Report on European Gas Markets



Directorate-General for Energy and Transport

EUROPEAN COMMISSION

- MARKET OBSERVATORY FOR ENERGY

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ANDRIS PIEBALGS
MEMBER OF THE EUROPEAN COMMISSION

Dear readers,

The second quarter of 2009 was quite eventful for the stakeholders of the European gas industry. In particular, there was an unprecedented decline in the EU gas consumption. In April 2009, for example, the consumption was about 30 TWh below the lowest April level since 2003 (Eurostat keeps records for the 27 Member States since 2003) and almost 25% below the corresponding 2008 value.

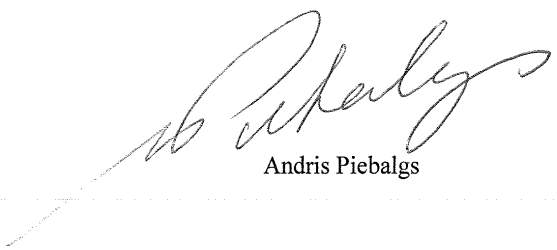
With seasonally falling demand for household heating, with industrial demand still shaken by the economic recession and with a relative abundance of LNG spot deliveries, the European wholesale spot prices in Q2 2009 decreased to levels last seen in 2007. This development provoked some difficulties for buyers using long term supply agreements with relatively higher prices due to the oil price indexation commonly applied to those contracts.

Some storage operators across Europe used this opportunity to start refilling underground facilities which played a crucial role in dissipating the effects of the January 2009 crisis but remained at very low levels by March 2009. By the end of the second quarter the operators were quickly catching up on their filling schedule which proved to be a wise decision, as seen from the present day since most of the storage facilities are full.

The European Commission was actively involved in the negotiations surrounding the conclusion of an Intergovernmental Agreement on the Nabucco gas pipeline which was signed by the prime ministers of Austria, Bulgaria, Hungary, Romania and Turkey in Ankara on 13 July 2009.

By being present at the signing ceremony, the President of the European Commission and myself wanted to stress the importance of Nabucco for the EU's security of energy supply and to promote the example it gives on how co-operation between EU Member States and neighbouring countries can bring about real benefits to EU consumers.

Yours sincerely,



Andris Piebalgs

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# QUARTERLY REPORT ON EUROPEAN GAS MARKETS

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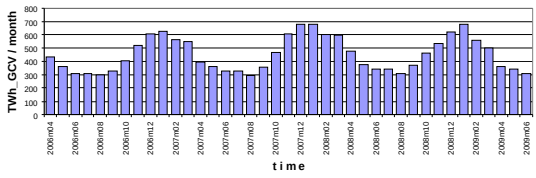
## A. Recent developments in the gas markets across Europe

### A.1 Wholesale markets

The current gas year is proving to be challenging for the majority of the stakeholders in the European gas sector.

While still dealing with the ramifications of the January gas crisis, in the second quarter of 2009 the gas industry had to face a significant reduction in demand triggered by the spreading economic recession. The ongoing decoupling of oil and gas prices offered good opportunities to buy gas on the spot market but also led European gas companies to face difficulties in fulfilling their take or pay obligations under long term contracts for gas deliveries, typically indexed to oil.

On the demand side, the combination of relatively mild weather and falling industrial activity resulted in a EU gross inland consumption of natural gas of 364 TWh for the month of April 2009, about 30 TWh below the lowest level ever recorded in this month and a quarter below corresponding 2008 levels.

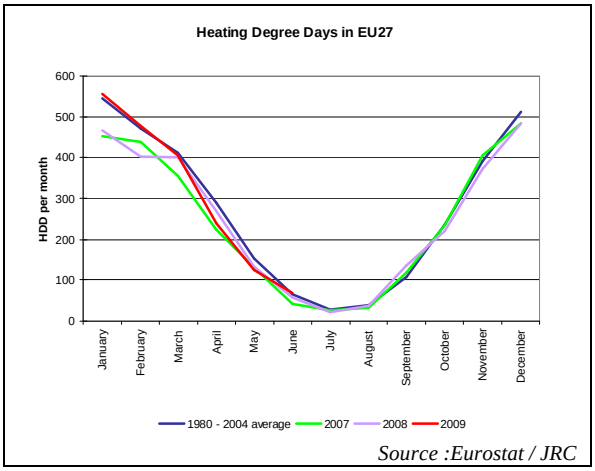



*Source : Eurostat*
*May and June 2009 values for Portugal are estimations based on previous consumption, GDP growth and Heating Degree Days*

April was also the third consecutive month of 2009 for which Eurostat registered the lowest levels of EU gas consumption compared to similar periods of previous years[1]. Gas demand remained low in May and June 2009, with EU consumers using approximately 10% less gas than in the same period of 2008.

Year-on-year, the biggest drops were recorded by some of the new Member States. For example, in April 2009, gas consumption in the Czech Republic, Hungary and Slovenia was 40 % below 2008 levels. In May and June, Bulgaria, Romania and Estonia were among the countries that experienced the most significant drops in consumption, which was between 40% and 50% lower than the corresponding values in 2008.

At the EU level, the second quarter of 2009 was milder than that of 2008 by approximately 0.3 heating degree days (HDDs)[2]. As a rule, the monthly HDDs for April and May were further off the corresponding long term average values than those for June. This resulted in a significant reduction in household demand for heating[3].




*Source :Eurostat / JRC*

In the second quarter of 2009 the volume of natural gas imports rose by more than 4%. Part of this increase represented the refilling of gas storage facilities in Central and Western Europe which had reached dangerously low levels in the first weeks of 2009 (see section B1 of the current report on page 15).

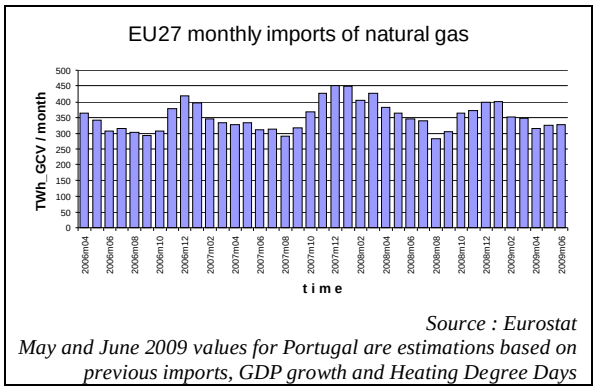
However, the monthly values for Q2 2009 remained below the corresponding 2008 levels. Year-on-year, the falls recorded in April, May and June were in the range of 17%, 11% and 5%.

Once again, countries from Eastern and Central Europe imported less than before. For example, the April 2009 volume of imports in Latvia, Hungary and Romania decreased by two thirds with respect to the same month of 2008.

[1] The February and March values in 2009 were respectively 10 and 50 TWh under the corresponding reference levels.

[2] Heating degree days express the severity of the cold in a specific time period taking into consideration outdoor and room temperatures.

[3] The Iberian Peninsula was among the few European regions where April temperatures in 2009 were coder that those of 2008.




