



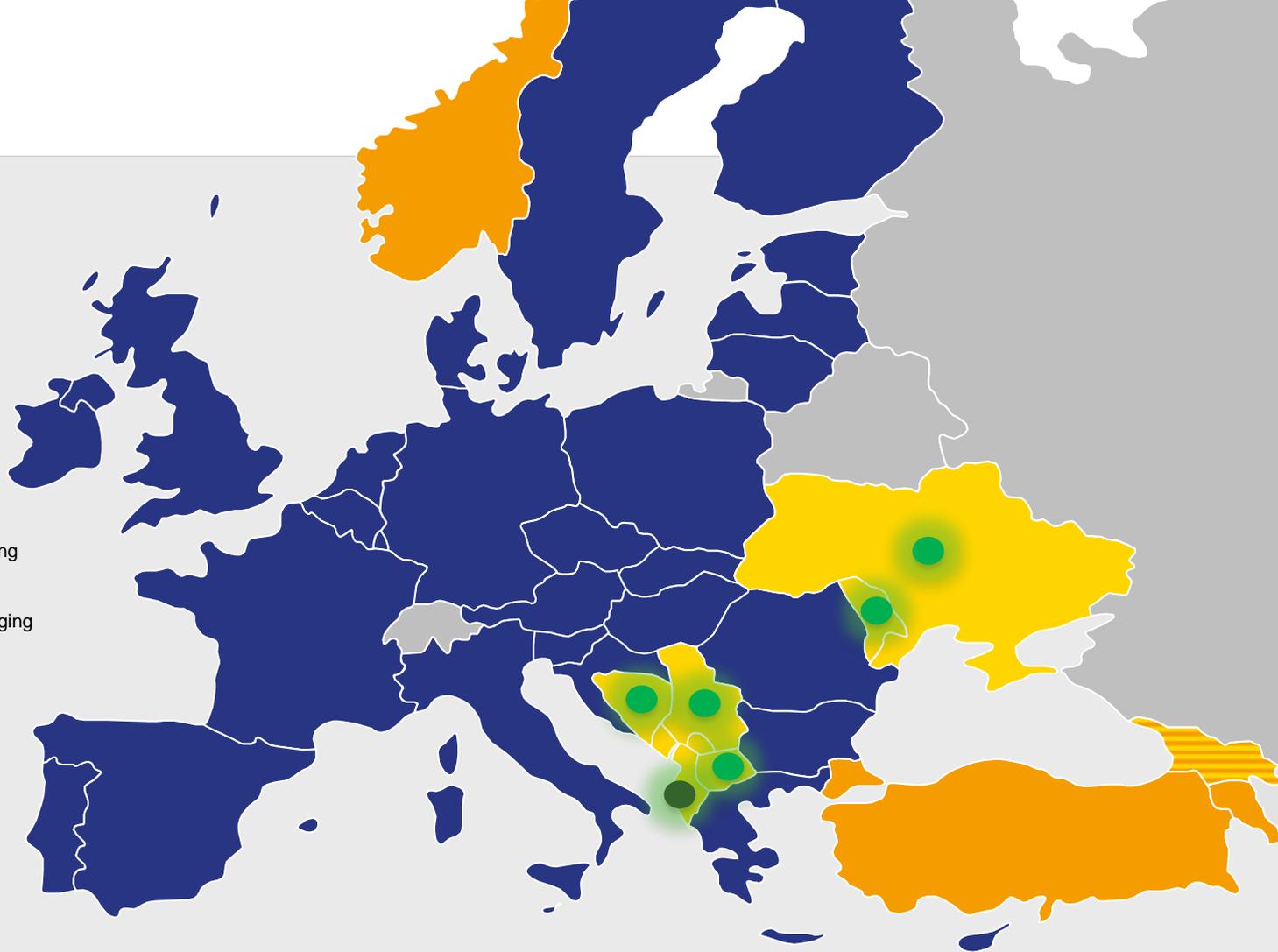
## *Implementation of the Treaty in Gas sector*

