



# 4th South East Europe Energy Dialogue

Thessaloniki, 3 – 4. June 2010

## *Towards a Regional Natural Gas Market*

## **Serbia Sound & Vision**

### Regional Market as a necessity and obligation:

- Regional approach to security of supply offers significant advantages both in terms of improving utilization of existing storage and transport capacity and in terms of optimal planning and realization of new investment
- The establishment of Regional market, through the equalization of demand and supply of natural gas, is a key factor of economic incentives and sustainable development of the Western Balkans
- The establishment of regional markets, in the event of crisis situations really contributes to security of supply
- The development of Regional market and the construction of interconnections substantially affirms the reasonableness of building new supply routes through this region of Europe
- The Energy Community Treaty – **Athens Memorandum** -> contract parties commitment
- EC Directives, particularly 3<sup>rd</sup> Package & Gas directive -> **N-1 Rule.**

## Regional Market as Europe's interest:

- ✿ SEE region has an important role in supplying Europe with natural gas. It is a key transit area for the transport of natural gas through a pipeline to consumers in Western Europe. Almost 100% of gas imports from Russia are transported through the SE Region. At the same time, this region is a significant market for natural gas, at a level of about 28% of the total consumption of Europe
- ✿ This means that the development and functioning of the internal natural gas market is very dependent on the efficient transport of natural gas across borders in the Region
- ✿ All this implies the need for interconnections of gas pipeline systems and stronger harmonization of the functioning of the neighboring gas systems.

