

# 2015 OCTOBER 26-27 9TH SHIPPERS FORUM - PETFORM ANKARA

## EUROPEAN GAS HUB DEVELOPMENT

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# EUROPE' Gas Market Liberalisation Journey



## Europe's journey for a transparent, liquid market delivering more choices for consumers

1. **Create a level playing field:** network unbundling requirements
2. **Access to gas:** no licence requirements or restrictions for import
3. **Access to network and wholesale market:** entry/ exit transport system and development of a virtual trading point based on a well functioning gas balancing market
4. **Access to customers:** no cross subsidies between end users

**Key  
regulatory  
enablers**

## Which so far delivered

- Increasing liquidity at hubs and transparent price signals (NBP, TTF, NCG, Gaspool)
- Markets responsive to supply shortages, particularly in North West Europe
- Robust price signals for investment – new LNG terminals, better interconnected markets

**Key  
achievement  
s**

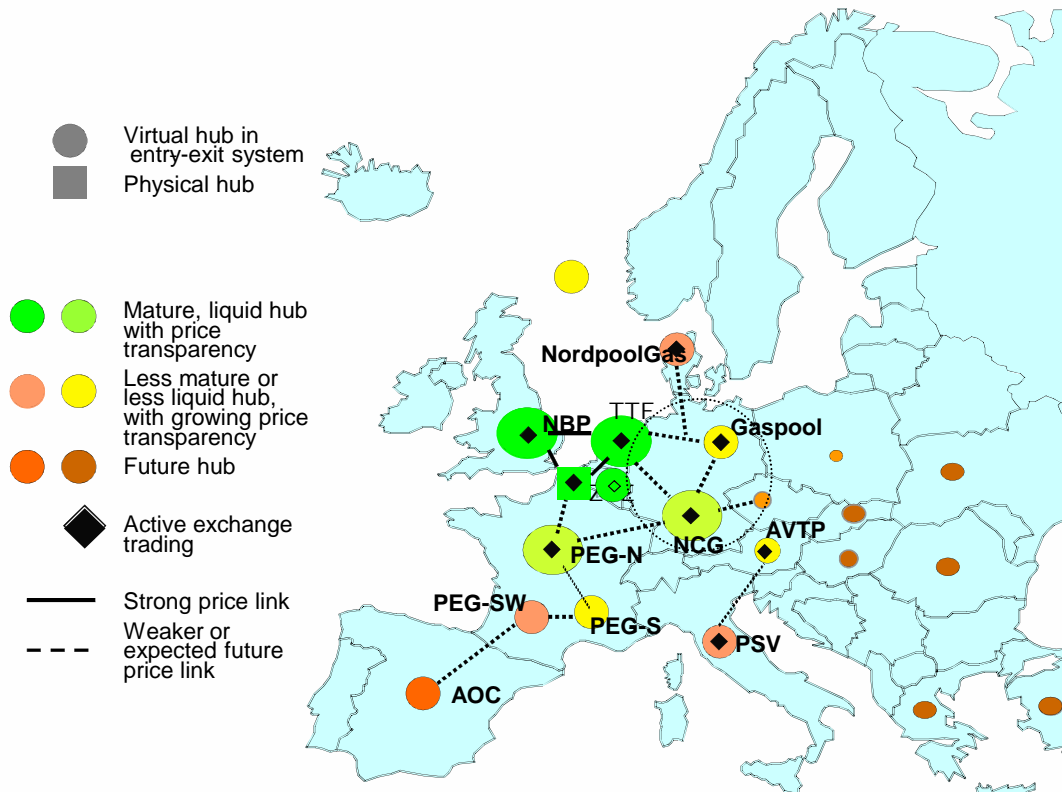


# European Gas Hub Development

## Rationale for study



### EFET Hub Development Group Project



Local balancing markets also required but not shown

1. Develop best practice model for creating a successful virtual trading point

2. Benchmark Europe's existing hubs and recommend improvements

3. Work with local EFET Task Forces to apply best practice model at evolving VTPs

We are here

Each new hub tries to reinvent services to market, incurring unnecessary costs for them and for traders