Predrag Grujičić, Head of Gas Unit

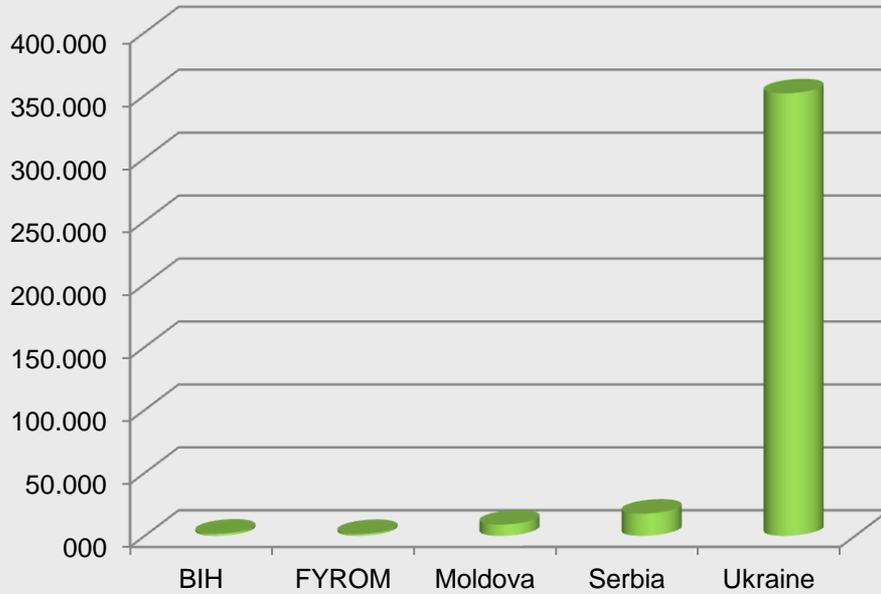
Vienna, 25 January 2016

# Energy Community

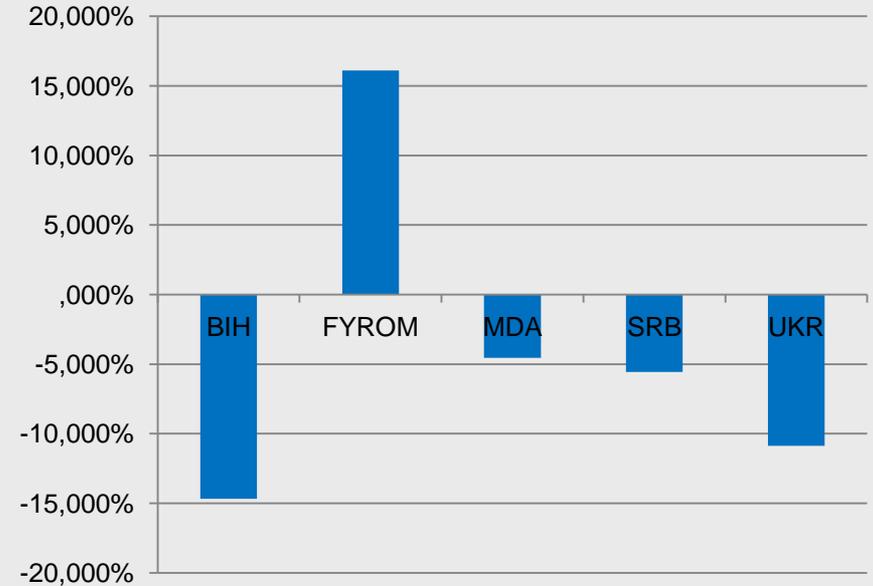
-  Contracting Parties with existing gas markets
-  Contracting Parties with emerging gas markets
-  European Union
-  Contracting Parties
-  Candidate
-  Observers



