

Gas Interconnectors and Market Integration in SEE - the software issue-

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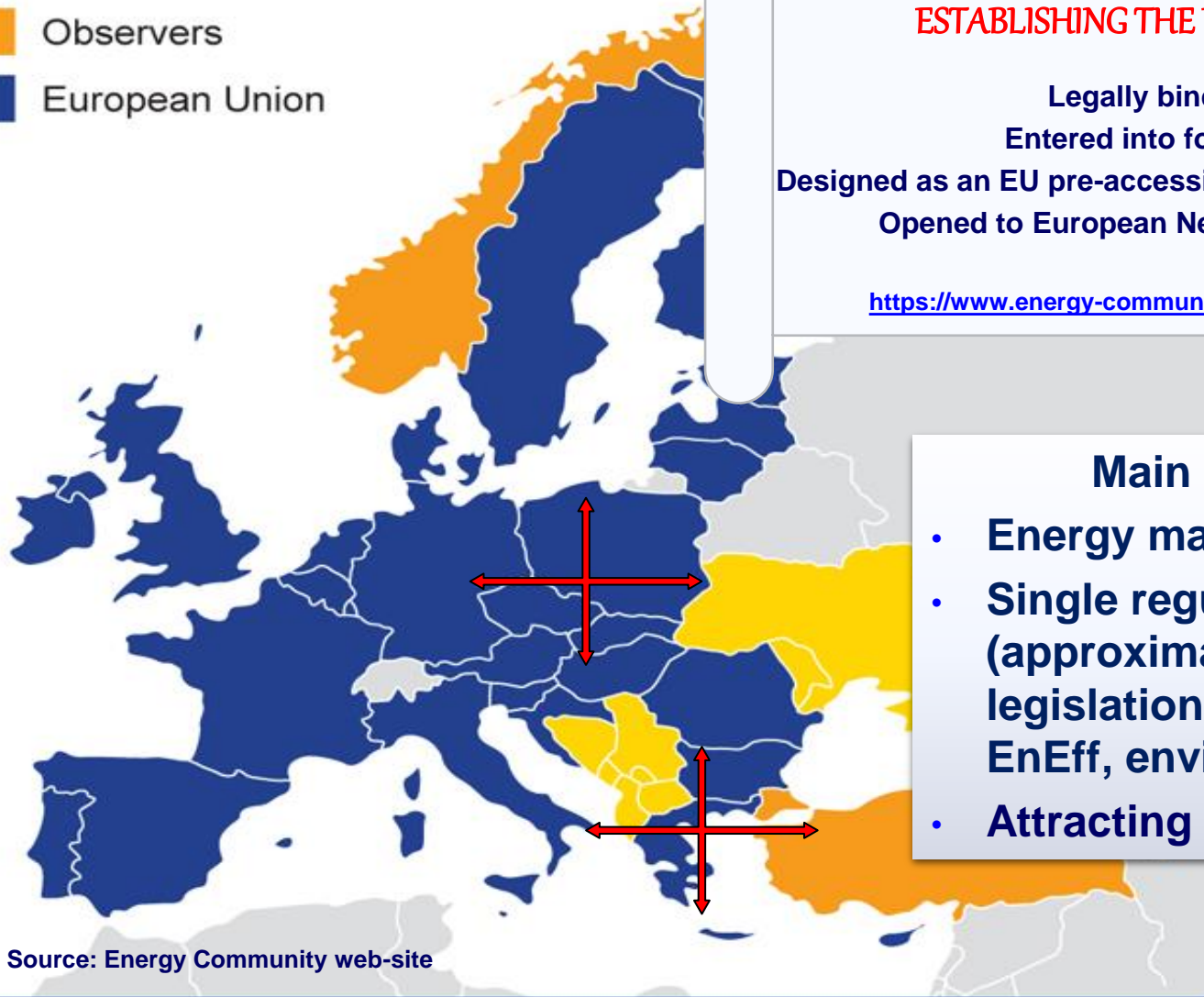
Major Interregional Projects...



