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# Gas Advisory Council 24 January 2012

EU-Russia Energy Dialogue

**Workstream on Internal Market**

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# Outline

**Changes in the European Gas Market & informal EU-Russia  
Regulatory Consultations on the Third Energy Package**

**Topics discussed & results achieved in EU-Russia Regulatory  
Consultations since January 2010**

**Content and Structure of the Gas Advisory Council's  
Internal Market Work Stream**

**Organizational Issues and Scheduled Activities**



# Outline

**Changes in the European Gas Market & informal EU-Russia  
Regulatory Consultations on the Third EU Energy Package**



# Third EU Energy Package in gas

**3<sup>rd</sup> EU Gas Directive 73/EC/09  
(on common rules in gas)**

**Regulation  
713/2009 (ACER)**

**Regulation 715/2009 (access  
to natural gas networks)**

Announced Sept.2007,  
entered into force  
03.09.2009, to be  
transposed into national  
law by MSs to 03.03.2011,  
as of today more than half  
MS has transposed

**EU Gas Target  
Model**

**Framework  
Guidelines**

**Network  
Codes**

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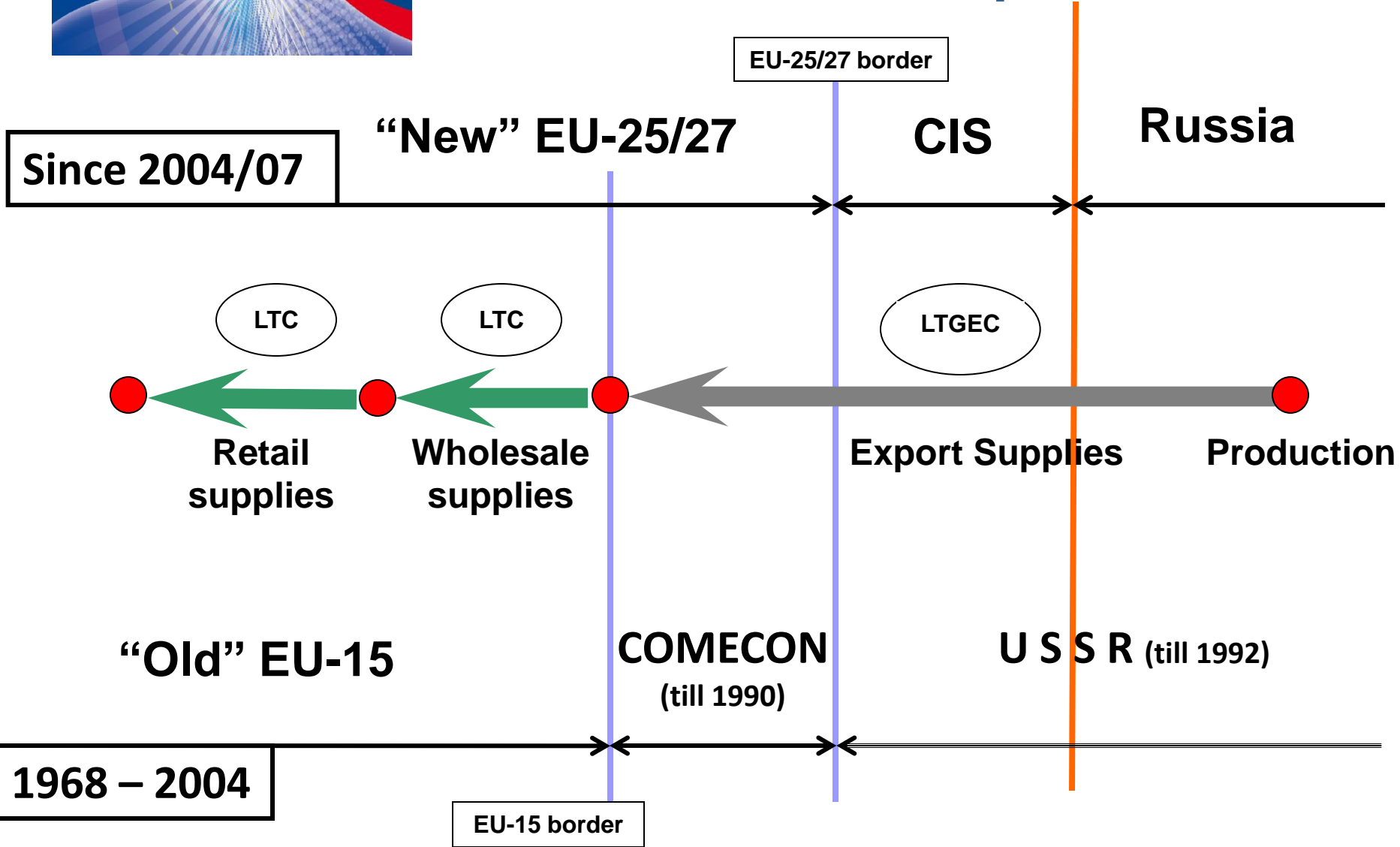
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Work in progress

