



Republic of Poland
Ministry of Foreign Affairs

Regional market integration as a step towards EU energy market integration

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Małgorzata Kałużyńska

**Director
Department of the European Union Economics,
Ministry of Foreign Affairs of the Republic of Poland**



Why to integrate gas markets at the regional level?

– a step towards internal EU gas market

- **DIRECTIVE 2009/73/EC concerning common rules for the internal market in natural gas:**

- **Art. 6 – Regional solidarity**

- **Art. 7- Promotion of regional cooperation**

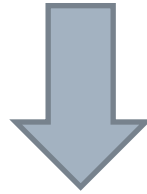
Member States as well as the regulatory authorities shall cooperate with each other for the purpose of integrating their national markets at one and more regional levels, as a first step towards the creation of a fully liberalised internal market.

The geographical areas covered by such regional cooperation shall include cooperation in geographical areas as defined in accordance with Article 12(3) of Regulation (EC) No 715/2009. Such cooperation may cover other geographical areas.



I. Need for physical integration in the region

Development of a key infrastructure within a North-South axis is a key prerequisite for both – providing energy security and market development in the countries of the region;




North South Gas Corridor in Central Europe as a flagship product of the regional cooperation (V4+)

GOAL: diminishing import dependency on one supply source (Russian gas)



II. Need for diversified gas supplies – what after the failure of the Nabucco West project ...?

LNG terminal Świnoujście
Capacity: 5 bcm/year
Date of completion – 2015
Scalability: up to 7.5 bcm/year



Only one diversifying project in the region currently under construction
→providing access to the global LNG market
→coordinated position of the countries of the region towards potential suppliers

SHALE GAS
Capacity: 1 bcm/year
Date of completion – 2015 onwards?
Scalability: under assessment



III. Need for market integration

Why to further integrate V4 gas markets?

Exploitation of emerging opportunities

- Cheaper gas available in Western Europe
- Liberalisation of gas capacity markets (Network Codes)
- Indigenous gas resources (shale gas)

Sharing risks

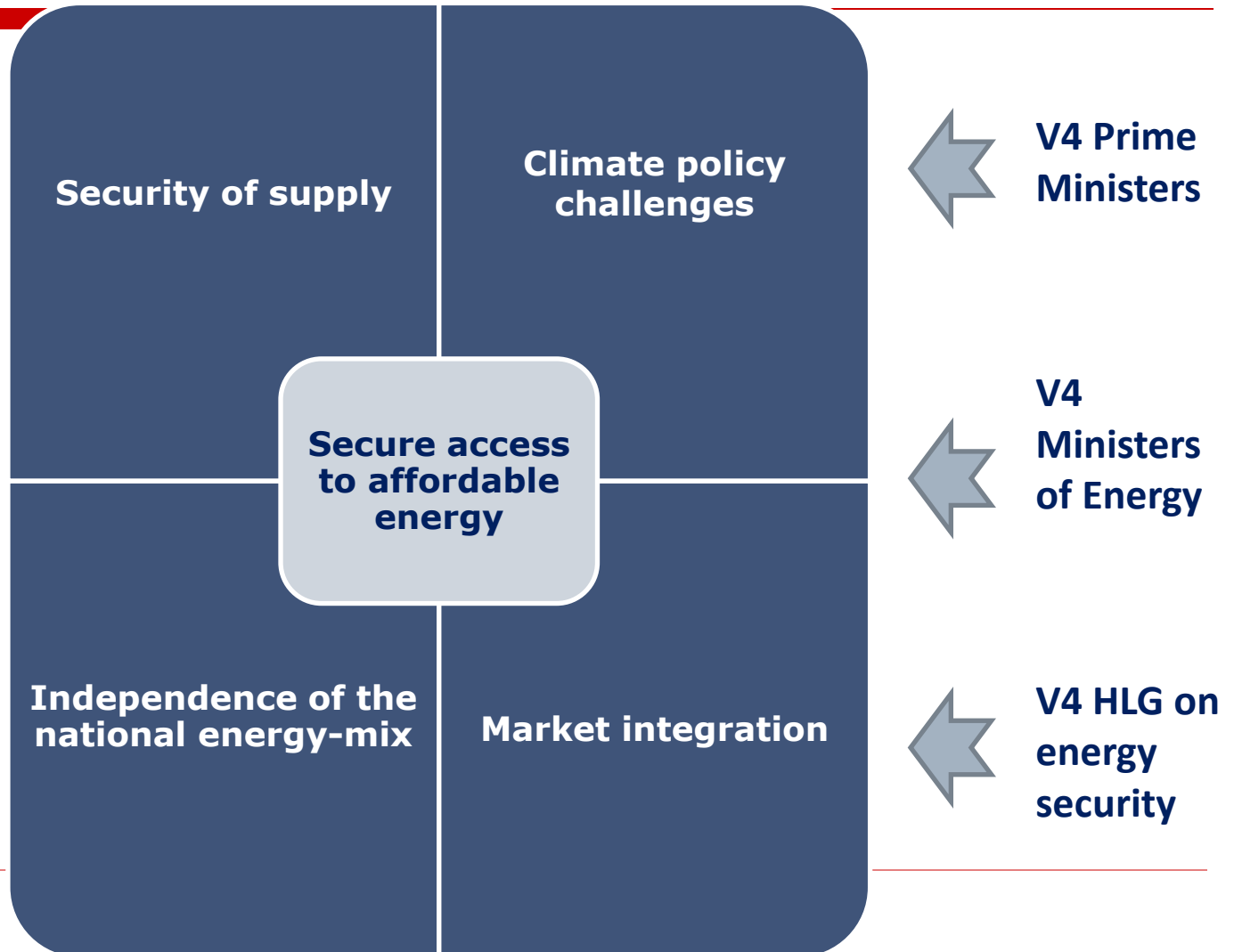
- Efficient implementation of Third Energy Package - reforming national gas markets
- Further reduction of vulnerability to supply disruptions (geopolitical and commercial risks)

