

## **Enhancing the dimensions of the integrated European natural gas market to consolidate competition in the global market**

Enrique Locutura

*Past President of Eurogas<sup>67</sup>, CEO Gas Natural SDG s.a., Spain*

One of the effects of globalization is to introduce global competition which is in turn facilitated by the easy transmission of information, funds, goods and services.

The energy market is confronted with this change and Europe is experiencing increased competition in the field of energy with other economies, some of which have considerable populations and rapid growth rates. In this scenario, the size of the European Internal Market is a strengthening factor together with an appropriate increase of the logistic and geo-political means capable of securing the primary energy supply.

The on-going action, namely the creation of a fully operational internal gas market in which fair competition prevails, also promotes the side effect of consolidating and increasing the strength of the European market. This will reinforce the ability to compete in the global market of energy supply and trading. In this global market, competition is growing and becoming more and more fierce as the booming price of oil seems to confirm these days. At the same time, the revision of the rules of the internal market sets new challenges aimed at changing the structure of vertically integrated companies as a consequence of the opening of the utilities market.

---

67 Eurogas is the European Union of the Natural Gas Industry representing the European natural gas companies and national federations of 21 countries towards the EU, all other relevant international institutions and stakeholders.

Avenue Palmerston 4, B-1000 Brussels, Tel: +32.(02).237.11.11, E-mail: [eurogas@eurogas.org](mailto:eurogas@eurogas.org)  
web site: [www.eurogas.org](http://www.eurogas.org)

Together with the expected positive effects of the new regulation, the members of EUROGAS have also voiced concerns related to the consequences that unbalanced or excessive regulation could have on the ability to attract the investments. Investments are essential to secure an adequate level of gas supply to match the expected increase in demand and to maintain the current level of security of supply.

In spite of the challenges that will be discussed here, the members of EUROGAS recognise that the implementation of a more integrated and open market that responds in an efficient manner to the present and future demand is an aim that is necessary and worthy to be pursued.

## **1. Present situation**

Members of EUROGAS are involved in the supply, trading and distribution of natural gas in the European market and related activities such as storage and Liquefied Natural Gas. The action of the members is based on the three following fundamentals: Sustainability, Internal Market and Security of Supply.

Experience over recent years has shown a considerable degree of opening-up of EU trade: more than half of the gas crosses one or more national EU borders before final consumption. The industry itself is constantly adapting and a number of gas companies now operate at European level through cross-border sales and contracts. Major restructuring (including acquisitions and mergers) is taking place, allowing European industry to adapt successfully to new global and single market requirements.

### **1.1. Demand and supply in Europe**

The analysis of the following tables, restricted to the data related to the only 15 members of the EU before enlargement, leads to conclusions worth to point out.

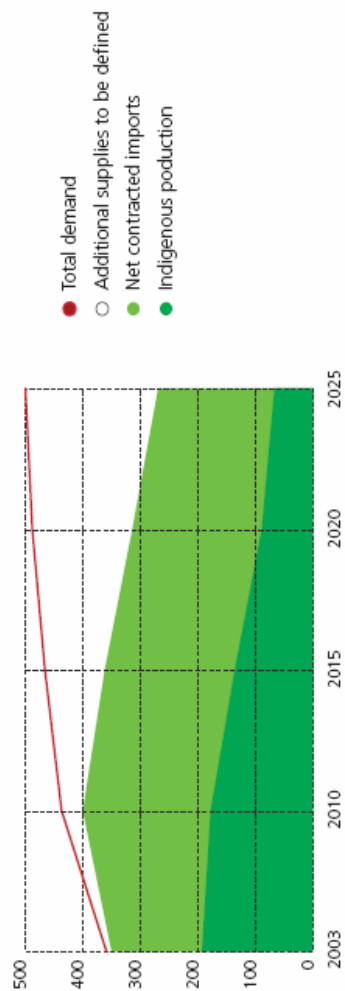
## Natural Gas demand and supply outlook to 2025

### Eurogas long-term Natural Gas demand & supply outlook / EU15

YEAR	2003	2010	2015	2020	2025
Total demand	355	436	466	488	500
Indigenous production	193	178	136	89	67
Net contracted imports	157	222	226	225	202
Additional supplies to be defined	9	37	104	174	231
Share of Natural Gas in PEC	23.2%	25.1%	26.8%	27.9%	28.5%

MTDE (Million Tonnes of Oil Equivalent). 1 MTDE = 41.66 PJ (NCV).

