

Position paper of gas market integration in the Danube Region

The Danube Region is characterized by uneven development in terms of its natural gas sector. While the Western part of the region has already succeeded in, and Central-Europe is currently in the process of establishing interconnected gas markets, South-Eastern Europe is facing serious obstacles to market development and integration.

It can be observed that the economies of South-Eastern European states rely heavily on the industrial sector, which on the one hand results in high energy consumption rates and on the other leaves them increasingly exposed to gas disruptions. Natural gas therefore is a crucial commodity for the industrial sector and for households (heating) alike, with supply curtailments still being a serious threat.

In the report we found that that the main obstacles to the development of the natural gas market in the Danube Region are related to the countries located in southeastern part of the region. For better gas market integration:

- (1) internal Energy Market rules should be implemented and enforced in this region,
- (2) transparency within the sector should be increased,
- (3) interconnectivity and work on source and route diversification should be developed,
- (4) clear and focused sectoral policies should be implemented and conducted to enhance the stability and predictability of the sector, and
- (5) information services and exchange of information and data should be improved.

At the same time, we think that exploring new sources of natural gas (e.g. Black Sea, Adriatic Sea) and developing infrastructural projects with a regional impact (e.g. Turkish Stream and Tesla Pipeline, Easting, EC Gas Ring, IAP, Adria LNG with the related infrastructure) represent great opportunities for the region to increase its energy security. In time (and if the necessary steps are taken), the southeastern part of the Danube Region may become an important hub of infrastructural projects, thus elevating its significance as an important supplier of natural gas within and even beyond its borders.

The main precondition for gas to play a significant role in enhancing regional energy security (and thus avoiding price and supply risk):

- (1) is a well functioning gas market, which requires the building of missing infrastructure (CESEC projects),
- (2) the effective use of existing infrastructure (IP tariffs), and
- (3) efficiently addressing local wholesale market concentration (Nord-Stream 2, long term capacity bookings, etc.).

Therefore we, the Countries of the Danube Region request the European Commission to (1) ensure continuous and dedicated high-level political attention to the future of Ukraine's gas sector reform (including its integration scenarios with Central-Eastern Europe), (2) provide guidance and assistance in establishing IGA criteria in order to promote credible cross-border sharing of gas storage assets, and (3) work towards securing a steady supply of LNG to the region. We believe that the above steps would significantly further the cause of gas market integration in the Danube Region.