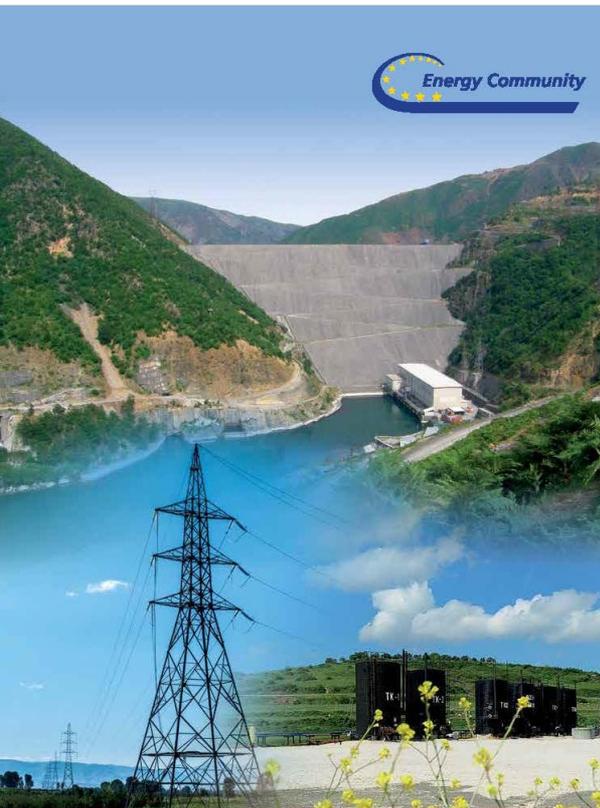
# Gas market trends



**Gas consumption 2013 (GWh)**



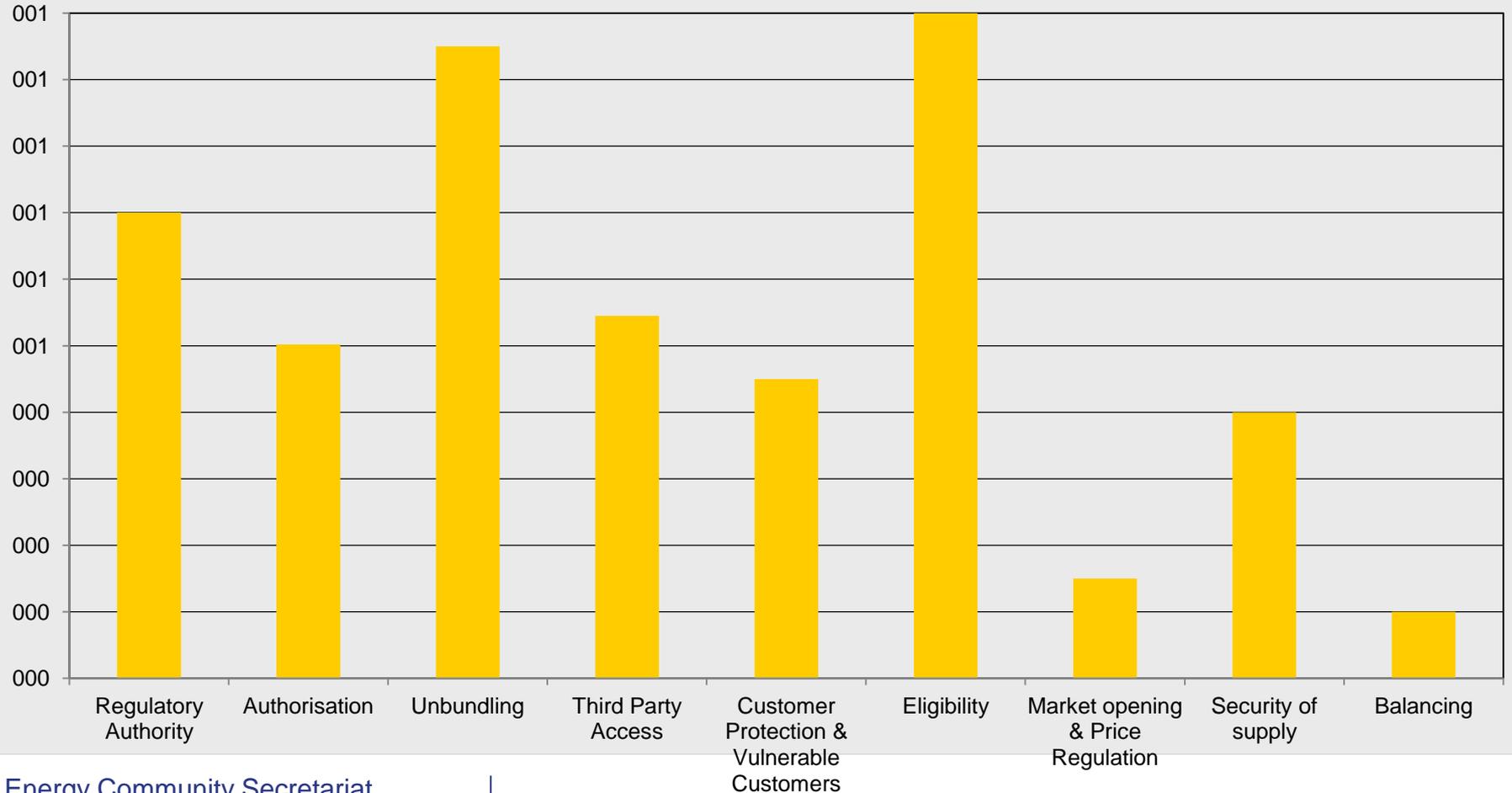
**Demand growth 2012-2013 (%)**



ANNUAL IMPLEMENTATION REPORT  
ENERGY COMMUNITY SECRETARIAT  
1 SEPTEMBER 2015

- The Secretariat has a legal obligation to monitor the implementation of the acquis and submit yearly progress reports to the Energy Community Ministerial Council (Energy Community Treaty Art. 67)
- Secretariat's 2015 report covers period from 1 August 2014 to 1 September 2015
- Report available online - [https://www.energy-community.org/portal/page/portal/ENC\\_HOME/DOCS/3842305/EnC\\_IR2015\\_WEB.pdf](https://www.energy-community.org/portal/page/portal/ENC_HOME/DOCS/3842305/EnC_IR2015_WEB.pdf)
- ECS reports on the gas acquis implementation per Contracting Party and per elements of the acquis

