

What does a single European gas market model mean in practice?

CEER has taken the lead this year in developing a vision of the key elements of a European gas target model to address this question. It has turned into quite a significant and challenging question, not least because in February the **European Council** set **2014 as the deadline** for the completion of the internal EU gas market.

Today's (14 September) workshop in Vienna (the 5th in a series of public workshops on the gas target model) is an opportunity for Europe's academics to present their thoughts on the subject. Thanks to the high quality stakeholder input received through our extensive open consultation, there is now a good deal of consensus on the various pieces of the puzzle that need to be in place.

CEER's vision of a sustainable internal gas market is based on three pillars of our Gas Target Model (GTM):

Pillar 1: Structuring network access to the European gas grid in a way that enables functioning wholesale markets so that every European final customer is easily accessible from such a market. This means enabling functioning wholesale markets where they do not exist yet. Furthermore, markets need to be connected better to move forward to an integrated market. This is where Pillar 2 comes in.

Pillar 2: Fostering short and mid-term price convergence between the functioning wholesale markets by tightly connecting the markets through facilitating cross-market supply and trading and potentially implementing market coupling as far as the (at any time) given infrastructure allows. A first step in connecting markets is the implementation of the framework guidelines and codes on capacity allocation mechanisms (CAM) and congestion management procedures. This is needed so that capacity between those functioning markets will be used as effectively as possible leading to improved price alignment between the markets. We certainly haven't seen the price alignment in gas wholesale markets that one would expect in a proper functioning market.

Reaching this goal will maximise efficiency and thereby public welfare in / from supply & trading on a European scale by making sure that all gas assets (procurement contracts, storage etc.) are used in the most economic manner.

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The GTM proposes several models on cross border level to realize liquid wholesale markets: All European final customers will be served from a functioning wholesale market. These functioning wholesales markets will act as enablers and fertilizers for retail competition because they provide easy access to competitively priced gas and are the basis for proper risk

Pillar 3: Enabling the establishment of secure supply patterns to the functioning wholesale markets. We need to ensure that gas comes to Europe. Short-term trading will allow the market to respond to the growing need for flexible gas demand. On the investment side, there has been a limited amount of cross-border investment in recent years. I'm not calling for investment for the sake of investment, but rather for economic investments to be placed where they are most needed.

Our Gas Target Model hopes to deliver

- Efficient use of existing infrastructures
- Well-functioning wholesale markets in all of Europe
- Connected functioning wholesale markets in all of Europe
- Secure supply patterns that ensure gas flowing to Europe
- Economic investments need to take place

What's next?

We launched public consultation in July 2011 on our vision. Our paper considers both what can be put in place by 2014 and issues for a longer term vision until 2020. [CEER's public consultation on the Gas Target Model](#) will close on 20th September.

I look forward to receiving and reviewing stakeholder comments on these important issues. I will present an initial assessment of the responses at the Madrid Forum 26-27 September.

The following challenge of course will be to move from theory to actual implementation. One such effort in 2012 will be to improve cross-border investment decisions in gas infrastructure through a revision of the (non-binding) Guidelines of Good Practices on Open Seasons (GGPOS). We look forward to hearing your views on this and other concrete deliverables in our public consultation on the [draft 2012 Work Programme](#).

Walter BOLTZ

CEER Vice President and chair of Gas Working Group, Vienna, 14 Sept. 2011