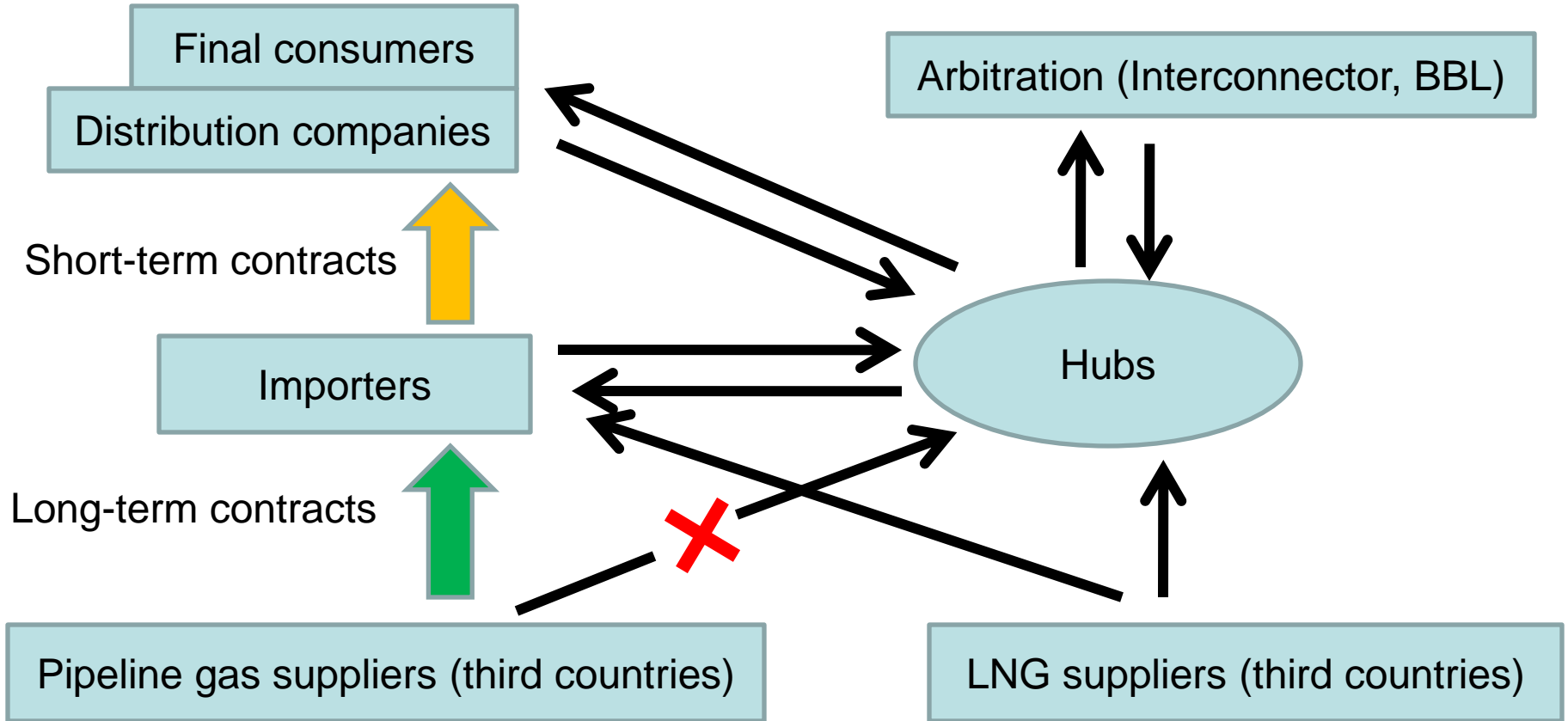


# Russia-EU gas value chain – three-step LTC structure





# Current overall gas supply structure to Continental Europe

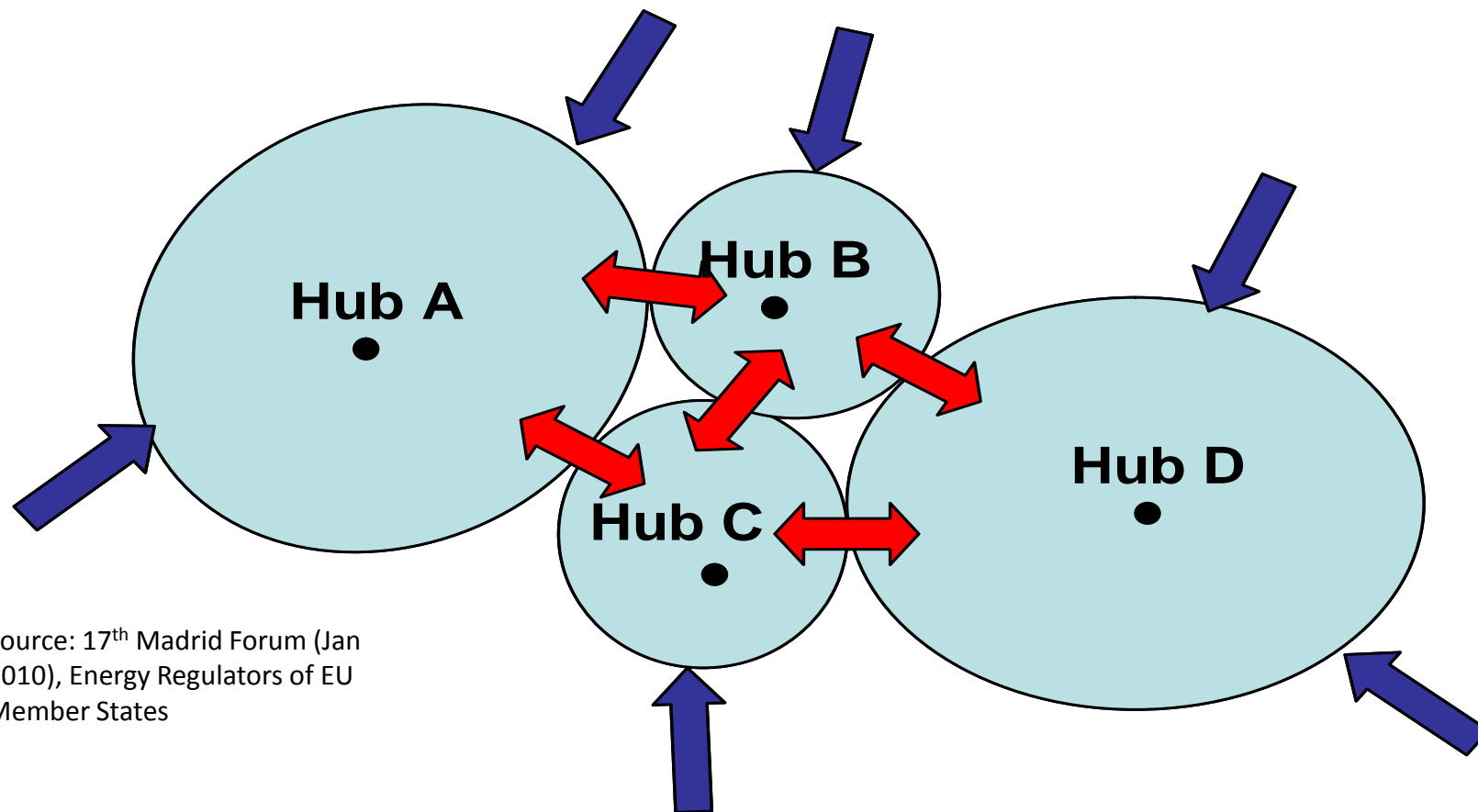


**X** Since LNG flexibility is objectively much higher than of pipeline gas





# 3rd Package changes EU gas market architecture

(entry-exit zones with virtual trading points)



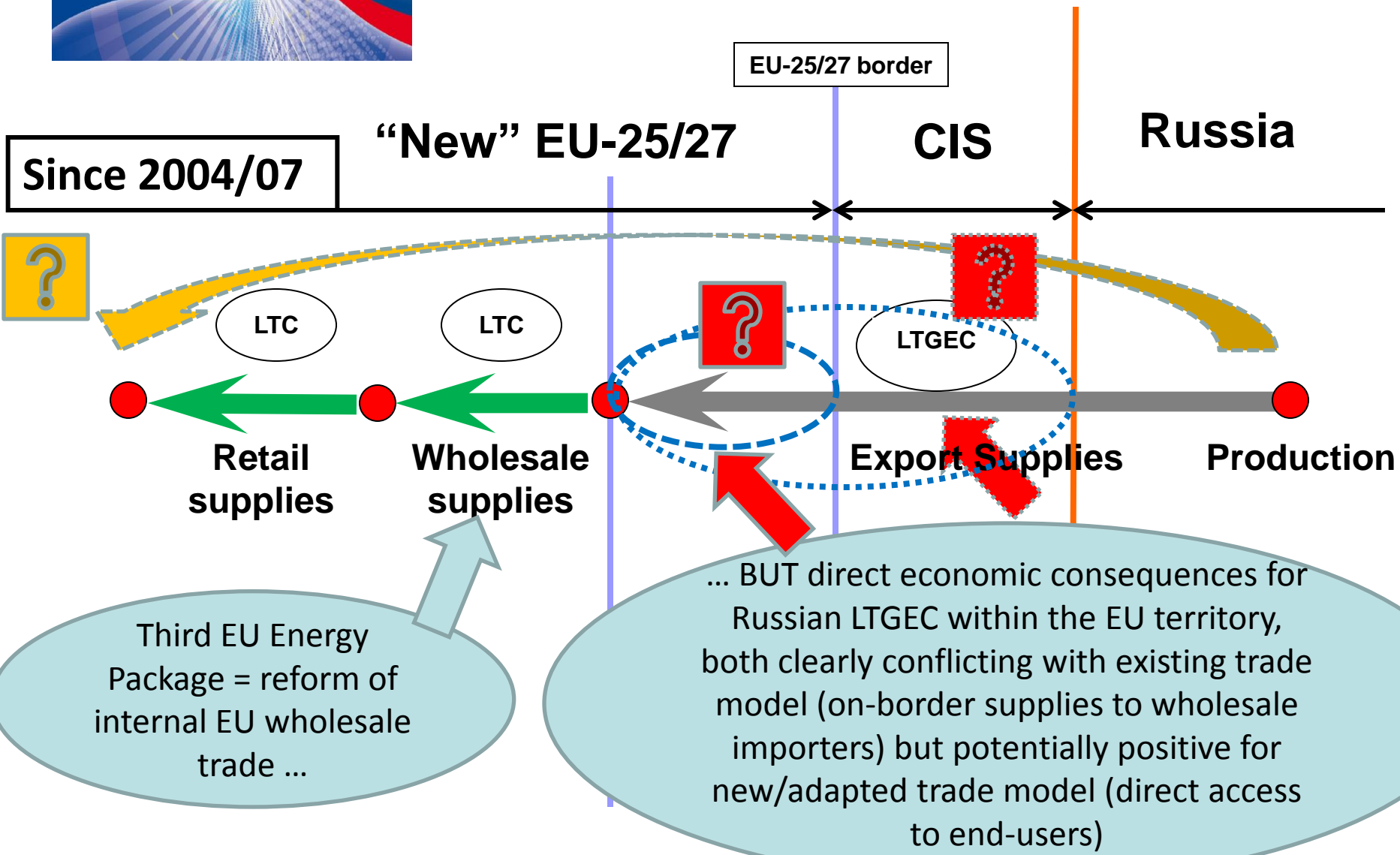
Source: 17<sup>th</sup> Madrid Forum (Jan 2010), Energy Regulators of EU Member States

 Pipelines-interconnectors between EU zones (covered by 3<sup>rd</sup> EU Energy Package)

 Supplies to the EU from non-EU (*not directly* addressed / covered by 3<sup>rd</sup> EU Energy Package – but *direct economic consequences*)



# Third EU Energy Package affects Russia-EU Gas supply chain

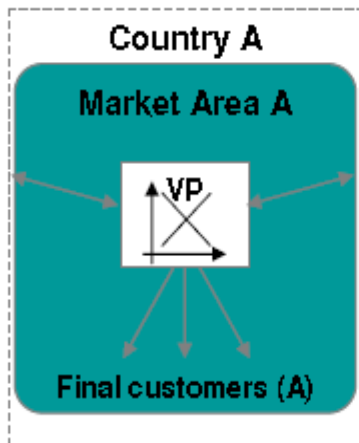






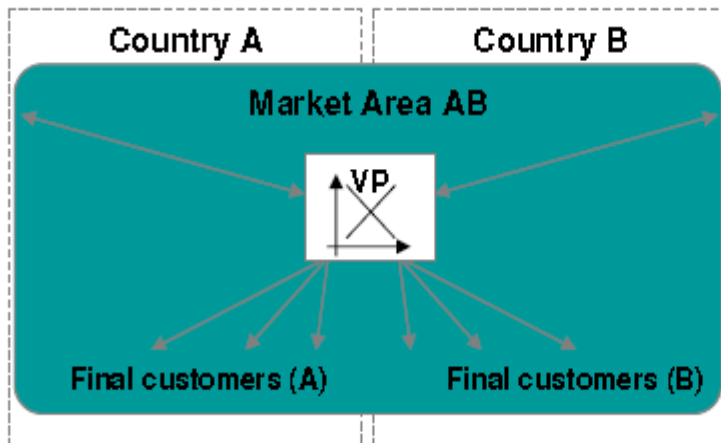
# EU Cross Border Market Integration - Models proposed (Market Area approach)