*Source : Eurostat*
*May and June 2009 values for Portugal are estimations based on previous imports, GDP growth and Heating Degree Days*

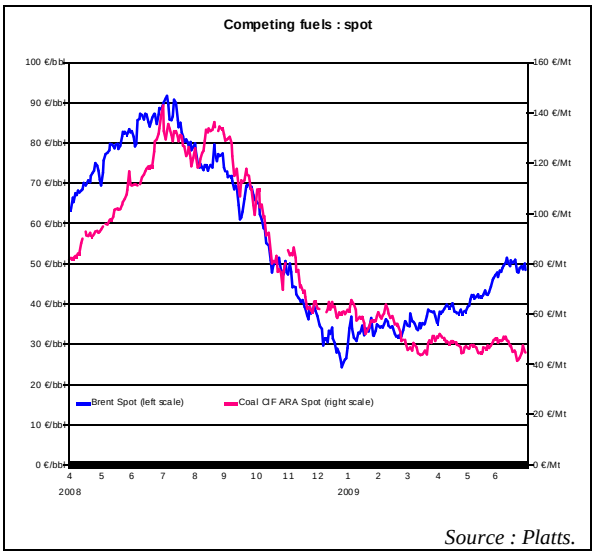
The imported volumes of natural gas continued to contract by comparable amounts for the rest of the second quarter in most of the new Member States (the few exceptions being Slovakia and Latvia in June 2009).

### A.1.1 Spot markets

Prices of energy commodities followed a similar evolution during the period of steep decline covering the months between July and December 2008. However, since January 2009 it seems that, while the oil price has started to recover, the coal and gas benchmarks did not experience any sustained upward movement through the first half of the year.

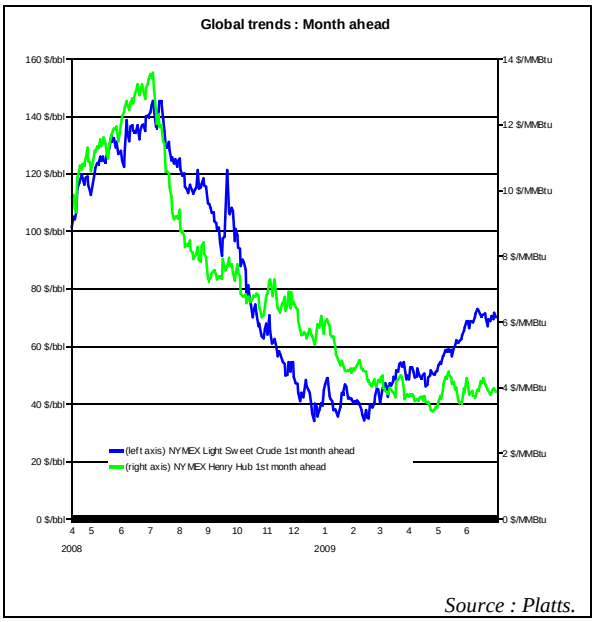
In Q2 2009 alone, as the Brent spot price appreciated by more than a quarter, the coal CIF ARA spot levelled off, registering a slight decrease of 3%.

Year-on-year the coal benchmark for Europe lost 60% of its value in June while the Brent was about 40% below the corresponding level in 2008. The April and May 2009 values were in a similar range.




*Source : Platts.*

The reference price for oil in North America gained almost 40% in the second quarter of 2009 as market participants became more optimistic about the start of economic recovery. Nevertheless, the price of the *West Texas Intermediate* contract remained well below the Q2 2008 levels.



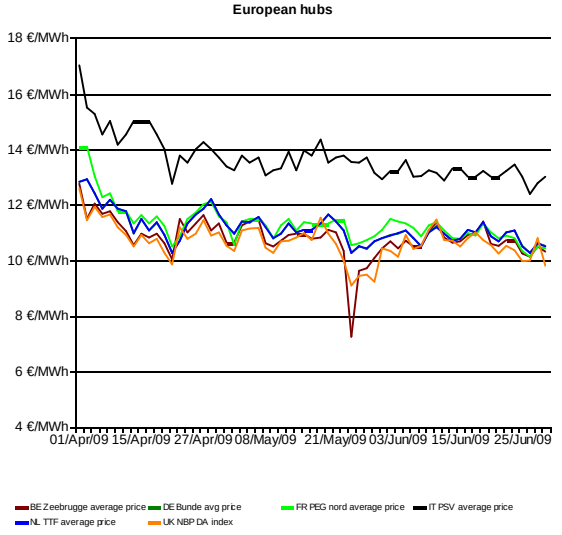

*Source : Platts.*

The upward swing on the gas market was milder. Additional supply in the form of LNG or even unconventional gas was available to meet any bigger demand

increases. The month-ahead Henry Hub contract was traded at around $ 3.7 / MMBtu in the beginning of April and around $ 4 / MMBtu by the end of June, price levels being a third less than what they used to be in Q2 2008.

### *A.1.1.1 European hubs*

In the second quarter of 2009 the European wholesale spot gas prices continued their downward movement, losing between 4 and 10 %.



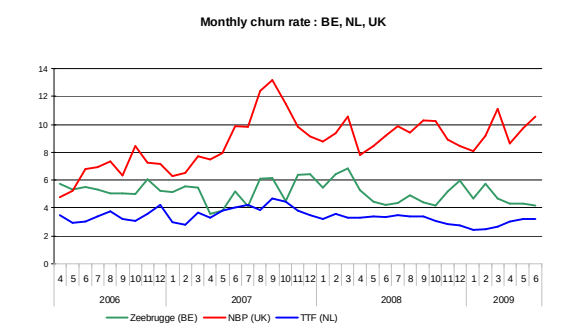

*Source : Platts.*

The hub prices in North Western Europe traded within a tight range of around € 1 / MWh, the only exception being the long weekend in the end of May. Italian prices were traded at a € 4 – 5 / MWh premium.

Year-on-year the fall of the average monthly spot prices of the European hubs was in the range of 50 – 60 %.

Liquidity on the Belgian hub registered a slight decrease, the churn rate[4] going from 4.28 in April to 4.21 in June 2009.

The Dutch market liquidity improved by more than 5% in Q2 2009 but the churn remained relatively weak.




*Sources : Huberator (BE), Gas Transport Services (NL), National Grid (UK), Platts.*

However the UK wholesale market recorded a strong performance in terms of liquidity during the observed period. From April to June the churn rate jumped by a fifth, finishing the quarter above 10, replicating in a way the evolution of the first quarter of 2009.

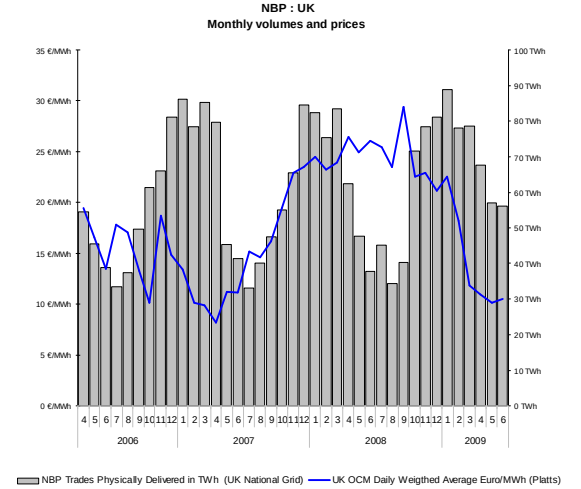
[4] The churn rate is an indicator for the liquidity of a market / hub. It measures the ratio between traded and physically delivered volumes.