Attracting investors

- Boost in investments due to liquid and competitive market
- Prospects for growing demand for gas



V4 as an example of an efficient platform for energy cooperation





Polish V4 Presidency JUL 2012- JUN 2013 – exploring the potential for creation of the functioning regional gas market

REGIONAL V4 GAS MARKET

Trigger the debate on:

- future absorption potential
- existing regulatory barriers
- market-orientated trade mechanisms to be applied

- ✓ regional virtual trading point?
- ✓ common balancing zone?
- ✓ harmonised transmission products?
- ✓ regional gas exchange?

- **Physically interconnected regional gas market**
- **Diversified gas sources**



Road Map towards the V4 regional gas market, endorsed by V4 Prime Ministers on 16 June 2013

I. Physical integration of the Visegrad region

→ indispensable and fundamental for the credibility of any further integration plans in the V4 region;

II. Market design for the Visegrad region

→ avoiding active market integration would be detrimental for the development of the liberalised gas market in the region;

→ a stepwise, self-learning and open-ended rather than fixed approach to the process (no regret option for the V4);

→ to streamline the cooperation regarding the enforcement of the EU Network Codes;

with regard to high level market models considered for the integration of V4 region TSOs are invited to perform an operational study evaluating the feasibility of multi-coupled market zones model in the V4 region. The operational study shall include analysis of legal and technical prerequisites, preliminary requirements for its implementation as well as resulting costs and benefits;



Road Map towards the V4 regional gas market

III. Institutional framework for the process

→ newly established V4 Forum for Gas Market Integration shall provide political support and coordination among ministries, national regulatory authorities and also transmission system operators and shall navigate the regulatory harmonisation;

V4 Ministries of Energy, NRAs, TSOs

IV. External dimension of the V4 gas market integration

→ readiness to extend the framework of the V4 cooperation;

V4 regional gas market project



**A POLITICAL INITIATIVE BUT SHALL BE FULLY CONSISTENT WITH
BUSINESS INTERESTS AND COMPANIES' STRATEGIES**



Cooperation in electricity sector: market coupling

5M Market Coupling project (5M MC):

- September 2012: CZ, SK, HU introduced an ATC-based day-ahead market coupling (CZ-SK-HU MC)
 - June 2013: CZ, SK, HU, PL and RO signed MoU on Cooperation Leading to the Accession of RO and PL to the Czech-Slovak-Hungarian Market Coupling
 - RO and PL joined the project in order to benefit from the integration and to contribute to the development of the single European Internal Electricity Market (RO in the first phase, PL in the second phase)
 - Coupling the national electricity markets based on the target model – Single Price Market Coupling (day-ahead electricity trading and implicit cross-border transmission capacity allocation) should:
 - ✓ **bring a harmonised approach to market organisation**
 - ✓ **allow more effective use of cross-border transmission capacities**
 - ✓ **stimulate competition**
 - ✓ **more stable and convergent electricity wholesale prices and market liquidity**
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Next steps

- **Electricity: 5M MC+?**
- **Gas:**
 - **Implementation of the key gas projects for the region (2017/2018)** – necessary for the credibility of the any market integration plans
 - **Implementation of the Road Map – to be continued under the Hungarian V4 Presidency**
 - which market design for the V4?
 - when to take the final decision?
 - **V4 Forum for Gas Market Integration – to navigate the implementation of the Road Map (ministries, regulators, TSOs)**
 - decision by V4 energy ministers on next steps expected in June 2014

Thank you for your attention



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