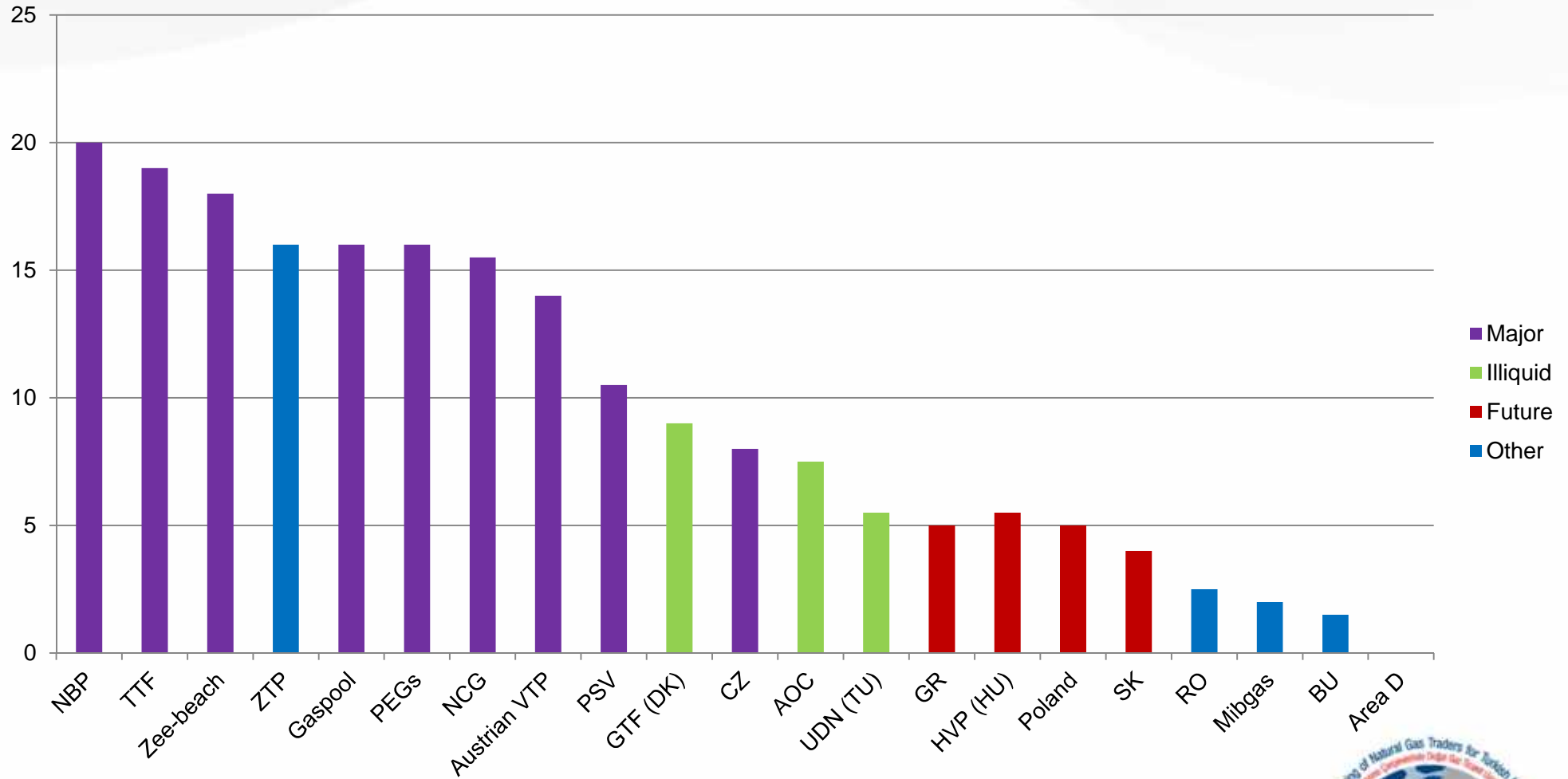


# Scoring mechanism



Responsible party	What should be done	Scoring mechanism
NRA	Establish a consultation mechanism	1 if group set up and English language
TSO	Entry-exit system established	½ for Entry Exit; 1 if a single VTP
TSO	Title Transfer	
TSO	Cashout rules	
TSO	Accessible to non-physical traders	1 if trade without signup to physical rules
TSO	Firmness of hub	0 if not firm; ½ if firmness “managed” by TSO; 1 if BUBD; 2 if fully market-based
TSO	Credit arrangements non-punitive	
NRA	Resolve market structural issues (defined role for historical player)	½ for release etc; 1 if market maker
NRA	Role of Hub operator	1 – role defined; 2 – gov’nce addressed
NRA	Agree regulatory jurisdiction if cross border	0 if cross border and no agreement; 1 if not cross border or does have agreement
Market	Establish a reference price at the hub for contract settlement	1 if price always available; ½ if deemed
Market	Standardised contract	1 if specialised contract – EFET or equivalent (or standard is sufficient)
Market	Price Reporting Agencies at the hub	1 if several’ ½ if only one PRA
Market	Commercial / Voluntary market makers	
Market	Brokers	1 if voice or few ; 2 if systems and many
NRA	Establishment of exchange	1 if exchange appointed and hub is liquid; ½ if exchange appointed and hub illiquid
Market	Index becomes reliable and used as benchmark	1 if Market parties frequently requested