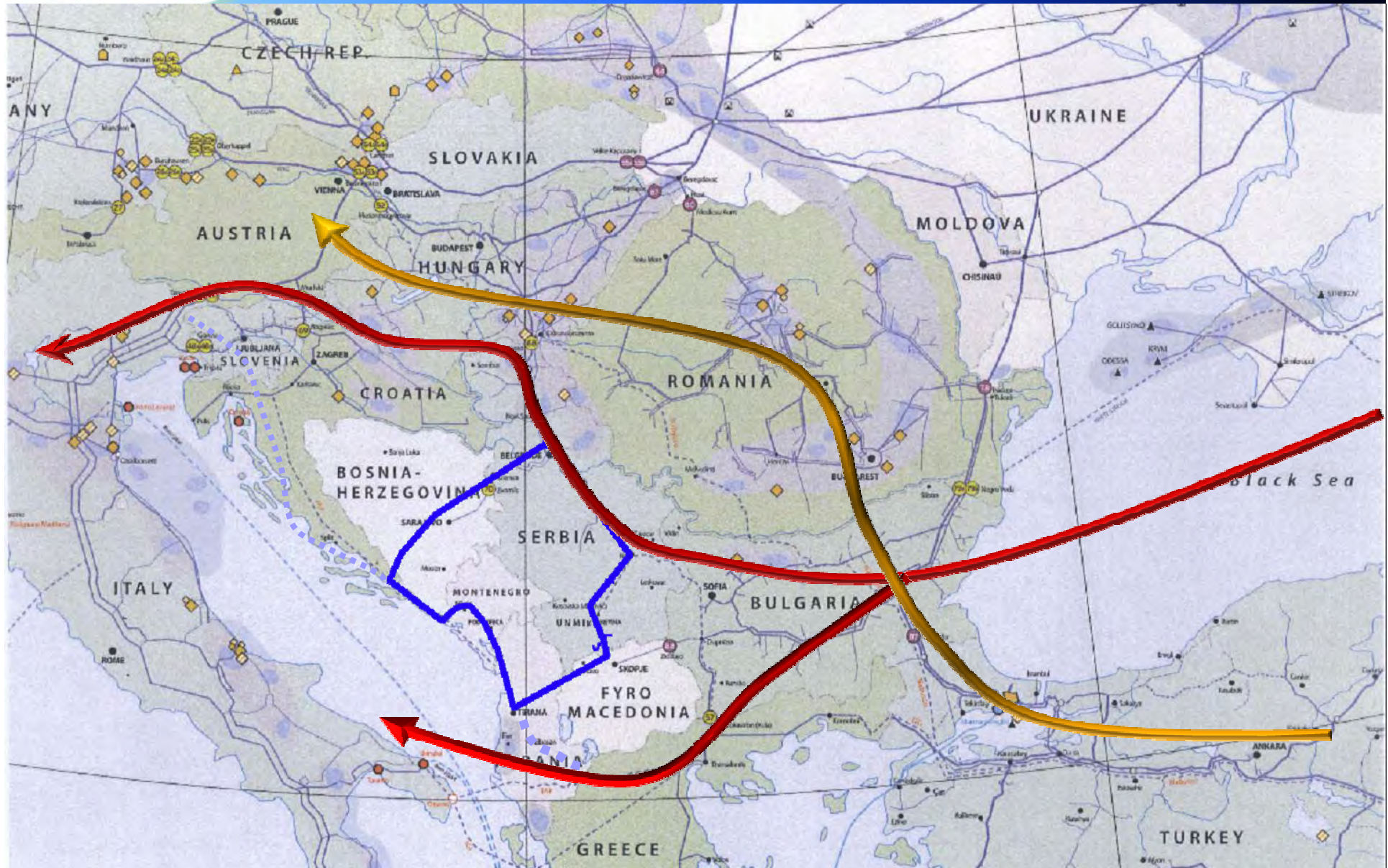


## Planned new routes of Europe Natural Gas supply





# Natural Gas infrastructure in the Region new supply routes & EC Gas Ring



EC Gas Ring

NABUCCO

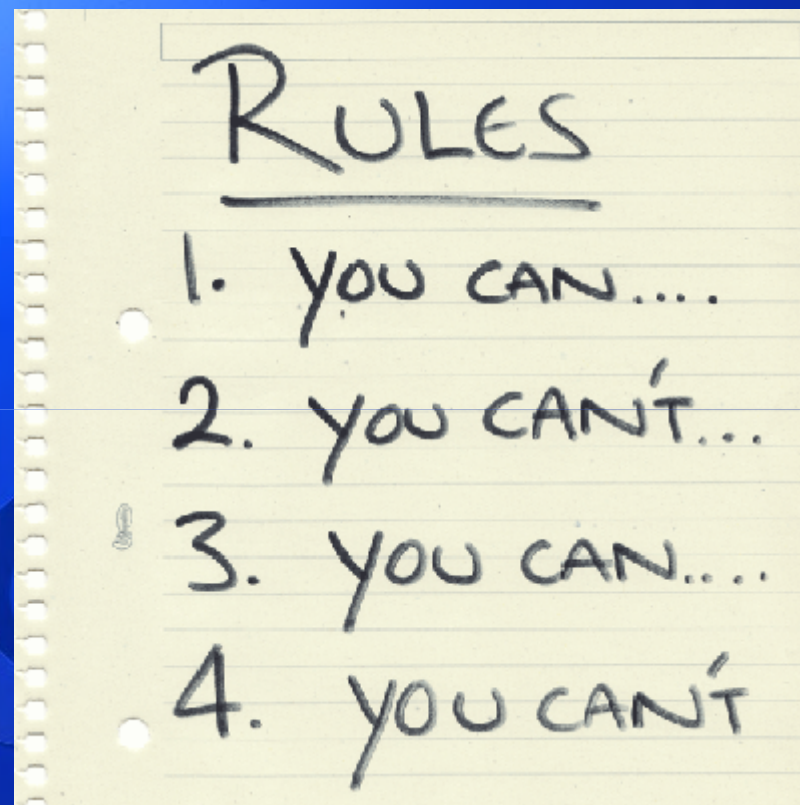
South Stream



## Regional Market



## Legislation / Regulation :



## Legislation / Regulation

### Major commitments :

- to establish common rules for the transmission, distribution, supply and storage of natural gas.
- to establish state level national energy authorities, regulators and transmission system operators.
- to establish compatible state and regional natural gas market action plans .
- to open the markets in line with EU commitments but with a suitable transition period
- unbundling of integrated utilities
- authorization procedures for new infrastructure that are transparent
- an anti-corruption program
- to implement grid codes and other technical and commercial codes that are necessary for the functioning of the market
- regulated third party access, tariff systems that encourage trade, and technical codes necessary for the operation of a trade based regional system .