## UK: National balancing point (NBP)

Prompt LNG deliveries[5] and high mid-range storage levels helped the UK system to stay well balanced in Q2 2009[6].

At the beginning of the observed period news related to the North Sea production fields tended to put upward pressure on the price.

The mild meteorological conditions were a factor that influenced residential demand, especially in the early stages of Q2. For example, April 2009 was more than 1.5 HDD per day warmer than the corresponding long term average.




*Sources : National Grid (UK), Platts.*

The NBP traded volumes decreased, losing about 17% in Q2 but remained above 2008 levels. For example, the total energy traded in June 2009 on the NBP was about 63 TWh higher than that of 12 months ago. The trades physically delivered increased by about 20 TWh for the same period, registering an increase of almost 50%.

On the other hand, the monthly physical volumes were smaller than those of 2008. Year-on-year, the April throughput[7] decreased by 10 TWh. The corresponding values for May and June 2009 were 3 TWh and 4 TWh respectively. As a result, the churn rates rose.

It seems that the monthly average spot prices found a stable level of around €10 / MWh in Q2 2009, which is 60% cheaper than those of 2008.

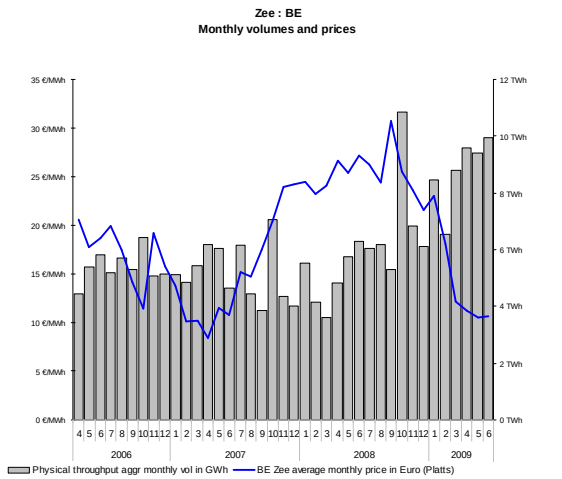
[5] During the observed period, Australia delivered its first LNG cargo to the UK market. Norway turned into an important LNG supplier, along with the regular pipe deliveries from the North Sea. Market operators were even expecting a spot cargo from Sakhalin, Russia.

[6] The midrange storage is a bridge case between the two basic uses for natural gas in storage facilities: baseload and peakload. While baseload storage (characterized by low turnover and delivery rates) is used to meet seasonal demand patterns, peakload storage is better suited for high deliverability for short periods of time (few days or weeks). Such storage facilities have high turnover rates. Depleted gas reservoirs are the most common type of baseload storage facility; salt caverns are best suited for peakload storage.

[7] Throughput designates the amount of gas that passes through the grid of pipelines of a system operator during a fixed period of time.

## Belgium: Zeebrugge

The UK and Belgian wholesale spot prices continued to evolve in a close range. The spread widened for a brief period in the run-up and during a public holiday in the end of May 2009 as trading volumes on both sides of the Interconnector were reduced.




*Sources : Huberator (BE), Platts*

The traded volumes cleared at the *Huberator*, the gas exchange of the Zeebrugge hub, rose significantly for the second consecutive quarter. While the October 2008 record of 45.7 TWh / month was still not reached, all months of Q2 recorded volumes above 40 TWh.

The physical throughput also increased. Compared to a year ago, the April 2009 volume almost doubled. The corresponding figures for May and June were all above 60%.

Since physical and traded volumes increased in similar proportions the churn remained stable (around 4) throughout Q2 2009.

Prices fell on average by 5% between April and June, slowly sliding down towards € 10 / MWh. With respect to a year earlier this represented a fall of about 60%.

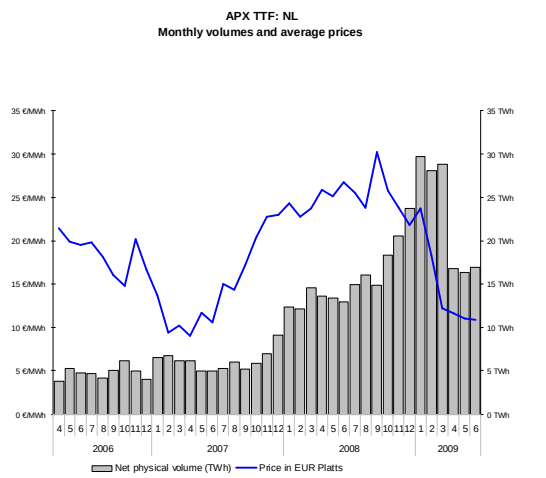
## Netherlands: Title transfer facility (TTF)

The end of the winter heating season saw a substantial reduction in residential gas demand. In April 2009 temperatures in the Netherlands were about 1 HDD milder than the corresponding long term averages.

The combination of reduced industrial demand and falling consumption of gas by the residential users are among the factors that could explain the decrease of volumes on the TTF. The monthly physical volume exchanged fell by 12 TWh between March and April 2009.

When measured relative to the corresponding values of 2008, Q2 volumes appear strong. The year-on-year increases for the months from April to June were in the range of 22 % - 31 %.

The turnover evolved in a manner that was similar to the physical volumes which resulted in a stable churn remaining close to 3.



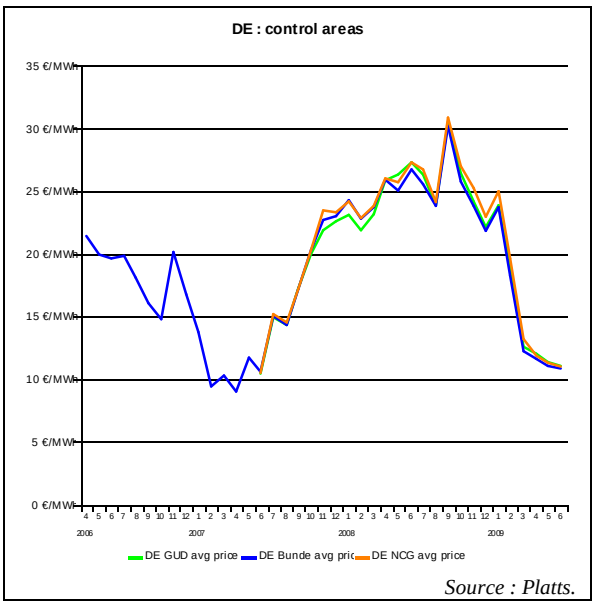

*Sources : Gas Transport Services (NL)*[8]*, Platts.*

Throughout the observed period the Dutch gas wholesale price decreased by 7%. Within a single year the spot price has lost more than half of its value, going back to levels seen only in the first half of 2007.