National market area



- Fully integrated wholesale market
- One virtual point for wholesale trading
- Entry-contracts entitle the shipper to inject gas into the market area; the injected gas is then deemed to be at the "virtual point"
- Exit-contracts entitle the shipper to ship gas from the virtual point to a final customer exit (or a market exit, in that case on the basis of nominations)
- One balancing zone from entry points to final customers (i.e. including all forecasting errors)
- Full integration of DSO networks (cost allocation, provision of balancing information)
- Single set of balancing rules
- Single set of final customer consumption measuring/estimation (incl. SLP) rules
- Single balancing entity

Cross-border market area

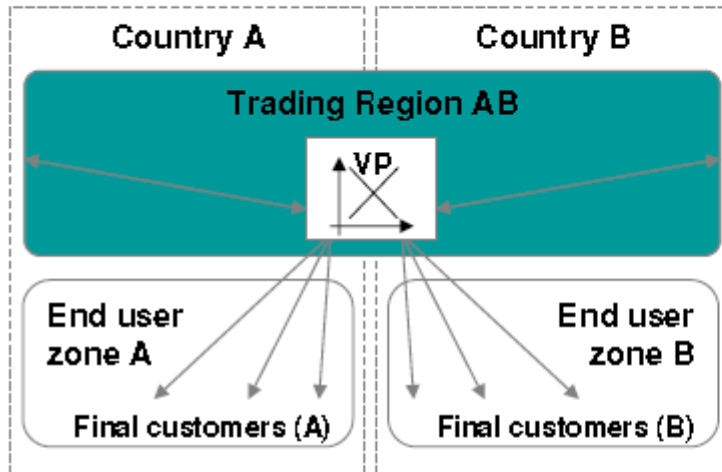


Symbols

- Virtual point of the market area serving as the sole marketplace of the market area
- Entry or exit contract
- Exit contract



# EU Cross Border Market Integration – Models proposed (Trading Area approach)



- Fully integrated wholesale market
- One virtual point for wholesale trading (including for trading balancing energy)
- Entry-contracts entitle the shipper to inject gas into the trading region; the injected gas is then deemed to be at the "virtual point"
- Exit-contracts entitle the shipper to ship gas from the virtual point to an end user zone (or another exit) on the basis of nominations
- Trading region is basically kept free of imbalances
- Final customers (i.e. the forecasting errors relating to them) are balanced in national end user zones that may reflect national specifics
- End user balancing may be done by national balancing entity
- Congestion-free interconnection between trading region and end user zones through the common virtual point (→ virtual exit to end user zone)
- Storage may be (taking into account the technical situation) allocated to either the trading region or an end user zone (or even both balancing systems – storage customers would decide by nomination)

## Legend and Symbols

End user zone = National balancing zone for national final customers, no matter the system (distribution or transmission) they are connected to

Trading Region AB = Cross-border entry/exit system including all nominated points on the transmission systems of countries A and B

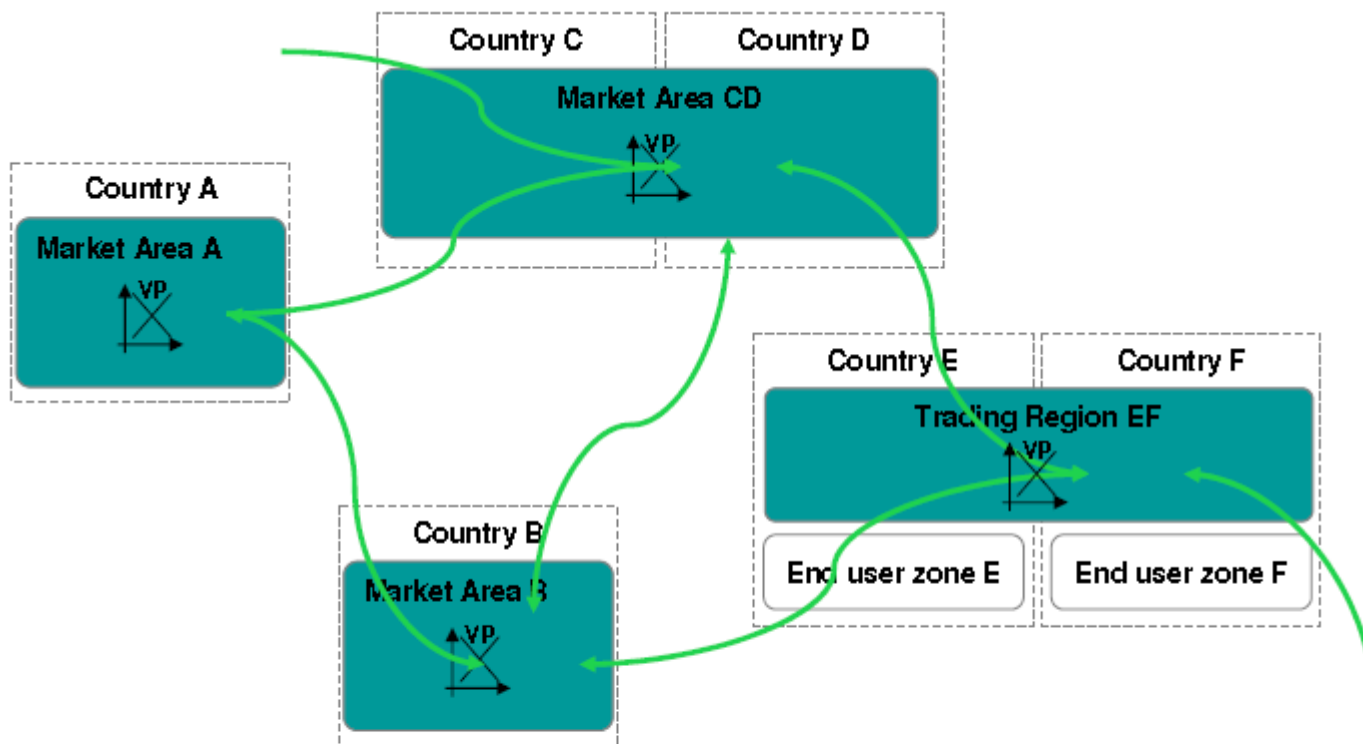
→ Entry or exit contract

VP Exit contract



Virtual point of the trading region serving as the sole marketplace of the trading region and all attached end user zones. Shifting of gas between trading region and end user zone is done by nominating a virtual exit on the VP.



# EU Gas Market Architecture at a Large



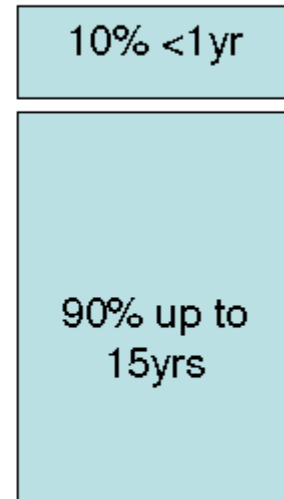
## Legend and Symbols

-  \*VP2VP\* (also called \*Hub to Hub\*) capacity product
-  Virtual point.



