

"3rd SE Europe Energy Dialogue"

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Intervention during session: "Towards an Integrated Electricity and Gas Market", (second part of Session VI), Friday 19 June:

Thank you chairman, for giving me the floor, and I also would like to thank the organizers of the 3rd South East Europe Energy Dialogue for the very informative and broad discussion we have been able to hear so far.

The presentations on the outlook of the South East Europe gas and electricity market have been fascinating and made a very important contribution towards having a clearer supply and demand picture in the region, especially in the context of the ongoing financial and economic crisis.

Since this panel session is focused on the issue of gas market integration, I would like to raise certain points on the challenge of creating an integrated competitive gas market in South East Europe.

I have been reading the data on gas spot trading and current prices at the gas hubs in North Western Europe, seeing the extremely attractive price environment which those having access to gas hubs can utilize now. Prices at hubs and gas exchanges like the National Balancing Point in the UK, Zeebrugge in Belgium, the Title Transfer Facility in the Netherlands, Bunde in Germany have considerably come closer, which is a true example of ongoing market integration and active spot and forward trading by a number of players in several locations. These processes are a true mark of market competitiveness and very positive example for newer gas consuming regions like South East Europe.

I would therefore like to point out that the cooperation of companies and public authorities in South East Europe towards creating regulatory and physical conditions for open gas trade is crucial if market integration is to develop. Efficiency gains for local gas suppliers and consumers will result.

Obviously, at the moment, due to the low levels of gas interconnections (basically only transit pipelines), such an endeavour is not physically possible, but the January Russia-Ukraine crisis and the willingness of governments and the EU to provide economic stimulus through infrastructure investments could be a welcome booster towards gradually addressing the considerable constraints for cross-border gas flows.

The issue of identifying a key future gas hub in South East Europe is very important. Naturally, such a location should have an appropriate geographical positioning, be able to make use of gas storage and possibly have access to LNG, either directly or through a connecting transmission infrastructure. Discussions and cooperation by the local market and political actors in that particular respect, including in the context of the Energy Community, should therefore continue.

These objectives sound fine, but at the end of the day the long-term demand picture and the expectations in relation to gas market development in the region will have a vital impact on whether the investments towards an integrated regional market will be realized. Unfortunately, the overall picture is unclear, the example of high level of uncertainty of gas market development in the Western Balkans, I think, is a case in point. In that respect, the World Bank made a contribution towards improving the available knowledge on regional gas market outlook through its Energy Community gasification study. However, the economic and financial crisis will probably necessitate the modification of certain prior assumptions related to short to medium term regional gas needs.

I believe that creating a regional Market Observatory for South East Europe will be a very good step in that direction i.e. making timely analysis on future gas needs, analyzing the relevant long-term requirements for imports and basically making sure that the stated new projects for regional interconnections will be backed up by clear market development scenarios.

Thank you chairman!