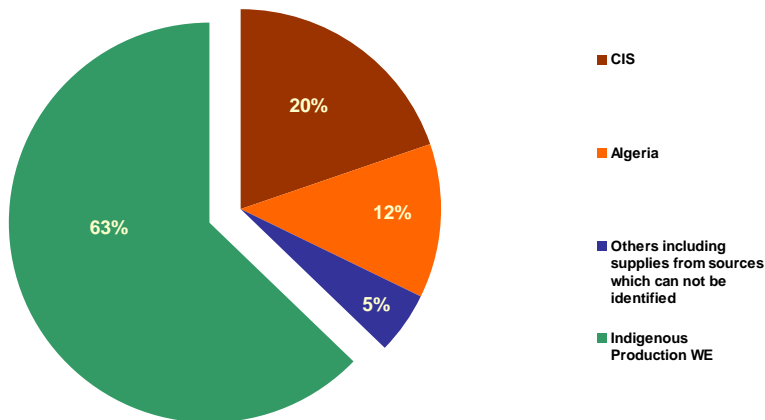
### EU15 Natural Gas demand & supply outlook 2003-2025



We can easily see that, while mentioning we can expect demand will grow to an estimated 500Mtoe by 2025, there is a substantial part of the expected demand that should be covered by new additional supplies coming, likely, from sources outside Europe. The ratio of this part of the supply in relation with the total demand is expected to be 8% in 2010, 22% in 2015 and 46% in 2020.

## 1.2. The Sources

The largest proportion of European gas demand is still covered by indigenous sources, in particular from The Netherlands, the UK and Norway. However, non-European sources will undoubtedly play a growing role in the coming decades, mainly Russia and Algeria. Other regions, such as North Africa, the Caspian Sea and Arabian Gulf, are also expected to take on a greater role. An overview shows the breakdown of the origin of the gas supplied to Europe in 2003.



Considering the origin of gas and its trade, 60% of gas crosses at least one border. Unlike other markets, in Europe the transmission chain often involves more than one operator mainly in the case of imports. The present unbundled situation plus the number of operators managing the transit chain is a factor in the specific complexity of gas logistics within Europe.