# Transposition of gas acquis/graphical interpretation



## *Third package is advancing – aligning with the EU*



***Third package (Directive 2009/73, Regulation 715/2009) deadline 1.1.2015.***

***Serbia adopted a 3P compliant law in December 2014***

***Ukraine: the draft law prepared with the ECS and adopted and enforced in May 2015***

***Albania, Montenegro adopted laws in 2015***

***Kosovo\*, – advanced their 3P draft laws, Moldova has received a draft gas law prepared by ECS – work in progress***

***fYRoM - a draft law shared by ECS in autumn 2015***

***BH - long standing dispute (2nd package)***



- **3rd package implementation; assistance in drafting secondary legislation**
- **Network Code implementation**
  1. **Capacity allocation / congestion management**
  2. **Balancing Code**
  3. **Interoperability Code**
    - Adapted drafts to be prepared by ECS
    - to be adopted by the Energy Community
- **Regulation 994/2010 – participation in the public consultation; involvement of the EnC in the revised Regulation**
- **Gas market integration initiatives (GRI) participation**
- **CESEC initiative**



## **Dispute settlement cases: upon a complaint or upon the ECS's own initiative**

- Recent disputes against Serbia and Bosnia and Herzegovina were brought to Ministerial Council

## **Certification of TSOs; TPA Exemption for new interconnectors:**

- Issuing ECS opinions
- TAP is in the process of certification



- ***Cooperation with ACER***
- ***Gas regional integration initiatives (GRI) under ACER's umbrella***
- ***CESEC initiative***
- ***Market integration study***
- ***ENTSOG – inclusion of TSOs from CPs***
- ***TYNDP***
- ***Common understanding for NC***

Energy Community Treaty – articles from Title III and IV; also on SoS Statements

Directive 2009/73 - Safeguard Measures, Monitoring of Security of Supply

Directive 2004/67 - binding acquis (from 31 Dec 2009)

Guidelines for SoS Statements

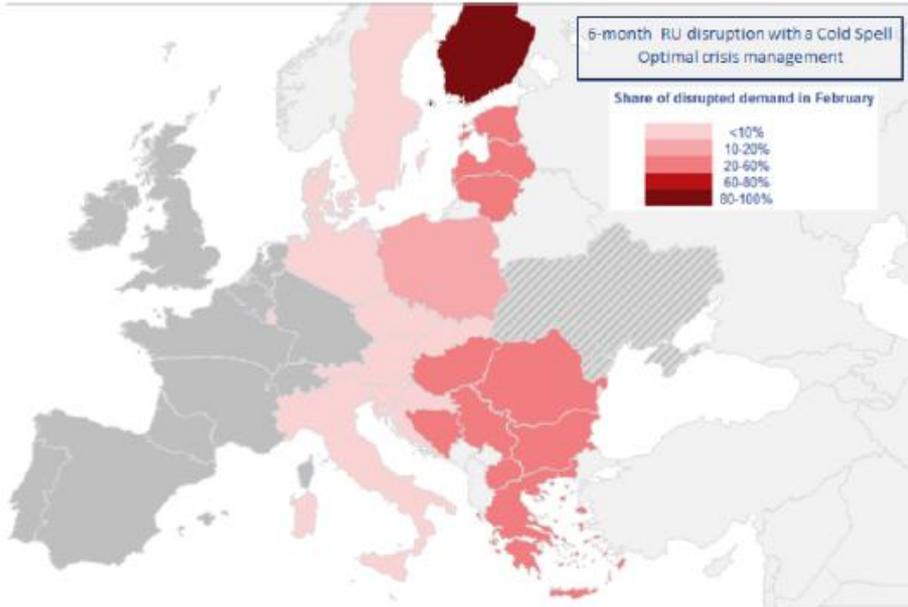
EnC: Security of supply Coordination group for gas

