

Conclusions for the ECSEE Gas Meeting on the 28 September 2004, Zagreb

The participants welcomed the initiative of the Croatian host to hold a gas specific meeting and stressed the point that the Athens Forum needs to focus on gas issues as well.

The participants acknowledged that the Athens Forum already has a very charged time schedule due to the many elements to be discussed and cannot consider the challenges of gas at the same time from an operational perspective, especially as participants are not the same in most cases. In addition it was stressed that the issues of gas regulation (or solutions envisaged) are often different to the one of electricity, due to the nature of natural gas and that the issues tend to get mixed up when not dealt with separately. The EC invited all participants to give gas specific input to the discussion note on the way forward strategy, presented in the Athens Energy Week in June 2004.

- The main challenges identified with respect to the creation of the gas market are
 - Distribution company restructuring or expansion
 - Demand security on the share of gas use as primary energy (low level of gasification and the cost of import gas)
 - Right stable legal framework to incentivise efficient grid use and new investments (tariff systems, restructuring, unbundling, TPA,..), especially for extending distribution network
 - To take into account regional aspects (long haul transportation, LNG) and security of supply, given the high number of jurisdictions
 - The participants suggested that the Commission should set up working groups and they should report on progress at the next gas meeting - one working group on Gas Infrastructure Financing (EC, IFIs, companies-industry associations, and commercial banks by invitation) and one on long-distance transmission regulation, including inter-TSO co-operation (EC, Regulators - TSOs by invitation).
- The World Bank introduced to the objectives of its gas study and the scope of work (gas demand forecast and economics of gas use) that it will launch probably in the beginning of 2005. All participants, especially GTE, were invited to give input to the ToR until the next meeting. The World Bank stressed that input of all participants is required to make the study a success. The World Bank is considering setting up an APL fund for gas projects (likely around 500 mio\$- 1 bio \$) similarly to the one operational for electricity projects. The World Bank stressed that all applicants have to be on track with respect to their commitments resulting from the Athens Memoranda and the Treaty in order to benefit from APL funds. The EC pointed out that substantial work in the monitoring process will be done by the ECSEE Secretariat.
- The EBRD mentioned that it is also active in the field of gas downstream projects, however there might be scope for more activity. The EBRD presented its activities and stressed the importance of the involvement of all interested parties, namely industry to make projects a success. The EBRD supports to have a separate Forum dedicated on gas

issues and stressed that the legal framework has to be clear for investors to judge whether an investment should be made over the whole period of cost recovery, so there should be provisions in the treaty that the relevant provisions should apply also after the treaty is phased out.

- The participants welcomed the presentation of CEER-SEEER WG (Gas Task Force) on the current status quo of market structure and regulation in the region, which was based on a draft report CEER-SEEER is producing.
- The participants welcomed the presentation of EFET on industry reform challenges as well as the presentation of GTE pointing out current infrastructure investments under consideration.
- The participants agreed to send comments with respect to gas arising from the Consultation and Discussion Note (available from EC DGTREN C-2), issued on June 3-4 in Athens, by October 15. The CEER-SEEER was invited to propose the terms of reference of a document to serve as a basis for a regional market model after a transition period at the next meeting. GTE and EFET are welcomed to contribute. GTE was invited to draft a report identifying possible barriers to new investments in the region, taking into account EFET input, until the next meeting. The EC was invited to make a benchmark analysis on TSO unbundling efforts in the region until the next meeting.
- The participants recommend the set up of a formal discussion Forum for gas, similarly to the precedents of Florence (electricity) and Madrid (gas).
- The next meeting of the gas group, according to the conclusions of the 8th Permanent High Level Group (PHLG), will be held in Turkey before the end of the year. Most participants argued that it should be a fully fledged Gas Forum. All participants invited the EC to address this issue at the Permanent High Level Group.
- Upon the initiative of Bosnia-Herzegovina (BiH) the participants invited BiH to prepare a discussion paper on technical harmonisation and interoperability to be presented at the next meeting. The EC, Easeegas and DVGW will be invited to a specific meeting to give input to the report.