### 1.3. The Reserves

*Definition of World Gas and Oil Reserves by region, 2003*



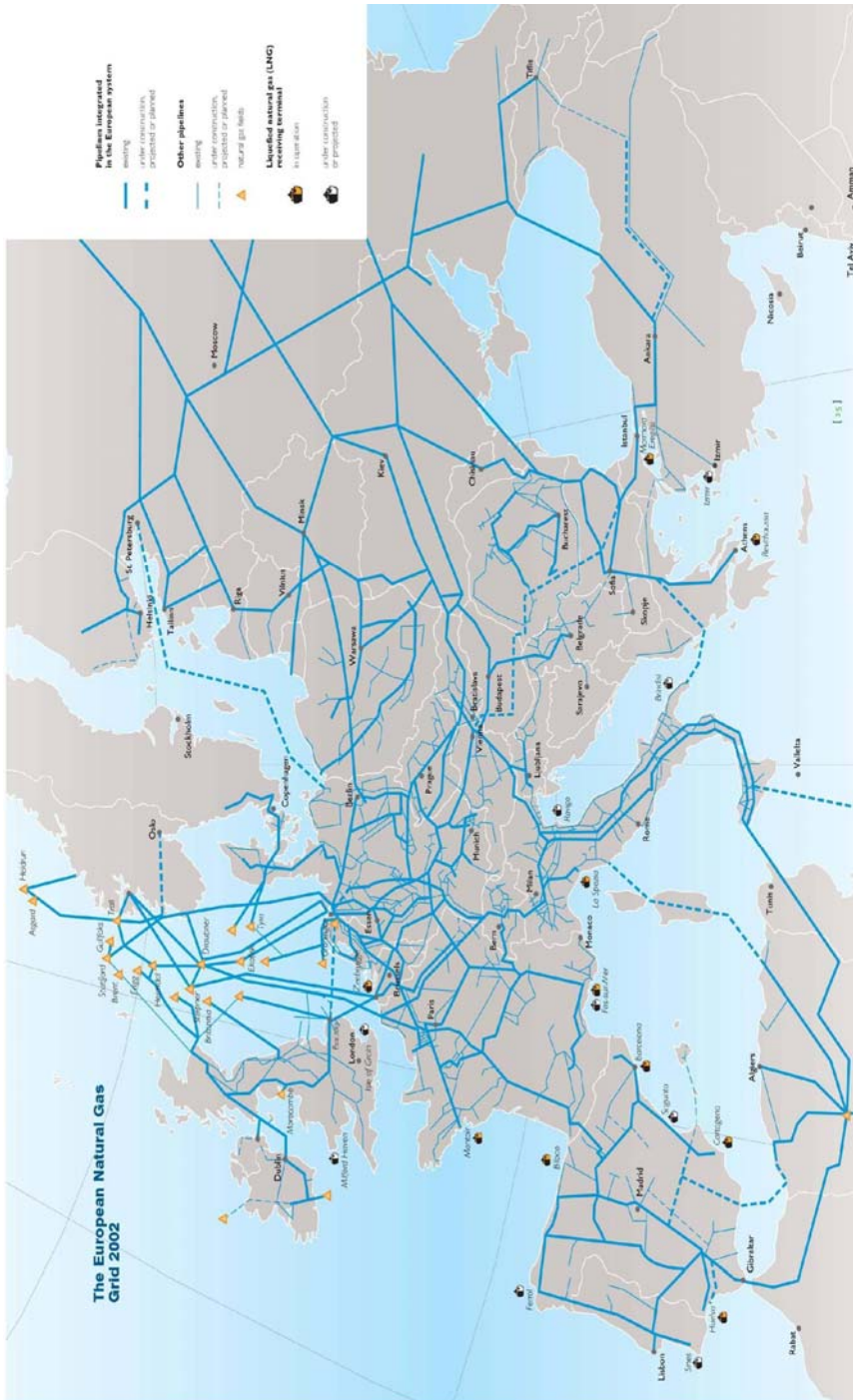
Source : BP

The above graph shows that Europe is in a favourable position due the vicinity with Former Soviet Union and Middle East, which have in total more than 2/3 of the total natural gas reserves.

Despite high rates of increase in natural gas consumption most regional reserves-to-production ratios have remained high. Worldwide, the reserves-to-production ratio is estimated at 60.7 years. Central and South America has a reserves-to-production ratio of 68.8 years, the Former Soviet Union 75.5 years, and Africa 88.9 years. The Middle East’s ratio exceeds 100 years.

### 1.4. Transport infrastructures

The transportation of gas from the source to the consumer market is made via pipeline networks and liquefied natural gas [LNG] carriers. The share between the two is 86% for pipelines and 14% for LNG. In January 2004, the total length of the transportation pipelines for Europe was 220,000 km, while the total length of distribution pipelines amounted to 1,630,000 km.



Liquefi

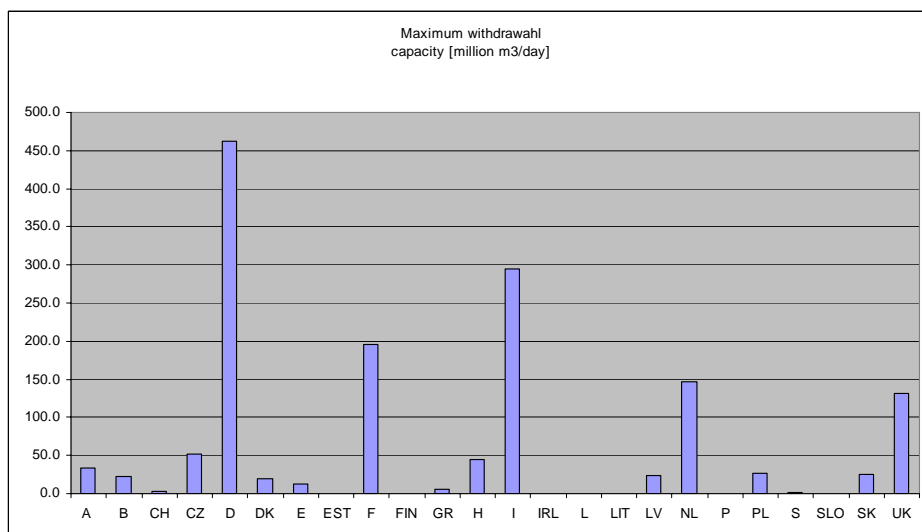
ed natural gas plays an increasingly important role in carrying the gas from its source in a more flexible way. Due to its intrinsic characteristics, LNG could be considered to mitigate the consequence of a potential failure in the pipeline system or to accommodate unexpected peaks in demand.