The Secretariat is member of the Gas Coordination Group

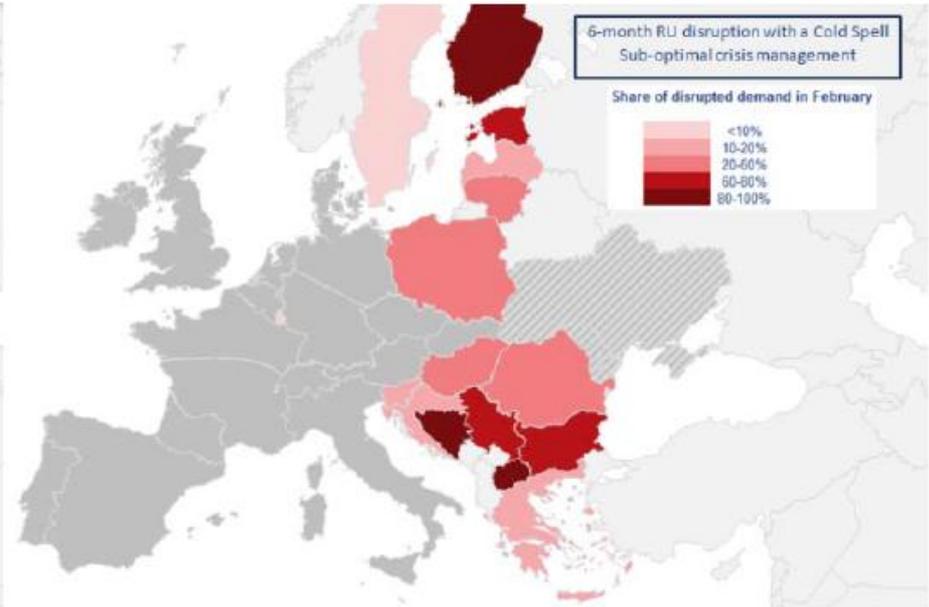
# 2014: Stress test and a disruption of Russian supplies via Ukraine

Stress test 2014 → high vulnerability of the region in case of Russian supply disruption

*Cooperative Scenario*



*Non-cooperative scenario*

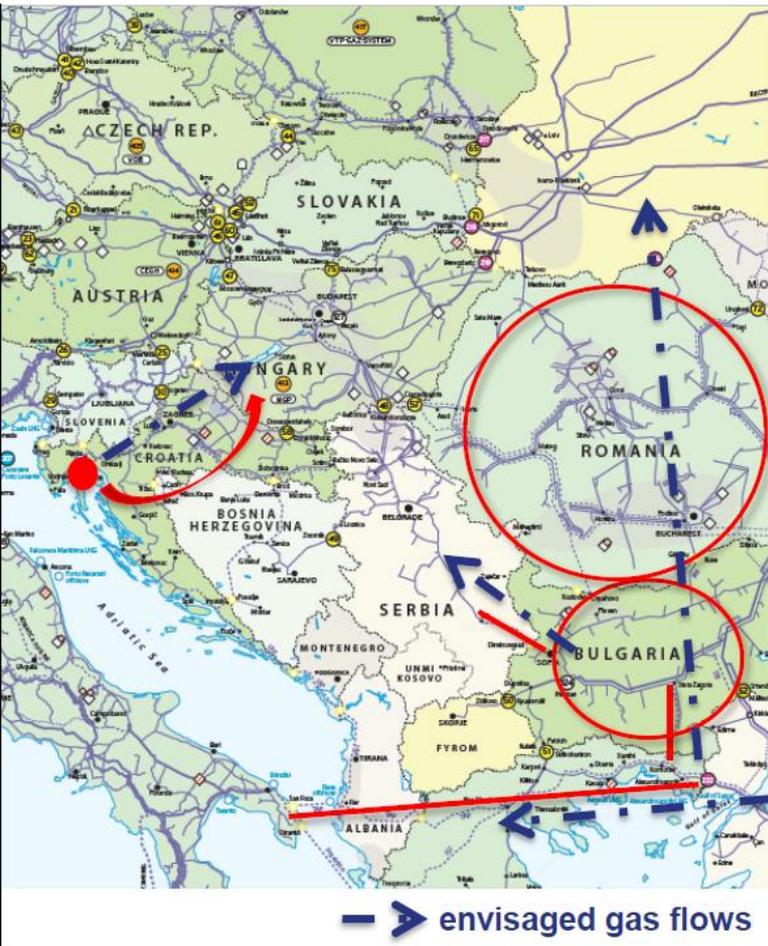


Source: ENTSOG

Create a fully operational framework for security of gas supply based on revised Regulation 994/2010 by:

- covering cross-border cooperation between Member States and the Contracting Parties
- Contracting Parties to be involved in the process - a Joint act on SoS adopted by Ministerial Council in 2015
- EnC to be a part of the EU legal act for the first time
- an ambitious process: revision and adaptation of the Regulation for the EnC

