

**ACER**

Workshop on the Gas Target Model:  
review and update

**Anigas comments**

Milan, 5<sup>th</sup> November 2013

ANIGAS welcomes the process for updating the Gas Target Model (“the GTM”) launched by ACER.

The Gas Target Model aims to enhance competition, security of supply and promote economic investments in Europe.

Anigas acknowledges that the recent changes in the gas market dynamics could represent issues for discussing the GTM update and agrees with ACER on the considerations for problem identification presented during the workshop held in Wien on the 8<sup>th</sup> October 2013.

The gas market is changing rapidly. Gas demand is declining, especially in the power production. Gas trading via hubs and spot market pricing are increasing strongly. Rules are currently laid down in legislation through the development of Framework Guidelines (FGs) and Network Codes (NCs) implementing the 3<sup>rd</sup> Energy Package’s provisions. New supply sources and transport routes are expected to become operational in the next years.

The definition of regulatory measures for enabling the Integrated European Market should take into account the new challenges the European gas market will face, in particular those driven by intermittent renewable power generation and price spreads between Europa and other markets, which will attract on one side consumers (US) and on the other side Producers (Asia).

Even if further European gas sector’s changes and challenges can be predicted taking into account the effects of current and likely scenarios, **Anigas highlight that a clear definition of gas role in the EU’s energy and climate policy is a prerequisite for developing the regulatory vision for the design of the single European gas market.**

The cleanliness, controllability, low carbon dioxide (CO<sub>2</sub>) content and flexibility un use of gas – coupled with its adaptability to high efficiency equipment and innovative technologies and with the availability of a large estate in terms of gas infrastructures – **makes gas fundamental for achieving the EU’s energy and climate goals.** But there is uncertainty around whether this potential will be exploited in Europe over the medium term.

To ensure a competitive and functioning wholesale market and improve the security of supply of the Union, efficient investments have to be fostered according to a strong European vision for coordinated planning.

Anigas is concerned that **this uncertainty could be detrimental to new investment in the gas sector**, affecting the well-functioning of the internal gas market and the level of security of gas supply.

However, it is also important to take into consideration that if unfavourable policy conditions continue over the next years, the reduction of gas consumption could impact the European gas cost.

Nonetheless, Anigas highlights that in this context **is unlikely that importers will renew the existing long-term TOP contracts, given their perceived risks in terms of price and quantity.**

A reduced role of long term supply contracts would lead to further increase of gas trading via hubs, but at the same time would allow Producers to fully exploit their market power (in terms of hubs' prices and of choose to supply Asian countries), affecting the security of supply patterns of the Union.

**ACER should acknowledge the value of long term contracts, giving confidence for the necessary future investments and ensure a level playing field for the security of supply.**

Nevertheless in evaluating the updating of the Gas Target Model it is fundamental to find **a balance between the need to focus on implementation and assessment of the newly developed rules (FGs and NCs) and their overhauling**, when justified by clear and structural change of scenarios.

ANIGAS respectfully submits its comments to ACER and hope the Agency will keep them into full consideration in the next steps of the process.