A study published in 2001 pointed out that the operating costs of a feasible pipeline from Middle East to Europe, estimated at \$1.9/MMBTU, are comparable with the operating costs of transportation of gas from Middle East to Japan via LNG. The paper, in fact, has indicated total costs of about \$1.9 to 2.4 / MMBTU for liquefaction, transportation to Japan and re-gasification, the cost at wellhead being considered the same in both cases. LNG transport, however, avoids permits and transit fees associated to pipeline transport. Currently, an important amount of LNG comes from the Middle East to Europe in competitive conditions compared with gas pipelines, which confirms the potential for competition between the two means of transport.

Storage plays a fundamental role in shaving the peaks of demand and in mitigating crisis situations.

Its presence is not equally distributed in Europe and this fact calls for procedures and operations to export this flexibility means from one country to another.

The distribution of the maximum withdrawal capacity [million m<sup>3</sup>/day] between the EU25 countries for the year 2003 was as follows:



### **1.5. Matching the demand and the new regulation of the internal market**

The second Gas Directive 2003/55/EC establishes the framework for opening the market, endorsing “public service obligation” and accessing the transportation and distribution facilities. In particular, with regard to meeting the demand for gas, the Directive encourages competition among the suppliers and opens the market to consumers from July 2004 and to residential consumers from July 2007. Ultimately, the second gas directive aims at enabling customers to benefit in terms of more competitive prices and better services.

Legal unbundling of networks from supply and trade activities gives new suppliers more confidence that they can compete on fair terms with companies who own networks.

Similarly, the introduction of a regulated form of access to networks, should enhance the transparency and non-discriminatory aspects of the regime governing access to the networks.

More emphasis is also placed on the powers of national regulators who are to oversee the markets.

In the view of Eurogas members, the Directive’s adoption puts in place a sound basis for the development of the internal market in gas. As a consequence of its adoption, the companies have confronted the challenges of the organizational and structural changes, responding to market dynamics already stimulated by the initial market opening legislation and now accelerating as the impact of the second Directive takes effect. Because supply and trading are essentially commercial, market driven activities, then policy makers should respect these boundaries.

During the implementation process, the policy makers are expected to consider that the business legal framework should provide the incentives for the huge investments that will be needed to cope with the forecasted growth in the gas market. At the same time, competition and the legal unbundling created flexibility but require enhanced co-operation. This required increasing co-operation producing a relevant impact in the structure of the gas companies and in managerial criteria that are being rapidly adjusted.

## 2. Security of Supply

Integrated gas companies incorporated the concept of security of supply in their commercial policy, by adopting stringent criteria, often in co-operation with national Governments and implementing a range of instruments providing flexibility along the supply chain.

To ensure security of supply to all consumers, the gas industry is using and developing a combination of legal, economic and technical instruments, including: a balanced portfolio of long-term purchase contracts and shorter-term, more flexible tools, mutual assistance agreements, interruptible sales contracts with specific customers, major investments in trans-European and extra- EU transmission networks, LNG terminal and transport facilities and finally underground storage. The gas industry has been supplying gas with excellent records of security. The importance of the security of supply for both civil and industrial consumption encouraged the European Council to promulgate the directive 2004/67 dated April 26<sup>th</sup> 2004, concerning measures to safeguard the security of natural gas supplies.

The directive has the scope of “establishing measures to safeguard an adequate level for the security of gas supplies. These measures also contribute to the proper functioning of the internal gas market.” The directive introduces, among others, the definition of ‘long term contract’ and of ‘major disruptions’ as “ a situation where the Community would risk to lose more than 20 % of its gas supply from third countries and the situation at Community level is not likely to be adequately managed with national measures” for ‘more than 8 weeks’.

On the crucial side of access to storage facilities, the provisions of the directive are that:

- Member States may take the appropriate measures in co-operation with another Member State, including bilateral agreements, to achieve the security of supply standards using gas storage facilities located within that other Member State.
- Member States may set or require the industry to set indicative minimum targets for a possible future contribution of storage, either located within or outside the Member State, security of supply.

### **3. Energy efficiency and sustainable development**

Natural gas makes a positive and important contribution to sustainable development in its three dimensions: environment, economic and social.

It must be noted that:

- Natural gas is the cleanest of all fossil fuels
- Natural gas produces virtually no sulphur dioxide on consumption
- Natural gas generally emits lower levels of nitrogen oxides (NO<sub>x</sub>) than other fossil fuels during consumption
- Natural gas combustion produces considerably less carbon dioxide (CO<sub>2</sub>) per unit of energy than other fossil fuels (40-50% less than coal; 25-30% less than oil)
- Methane (the main component of natural gas) emissions are very low and the industry is devoting continuous efforts to minimising and preventing methane emissions and leakages in natural gas chain operations.