# Long Term Capacity bookings in the EU Regulatory Framework

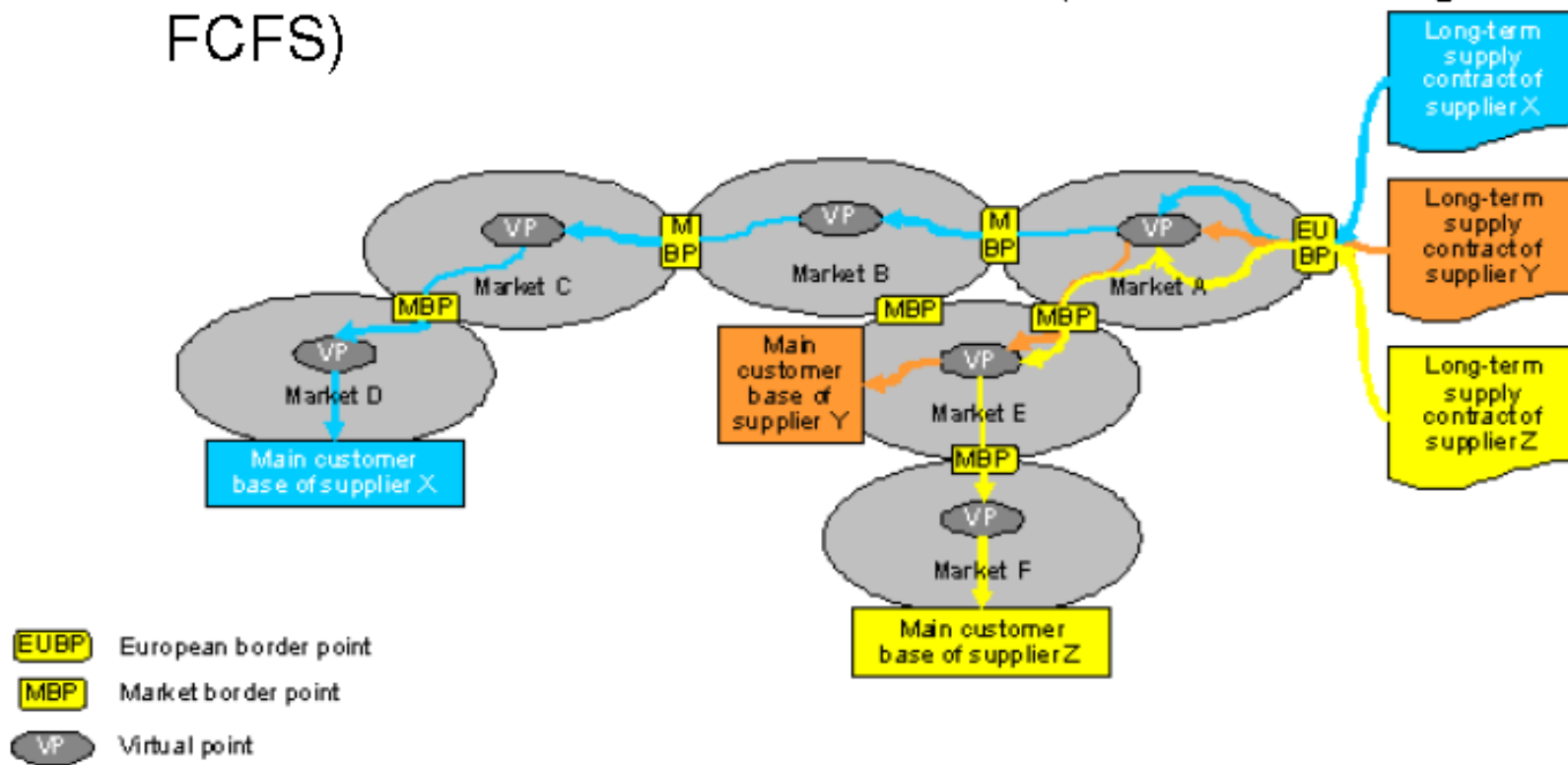
- FG CAM reserves (at least) 10% for short-term, i.e. 90% can be booked on long-term Basis
- Capacity can be booked and structured for 15 years in advance (cf. ENTSOG NC)
- Inclusion of “incremental capacity”? [FG CAM: Coherence]





# Long Distance capacity bookings in the EU Regulatory Framework

- Introduction of Entry-Exit System in all countries
- Auctions as standard allocation (instead of, e.g. FCFS)





# EU-Russia Regulatory Consultations on Third EU Energy Package

- Sharp political reaction from Russian officials on Third Energy Package since its announcement in Sept.2007
- 02.09.2009 a proposal voiced to start informal discussions (EU energy regulators vs Russia/Gazprom Group experts) on Third Package issues:
  - EU regulators motivation – explain intentions, clarify misunderstandings, provide more clarity about new rules,
  - Russia/Gazprom Group experts motivation – provide justified concerns, sparring partner in drafting regulatory doc's to Third package, help to create effectively working internal EU gas market with due consideration of non-EU suppliers' interests
- Since January 2010 till now – 8 meetings plus participation of Russia/Gazprom Group experts in internal EU public consultations process



# Outline

**Topics discussed & results achieved in EU-Russia Regulatory Consultations since January 2010**



# EU-Russia Regulatory Consultations - some issues discussed in 2010-11

- New process (FG, Code, Commitology) and role of ACER/ENTSOG/EC and involvement of market participants from outside EU
- Certification requirements of a TSO which is “controlled” by third country undertaking that does not comply with the unbundling rules and recourse to court in case of a refusal of a certification
- Minority shareholding in a transmission system operator and exercise of any rights over a transmission system
- Regulatory Treatment of new Infrastructure projects (e.g. Nord Stream, South Stream), especially exemptions for ongoing projects
- Necessity for & exchange of views on the proposed Gas Target Model





# EU-Russia Regulatory Consultations - some issues discussed in 2010-11

- Framework Guidelines on “Capacity Allocation”
- Conditions of access to the natural gas transmission systems according Regulation 715/2009
- Case study on impacts of bundled capacity products (as proposed in the FG), CMP measures (new Annex to the Regulation 715/2009) and Entry Exit tariffs on existing Gazprom transportation contracts into Europe. Based on a realistic model contract those impacts were presented by Gazprom and discussed in the meeting
- Proposals from Russian gas experts on Open Season procedures for incremental capacity



# EU-Russia Regulatory Consultations - issues discussed in 2012

- Current Status on Framework Guidelines/Network Codes and Gas Target Model
- Clarifications on terms used in Gas Target Model
- Case Study on 3rd Package Effects on Downstream Activities of Gazprom Group
- Questionnaire on challenges regarding Direct access to End-Users under the Third Package for Gazprom Group



# Correlation between EU-Russia Regulatory Consultations & GAC

Specific items presented to regular GAC meetings to be organized in 3 groups:

- Items discussed and settled to the mutual benefit => informative purpose (GAC takes note),
- Items discussed and not yet settled to the mutual benefit, but discussions are continued with the expectation that mutually beneficial results can be reached => informative purpose & advanced indication to GAC of the issues where GAC involvement might be needed at later stage,
- Items discussed, not settled to the mutual benefit, and it came clear to the parties that they have exhausted all arguments for finding a mutually beneficial solution; thus they decide to transfer this issue to the GAC for its consideration => GAC to decide:
  - either in substance, or
  - for procedural decision on further actions, or
  - for transmitting it as unsettled to the political level of Coordinators of RF-EU Energy Dialogue (the latter is the least desirable outcome).



# Specific items & results achieved (proposed format of presentation on each item to Gas Advisory Council)

- 1) Identification of the problem,
- 2) Risks & uncertainties that have been identified/discussed during Consultations,
- 3) Possible negative consequences for market players alongside gas value chain,
- 4) Draft solutions proposed in the course of Consultations,
- 5) EU side motivated reaction,
- 6) Compromise solution, if achieved, f.i. new version of the debated provision of the document, etc.,
- 7) Motivated refusal of the EU side (if compromise solution is not achieved),
- 8) ...if so, further actions of the parties (ways and means of narrowing the gap of disagreement – further agreed procedure),
- 9) Additional comments of the parties (if available and/or necessary),



# **Specific items & results achieved during Regulatory Consultations (list of items to be presented to 2<sup>nd</sup> GAC meeting 24.01.2012)**

**Item 1. GAS TARGET MODEL**

**Item 2. FUTURE EU GAS MARKET CONTRACTUAL  
STRUCTURE**

**Item 3. CONTRACTUAL MISMATCH & OPEN SEASON**

**Item 4. DELIVERY POINTS & VIRTUAL HUBS**

**Item 5. RENOMINATION**

**Item 6. BUNDLED PRODUCTS**

**Item 7. ZONING & ROUTING**

**Item 8. GTM STRUCTURE/COVERAGE**

**Item 9. DEFINITIONS**

(other items – open renewed list – continue to be discussed at  
further rounds of Consultations & presented to GAC)



# Item 1: GAS TARGET MODEL

- 1) Necessity to develop Gas Target Model argued (Jan.2010)
- 2) EU initial Decision on preparation of 12 Framework Guidelines (FG) and 12 Network Codes (NC) for implementation of the Third Energy Package (TEP) without advanced / simultaneous consolidated view on the new architecture of the internal EU gas market based on TEP principles
- 3) Lack of consolidated vision & coordination during preparation of FGs & NCs between their drafters and, as result, related discrepancies in their rules & procedures
- 4) To prepare a document with common vision of the new architecture of the internal EU gas market
- 5) 18<sup>th</sup> Madrid Forum (Sept 2010) took decision on developing Gas Target Model (GTM)
- 6) Latest GTM version took into consideration a number of justified concerns raised by Russian/Gazprom Group's experts in the course of Consultations (see further items)



## Item 2: FUTURE EU GAS MARKET CONTRACTUAL STRUCTURE

- 1) Contractual structure of new internal EU gas market in GTM (long-term and/or short-term)
- 2) Initial contractual structure predetermined only spot transactions at virtual liquid hubs – no long-term contracts even mentioned in earlier GTM versions
- 3) Impossibility of EU gas market operations based on spot transactions only & thus diminished stability & security of its supply pattern; necessity to renegotiate, re-write or to pass through court procedures all existing long-term gas export contracts (LTGEC); EU hubs are not liquid yet; additional costs in mead-stream part of gas value chain (e.g. related to balancing, structuring, etc.); thus decrement of EU gas market competitive advantages (if only spot-contract-based)
- 4) Proposed two-segment contractual structure of the EU internal gas market:  
(a) long-term contracts for base-load demand and (b) spot / futures transactions for semi-peak & peak-load demand
- 5) Latest version of GTM (July 2011) describes both long-term supplies as well as spot transactions;
- 6) Two-segment contractual model of the EU internal gas market (if really agreed by the EU) still need to be further clarified in more details