### Deadlines / Status :

































































#### On the basis of the Energy Community Treaty:

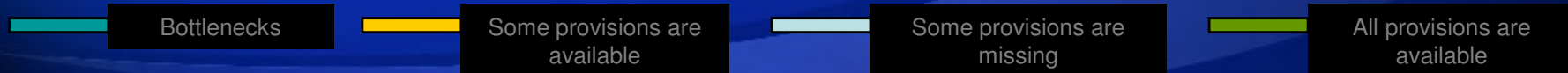
- Implementation of Directive 2003/55/EC – 1<sup>st</sup> July 2007
- Opening of Gas Market:
  - All consumers without households – 1<sup>st</sup> January 2008
  - All consumers – 1<sup>st</sup> January 2015
- Regulation (EC) 1775/2005 – 31<sup>st</sup> December 2008
- Directive 2004/67/EC – 31<sup>st</sup> December 2009

# Legislation / Regulation

## Deadlines / Status :

Based on the Report of the Energy Community Secretariat, status in March 2010 is the following:

Contracting Party	Public Service Obligation and Customer protection	Monitoring Security of Supply	Technical Rules	Unbundling Provisions and Access to Account	Third Party Access	New Infrastructure and Exemptions	Market Opening	Cross Border Mechanism
Albania								
BiH								
Croatia								
FYR of Macedonia								
Montenegro *								
Serbia								
UNMIK								
Regional Perspective								



# Legislation / Regulation

## Deadlines / Status :

Based on the Report of the Energy Community Secretariat, status in March 2010 is the following:

Contracting Party	Tariffs for access to the network	TPA services	CAP mechanism and CM	Transparency	Balancing rules	Secondary Market Trading	Regulatory Authority responsibilities	Reporting obligations
Albania	Light Blue	Yellow	Light Blue	Yellow	Light Blue	Red	Yellow	Red
BiH	Red	Red	Red	Red	Red	Red	Red	Red
Croatia	Green	Green	Green	Green	Green	Green	Green	Red
FYR of Macedonia	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Red	Green	Red
Montenegro *	Green	Yellow	Green	Yellow	Light Blue	Green	Light Blue	Red
Serbia	Light Blue	Yellow	Red	Yellow	Red	Red	Yellow	Red
UNMIK *	Yellow	Red	Red	Red	Red	Red	Red	Red
Regional Perspective	Light Blue	Light Blue	Yellow	Yellow	Yellow	Yellow	Yellow	Red