Natural gas has also emerged as the preferred fuel for efficient power generation in a number of applications, examples of which are:

- Power generation based on Combined Cycle Gas Turbines
- Combined heat and power generation (often referred to as CHP or Cogeneration)

Conventional power generation is less than 40% efficient with more than 60% of the energy being wasted. Combined Cycle Gas Turbine technology is the most efficient fossil-fuel-based technology available for power generation, currently yielding over 56% efficiency with a fuel saving up to 30% when compared with traditional steam-based systems. Fuel Cell technology is a new development for power generation permitting more than 70% energy efficiency with natural gas.

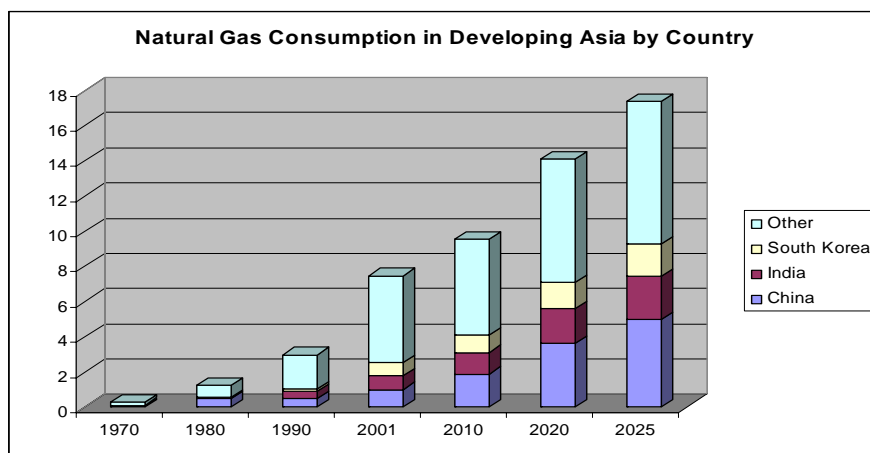
When the production of power and heat based on natural gas is combined, overall energy efficiencies are further increased with up to 85-90% of the primary energy being utilised. Such efficient energy use contributes to reducing energy costs for consumers, the dependency of the EU on energy imports and environmental impacts.

#### 4. Worldwide supply-demand outlook 2010 - 2015 and the expected competition.

Global proven natural gas reserves have been increasing, over the last decade, at a rate exceeding production with most of the increase happening in the developing countries. Reserves of the OECD countries have actually declined. Thus, while there are large quantities of gas in the world, there is a mismatch between the locations of the major gas resource and the locations of the centres of large consumption. In addition, movement of gas on long distances is less flexible than oil requiring lengthy process development and large infrastructure investment.

Europe is importing increasing quantities of gas from far beyond its borders. About half of this increasing quantity is expected to be ‘easily’ available from present suppliers, leaving the remaining part to be further provided from other exporting countries or new entrants. Any of the present suppliers may be able to increase their deliveries, but no one can fill the entire gap. Equally, they may not be able to fully implement their present plans.

Another area of increasing demand for gas is East and South Asia, particularly China and India.



*Source: Energy Information Administration*

The comparison between the trends of consumption in Europe and in developing Asia and Japan, gives the increase of rate of consumption [Europe =100] from ~50% in 2001 to ~65% in 2015.

In the study ‘Economic Foundations for Energy Policy’ published the European Commission Directorate General for Energy Dec 1999, it has been reported that in the future a major part of gas trade of gas will be developed between South-East Asian countries and also from sub-regions from Middle East, Central Asia and East Siberia with India and China. In line with the conclusions of this study and in force of the availability of gas resources, the increase of demand could be accommodated, although the investment and the operational costs for transporting natural gas are increasing due to further distance from sources to the consumption areas. The increasing supply-demand gap, the increasing competition with emerging economic areas and the increasing size of the capital required to satisfy the demand could be the causes of a more fierce competition in the worldwide natural gas market.

## **5. Areas of opportunity, challenges and actions to be taken to meet future needs.**

### **5.1. Gas Supply to Customers and Security of Supply**

Gas supply companies have always given significant policy emphasis to the delivery of high quality services to their customers. In order to compete successfully with other energies and also in gas-to-gas competition, gas companies have placed the interests of their customers at the core of their business by ensuring efficient delivery of safe and secure supply at competitive prices.