## Germany: NetConnect (NCG)[9], Gasunie transport services (GUD)[10], Bunde

As in the Netherlands, the meteorological conditions were favourable for residential users of gas heating devices to reduce their bills. Compared to the same period of the previous year, there were about 44% HDDs less in April 2009 (the month marking the end of the heating season). With respect to average temperatures, April was almost 3 HDDs per day warmer.

Not surprisingly, the price level in the German control areas continued to fall in Q2 2009. However, the decrease was in the range of 6.7 - 8.4%, significantly less than the 50 % correction of the first quarter of 2009.




*Source : Platts.*

The pick-up of demand related to the seasonal filling of storages was among the factors that contributed to the stabilization

[8] For a specific period, the traded volume is the sum of the nominated volumes on TTF made by shippers and confirmed by GTS.

[9] NCG is formerly known as *E.ON Gastransport (EGT).*

[10] GUD is formerly known as BEB.

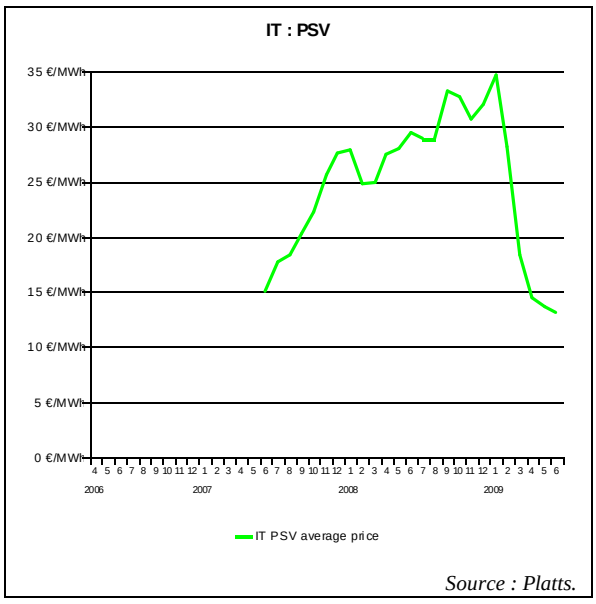
of the spot price in Germany (see also part B.1 on page 15 of the current report).

The 2008 Q2 average monthly prices in Germany were more than twice the levels reached for the corresponding quarter in 2009.

The consolidation of the German wholesale market continued as the *Gaspool* initiative of four system operators[11] was nearing its operational phase.

### Italy: Punto di Scambio Virtuale (PSV)

Italian wholesale prices followed developments similar to those observed on the other European hubs but continued to trade at € 3 – 5 / MWh premiums with respect to Central and West European hubs.




*Source : Platts.*

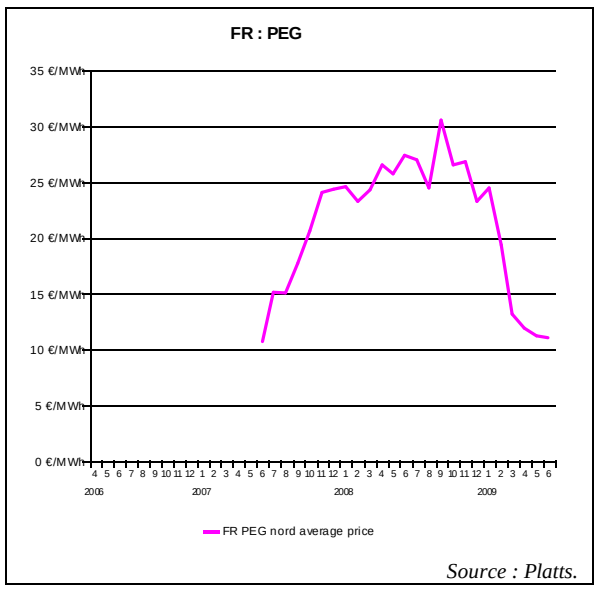
Whereas April, May and June 2009 each recorded a new lowest reference price on the PSV, the 10 % decline in Q2 was significantly less severe than that observed in Q1 2009. In only four months (from January to April) the PSV hub went from the highest to the lowest spot price ever recorded.

Year-on-year, the Italian prices contracted between 47 % and 56 % from April to June.

As in Germany, the filling up of storages helped to mitigate the reduced demand from households and industrial consumers.

### France: Point d'Echange de Gaz (PEG)

By the end of Q2 2009 French prices on the northern hub were also nearing record low levels.




*Source : Platts.*

As elsewhere in North Western Europe, modest residential[12] and industrial demand, along with increased storage intake and relatively steady supply conditions were

[11] *Dong, Gasunie Deutschland, Ontras* and *Wingas*.

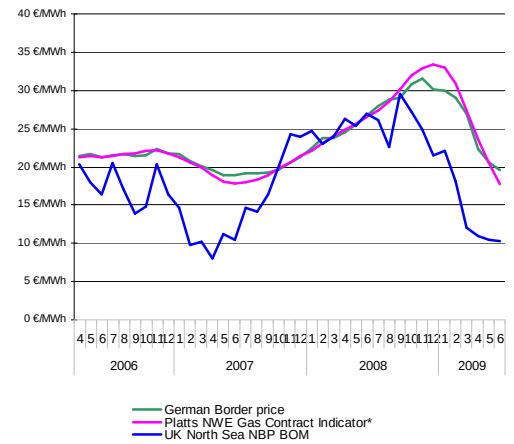
[12] The weather conditions were relatively hot in April (1.5 HDDs per day less than the long term average).

among the factors that shaped the price development in Q2.

### *A.1.1.2 Reported border prices on long term contracts for pipe gas*

Indexation to alternative fuels is one of the pricing mechanisms that European companies use in their long term agreements for gas supplies. Usually, gas is indexed to prices of oil and oil derived products with a lag of several months.

The next graph suggests that the June 2008 peak oil price seems to correspond to the November 2008 high point of gas reached in Germany and other countries of North Western Europe. From that point until the end of the second quarter of 2009 gas prices started to factor in falling oil prices.




*Sources : Federal Office of Economics and Export Control (BAFA); Platts*
**Note. For dates prior to May 2009, the Gas Contract Indicator values are calculated retrospectively using gasoline cargoes (CIF) to North West Europe with 0,1% and 0,2% sulphur content*

The German average price of gas imported by pipeline fell by more than a third in the first half of 2009 while the *Platts Gas Contract Indicator* lost more than 40 % of its value from November 2008. By the end of June 2009 the European long term gas prices reached low levels that were last seen in mid 2007.

During this period of significant price correction, the spot prices for gas experienced even sharper falls[13]. Throughout most of the April 2006 – June 2009 period they were traded at a discount with regard to the oil indexed gas prices.

As a result, market operators were said to prefer to use the spot market in order to balance their needs and it could be the case that some companies are facing difficulties to cover the minimum volume requirements under the take or pay obligations of long term supply contracts.

