

GIE Comments to EC's Communication – Making the Internal Energy Market Work

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What is GIE?

Gas Infrastructure Europe (GIE) is an association representing the sole interest of the infrastructure industry in the natural gas business such as Transmission System Operators, Storage System Operators and LNG Terminal Operators. GIE has currently 70 members in 25 European countries.

GIE is a representative organisation towards the European Institutions (European Commission, European Parliament, Council of the European Union) as well as the European bodies of regulators (ACER, CEER) and other stakeholders.

One of the objectives of GIE is to voice the views of its members vis-à-vis the European Commission, Regulators and other stakeholders. Its mission is to actively contribute to the building of a single, sustainable and competitive gas market in Europe underpinned by a stable and predictable regulatory framework as well as by a sound investment climate.

Introduction

GIE welcomes the EC's Communication on Making the Internal Energy Market Work, as it provides a good overview of the policy goals that have been achieved so far and highlights those which are still pending in order to complete the Energy Internal Market.

GIE would like to stress that the EC should concentrate its efforts in the full integration of Europe's energy networks and systems and opening of energy markets as stated in EC Energy Roadmap 2050.

Prioritising Infrastructures

The European institutions as well as international organizations have forecasted that the EU will face in the following years an increase in gas import dependency at the same time as the internal energy market continues its development.

In addition, the European Commission has foreseen that 70 billion euros of investment in gas infrastructure will be necessary to complete the integration of the European gas market.

In its proposal for a Regulation on guidelines for trans-European energy infrastructure, the EC sets the basis for the identification of those projects which, either financially viable or not, will deliver the greatest economic benefits for the European Union as a whole, taking into account their contribution to sustainability, market integration and security of supply.

In the first place, Member States have to leave their national interests aside and start thinking with a European perspective.

It is paramount for the EC to acknowledge that the development of the correct infrastructure is the only way to go if the EU wants to achieve a well-functioning gas internal market. In this sense projects should be categorized according to their contribution to completing the energy market.

While GIE is of the opinion that all investments in gas infrastructure should be market-based, there may be some infrastructure investments which are not based in direct market demand (for example stemming from security of supply concerns). Such investments might need financial support to be implemented.

In any case, no such investments should introduce market distortion or be detrimental to existing projects. At last, investments should be made in a rational way so that the cost of infrastructure is not too high for end customers and gas remains competitive.

Third Package Implementation

In addition, the EC should monitor and ensure the enforcement of the Third Energy Package. Current Network Code developments will provide a significant progress in the harmonization of market, operational and development rules across the EU wholesale gas market.

GIE believes that the EC should wait a reasonable amount of time to evaluate whether the developments which are currently underway within ENTSOG have been successful and meet the internal market's expectations. As long as a sound assessment of the implementation of the current regulatory developments (network codes, voluntary initiatives) has not been made, additional regulatory measures seem premature and unnecessary.

In addition it must be stressed that, so far, infrastructure operators, whether through ENTSOG for the development of Network Codes, or through GIE in the delivery of voluntary initiatives, have been extremely proactive in implementing the new rules and have delivered the tasks they were committed to in due time.

Capacity Mechanisms

GIE believes that capacity mechanisms should be analysed on a case-by-case basis, having first ensured that they will not hamper the recovery of investments made in other infrastructures, thus not distorting the market.

The EC should ensure that any impact assessment of the introduction of capacity mechanisms should not only concentrate on the electricity market, but also pay due attention to the gas market as these two markets are increasingly interconnected.

Consistently with the idea of having a system in which capacity mechanisms of combined-cycle of gas turbines (CCGTs) are foreseen, it has to be borne in mind that CCGTs develop their activity within a competitive segment of the energy sector, having previously identified a certain risk under their business plan.

Capacity mechanisms should be designed in due coordination with neighbouring countries and avoid market distortions as much as possible. If used, these mechanisms should apply to both new and existing capacity as otherwise, there would be a destruction of valuable assets in the market. Priority should be given to removing existing market distortions because the better the market functions, the "lighter" capacity mechanisms should become.



GIE has always advocated a stable and predictable regulatory environment and stressed that energy policies at both national and European level should be designed with a long-term perspective.