## Proposal on the “hybrid” EU gas market model under GTM (for joint discussion & consideration)

### ➤ **Long-term supplies (firm contracts, main/basic demand load):**

More flexible LTGEC (off-taking of contractual volumes & pricing formulas & price review rules)

+ long-term access to transportation capacity for full duration & volume of LTGEC (open seasons)

+ modified pricing formulas linking gas to its replacement fuels (indexation not only to petroleum products)

### ➤ **Short-term supplies (interruptible contracts, additional/semi-peak & peak demand load):**

Spot contracts

+ exchange pricing (futures, gas indexes, forward curves)

Initially GTM did not consider risks & uncertainties for this market segment => these questions have been added on a step-by-step basis in result of RF-EU informal expert Consultations

Initial drafts of GTM covered only this segment of gas market, long-term long-distant supplies and related risks & uncertainties stayed beyond consideration of justified concerns of market participants

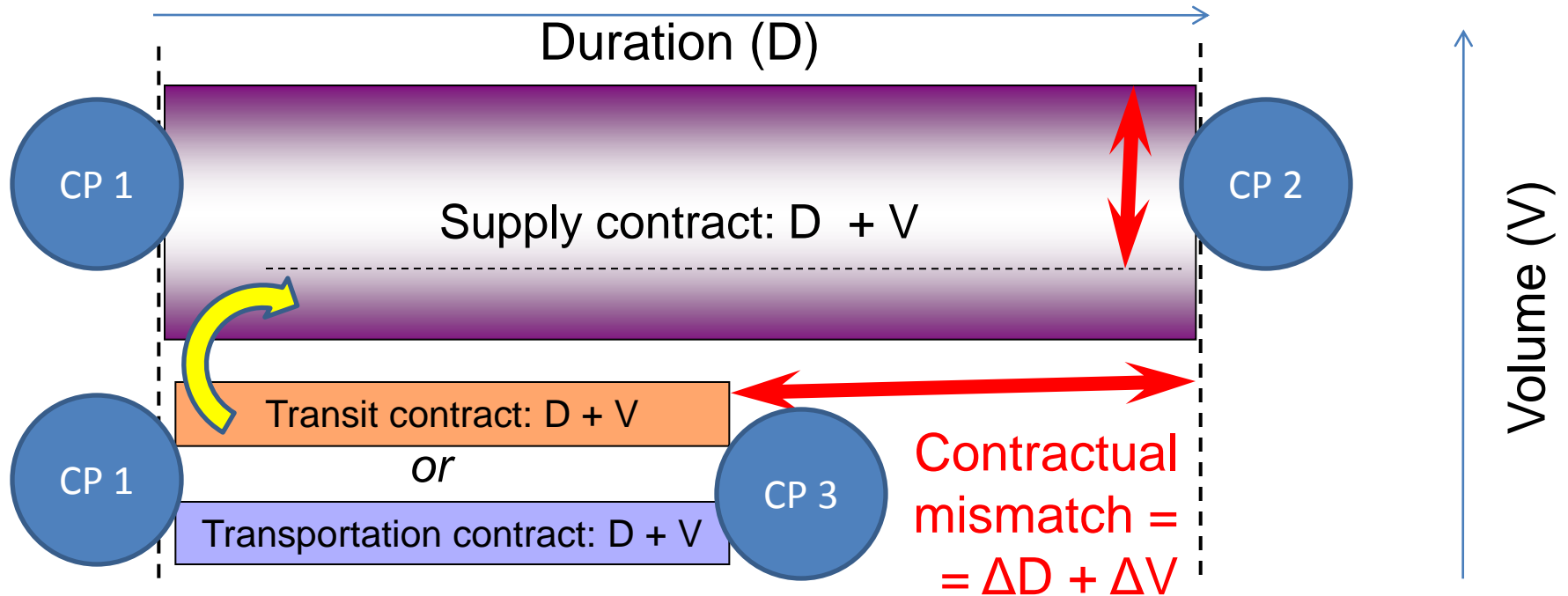




## Item 3: CONTRACTUAL MISMATCH & OPEN SEASON

- 1) “Contractual mismatch” in midstream gas value chain
- 2) Risk of non-renewal of transportation contract (after its expiration, within the unbundled gas system) with the required structure & adequate costs to meet volume, duration, flexibility, delivery (destination) points agreed between parties of supply contract
- 3) (i) Breach of LTGEC supply obligations by exporter (non-delivery in time of contracted volumes) because of “transportation force majeure” and consequent reduction of security of supply; (ii) Additional end-user costs as result of transportation constraints and due to market (spot) marginal purchase of gas
- 4) Revolver-type “open season” procedure with obligation of TSO to invest in case of justified market demand for incremental (booked) capacity (presented June 2011). This will prevent appearance of transportation capacity deficit (in, say, 4-5 years) & thus will exclude necessity to use auctions as a regular instrument of congestion management. Proposal to integrate 10YNDP (evaluating demand for/creation of future capacities) with capacity allocation mechanisms for existing capacity (CAM Code) and efficient utilisation of booked capacity (CM Annex to Regulation 715) to ensure efficient provision and allocation of transportation capacity.
- 5) Discussion on merging proposed revolver-type open-season procedure with long-term auctions is continued