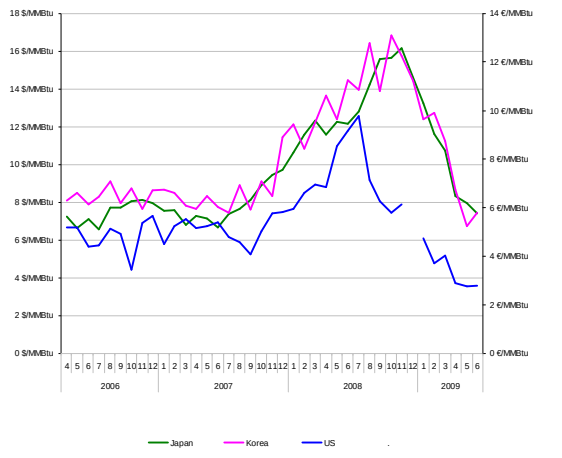
[13] For example, the North Sea Balance of Month (BOM) price, which is related to the UK NBP spot price, lost almost 60 % of its value from November 2008 to June 2009.

### *A.1.1.3 Reported prices for LNG deliveries*

#### North America and Asia

Global LNG prices continued to fall in Q2 2009. Whereas the Pacific basin prices decreased by 10 – 15 %, in North America they dropped off marginally, reaching a stable level around $ 3.5 - $ 3.7 / MMBtu. Year-on-year, in Q2 2009 average monthly prices were down 28% - 39% in Japan, 36% - 49% in Korea and 58% - 69% in the United States.

As the first signs an economic recovery and an increased demand were yet to be felt in the period of interest, the LNG markets remained in a situation of a relative oversupply with spot cargoes going to the high price regions.

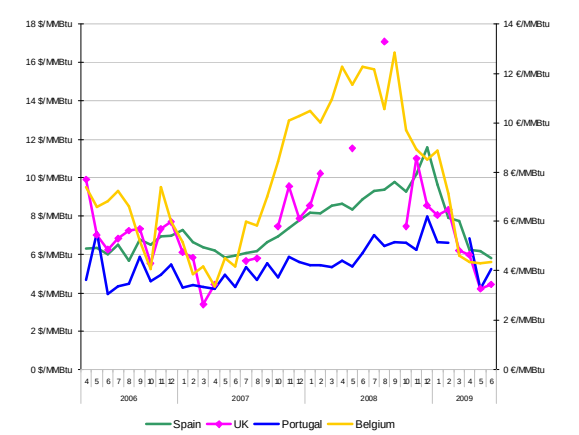



*Source : Gas Strategies.*

It seems that the LNG markets may be following a pattern observed elsewhere in energy trading platforms. The US prices were among the first to fall and then to level off.

#### Europe

European LNG prices[14] followed similar developments. Expressed in Euros, prices in Spain decreased by 13% in Q2 2009, those in Belgium fell by 6%. Elsewhere, the reductions were more sizeable with Portuguese price shedding 27% of its value and UK average monthly price losing 30 % by the end of June 2009.



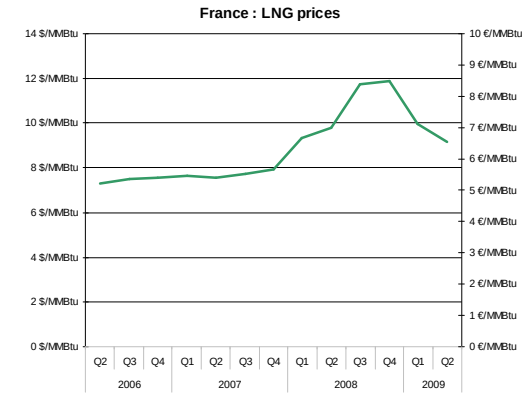

*Source : Eurostat COMEXT*
*LNG data for Italy, France is confidential.*
*LNG data for Greece is not available*

In May 2009 the South Hook LNG import terminal was officially inaugurated. It provides a 10.5 bcm per year additional capacity which is expected to double by the end of 2009.

Based on *Gas Strategies* data, the average LNG prices in France started to fall right after the peak in Q4 2008. By the end of the second quarter of 2009 prices decreased by more than $ 2.5 / MMBtu on average.

[14] Prices calculated by using the Eurostat *COMEXT* database.

The French prices appear to be traded with a premium compared to other Member States with LNG terminals. For example, the Spanish and the Belgian prices were about $ 3 – 5 / MMBtu cheaper.

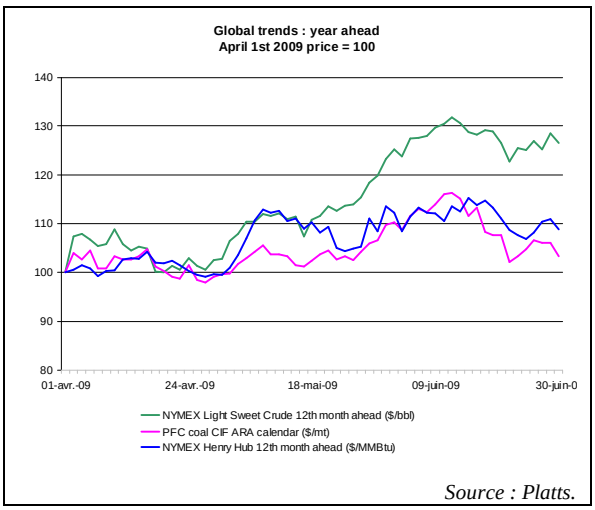



*Source : Gas Strategies.*

## A.1.2 Forward markets

As on the spot markets, some degree of decoupling was observed on the energy forward markets with oil on one side and gas and coal on the other (see page 3 of the current report).

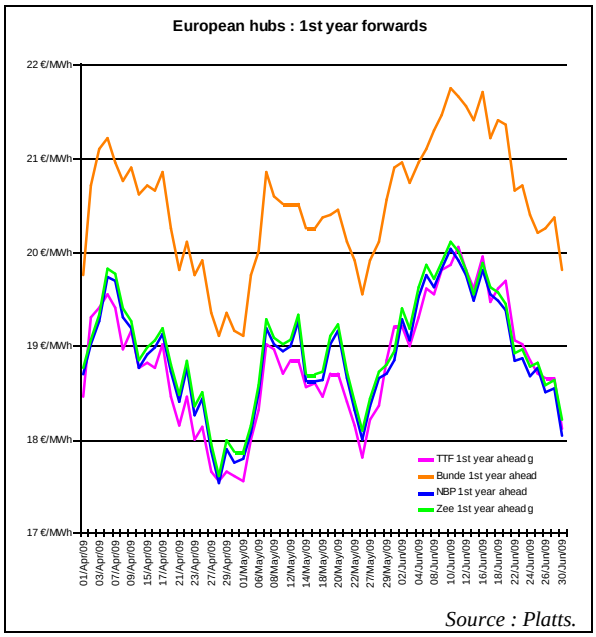
While the oil reference benchmark for the year-ahead delivery rose by a quarter, gas and coal forwards were slow to pick up an upward trend. They still finished the observed period 5 to 10 % higher.




*Source : Platts.*

During the April – June 2009 period, the forward contracts for gas deliveries in North Western Europe were traded in a € 2.5 / MWh range. Price levels at the beginning and at the end of the quarter were comparable.