Bottlenecks



Some provisions are available



Some provisions are missing



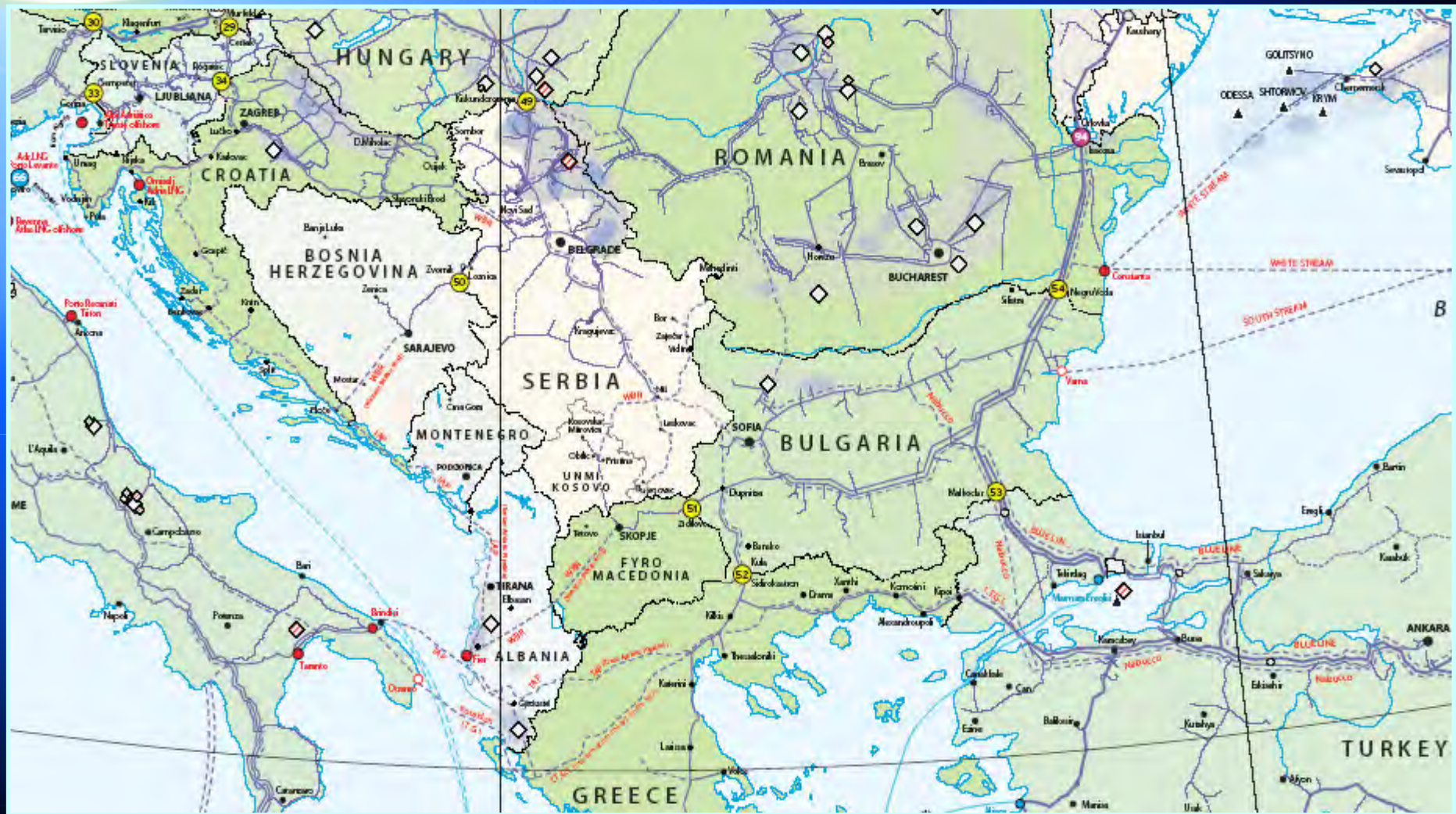
All provisions are available



# Infrastructure :







GTE – 2010, European Natural Gas Network



# Republic of Serbia Present and planned Interconnections

## Hungary

Horgoš - Kishkundozhma

## Romania

Mokrin - Arad

## Croatia

Bačka Palanka – Ilok

## Bosna and Hercegovina

Loznica-Zvornik

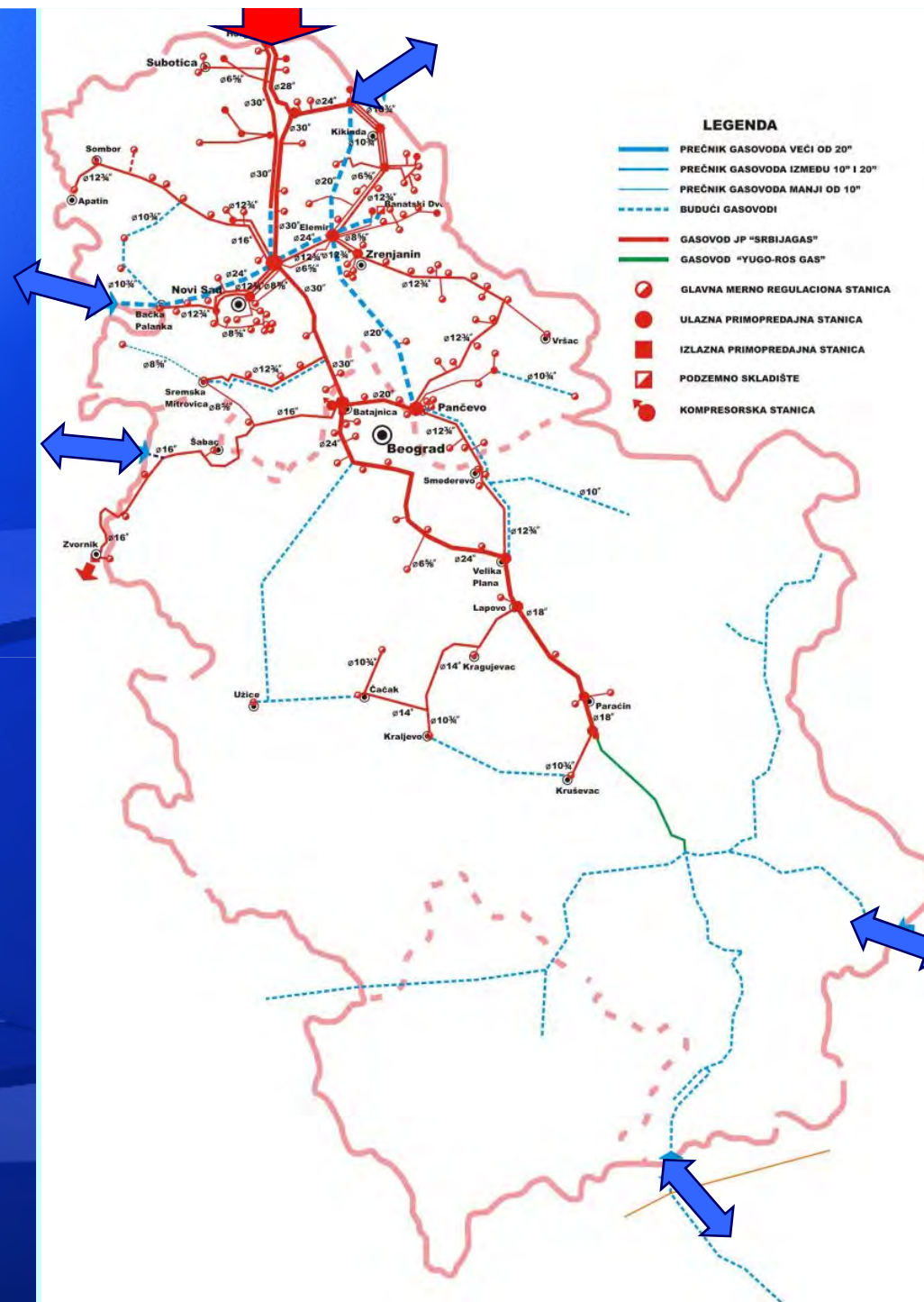
Mačvanski Prnjavor - Bijeljina

## Bulgaria

Niš - Sofia (Dupnica)

## FYRM

Leskovac - Kumanovo





## *Interconnections as a key for security of supply and market development*

### Remarks:

- Insufficient interconnectivity of gas systems in the Region directly threatens energy security, experienced scenarios in 2009.
- Individual energy markets in the Region are relatively small, which results in commercial unprofitable character of interconnection projects.
- The main benefit of construction natural gas pipeline interconnections is security of supply for the countries in the Region.
- By adopting the concept of building bi directional pipelines opens significant potential for development of the energy market, primarily through diversification of supply sources and routes.
- Construction of interconnections in the Region significantly improves the security of supply across Europe and create the necessary preconditions for establishing a single natural gas European market (3<sup>rd</sup> Package)

## *Interconnections as a key for security of supply and market development*

### Obstacles:

- Inability of countries in the Region to finance the projects.
- Unprofitable character of interconnection projects.
- Formally due to belonging or not belonging to the European Union, countries in the Region are in a unequal position to access relevant EU funds dedicated to the construction of energy infrastructure.
- The resulting paradoxical situation that part of a single pipeline, which belongs to the EU member state, is funded on a grant basis while it is expected that the second part of the pipeline, on the territory of the no EU member state, is self or loan funded, no matter that the entire pipeline has verified the importance of European.

## Conclusions:

- Individual markets in the Region are relatively small and therefore can not be expected to economically carry out interconnection projects.
- The establishment of the Regional Natural Gas Market is undoubtedly a need but also the obligation.
- Bearing in mind the current situation, there is a need for more active and efficient work on the creation of market conditions. In this regard it is necessary to take better advantage of aspects of cooperation with the Energy Community Secretariat – e.g. Preparation of the Ministerial Council in September 2010, and further mutual concretization of the Gas Ring concept.
- Without an active and constructive role of the European Union in the implementation of interconnection projects, it is difficult to expect that desired results will be achieved in designed time frame – e.g. Gas Directive Article 6 and the 2014 deadline for application of N -1 rule.



**Thank you on your attention!**

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