In order to meet demand, the position of the members of Eurogas is that it is mainly through competition that consumer welfare is in principle maximised. To the extent, however, that Member states perceive that other measures, including security of supply, environment and social protection measures are additionally required and that there is the possibility to introduce these dispositions in the laws of Member states as transparent public service obligations, within the framework of EU law. The rules related to Services of General Interest should not lead to a distortion of competition.

Long term contracts will remain the backbone of the natural gas supply

structure to Europe. It will stay a win-win formula for security of supply, predictability and investment. The new shape of the market introduces changed perceptions and considerations. Liberalisation erodes the certainties of existing suppliers about the location and scale of their demand. Also, unbundling of the functions of supply and infrastructure will weaken the link between the investment decisions on infrastructure and on new supplies, including the development of new resources. In a fully liberalized gas market, spot gas prices might be de-coupled (positively or negatively) from oil prices.

Spot market indexations will emerge and short-term liquid markets will contribute to security of supply by matching supply and demand as well as allowing the development of financial risk management instruments. In this new market environment, the challenge is to clarify who will take responsibility for the security of supply and how they will establish the necessary level of co-ordinated co-operation, as there are more players with very different objectives:

- Customers
- EU and non-EU producers
- Aggregators/suppliers with a contracted reserve base (i.e. wholesalers, retailers)
- Other suppliers (traders)
- Storage owners
- Transmission System Operators (TSOs) and Distribution System Operators (DSOs)
- Competent authorities and/or national regulators
- Member state governments
- EU authorities

As security of supply is dependent on the weakest link in the physical (and financial) gas chain from production inside and outside the EU to the consumer, security of supply is a shared responsibility of all parties involved. Furthermore, the members of Eurogas consider that, although there is a role for a public policy framework with clearly defined output standards, market instruments should be used to meet the dynamics of security of supply objectives. The starting point should, in principle, be that market participants decide to invest in security of supply because it is in their economic interest to do so.

The investments required are aimed at improving both gas production and

transmission. The availability of sources of energy is not only a technical issue but is also a consequence of geopolitical situations.

The Clingendael report of January 2004, ‘Study on Energy Supply Security and Geopolitics’, made an accurate analysis of the consequences of the evolution of geopolitical scenarios on the future availability of natural gas to the European market. The relevant result of the analysis is the pressure that the developing countries will make on the internal consumption of energy and on the price of the exported energy due to the increase of the population. In addition to this, there is the long tradition of instability of those areas with major reserves of oil & gas.

The two possible scenarios analysed, Regions & Empires and Markets & Institutions, give different perspectives but the advice of the report is that, considering the external energy dependency of the EU and given the internal market, it may be that the EU has no other alternative but to develop a coherent energy security policy that addresses the current asymmetry in exposure among the Member states. A major operational integration of the players in the market could effectively contribute to the answer.

The growing interrelationship between internal energy markets, energy security of supply, foreign relations and the environment, and the long-term consistency of policy making, requires a more and more integral approach of energy matters. In order to determine the vital energy interests of the EU, internal policy co-ordination at the EU level is warranted.

In view of the above discussed topic of security of supply, the challenges that could be deduced are:

- a) investigate and manage
  - a. consistent and co-ordinated EU external policies to secure the primary energy sources
  - b. the identification and determination of the robustness of the EU energy systems.
  - c. the impact of competition on energy as a consequence of the globalisation of the economy and the expected growth of demand in large emerging economic areas and, last but not least, the impact of the growing adoption of LNG technology

- b) reduce the increased operational and financial risk resulting from the fragmentation of the market
- c) investigate and clarify what is the ‘economic interest’ for each of the players and how these ‘economic interests’ interact to ensure that the present good records of security of supply are still maintained.
- d) investigate how the liberalised and more fragmented market brought to the old and new players will impact on security of supply

## **5.2. Logistics systems as component of the security of supply.**

The component of security of supply related to physical transportation infrastructures, including the ones crossing the territories outside Europe, requires specific attention due to the dimensions of the network, as specified above.

Environmental conditions, climate change and the progressive ageing of the transportation infrastructures, are expected to increase the effects of corrosion and structural stresses that, if not prevented and repaired, could induce a reduction of the operational parameters and, as a consequence, reduce capacity.

The critical relevance of those infrastructures could make them targets of malicious co-ordinated attacks to interrupt their functionality. These aspects call for additional investment to increase dependability through monitoring and early warning of failures and leaks, rehabilitation of the critical parts and finally providing investment for the necessary additional capacity in order to secure the necessary level of dependence. Considering the role of gas storage facilities in the logistics chain, investments are expected to provide an adequate level of storage capacity and the mechanism to efficiently exchange flexibility between the operators in case of emergency. The challenge is to tackle all those aspects with the collaboration of the major players.