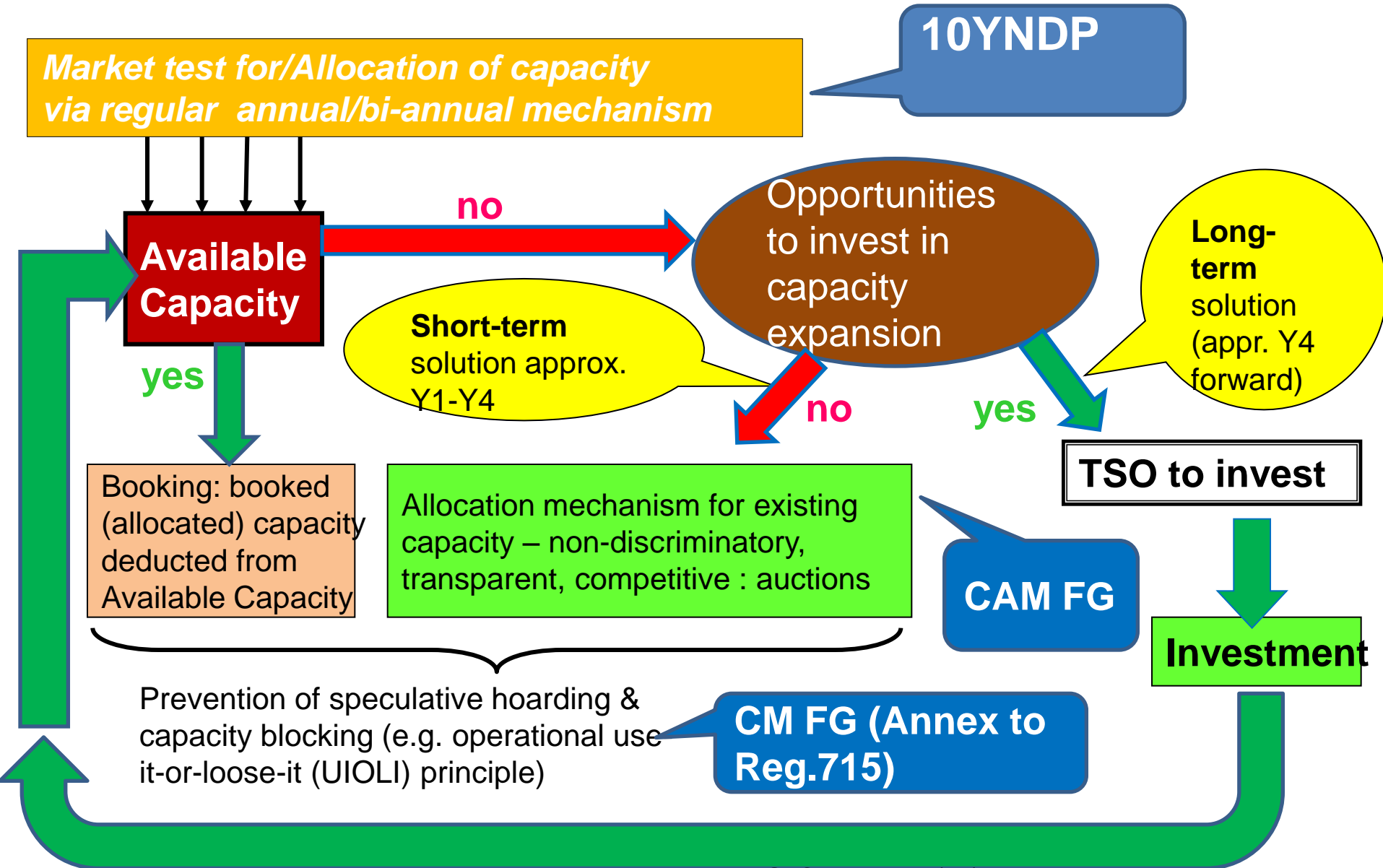
# Contractual Mismatch Problem



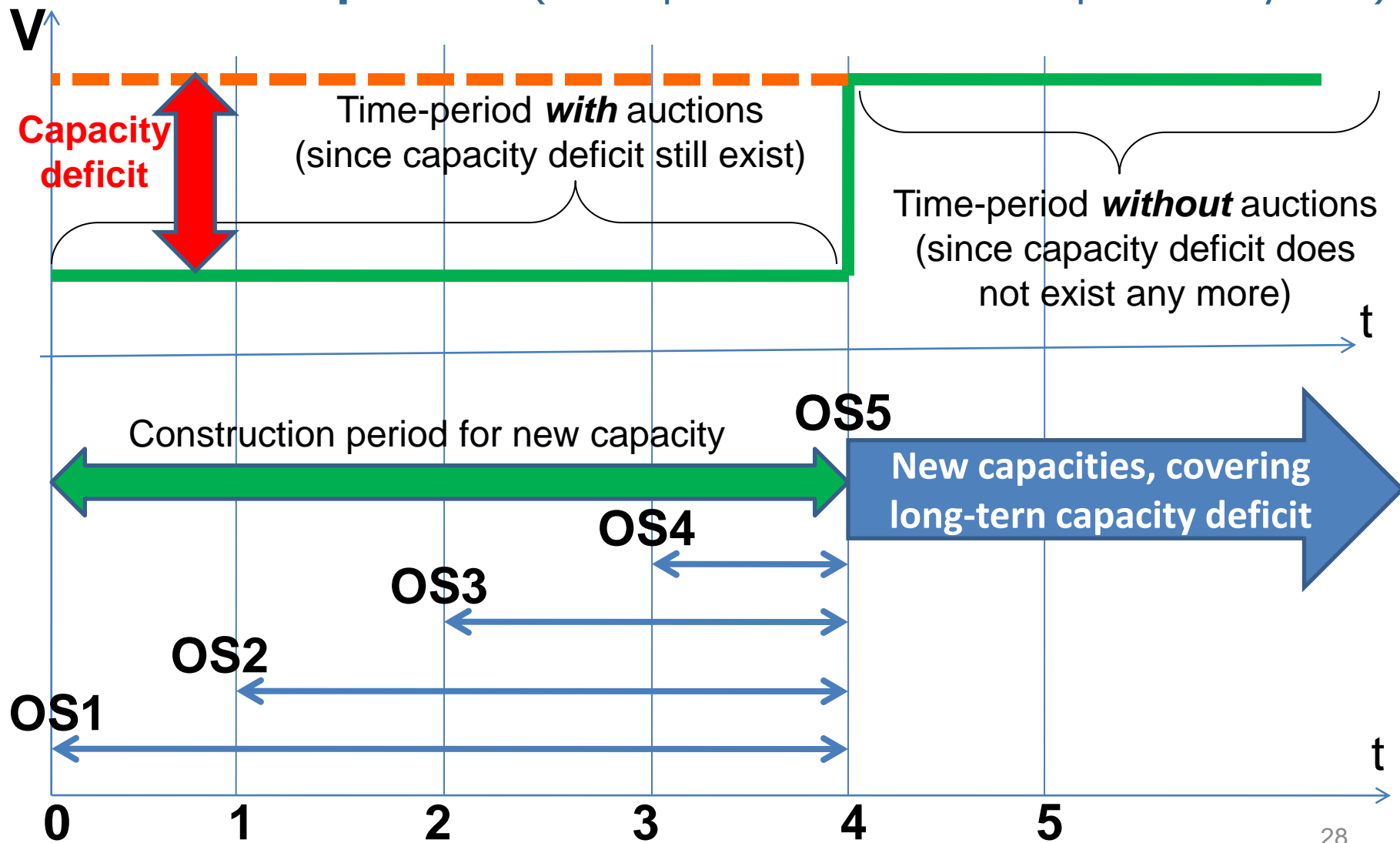
**Contractual mismatch:** between duration/volumes ( $D/V$ ) of long term supply/delivery contract (LTGEC; CP1-CP2) and transit/transportation contract (CP1-CP3); the latter is integral part to fulfill the delivery contract => risk non-renewal transit/transportation contract => risk non-fulfillment supply/delivery contract.

**Core issue:** guarantee of access to/creation of adequate transportation capacity for volume/duration of long term contracts

# Open Season as Universal Mechanism of Long-, Medium-, and Short-Term Allocation of Capacity



**“Open Season” procedure makes auctions as just temporary capacity allocation instruments – only for duration of construction period of new capacities covering tested market demand for capacities (example for construction period 4 years)**





## Item 4: DELIVERY POINTS & VIRTUAL HUBS

- 1) Delivery points in existing LTGEC vs. virtual hubs in entry-exit zones
- 2) EU proposal to organize all trade (supply / delivery to) only at virtual liquid hubs and thus to change existing delivery points in current LTGEC to future (still not yet identified & not yet liquid) hubs
- 3) Necessity to rewrite all existing LTGEC - legal risks, arbitration procedures; possible collapse of all EU gas supply system due to dramatic alteration of risk sharing scheme between traditional long-term partners
- 4) Coexistence of virtual hubs and on-border/ EU's internal delivery points of LTGEC
- 5) Distinct and clearly articulated disagreement with possibility of simultaneous coexistence of virtual hubs as presented in GTM and on-border/ EU's internal delivery points as in existing LTGEC
- 6) Unsolved; discussions to be continued or to be forwarded to GAC?



## Item 5: RENOMINATION

- 1) Renomination procedure
- 2) Restrictions of renominations as part of CMP proposals; discrimination (decrease) of buyers flexibility to request delivery volumes by pipelines within short-term
- 3) Inconsistency with Balancing Network Code which encourages shippers to ensure markets balance; discriminatory by focusing on pipeline gas only disadvantages countries which rely on pipeline gas (as opposed to storage and LNG) to meet flexibility; limits suppliers ability to meet their contractual obligations where it is buyer which nominates the flow of gas.
- 4) Use of other congestion management tools e.g. overselling and buyback and interruptible to minimize use of re-nomination restrictions
- 5) Pending, to be discussed



## Item 6: BUNDLED PRODUCTS

- 1) Incompleteness of “bundled products” concept
- 2) CAM FG present concept of “bundled products” related to access to transportation capacity as related to volume of capacity only, non-related to duration of access to capacity
- 3) Possibility of appearance of “contractual mismatch” problem (see above)
- 4) “Bundled products” need to present a two-dimension instrument of access to capacity: with unit volume and unit duration parameters with opportunity to book a *portfolio of bundled products* both packing its volume units as well as duration units suchwise to guaranty a traditional long-term suppliers to deliver appropriate volumes of gas in due time according to buyers daily nominations and flexibility
- 5) Discussions started – to be continued





## Item 7: ZONING & ROUTING (1)

- 1) GTM assumes that every shipper has to design its own-made sequence of entry-exit zones his gas should penetrate through to be delivered. For this sake he should participate and win at all the related auctions. If he loses at least one such auction, he should construct another chain of zones at his route to delivery point and repeat the procedure.
- 2) In theory such activity could be successful without central dispatching if the number of zones is small (i.e. gas transportation system is rather simple/primitive) or load factor is low. Otherwise, numerous shippers, suffering from the lack of experience and, moreover, from insufficient information, but taking nevertheless their own uncoordinated decisions, may simply cause chaos which may lead the system to collapse. No central dispatch service is contemplated in TEP documents.





## Item 7: ZONING & ROUTING (2)

- 3) Existing interpretations of Entry-Exit and Zones approach in GTM papers totally separate them from gas flows – a result would be a huge under-utilization of pipeline capacity: danger of large-scale excessive demands for investment or significant under-running of the network (up to 20-30% or more); danger of TSO refusal to guarantee long-distant cross-border flows; danger of destabilization of LTGEC and, in result, requests for such their adaptation which would undervalue their role & diminish SOS
- 4) It was argued (agreed?) that effective functioning of diversified, integrated, complex gas transportation system (GTS) is possible only under management of united dispatch service supported by strong IT service. Such service should provide each shipper with possibility to reserve & allocate transportation capacities to deliver gas to consumer. This service should also support related auctions & calculation of transportation tariffs. Such optimization can rationale use of available capacities & diminish OPEX (& thus tariffs) by at least by 15-20%. Such service, not existed in the EU now, should be created. Gazprom (A.Medvedev) invited EU drafters of FG & NC to visit Gazprom's Dispatch Center to learn about USSR/RF experience in organizing such service & managing its GTS
- 5) Invitation accepted. Renewed visit is planned for April 2012 (DTBD).