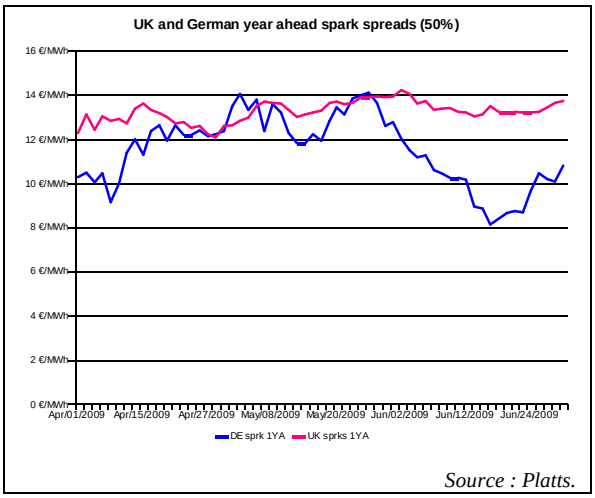
The Dutch, UK and Belgian contracts were closely priced while the German forward was traded at an average premium of € 1 – 1.5 / MWh.




*Source : Platts.*

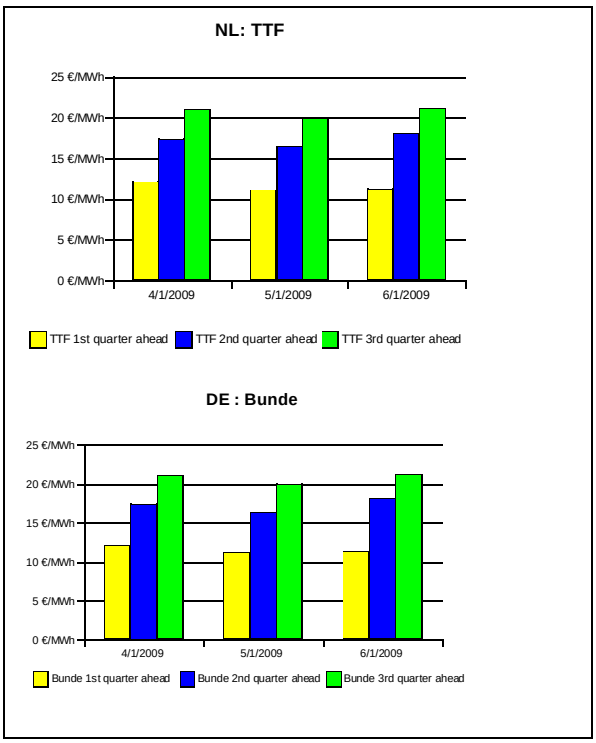
UK and German forward spark spreads[15] also finished the quarter at levels seen in the beginning of Q2, registering only a marginal increase of 2 – 4 %.

The UK spark spread remained in the € 12 – 14 / MWh range while the German one fluctuated more than € 6 / MWh from the end of May until the first few weeks of June, suggesting that at that time the forward price for electricity was appreciating relative to the corresponding gas price.



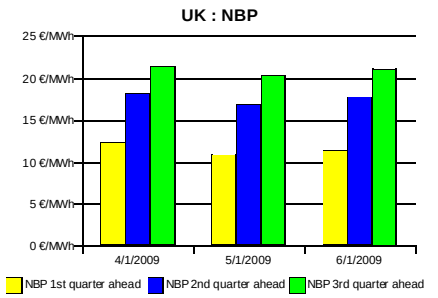

*Source : Platts.*

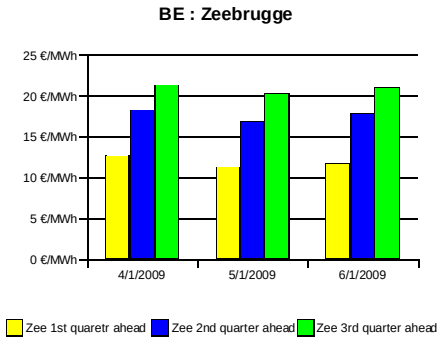
The forward curve remained in contango[16] for the majority of Q2 trading days, suggesting that market participants were expecting that economic recovery might drive up forward prices.




[15] Spark spreads are indicative prices showing the average difference between the cost of gas delivered on the gas transmission system and the power price. As such, they do not include operation, maintenance or transport costs. The spark spreads are calculated for gas-fired plants with standard efficiencies of 50% and 60%. This report uses the 50% efficiency.

[16] The term *contango* describes a situation where the future price is *higher* than the spot price.



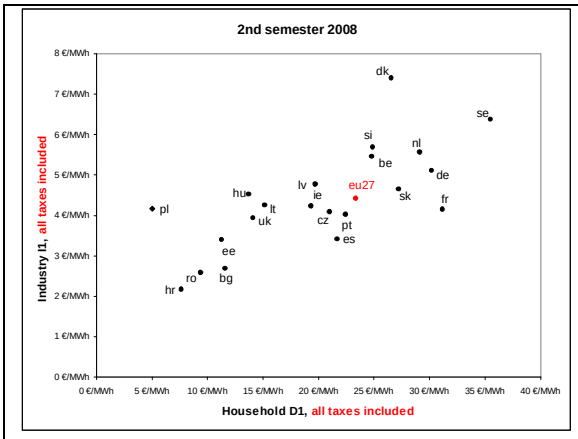




*Source : Platts.*

## A.2 Retail markets

### A.2.1 Prices by Member State

The next two scatter plots show the comparison of gas prices paid by industrial and household customers in the second semester of 2008 for consumption volume bands of D1 and I1 respectively, which denote the lowest volume of annual consumption bands[17].




*Source : Eurostat*

*Range for annual consumption of :*
*Household group D1 : [0 MWh – 5,56 MWh ] ;*
*Industry group I1 : [0 GWh – 0,28 GWh ]*
*Note. Data for Austria, Cyprus, Finland, Greece, Luxembourg and Malta are not available*

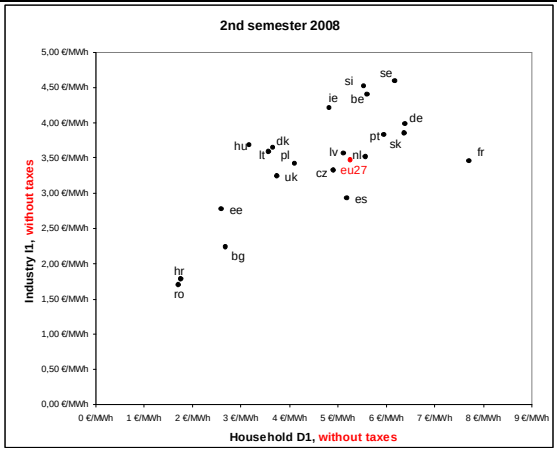
The half yearly prices paid for one kWh of gas showed increases in almost all EU Member states with the exception of Portugal where industrial prices fell by 0.3 eurocents.

In the case of both industrial and household prices the three highest increases could be observed in Latvia,

[17] It should be noted that the indicative Eurostat categories of household and industry consumers are not necessarily representative of the average customer for a given Member State due to different consumption patters across the EU.

Lithuania and Slovenia. Industrial prices without taxes rose by more than 1 eurocent in the three countries (1.67, 1.45 and 1.75 eurocents respectively).

Household consumers experienced the highest increase in prices in Latvia, France and Slovenia. In Latvia, the price hike exceeded three eurocents (leading to more than double of that was paid in the previous quarter) while in France and Slovenia price changes were more modest but significant enough to deserve mention (2.03 and 1.79 eurocents respectively).




