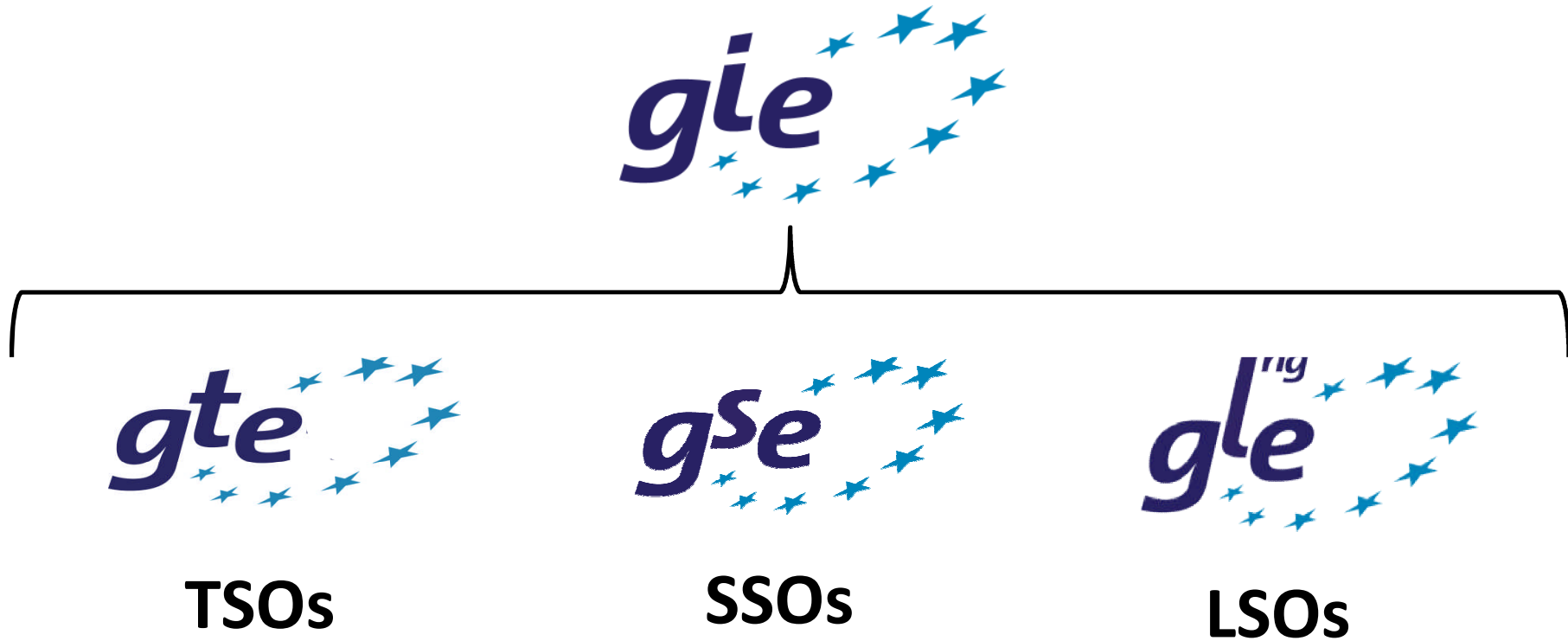




**Initial Views on the Target
Model for the European Gas
Market**

CEER Workshop – 3 December 2010

GIE

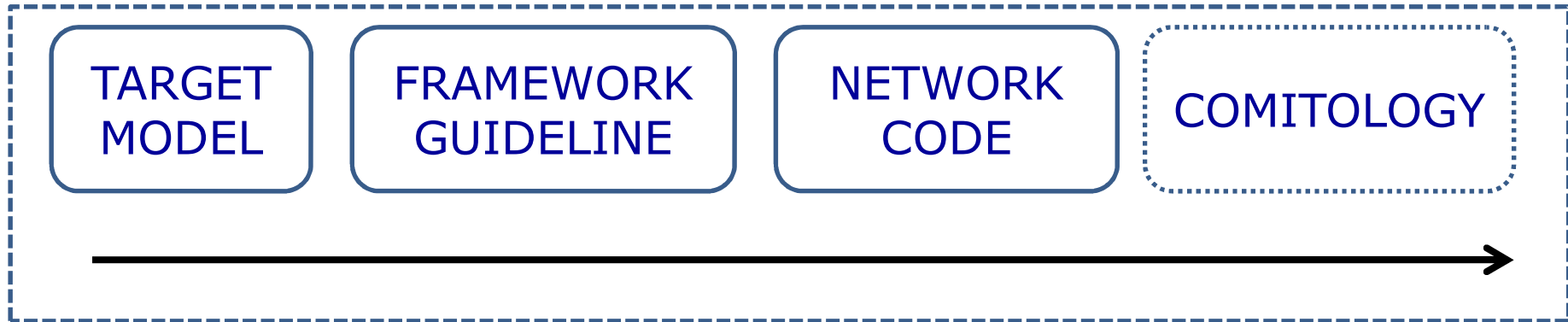


- GIE is the voice of the natural gas infrastructure operators
- GIE and ENTSOG

1. Gas and Electricity

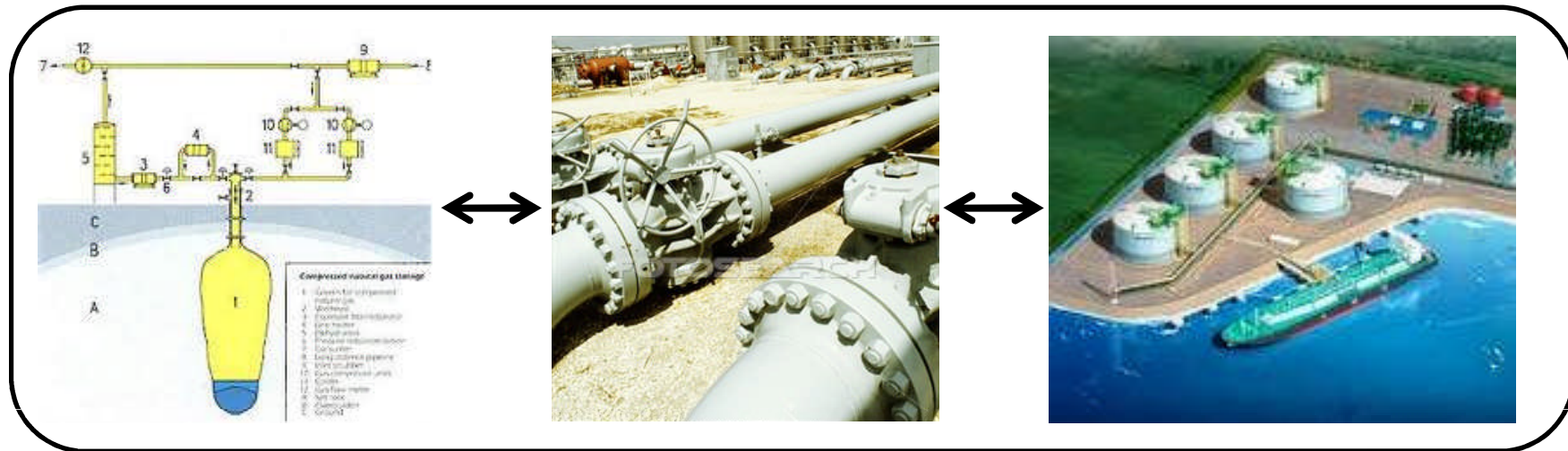
- Gas and electricity have different characteristics:
 - Gas can be stored
 - The compressibility of gas allows to use linepack
 - Gas takes longer to transport through the network
 - Gas is mainly produced outside the EU -> security of supply aspect more pertinent
 - Transit is much more relevant in gas
 - Etc.
- Gas Target Model should take into account the characteristics of the gas system and the EU gas market

2. Ideal timing & Content



- Target Model should define
 - **which FGs** are needed
 - the **content** of those FGs
 - the **order** in which they are written
 - the **interactions** between the FGs
 - the **transition plan**.
- Level of detail should be high enough to avoid inconsistencies between the future network codes and to allow for regional market specificities.

3. LNG and Storage



- LNG and Storage facilities are an integral part of the gas system
- Target Model will set the framework for changes
- The Target Model should not affect competitive activities which are the basis for the development of the internal competitive EU market
- Impact on both the LNG and Storage activities should be taken into account → compatibility is necessary

4. Investments

- The implementation of network codes in line with the future Target Model will generate costs → New infrastructures and IT investments will be needed for
 - Bigger balancing areas
 - Hub-to-hub trading
 - Etc.
- Cost-benefit analysis, impact on competitiveness of gas for customers and industries and implementation feasibility should be issued along with the impact assessment
- Impact on new investments should be addressed carefully – the importance of the long term contracts should be appreciated
- **Sound investment climate** is required and has to be reflected through the codes

5. Different options are possible

- To achieve a real EU internal gas market, some harmonisation of rules and procedures is required, but harmonisation should not be understood as unification.
- **Competition of options** should be a possibility
 - Different options allow to choose the most appropriate one depending on the evolution of the market and the regional context

Conclusions

- Target Model should be a vision and a tool unified into one, which facilitates a consistent network code design.
- Aspects to be taken into account
 1. Gas is different from electricity.
 2. It should define the development process for the FGs and NCs.
 3. Impact on both LNG and storage should be considered.
 4. Sound investment climate is required.
 5. Competition of options could deliver a better gas market.
- **Most importantly, a wide consensus amongst stakeholders for the Target Model will be the key to its success**



Thank you for your kind attention

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