## Item 8: GTM STRUCTURE / COVERAGE

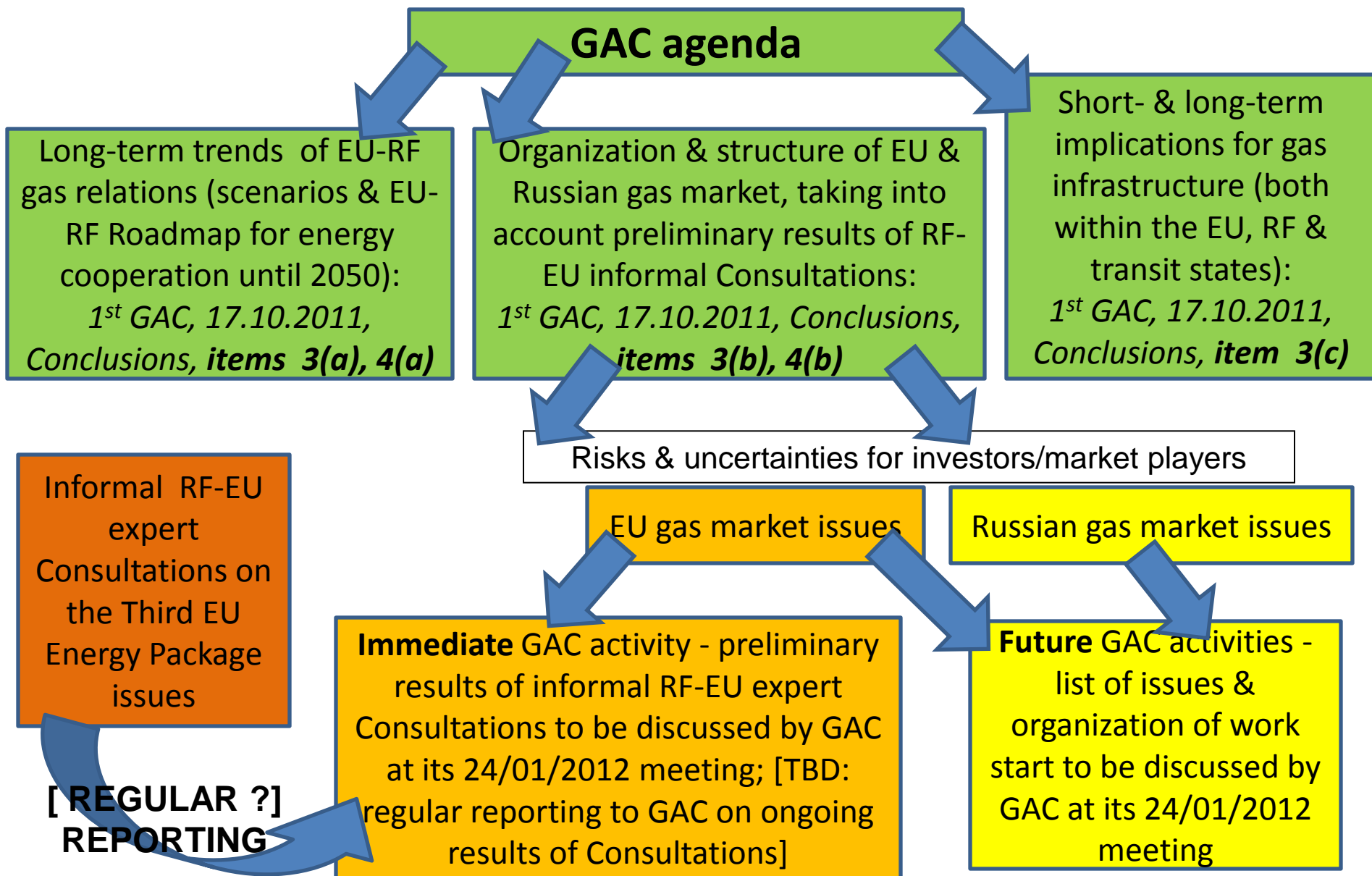
- 1) Whether GTM & related doc's cover all necessary aspects of gas market functioning to exclude further "grey zones" with related risks & costs
- 2) No clear vision yet on:
  - The compatibility of LT oil indexation and Take-or-Pay provisions with the current and future European market situation/structure and legal framework (yet to be discussed);
  - How medium term developments resulting from the changes in the EU gas market should be reflected in LT supply contracts – transition measures (yet to be discussed), etc.
- 3) Lack of clear vision destimulates trade & investment, increase risks & costs through all segments of cross-border gas value chain
- 4) Yet to be discussed with possibility to add new chapters to GTM and/or develop new doc's on these issues (like, pricing, contractual structures, transitional measures, etc.)



## Item 9: DEFINITIONS

- 1) Definitions of key terms
- 2) Sometime different meaning of the same terms used in the TEP & related draft documents by different market players both on EU and non-EU side as well as within EU side
- 3) “Grey zones” for different on-side & non-balanced interpretations
- 4) Glossary of terms need to be developed by EU side (& to be jointly discussed by the parties) on the list of terms provided by Russian (& the EU) side
- 5) Agreement to develop a non-legally binding glossary of key terms – say, as an attachment for GTM and specific FG/NC
- 6) First draft of glossary(prepared by the EU side on basis of the list of terms prepared by the Russian side) would be presented soon after 8<sup>th</sup> round of Consultations (23.01.2012) & to be discussed

# Gas Advisory Council agenda - and its correlation with informal expert consultations on Third EU Energy Package issues



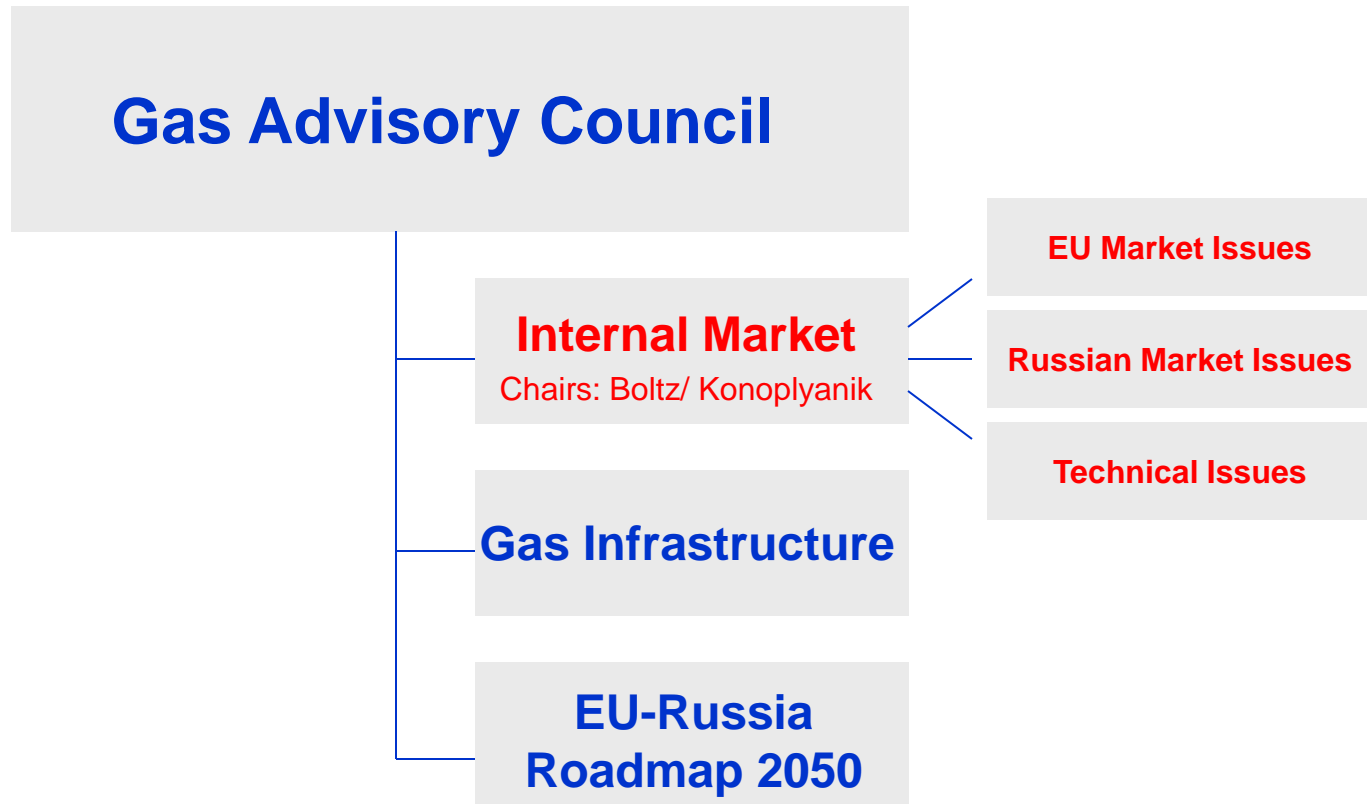


# Outline

## **Content and Structure of the Gas Advisory Council's Internal Market Work Stream**



# Structure of the Gas Advisory Council





## GAC group on Internal Market

- **Key issues and proposed deliverables:**
  - To define issues to be examined in the mutual interest of EU-Russia energy cooperation aimed at clarification on how internal market structure influence investment risks & uncertainties
  - How to diminish barriers for & protect investments:
    - Already made (in acting projects – at post-investment stage)
    - Intended (in projects to be implemented – at pre-investment stage)