Although investment in transport infrastructures is in the interest and mission of the transport and storage operators, the members of Eurogas have a specific interest in promoting adequate and dependable transport systems and optimal interoperability with the storage capabilities.

### **5.3. Gas a component of the security of supply of electricity.**

As was reported above, natural gas is becoming a very relevant player in the energy matrix of the European Union. A further important challenge in the area of security of supply is the investigation of the interaction between the markets of gas and electricity, with particular emphasis on the interaction of the two logistic chains and the peak demand seasons of gas and electricity. The problem is particularly relevant with regard to the optimal location of the power plants in order to increase efficiency in the use of the presently available transport infrastructures and with regard to crisis and emergency management. In view of this problem, particular attention should be paid to the domain of decision making and the impact of the decision of one operator on the overall energy business, starting from the moment of decision about investment.

## **6. Building the new Single Market**

Building the new Single Market is of vital importance to the enlargement and consolidation of the European market, making it even more competitive in the global energy market. The process aims at integrating the previously separate national markets into one large single market, in line with steps taken in other European business sectors.

The challenge is to benefit from this on-going process to make more efficient the use of the present infrastructures and the decisions taken for their necessary development. In this respect, the main challenges are related to the physical and commercial allocation of capacity, the trading possibilities and the access to storage facilities.

The physical capacity allocation is a very important aspect of the access regime, as network users must have the ability to access and utilise capacity in support of their commercial needs. An approach has to be guaranteed to maximise the use of existing capacity and to facilitate the management of congestion risks.

One aspect of capacity allocation is the so called “Use It or Lose It” (UIOLI) factor; without jeopardising secure supply for a suppliers’ customers, a system has to be in place whereby if a network user has booked capacity but, in fact, is not using it, another user can have the opportunity to use that booked space. The term “Use It or Lose It”,

oversimplifies the issue, which in practice may involve promotion of a market allowing secondary trading in capacity, as well as intervention mechanisms on the part of the TSO or regulatory authorities. Also, there are different and more complex considerations involved, depending on what type of capacity contract the capacity holder has and the second user would like to have.

The challenge is to take these points into account in developing an approach. The starting point for the members of Eurogas is that there should not be the possibility for a network user hoarding capacity or restricting the availability of unused capacity for others. The mechanisms described also need to tackle the problem of payments, where the primary objective of the payment system should be to promote a secondary market involving users reselling their capacity rights but also protecting contractual rights.

Physical constraints in capacity could jeopardize the commercial initiatives of the system users and the competition when a trader has limited capacity to access the final market compared with other competitors. Interconnection agreements and the procedure of allocation of capacity might also reduce opportunities for trade. It is acknowledged that the calculation of network capacity is a function of many variables including assumptions of upstream and downstream gas flows i.e. it is scenario-dependent rather than absolute.

It is in the interest of members of Eurogas to have a more consistent “firmness” of capacity, to benefit from an efficient congestion management and to be facilitated with capacity trading, which includes:

- Distinguishing between contractual and physical congestion;
- Protection of firm capacity rights;
- Incentives for TSOs to maximise release and use of capacity; and
- Operation of a secondary market in capacity

The removal of a constraint depends on the decision of the operator concerned as well as on the decision of other operators along the transportation chain. The challenge is to identify and locate such situations in the overall European network and to improve the present mechanism in order to strengthen the incentives and co-ordinate the investments committed to the removal of the identified constraints. The novelty here is

that it is expected that those mechanisms will involve both the operators and the authorities.

The place of access to storage facilities and services in the competitive market is an important issue for consideration but it is also a complex issue because it is dependent on its function in the relevant market. This relevant market does not stop at borders and, in addition, other alternatives are available that may provide the flexibility and security the user needs. A regulatory approach will not be applicable for all storage facilities, because in several areas storage facilities operate in competitive commercial, national or cross-border markets with differing requirements. Nonetheless the possibility of storage being used in differing national markets with differing levels of competition indicates that regulatory oversight may sometimes be required in absence of sufficient competition.

Eurogas recognises that storage operators must give users confidence that third-party access services are provided on a fair and non-discriminatory basis. Eurogas, however, is confident that market developments will enhance competition in storage, over time reducing regulatory oversight such as may be needed in transition to a fully competitive market. In approaching the storage access issue, the importance of setting incentives to investments must also be recognised.

