



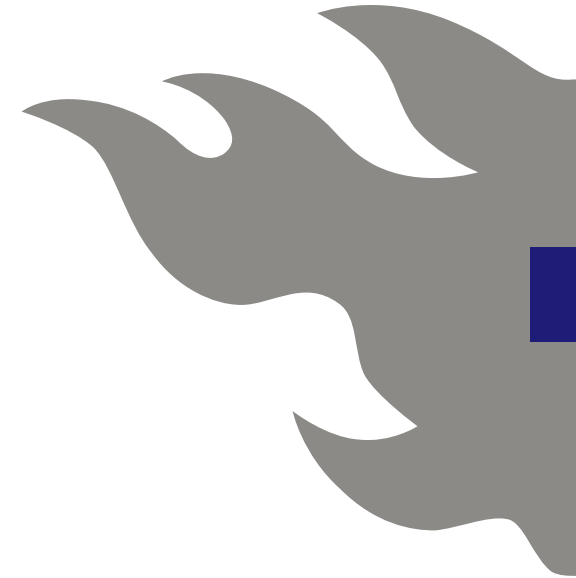
HELSINGIN YLIOPISTO  
HELSINGFORS UNIVERSITET  
UNIVERSITY OF HELSINKI



# **IAEE Luncheon**

## **Houston, 10 April 2008**

# **RESTRUCTURING OF EC GAS MARKETS**





# LIBERALISATION OF EC ENERGY MARKETS

- HISTORY AND LEGISLATIVE DEVELOPMENT 1980-2008
- CURRENT PROBLEMS
- FUTURE MEASURES
- RECENT AND CURRENT DEVELOPMENTS



# EUROPEAN GAS MARKETS - THE ESSENTIALS

- History
- Geopolitics
- The gas supply chain



# LIBERALISATION OF THE EC ENERGY MARKETS - AN OVERVIEW OF 1980-1990

- 1980's – Preliminary steps towards legislation
  - The Internal Energy Market: Commission working document”
  
- The first energy law package:
  - 1998 Gas Market Directive
    - Functional unbundling
    - Negotiated/regulated TPA



# LIBERALISATION OF THE EC ENERGY MARKETS - AN OVERVIEW OF 2000-2008

- Directive 2003/55/EC
  - Regulated TPA
  - Legal Unbundling
  - Regulatory authorities
  - Full market opening July 2007
  
- Regulation 2005/1775 on the conditions for access to gas transmission networks
  
- Security of gas supply Directive

## Incumbents control the majority of the gas in their home countries

	Total imports (2004, in bcm)	Incumbent share of imports (2004)	Total domestic production (2004, in bcm)	Incumbent share of domestic production (2004)
<b>Austria</b>	9	80-90%	2	-
<b>Belgium</b>	16	90-100%	0	-
<b>Czech Republic</b>	9	90-100%	<1	-
<b>Denmark</b>	0	-	10	80-90%
<b>France</b>	49	90-100%	1	-
<b>Great Britain</b>	13	20-30%	105	40-50%
<b>Germany</b>	88	90-100%	18	80-90%
<b>Hungary</b>	11	90-100%	3	90-100%
<b>Italy</b>	67	60-70%	13	80-90%
<b>Netherlands</b>	18	50-60%	73	90-100%
<b>Poland</b>	10	90-100%	5	90-100%
<b>Slovakia</b>	7	90-100%	<1	-



# MAIN PROBLEMS AND DEVELOPMENTS

## ■ PROBLEMS:

- Market concentration
- Vertical foreclosure
- Lack of market integration
- Lack of transparency
- Lack of competition (downstream/upstream)



# REASONS FOR IMPERFECTIONS

- Historical market structure
- Efforts by existing players to protect market positions
- Insufficient regulatory powers on national and EU level
- Member States (!)



# FUTURE MEASURES - 3rd LEGISLATIVE PACKAGE

- Commission package of 19 September 2007
  
- Main features:
  - Ownership unbundling
  
  - Agency for cooperation
  
  - Enhanced powers for national regulators
  
  - Cooperation among TSO's



# FUTURE MEASURES - 3rd LEGISLATIVE PACKAGE

## ■ UNBUNDLING:

- Ownership unbundling
  - E.ON proposal!
  
- ISO option (control unbundling)



# FUTURE MEASURES - 3rd LEGISLATIVE PACKAGE

- AGENCY FOR COOPERATION OF ENERGY REGULATORS
  - Not a "super" agency
    - Advocated by Commission
  - Not pure cooperation
    - Powers in certain cross-border issues
    - BUT emphasis on consultation, guidelines, developing best-practises



# FUTURE MEASURES - 3rd LEGISLATIVE PACKAGE

## ■ NATIONAL REGULATORS

- Independence from private and public influence
  - Resources, management rules
  
- Powers to co-operate
  
- Policy objectives (renewables, competition, sustainable development etc.)



# FUTURE MEASURES - 3rd LEGISLATIVE PACKAGE

## ■ TSO - COOPERATION

- Operational rules and access regimes
- coordinated operation of networks
- coordinated investment planning



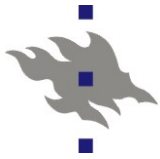
# FUTURE MEASURES - ENERGY CONSUMER CHARTER

- European Charter on the Rights of Energy Consumers
  - Not a legal documents
  - Presents existing legislation affecting consumers in an easily comprehensible way



# CURRENT MARKET DEVELOPMENTS

- Emergence of LNG companies
- New small scale players
- Gazprom
- Regional TSO's (?)
- Unbundling (?)



## MORE INFORMATION

- The Third-Legislative Package and Ownership Unbundling in Light of the European Fundamental Rights Discourse, *Competition and Regulation in Network Industries* (1/2008)
- Regulation of Electricity Markets at the EU Level, *Journal of Energy and Environmental Law Review* (2008) 17
- Long-term gas agreements and security of supply – between law and politics, *European Law Review* 32 (2007)
- Role of the European Court of Justice in the Opening of Energy Markets, *ERA Forum*, Vol. 8, No. 3 (2007)



# THANK YOU

Kim talus

Institute of International Economic Law (KATTI)

University of Helsinki

E-mail: [kim.talus@helsinki.fi](mailto:kim.talus@helsinki.fi)