# Hub development scores (2014 Q1)



Raw scores by trading hub



# Turkey's gas market liberalisation roadmap



## Turkey's journey to create the underlying conditions for hub development

1. **Create a level playing field:** BOTAS unbundling
2. **Access to gas:** simplification of import licence requirements and removal of storage obligations for LNG, limitations to BOTAS' import
3. **Access to network and wholesale market:** regulated access to transport, opportunity to develop a wholesale gas market
4. **Access to customers:** limitation to BOTAS' sales

**Key provisions in new draft legislation**

## Further steps based on EU experience

1. **Create a level playing field:** clear timing for BOTAS unbundling to create market confidence
2. **Access to gas:** removal of restrictions to import, clear timing for BOTAS market shares reduction
3. **Access to network and wholesale market:** create a VTP based on a well functioning gas balancing market
4. **Access to customers:** removal of cross subsidies

**Further underlying conditions for hub development**

**Turkey can achieve a more transparent & liquid market and more choices for customers**



**Project**



# Thank you for your attention!



**European Federation of Energy Traders**

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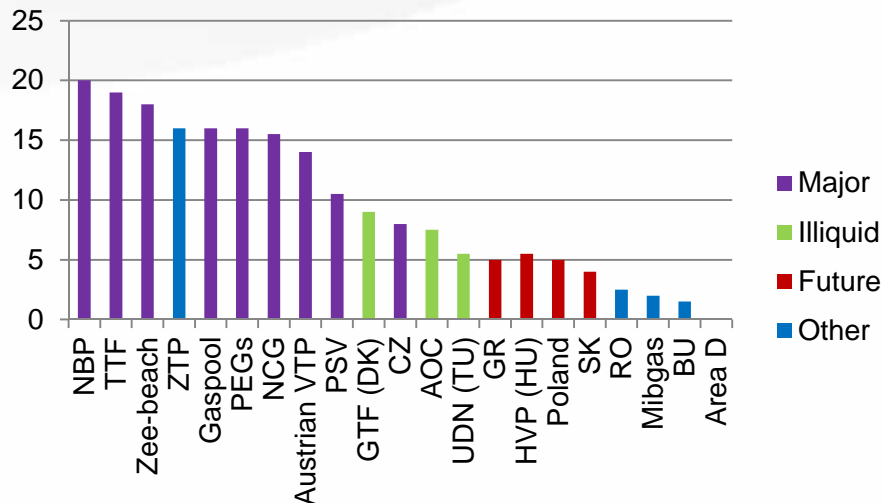
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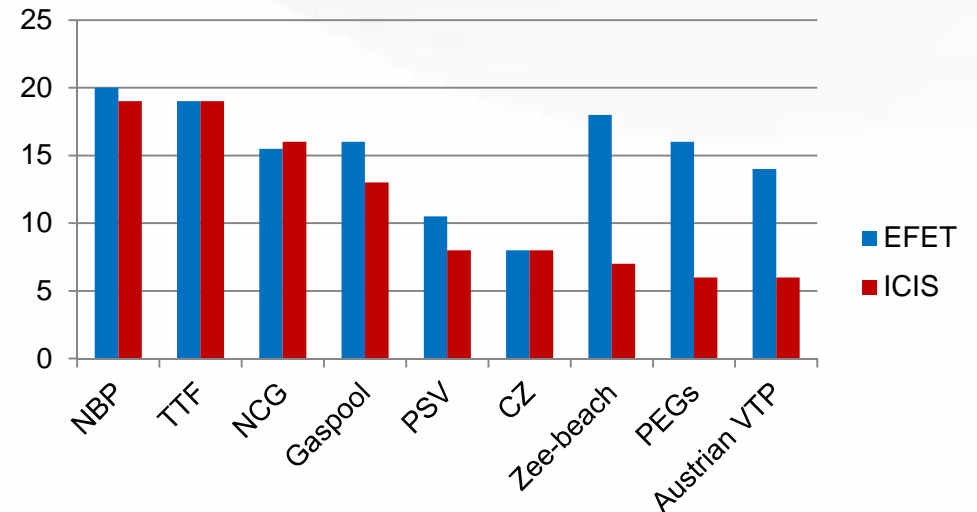
24 September 2014, Istanbul