# CESEC – missing infrastructure and market elements for security of supply



- Based on the same 2014 stress test: **6 priority projects** to increase SoS via strengthened interconnection
  - TAP
  - Interconnector GR-BG (IGB)
  - Interconnector BG-SRB
  - System reinforcement BG
  - System reinforcement ROM
  - LNG Terminal HR
  - LNG evacuation system towards HU
- **MoU signed in July 2015**
  - EU | AL | AT | BG | FYROM | GR | HR | HU | IT | ROM | SI | SK | SRB | UA

**ECS to monitor and facilitate CESEC – list of measures**

***Adoption of the gas law constitutes a big leap forward for Ukraine (and beyond)***

***The EnC Secretariat drafted Gas Law (April 2014) and assisted in development of secondary legislation and implement an effective unbundling model***

***Ukraine consults case law of the EnC and:***

- Develop licensing conditions, PSO decrees, general rules on supply and rules on supplier of last resort upon consultation with the ECS***
- notify the ECS about regional cooperation, emergency measures and SoS action plan***
- ECS shall issue an opinion for TSO certification and TPA exemptions for new infrastructure***

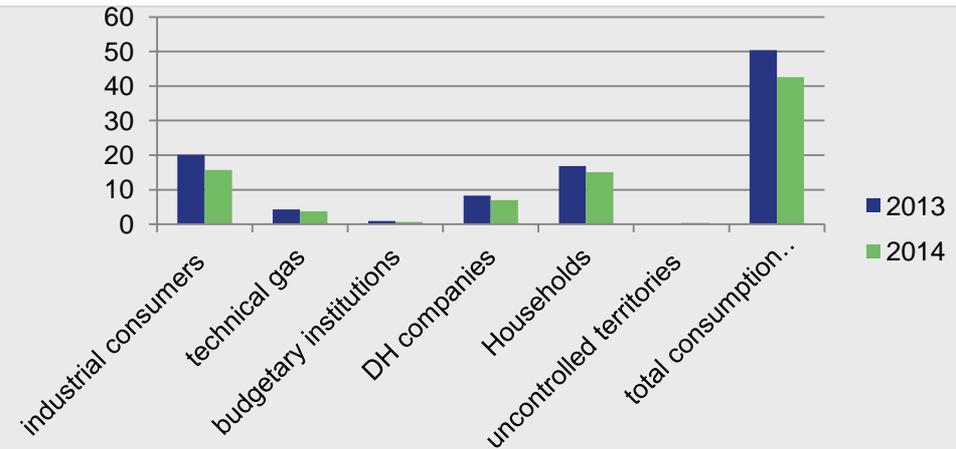
***Ukraine disputed: Gas transit and supply contracts with Gazprom and the Nord Stream 2 project***

# Ukraine – gas supply diversification and consumption

## Source-Naftogaz

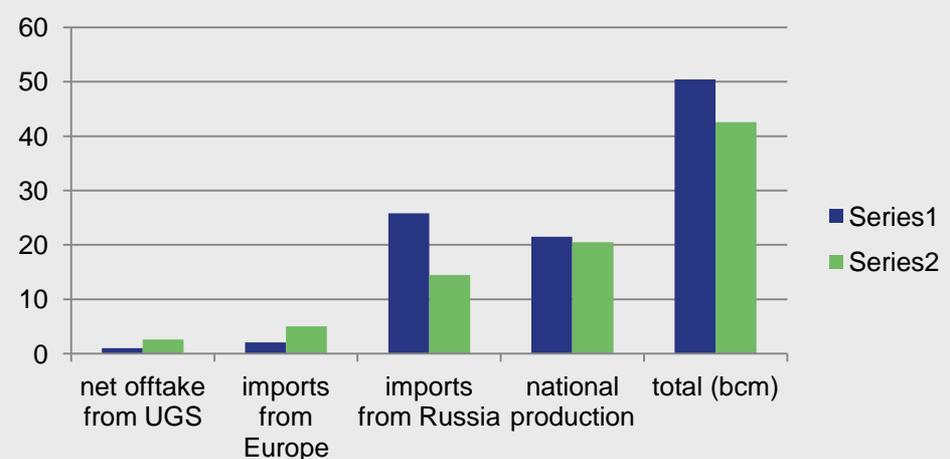
### Gas consumption in Ukr

	2013	2014
industrial consumers	20,1	15,7
technical gas	4,3	3,7
budgetary institutions	0,9	0,7
DH companies	8,3	7
households	16,8	15,1
uncontrolled territories	0	0,4
total consumption (bcm)	50,4	42,6