*Source : Eurostat*

*Range for annual consumption of :*
*Household group D1 : [0 MWh – 5,56 MWh ] ;*
*Industry group I1 : [0 GWh – 0,28 GWh ]*

*Note. Industrial price data for Austria are not available; for Cyprus, Finland, Greece, Luxembourg and Malta data are not available*

Prices including all taxes rose by a higher value than those of net prices (as a consequence of being initially higher and increasing by nearly the same extent as net prices expressed in percentage terms). In the case of both industrial and household prices the same three countries can be found as 'front-runners' of price changes.

Industrial prices including all taxes rose by 0.7 eurocents on average in the EU-27, while in Latvia, Lithuania and Slovenia significantly higher increases could be observed (1.98, 1.71 and 2.10 eurocents respectively).

Household prices including all taxes also showed significant hikes. The highest values could be observed in the case of France, Latvia and Slovenia (2.03, 3.64 and 1.79 eurocents, respectively)

### A.2.2 Cross–panel data on natural gas consumption of households

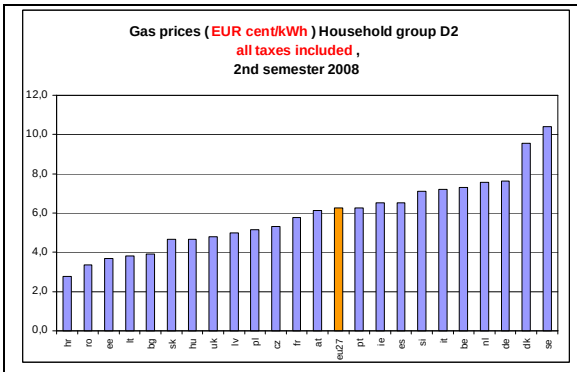
The two graphs below show the prices of gas paid by households in the second semester of 2008 in consumption band D2 that denotes a median level annual consumption. The first graph shows the prices expressed in absolute monetary values (eurocents/kWh), while the second one shows these prices in purchasing power parity terms (values are given in PPS/kWh).

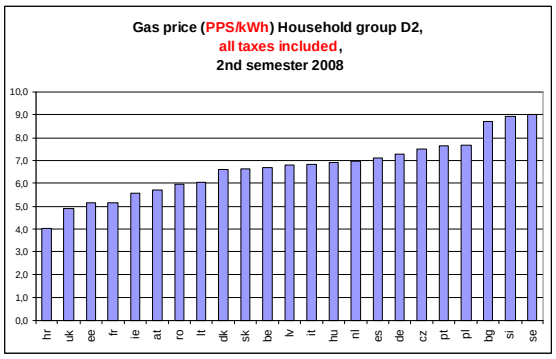
Expressed in eurocents the highest values can be observed in Sweden, Denmark and Germany, while the lowest ones in the non-EU member Croatia and two 'new member states', Romania and Estonia. A nearly four-fold difference can be observed between the most expensive and the cheapest unit price (10.38 vs 2.77 eurocents/kWh).

Taking into account the prices expressed in purchasing power parity terms, it is

obvious that the relatively low prices observed in new member states in absolute monetary units are not so evident regarding their more equal distribution in the PPS related ranking order (see below).

It is also worth noting that the ratio of the highest and lowest PPS/kWh value (the cheapest and the most expensive country) is much lower (2.3) than the similarly calculated value expressed in pure eurocents.



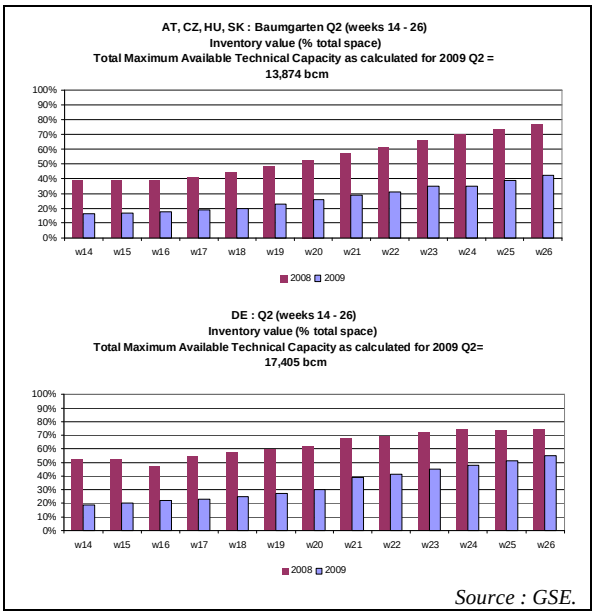

*Household group D2 : [5,56 MWh – 55,56 MWh ]*
*Data for Cyprus, Finland, Greece, Luxembourg, Malta are not available*

*Source : Eurostat*

# B. Midstream flows

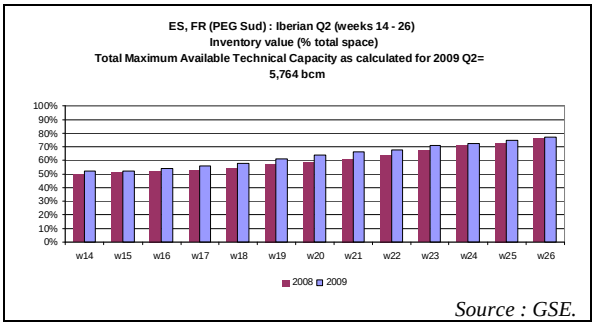
## B.1 Storage

The majority of underground gas storages in Central and Western Europe started the second quarter of 2009 with significantly less stocks of gas than the same period of the previous year.



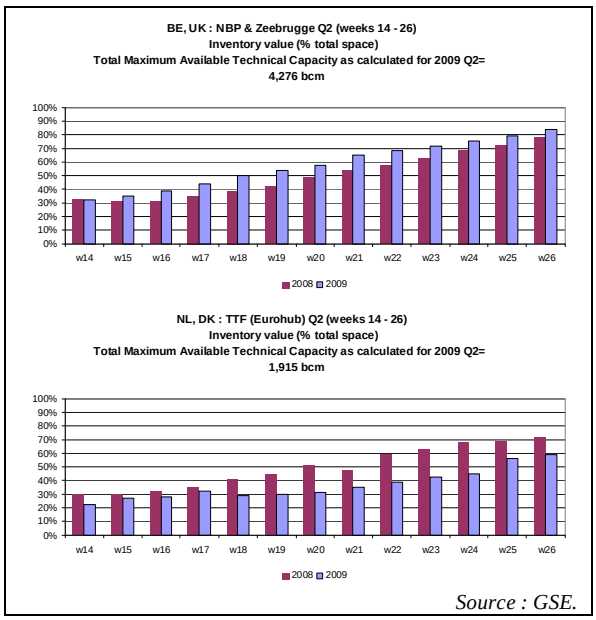

*Source : GSE.*

The repercussions from the January gas crisis (when storage operators played a pivotal role in alleviating the effects of the disruption in many countries of Central and Eastern Europe) and the competitiveness of spot gas over long term gas were among the reasons behind the low storage levels observed in Q2 2009.



