DNV-GL



OIL & GAS

Global and regional LNG market perspectives IENE International Workshop

Elfride Covarrubias V.

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Our vision: global impact for a safe and sustainable future









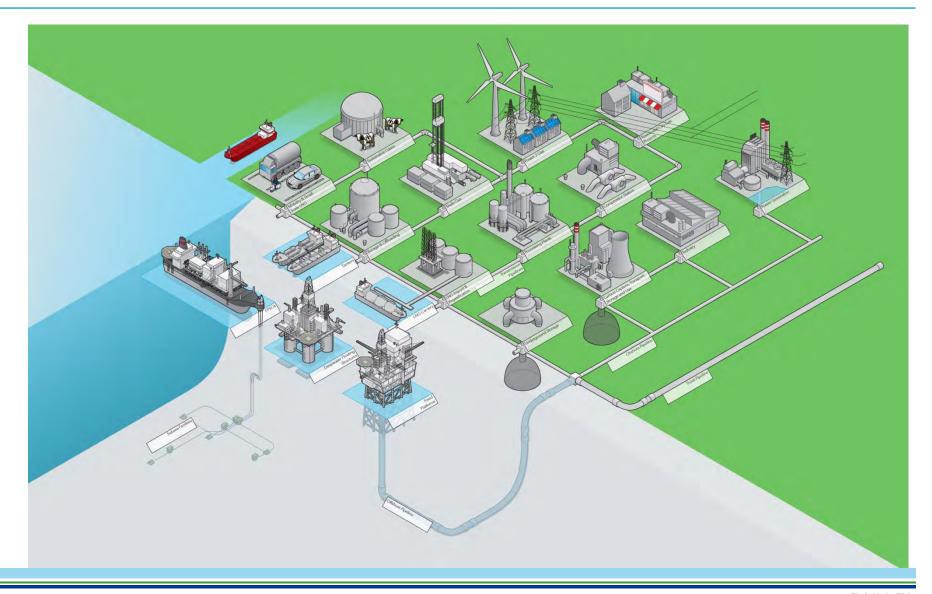


RESEARCH & INNOVATION





Gas Value Chain



DNV-GL

EU Gas Industry Arrangements - Quo Vadis?

Market and Policy Dept.

Relevant Regulatory Developments

Several policy making initiatives influence the regulatory arrangements in the gas industry.

Policy Objectives

- Facilitate trade and competition
- Avoid discrimination and cross-subsidies
- Cost reflectivity
- Promote efficient investments
- ProvideTransparency
- Ensure Security of Supply

Essential Milestones

- 2011: 3rd Energy Package enforced, this is a major step in harmonising the EU internal gas market
- 2011: Gas target model (1.0)
- 2012: ENTSOG adopted the Network Code on Capacity Allocation Mechanisms
- 2013: Energy Infrastructure Package (PCIs)
- 2013: ACER completed the development of the Framework Guidelines on Harmonised Transmission Tariff Structures
- 2014: ENTSOG adopted the Network Code on Balancing
- 2014: Preparation of Draft Network Code on Gas Transmission Tariffs
- 2015: Revised gas target model (2.0)
- 2015: ENTSOG adopted the Network Code on Interoperability
- 2015 : European Energy Union
- 2017: Review of the CBA Guidelines

Quo Vadis / Latest Commission's Initiative

The European Commission (DG Energy) aims at defining new regulatory initiatives for the natural gas business.

In October 2016 European Commission launched a tender focusing on the future design / redesign of the gas regulatory framework. The Commission is interested in two major questions.

Question 1

Is the current regulatory framework the most effective to maximise overall EU welfare?

Question 2

Are amendments necessary to the current regulatory framework to maximize EU welfare and if so what are the recommended changes?

Quo Vadis Request / Our View

TSOs have an essential role for the redesign the gas market arrangements in Europe. In our view the solution consists in a set of balanced measures aiming to strengthen market functionality and infrastructure management.

- Define a common approach for the merging of market zones / step-by-step mechanism and road-map
- Establish adequate tariff methodology for merged zones
- Create new network codes for integrating LNG regasification terminals and storages better into the network by harmonizing operational procedures
- Improve the regulatory framework for upcoming infrastructure projects
- Encourage TSOs to further develop their services, therefore supporting an increase in natural gas demand

Quo Vadis Request / Our View

Drivers for change and policy view of DNV GL

Drivers for change / Issues requiring regulatory and policy actions	Policy view of DNV-GL
 Overall low liquidity in the market / insufficient market integration 	 Merging of market zones to allow for further market integration Larger zones will also support increasing liquidity and competition, and would limit the
 Constrained competition and functionality in some markets / insufficient market integration 	
 Several member states heavily dependent on one source / risks for security of supply 	 power of incumbent suppliers. Larger zones may also increase the supply options for member states
 Dominant role and market foreclosure through incumbent suppliers / limited competition 	 Updated regulatory arrangements for infrastructure projects facilitate the entry of new market players
 Expected decline of domestic production / risks for security of supply 	 Providing TSOs with explicit financial incentives to act as "market enablers" and supports the demand of natural gas

GLOBAL IMPACT FOR A SAFE AND SUSTAINABLE FUTURE

Elfride Covarrubias V. elfride.Covarrubias.Villegas@dnvgl.com +39 34871 20064

www.dnvgl.com

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