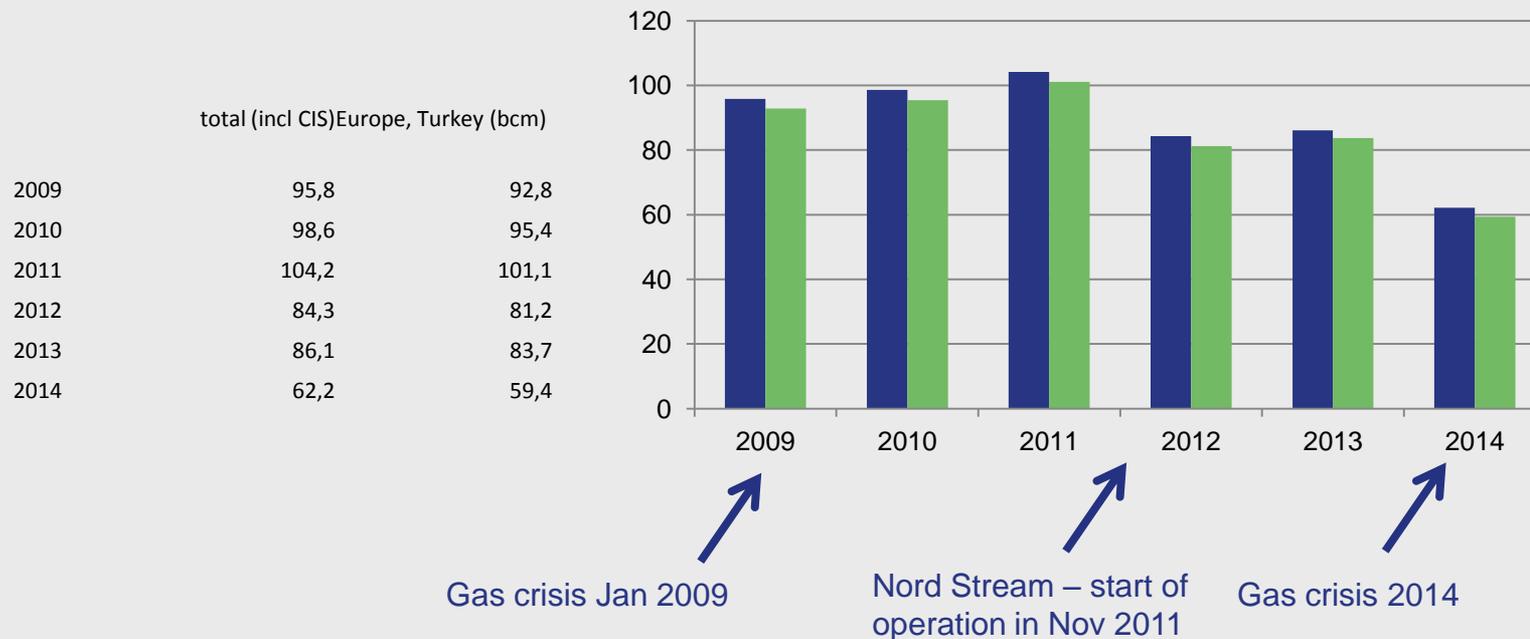


### Gas by sources

	2013	2014
net offtake from UGS	1	2,6
imports from Europe	2,1	5
imports from Russia	25,8	14,5
national production	21,5	20,5
total (bcm)	50,4	42,6



