



Transit Issues:

An Importer's Perspective

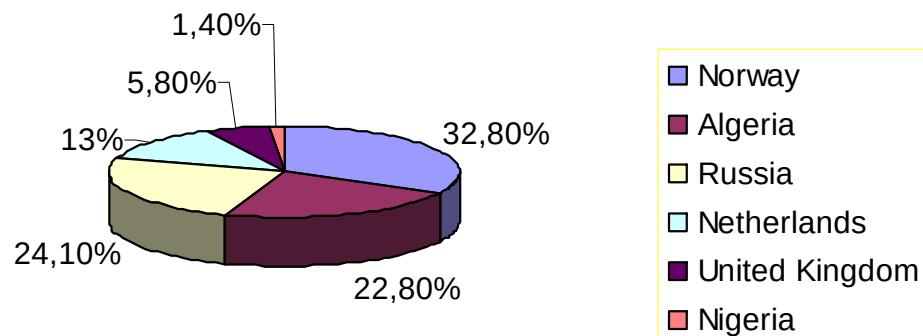
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Transit Issues :

- An Importer's perspective : Gaz de France transit rights
- What are importers' transit needs?
- What is the current framework for transit in the EU?
- Some thoughts to be shared and one recommendation

An Importer's Perspective : Gaz de France transit rights



Gaz de France 2003 – long term gas purchase geographic break out

Most of Gaz de France imports, (85 % long-term gas purchase contracts exceeding 20 years) rely on transit agreements of various types allowing the crossing of multiple borders. Some managed by sellers wholly or partly, some by buyers, either through investment in infrastructures or through long term transportation contracts with local actors.

What are importers' transit needs?

- Importers need a legal framework and physical infrastructures enabling them to bring gas to their markets
 - Timely
 - Safely
 - Cost efficiently

What is the current framework for transit in the EU?

- According to directive 2003/55/CE, one general principle applies :

A single regime of access to the gas grids at regulated conditions (transparent, non discriminative), granted by TSOs legally unbundled from trading companies and under the supervision of a regulator.

What is the current framework for transit in the EU?

● Two exceptions to this general rule :

- Some interconnector and LNG terminaling projects may qualify for exemption to TPA (article 22)
- Existing contracts concluded under the transit directive remain valid and can continue to be implemented (article 32)

Some thoughts to be shared...

● On sanctity of existing contracts

It is very important for the gas industry, from the point of view of confidence, that contracts entered into validly and voluntarily by companies are allowed to be continued.

One may just wonder to what extent these contracts can be adapted, if necessary, without losing their sanctity status?

Some thoughts to be shared...

● On exemption under article 22

- Qualifying for exemption is an uncertain and time consuming process, let us hope it will not act as a deterrent to projects
- It has been acknowledged that exemption is necessary to promote some investments. Still it is exclusively reserved to specific type of pipes (namely interconnectors not belonging to local TSOs) efficiency of this restriction can be questioned.

Some thoughts to be shared...

● On single regime

TPA tariffs set under the supervision of regulators have to strike a balance between the desire of the cost conscious consumers asking for low tariffs, and the incentive to be given to TSOs so that they maintain their network and be ready to invest in its expansion

But...

Some thoughts to be shared

● On single regime

But ...

will importers be able to contract new long-term take or pay gas purchase agreements with their sellers if neither are in a position to secure the corresponding long-term transit contracts with reserved capacity and predictable tariffs?

Some thoughts to be shared...

On single regime

But ...

Do TSOs receive from their customers the necessary information on long-term market development enabling them to plan their grid expansion in a timely fashion?

Some thoughts to be shared

On single regime

But ...

Do unbundled TSOs have the financial capacity and risk-prone attitude necessary to borrow money for a major extension of their grid without the security of a long term commitment from shipper(s)?

And one recommendation

- Whatever the legal structure implemented, it is vital that importers and their sellers are offered conditions which enable them to organise transit with capacities reserved over the long-term, and with tariff predictability.

Be it through infrastructure they contribute to promote or be it through local TSOs with whom they could contract for the long-term.