Source: IENE

The Energy Community (EnC)

-  Contracting Parties
-  Candidate
-  Observers
-  European Union



THE TREATY

ESTABLISHING THE ENERGY COMMUNITY

Legally binding contract

Entered into force in July 2006

Designed as an EU pre-accession instrument for SEE countries

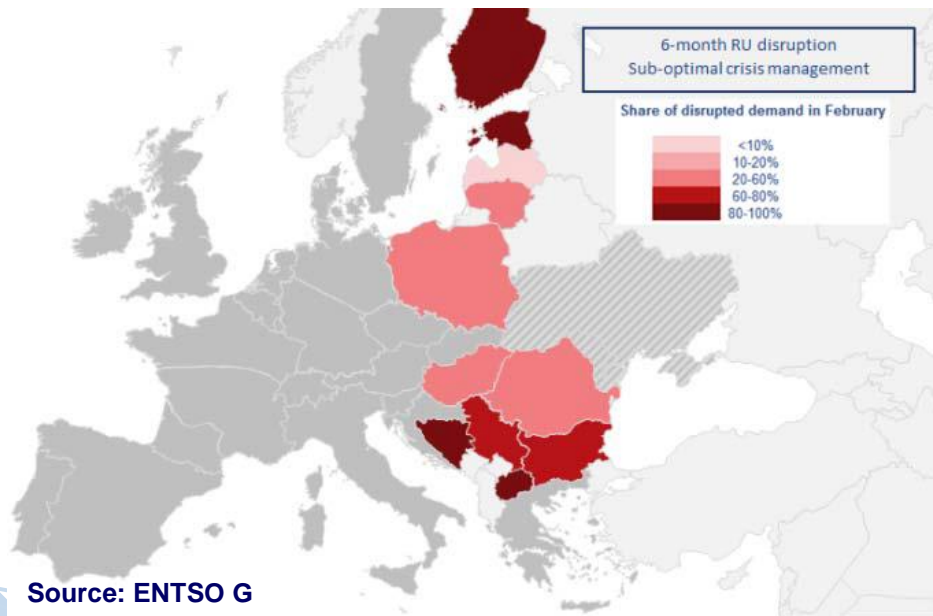
Opened to European Neighborhood Policy area in 2010

https://www.energy-community.org/portal/page/portal/ENC_HOME

Main EnC objectives

- Energy market integration
- Single regulatory space (approximation with EU legislation related to IEM, RES, EnEff, environment, competition)
- Attracting investments

CSE – problem definition



Problems intrinsic for CSE:

- SoS (vulnerable to disruptions)
- high prices in comparison to NWE

Lack of access to alternative sources:

- Missing or insufficient XB capacities
- Inefficient use of existing IPs (contractual congestion, destination clauses, sub-optimal CAM, pricing...)
- Insufficient XB market integration

