Preliminary Report – Gas

Presentation of DG Comp’s findings

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Introduction

Hub Prices

<table>
<thead>
<tr>
<th>Jan-02</th>
<th>Jul-02</th>
<th>Jan-03</th>
<th>Jul-03</th>
<th>Jan-04</th>
<th>Jul-04</th>
<th>Jan-05</th>
<th>Jul-05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price (€/MWh)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

- NBP Day ahead
- Zeebrugge Day ahead
- TTF day ahead

Border Prices

<table>
<thead>
<tr>
<th>Jan-02</th>
<th>Jul-02</th>
<th>Jan-03</th>
<th>Jul-03</th>
<th>Jan-04</th>
<th>Jul-04</th>
<th>Jan-05</th>
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<td>Price (€/MWh)</td>
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</tbody>
</table>

- Waidhaus
- EmdenTroll
- Baumgarten
Concentration

- High levels of concentration at wholesale level
- Incumbents largely control imports and domestic production
- Traded markets dominated by incumbents

<table>
<thead>
<tr>
<th>Country</th>
<th>Incumbent share of imports</th>
<th>Incumbent share of domestic production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>80-90%</td>
<td>-</td>
</tr>
<tr>
<td>Belgium</td>
<td>90-100%</td>
<td>-</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>90-100%</td>
<td>-</td>
</tr>
<tr>
<td>Denmark</td>
<td>-</td>
<td>80-90%</td>
</tr>
<tr>
<td>France</td>
<td>90-100%</td>
<td>-</td>
</tr>
<tr>
<td>Great Britain</td>
<td>20-30%</td>
<td>40-50%</td>
</tr>
<tr>
<td>Germany</td>
<td>90-100%</td>
<td>80-90%</td>
</tr>
<tr>
<td>Hungary</td>
<td>90-100%</td>
<td>90-100%</td>
</tr>
<tr>
<td>Italy</td>
<td>60-70%</td>
<td>80-90%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>50-60%</td>
<td>90-100%</td>
</tr>
<tr>
<td>Poland</td>
<td>90-100%</td>
<td>90-100%</td>
</tr>
<tr>
<td>Slovakia</td>
<td>90-100%</td>
<td>-</td>
</tr>
</tbody>
</table>
Vertical integration – access to inputs

- Almost all commercially available gas production is covered by incumbents’ long-term contracts
- Inquiry looked at a number of features of the contracts that reduce incentives to provide liquid supply to gas hubs

Almost all trading on European gas hubs serves the UK market

- NBP/beach
- Zeebrugge
- IPE
- Other

Total sold 2003-2004
Total bought 2003-2004
Vertical foreclosure – infrastructure

- Gas infrastructure remains mostly owned by incumbents and not sufficiently unbundled
- Long-term capacity reservations in “transit” pipelines and storage

![Storage capacity booked long term](image)

**Legend:**
- Excluded from TPA
- Booked capacity: less than 1 year
- Booked capacity: between 1 and 5 years
- Booked capacity: 5 years and more
- Length not specified
- Available capacity
Market integration – gas import routes
Transit capacity– East/West axis

East/West axis: largely sold out until 2015

Primary capacity reserved / utilised (% of maximum technical capacity)

Less than 2 years
• Incumbent-affiliate
• Producer
• Without contract
• Average unsold

Between 2 and 5 years

Between 5 and 10 years

More than 10 years

Maximum utilisation
Transit capacity – East/West axis

East/West axis: who gets primary/secondary capacity?

Capacity reserved / utilised (% of maximum technical capacity)

Less than 2 years  Btw 2 and 5 years  Btw 5 and 10 years  More than 10 years

- Incumbent-affiliate
- Incumbent non-affiliate
- Producer
- New entrant
- Without contract
- Average unsold
Transparency

- Gas market remains opaque and more transparency is needed
- Network users want reliable and timely information, beyond minimum requirements of EU legislation
- Confidentiality should not be used as a cloak to prevent proper disclosure
Prices – Oil-price link vs hub prices

Long-term gas contract prices vs. hub prices

€ / MWh

Jan-03  Apr-03  Jul-03  Oct-03  Jan-04  Apr-04  Jul-04  Oct-04

LT contract average  NBP  Zeebrugge  TTF
Conclusions

• Wholesale markets in the EU generally maintain the high level of concentration of the pre-liberalisation period

• Lack of liquidity and limited access to infrastructure prevent new entrant suppliers from offering their services to the consumer

• Transit capacity, crucial for market integration, could be used much more efficiently

• There is a lack of reliable and timely information on the markets, essential for healthy competition