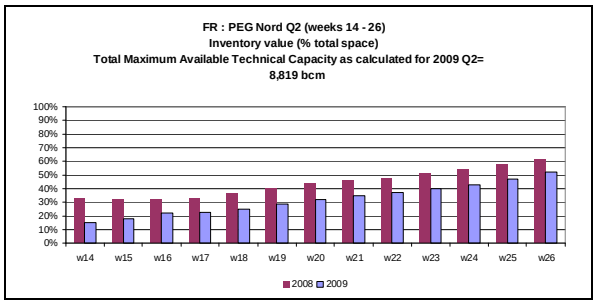

*Source : GSE.*

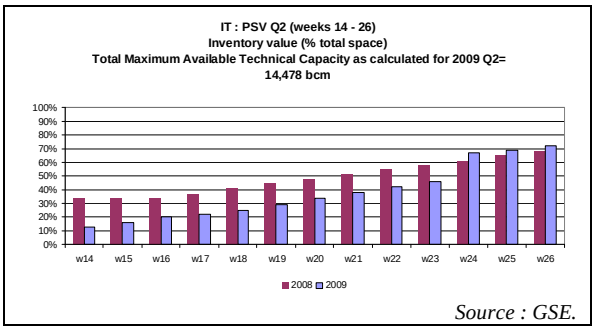
Elsewhere, the reduced industrial demand actually implied levels of stored gas which were higher than the previous year.




*Source : GSE.*

A new gas storage facility was expected to open for commercial operation in the UK in June 2009 but was delayed for 1 month. *Scottish and Southern Energy* and *Statoil UK* will offer the possibility to store 60 mcm in two caverns at their Aldbrough facility. The capacity of the first new gas storage to be built in the UK for four years is expected to grow to 370 mcm when fully commissioned in 2012.



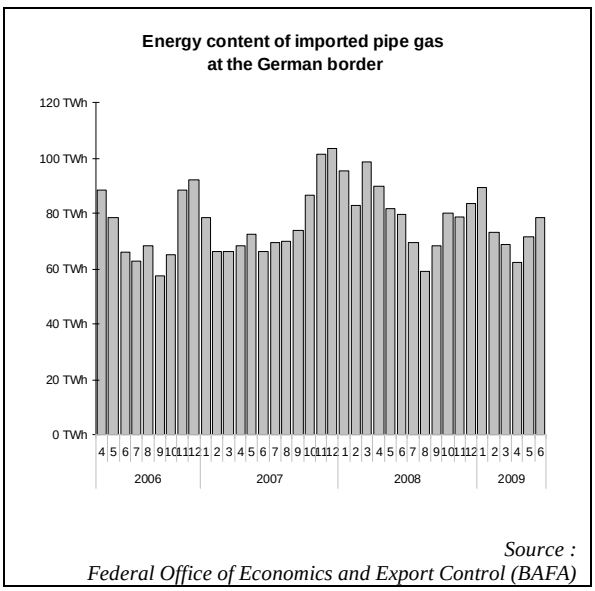




*Source : GSE.*

By the end of the second quarter most of the storage regions reported by *Gas Storage Europe* were catching up on their Q2 2008 schedule.

## B.2 Pipeline

The imported monthly volume in Germany increased steadily in the second quarter of 2009, a development that contrasts to what has been observed in the corresponding period of 2008. However, there were approximately 40 TWh less imports in Q2 2009 than in 2008.




*Source :*
*Federal Office of Economics and Export Control (BAFA)*

Expressed in energy, the April 2009 imports were 30 % lower than the same month of the previous year. For May 2009,

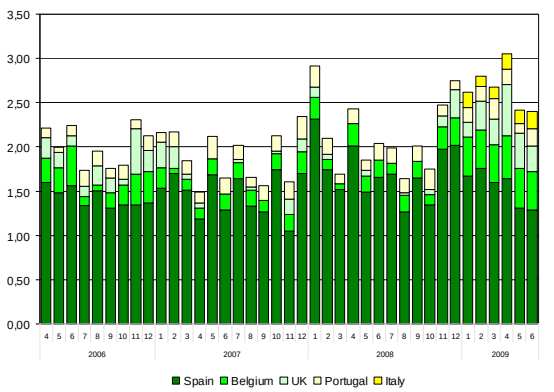
the imports were 12 % less while the June values for 2008 and 2009 were essentially the same at 79 TWh per month.

It seems that storage operators and the take-or-pay obligations under long term contracts may have been a factor which could explain the tendency of catching up with 2008 volumes.

## B.3 LNG

In Q2 2009 the imported LNG volumes were reduced in the UK Spain and Belgium in line with the reduction of demand.

For the same period Portugal and Italy registered increases. As the new Adriatic terminal was preparing to receive its first cargoes[18], it is to be expected that Italian LNG imports will increase significantly.




*Source :Eurostat COMEXT*

[18] The Adriatic LNG is partly owned by Exxon Mobil, Qatar Petroleum and Edison, Italy's second biggest utility. According to *Oil and Gas Journal*, it received its first cargo in August 2009.

## C. *"Focus on the Southern gas corridor "*

Over half the gas consumed in EU comes from external sources. Some Member States are totally dependent on imports (mostly in Central and South Eastern Europe). The Energy Community countries are in a similar situation. However, the current gas import dependency is not as high as oil import dependency[19], and the issue is of concern only when shortages or disruptions in supply create specific problems. The European strategy is to assist in the public good that is diversification. Diversification concerns routes, sources of gas, commercial counterparties and supplier states. Finally, Europe aims to create equivalent legal and policy frameworks - including a framework for security of supply for intermediate states - along the supply routes to the EU. This is combined with political or legal understandings between the European Union and producer states.

Some regions with important gas reserves are still poorly connected to the European markets. Countries from the Caspian basin and the Middle East will play a crucial role in the external energy strategy of the EU.

The Southern Gas Corridor encompasses the Caucasus–Caspian route, the Middle East (Persian Gulf and Egypt) and LNG (or CNG) reception options in the Eastern Mediterranean and the Black Sea.

Nabucco is a pipeline project connecting Turkey with Austria and crossing Bulgaria, Romania and Hungary. Other important pipeline projects in the Southern Corridor are the Interconnector Turkey-Greece-Italy (ITGI), White Stream, and the Trans Adriatic Pipeline (TAP), Krk LNG and Black Sea options for CNG or LNG.

For all of the pipeline options, Azerbaijan is seen as the most likely first gas supplier. Turkmenistan has potential. Links with Iraq, Qatar and Egypt could be developed. Eventually Iran (provided the political stance of the country changes) could be a potential supplier.

Nabucco is the largest project and the most complex, but it could provide great benefits to the EU as it increases liquidity in the wholesale gas market and provides security of supply benefits in the intermediate states. The Commission mediated the Intergovernmental Agreement signed in July 2009 setting out the terms and conditions for gas security on the whole Nabucco pipeline system. The agreement provides the legal certainty necessary for the conclusion of supply and capacity contracts.

[19] According to Eurostat figures for 2007, the EU import dependency is 53% for all fuels, 60% for natural gas and 84% for oil.