# The 3 Subgroups of the Internal Market Workstream

## EU Market Issues

Third Package implications on EU gas market & producer's supply activities: regulatory issues (continuous reporting on Consultations) + systemic issues

Changes in the Russia-EU gas value chain

## Russian Market Issues

Regulatory Framework and Business Conditions in the Gas Supply Chain in Russia

## Technical Issues

Interoperability between the EU and RU network systems





## Subgroup 1: EU Market Issues

- **Key issues and proposed deliverables:**
  - **Regulatory Issues (Consultations):**
    - Impact of bundled capacity products (as proposed in the FG CAM)
    - Congestion Management measures (draft new Annex to the Regulation 715/2009)
    - Contractual transfer from Point to Point to Entry Exit bookings (Physical delivery points to Virtual Trading points)
    - Entry Exit tariffs on existing Gazprom transportation and commodity contracts into EU,
    - Other issues (see above)



## Subgroup 1: EU Market Issues

- **Key issues and proposed deliverables:**
  - ***Systemic Regulatory Issues (Consultations? GAC?):***
    1. Internal EU energy regulation does not address specifics of cross-border relations (including trade and investment) with third countries like Russia which are not integrating in the EU internal market. There is a need for specific international law treatment of such relations, not based on “Energy Community model” but on mutually elaborated international law rules (either bilateral or multilateral).
      - Third Package is drafted on the basis of internal market rules and by definition is not eligible for regulating international aspects of energy cooperation.
      - the intent to apply Third Package to external aspects can lead to illogical conclusions: e.g. exemptions under Third Package may be given only to interconnectors but not to external pipelines. This puts external pipelines in a much worse position despite the fact that it is them who are “feeding” interconnectors with gas. In EU case external pipelines thus are more important from security of supply and riskier from investment points of view.



## Subgroup 1: EU Market Issues

- **Key issues and proposed deliverables:**
  - ***Systemic Regulatory Issues (Consultations? GAC?):***
- 2. There is a need to clearly define the distribution of competences between EU and MSs in external energy field and ongoing changes in this area so that third countries understand the proper counteragent for agreeing rules both on energy trade and investments.
  - energy mix is within exclusive competence of the MSs, but at the same time overall energy matters are in the mixed competence and common trade policy/foreign direct investments fall within exclusive competence of the EU.
  - MSs seem not to support the Commission's proposals on increasing the competences of the EU in the external energy relations (lack of support for initiatives to vest Commission with preliminary assessment functions and preparation of standard clauses for intergovernmental agreements).



## Subgroup 1: EU Market Issues

### • Key issues and proposed deliverables:

#### – Systemic Regulatory Issues (Consultations? GAC?):

3. Lack of grandfathering concept in Third Package may lead to worsening conditions of existing and pending investment projects (equity participation in the companies, infrastructure ownership or contractual rights). In order to make Third Package implementation consistent with the rights and legitimate interests of investors (including foreign) an “investor-friendly approach” shall apply => regulatory changes shall not unduly and adversely affect investor’s right at least before the investments are returned.
  - this approach is fully in line with the recent ECJ decision in Commission v. Slovakia case.
  - application of full ownership unbundling (FOU) model to Lietuvos Dujos implying forced divestiture by the shareholders of assets which were acquired under umbrella of privatization agreement with the host government and in which shareholders invested much money under this agreement. On top of this, application of FOU was implemented before it was requested by the Third Package
  - eligibility of non-vertically integrated energy companies only for FOU model while vertically-integrated ones may use less harsh alternatives (ITO; ISO) which seems a disproportionate and discriminatory approach.
  - application of firm UIOLI to existing long term energy transmission contracts which leads to impossibility of due and full performance of existing energy supply contracts to the detriment of European consumers which loose delivery flexibility.



## Subgroup 1: EU Market Issues

- **Key issues and proposed deliverables:**
  - ***Systemic Regulatory Issues (Consultations? GAC?):***
- 4. New investments in infrastructure may be hampered due to complexity and deficiencies of an exemption procedure envisaged by Third Package. In respect of cross-border infrastructure there is a need to define mutually acceptable regime for its construction and operation.
  - the FOU is applicable to all newly built transmission systems (even to those built by ITO-operators and ISO-operators), and it is not clear how the ITO-operators and ISO-operators will manage to timely implement new infrastructure projects in accordance with network plans given that exemption procedure is time and money-consuming and must be performed in respect of each and any new major project.
  - if a new infrastructure has received an exemption, it is not clear whether alternative unbundling models (ITO or ISO) shall be applied to this infrastructure.
  - interrelation between ACER and the Commission in approving the exemption is not well defined which may lead to additional protraction



## Subgroup 1: EU Market Issues

- **Key issues and proposed deliverables:**
  - ***Systemic Regulatory Issues (Consultations? GAC?):***
- 5. “Third countries clause” is based on the presumption that certification of a foreigners-controlled EU TSO causes a risk for security of supply and imposes additional requirement for such operators to get certification => additional entry barrier for the foreigners in European energy sector. Correlation between this clause and existing EU-Russia PCA requesting national regime for Russian investments in the EU => ??? (to be respected)



## Subgroup 1: EU Market Issues

- **Key issues and proposed deliverables:**
  - ***Business Related Issues in the gas value chain:***
    - Changes in the European gas market vs. role of LTC in Russian export strategy – how to coexist
    - The compatibility of LT oil indexation and Take-or-Pay provisions with the current and future European market situation and legal framework – to find a balanced approach
    - How medium term developments resulting from the changes in the EU gas market should be reflected in LT supply contracts – transition period/measures
    - Further key issues to be defined...





## Subgroup 2: Russian Market Issues

- **Key issues and proposed deliverables:**
  - Analysis of the rules for access to the gas transport, gas production and supply to final customers
  - Any barriers for EU (and international) companies to access Russian gas chain ?
  - Examination of barriers regarding export of gas from EU (and international) companies' own production in Russia
  - Further key issues to be defined





## Subgroup 3: Technical Issues

- **Key issues and proposed deliverables**
  - Identification of existing barriers in the interoperability of the EU and Russian network access conditions and proposals to eliminate them
  - Discussion of issues such as harmonization of gas day, balancing operations (OBAs), Nomination/Renomination and gas quality,...
  - **Overall aim:** ensure that users of transmission systems in and outside of Europe do not face technical, commercial, operational or communications-related barriers in addition to the obstacles they would face if the relevant networks were efficiently operated by a single entity



# Outline

## Organizational Issues and Scheduled Activities



## Workstream Meetings

- Meetings will be held in Vienna, Austria four times a year
- Subgroup Meetings will be held on demand
- A first kick-off meeting of the Internal Market Work Stream has taken place on 23 January 2012



## Work Stream Composition

The 'Internal Market' work stream consists of members from the EU and Russia at senior expert level



# EU Participants in the Internal Market Workstream

- **Mr. Walter Boltz, E-Control/CEER, Co-Chair**
- **Mr. Esnault, CEER**
- **Mr. Stern, Oxford Institute for Energy Studies**
- **Ms. Margot Loudon, Eurogas**
- **Mr. Christophe Poillion, GRTgaz**
- **Mr. Doug Wood, BP Gas Trading**
- **Mr. Kamphues, ENTSOG**
- **Mr. Den Ouden, APX-ENDEX**
- **Mr. Gottfried Steiner, Central European Gas Hub**
- **Mr. Hartmann, E.ON Ruhrgas Russia**
- **xxx, ENI S.p.A**



# Russian Participants in the Internal Market Workstream

- **Mr. Konoplyanik, Institute for Energy & Finance/Gubkin State Oil & Gas University, Co-chair,**
- **Mr. Feygin, Institute for Energy & Finance**
- **Mr. Shtilkind, Russian Energy Agency**
- **Mr. Leonov, Gazprom Export**
- **Mr. Gudkov, Gazprom**
- **Mr. Barnes, Gazprom Marketing & Trading**
- **... (other members to be defined after clarification of the agenda of the Group)**



## Further topics to be included in the Workstream Internal Market ?

- ....

Please send further proposals  
**till 29th February to**  
walter.boltz@e-control.at  
a\_konoplyanik@fief.ru



## Scheduled Activities/ Meeting dates

- **April:** Two Days meeting in Moscow
  - One day: visit to the Gazprom's Central Dispatch Center at invitation of A.Medvedev, Gazprom Deputy CEO;
  - Another day: Consultations or meeting of GAC Group on Internal Market
- **June:** tbd
- **Oct:** tbd
- **Dec:** tbd



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