The Hubs are coming into the European scene. A hub is a point at which title to gas can be transferred between buyers and sellers. At a trading hub participants can exchange gas under standard conditions that are designed to create market liquidity. Eurogas perceives this as an important action to be carried out and supports the developments of gas trading hubs as a major feature of the competitive market.

## **7. Natural gas and the environment**

The qualities of natural gas in terms of its chemical constituents and gaseous nature are such that, during combustion, less CO<sub>2</sub> is produced than by other fossil fuels for an equivalent amount of energy produced. This advantage is increased when gas is used in highly efficient plant and appliances. Therefore it is widely recognised that increased use of natural gas can make a significant contribution to reducing emissions of CO<sub>2</sub> - a major objective of climate change policy. Eurogas had previously estimated that increasing the natural gas share of the EU energy mix by 1% would reduce CO<sub>2</sub>

emissions by more than 2%. In the projected analysis we have developed for the next 20 years, the reduction in CO<sub>2</sub> appears to be 3% as a result of increasing natural gas by 1%.

For the reason of emissions trading, Eurogas is interested in the progress of the National Allocation Plans (NAPs) which Member states have had to prepare with a view to preparation of the EU Emissions Trading Scheme. The challenge, in the opinion of Eurogas, is to see the Emissions Trading Scheme developed as an efficient market instrument, consistent with other existing energy mechanisms and market based instruments. Eurogas sees the scheme as offering opportunity for gas to increase its contribution significantly to the reduction of CO<sub>2</sub>, particularly in the power generation sector provided that the NAPs are designed with the correct elements.

Internal studies and monitoring by Marcogaz and Eurogas experts confirm that although, like all forms of energy, natural gas has some impact on the environment, this is minimal along the gas chain while environmental management by companies leads to steady improvement overall. Thus, the emissions of methane, the main greenhouse gas constituent of natural gas, are monitored and controlled so they do not cancel out the benefits from natural gas in terms of reduced CO<sub>2</sub> emissions. Gas industry experts are presently examining ways of improving evaluation methods. Other data collected allows companies to track environmental health and safety trends and improvements.

The group of environmental experts is also focusing on wider questions of measuring sustainability and life cycle analysis. These are long-term exercises, building on co-operation and increased awareness through all parts of the gas industry, of the goals of sustainability and adoption of high standards of environmental management.

Eurogas argues that, by virtue of the contribution it can make to CO<sub>2</sub> emissions targets and cleaner and healthier air, as well as its generally lower environmental impact, natural gas is a bridge to a more sustainable energy future. Policies and measures should be framed to promote natural gas in the market. This promotion should be also in the direction of a continuation of effective and focused R&D activities that the benefits and the potential for future contributions from natural gas research contribute to the quality of life.

## **8. Some Conclusions ... important challenges by 2010**

The rates of reserves compared with the demand and the relative rigidity in changing the destinations and consumptions of the produced natural gas are reasons to think that in the next five years it is unlikely that particular tensions will occur in the gas supply to Europe. However, the trends of demand in developing economies; the development of new transportation routes, also based on LNG; the geo-political instability in some of the most important producing countries due to demographic pressure and increase of expectations are all factors that require the need of constant monitoring of the position of Europe with regard to the natural gas sources, which is today relatively favourable. The size and the integration of the European market is a strengthening factor in securing a competitive position.

The members of Eurogas work for implementation of the new rule for the European internal gas market, as provided by the second directive, because they are convinced that this will produce positive effects on competition and on the quality and cost of the gas supply to final consumers.

The unbundling of gas companies increased the fragmentation and, as a consequence, the risk in the decision taking process along the logistics chain is incremented.

In the transition, the security of gas supply needs to maintain the already achieved good standards.

With this regard, the members of Eurogas voice their concerns about the necessity of achieving a proper balance in the legal regulatory and policy environment in order to enhance and maintain favourable conditions to attract the investments which will respond to tomorrow's Europe growing needs of natural gas.

## 9. References

[1]. Eurogas – position papers and information

<http://www.eurogas.org>

[2]. International Energy Outlook 2004 – Natural Gas

[http://www.eia.doe.gov/oiaf/ieo/nat\\_gas.html](http://www.eia.doe.gov/oiaf/ieo/nat_gas.html)

[3]. Importing Gas from Qatar - A Global Perspective – March 2001

[4]. Economic foundations for energy policy EC Dec 1999

[http://europa.eu.int/comm/energy/library/executive\\_sum.pdf#search='economic%20foundations%20for%20energy%20policy](http://europa.eu.int/comm/energy/library/executive_sum.pdf#search='economic%20foundations%20for%20energy%20policy)