# Transit via Ukraine



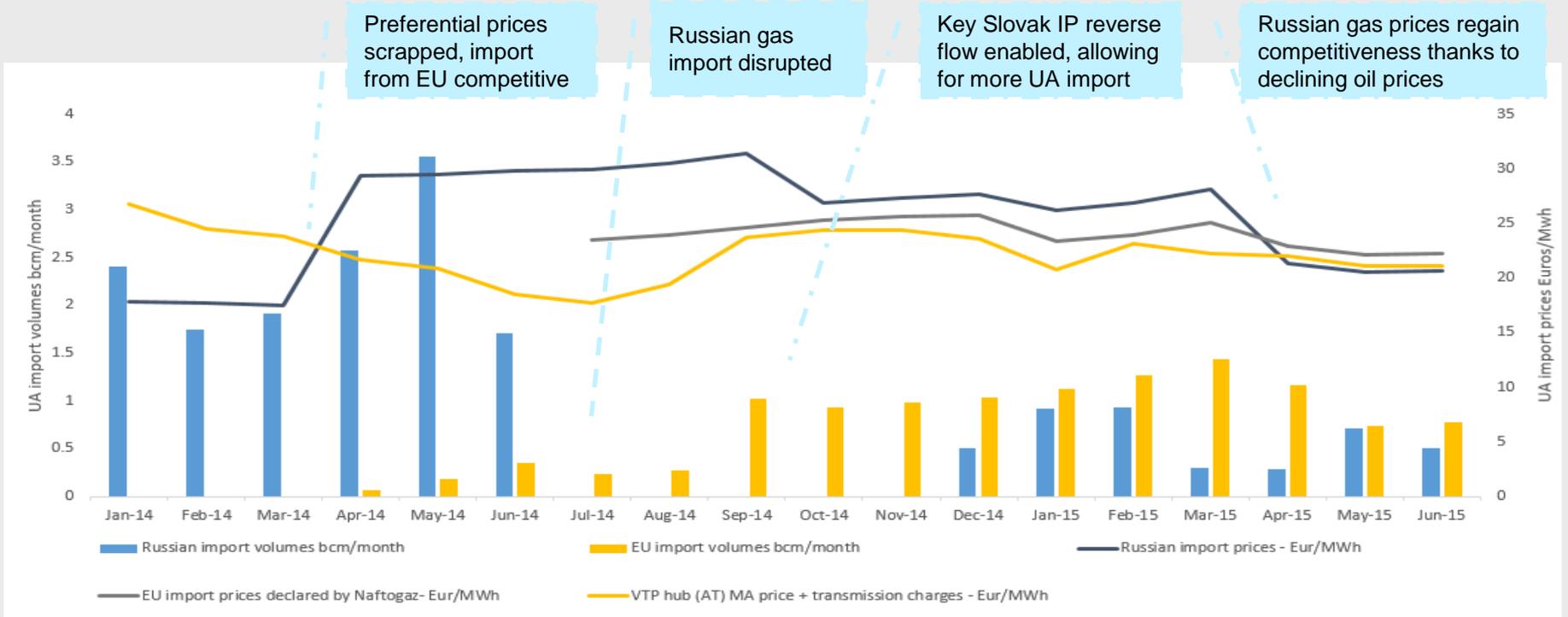
# Average prices and quantities supplied to Ukraine in winter 2014/2015



Month	Total Imports, bcm	From Russia, bcm	From Europe, bcm
July '14	0.21	0.00	0.21
August '14	0.34	0.00	0.34
September '14	0.95	0.00	0.95
October '14	0.88	0.00	0.88
November '14	0.93	0.00	0.93
December '14	1.51	0.52	1.00
January '15	1.97	0.92	1.05
February '15	2.11	0.93	1.19
March '15	1.63	0.30	1.33
<b>Total</b>	<b>10.54</b>	<b>2.67</b>	<b>7.87</b>

	Average import price from all directions, including transport to Ukrainian border, US\$/tcm	Average import price from Europe, including transport to Ukrainian border, US\$/tcm	Average contractual price in Europe, at the delivery point, US\$/tcm
<b>3Q14</b>	353	353	348
<b>4Q14</b>	360	355	346
<b>1Q15</b>	315	301	293

# Ukraine gas imports (bcm/month) and estimated Ukrainian gas import prices



## **Directive 2009/73/EC**

- Definitions
- Main principles and responsibilities
- Unbundling of transmission and supply – TSO, ISO models; certification
- Role, tasks, responsibilities, independence, power of Regulatory authority in gas sector
- Unbundling of DSO, UGSSO, LNGSO
- General rules of access to infrastructure
- Regional cooperation
- Supply / general and specific rules
- As adapted by the Ministerial Council – role and tasks of the Secretariat (PSO, certification, exemptions for new infrastructure)

## **Directive 2004/67/EC + Regulation 994/2010**

- Monitoring of security of supply and reporting
- Security of supply measures / tasks and responsibilities / Risk Assessment
- National Plan of actions in emergency

## **Regulation (EC) 715/2009**

- Basic principles of capacity allocation, congestion management, balancing, regional cooperation
- Further development of secondary legislation – network codes required

*Entered into force on 1 October 2015*

# Secondary gas legislation

Public Service Obligation Decree	Tendering procedure for Supplier of Last Resort	Certification rules
Supply Rules	Standard gas supply contract (households and SoLR)	Compliance programme (for TSO, for SSO)
Security of Supply Rules	Standard access contract (transmission, storage, distribution)	Compliance officer contract
National Action Plan	Order for protection of vulnerable customers	Methodology for connection fee
Transmission System Code	Entry-exit transmission tariff methodology	NRA Dispute Resolution Rules
Storage System Code	Storage tariff methodology	Licensing Conditions and Forms
Distribution System Code	Distribution tariff methodology	
Criteria for access to storages		
Decree on mandatory reserves		

The background is a satellite-style image of the Earth at night, showing city lights. Overlaid on this are numerous glowing blue lines that represent energy transmission paths, connecting various points across the globe.

*Thank you  
for your attention!*

[www.energy-community.org](http://www.energy-community.org)