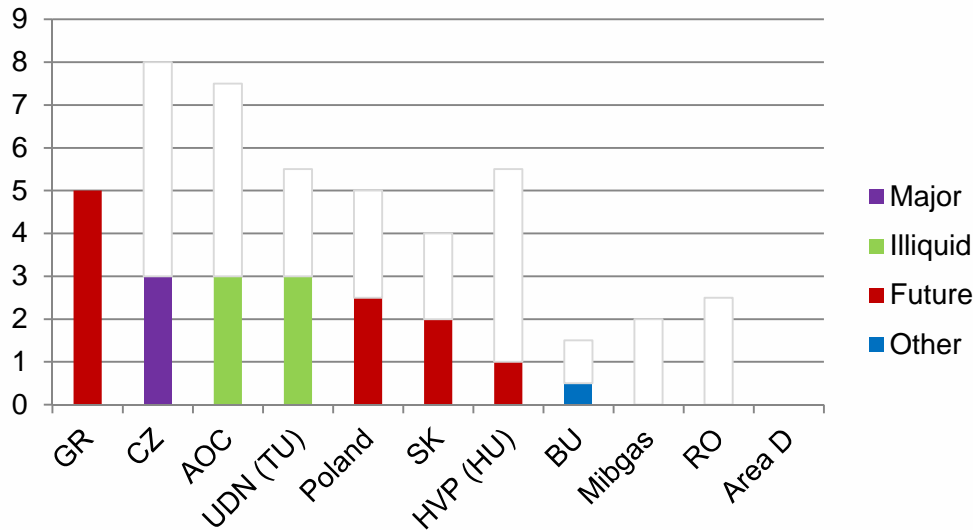
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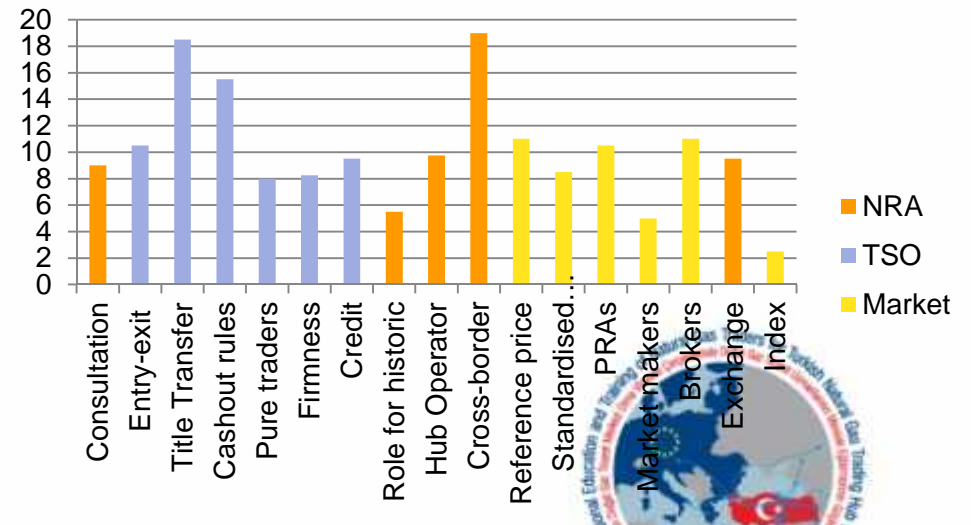
Raw scores by trading hub



Source: ICIS for Tradability Index and maturity definitions



Measures split between in sequence / out of sequence



Measures completed across all hubs