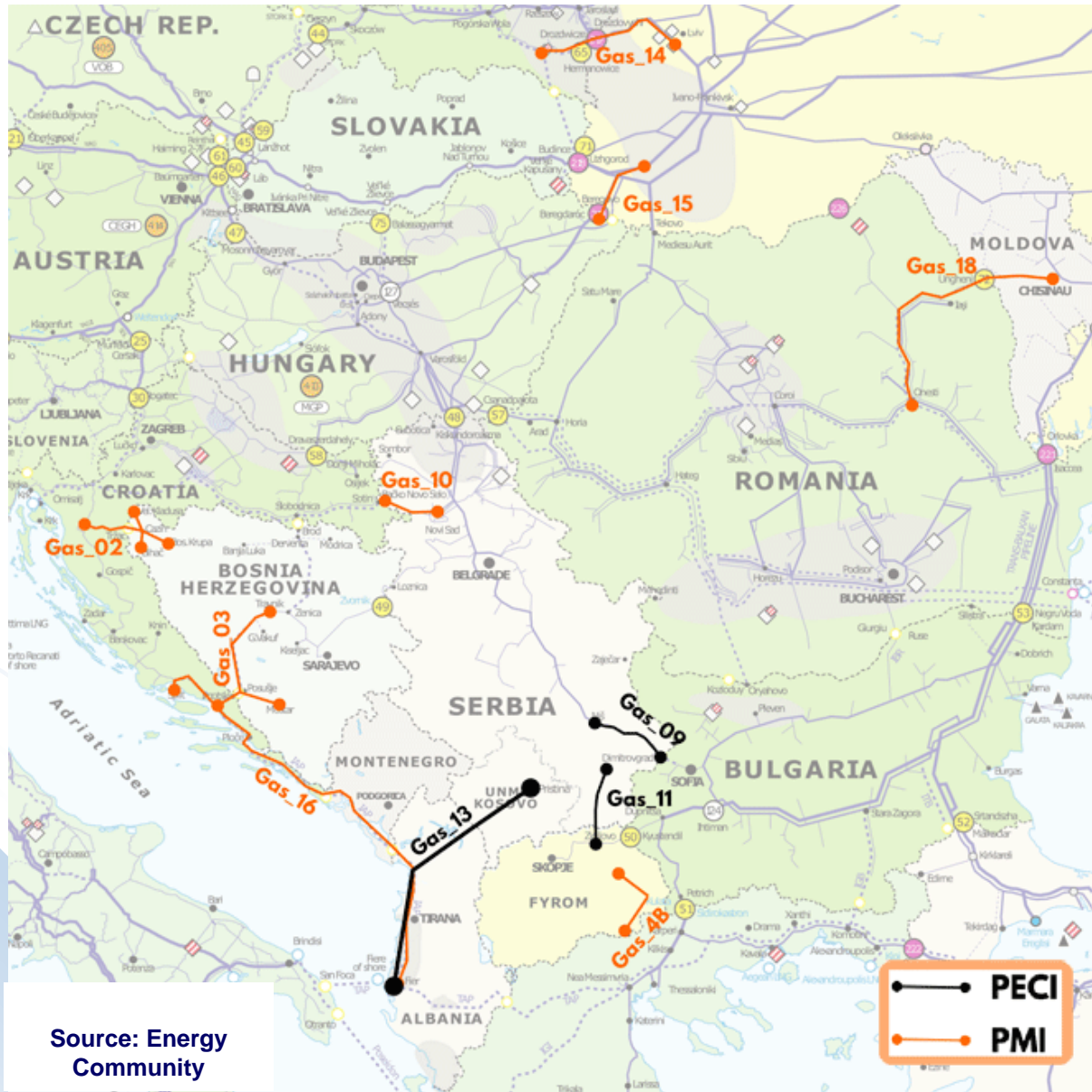
Underdeveloped national markets

- Market structure (unbundling)
- Inefficient market rules (TPA, balancing, pricing...)

Towards market integration - work in progress

- **Extension of EU acquis**
 - 3rd Package
 - Network Codes (IO & CMP NC in 2017?)
 - Infrastructure Package (TEN-E Regulation) & PEI list
 - EnC Treaty amendments underway (“level playing field”)
- **Gas Action 2020 initiative**
 - Addressing issues related to legal framework, market reforms and infrastructure
 - Currently in focus: voluntary implementation of Network Codes: IO, CAM, CMP...
- **CESEC initiative**
 - Addressing the need for **coordinated action** of EU and non-EU CSE Europe countries on natural gas market integration
 - Targeting priority infrastructure projects and natural gas market reforms

Connectivity- PECI and PMI projects



Connectivity- priority CESEC projects



Opportunities and threats

- **Infrastructure adequacy**
 - In addition to PECI, EU PCIs improve CSE access to alternative gas sources
 - **Financing infrastructure development**
 - **XB coordination of TSOs and NRA in infrastructure development (e.g. CBA for PECI, CBCA)**
- **Market integration**
 - **Low hanging fruits- regulatory & legal measures alone can help to access more liquid markets**
 - **Gazprom commitments to address DG COMP concerns: destination clauses, change of delivery points/ allowing for swaps, pricing (applicability to non-EU CSE countries?)**



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