

# Towards understanding the energy policy preferences of the Danube Region countries

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Danube Region

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Getting to 2014  
The completion of  
the EU internal  
energy market

## COMPETITIVENESS

- Integrated and diversified internal electricity and gas markets



## SUSTAINABILITY

- GHG emission reduction – 20/20/20/ - 2050 decarbonisation
- RES promotion, energy efficiency improvement

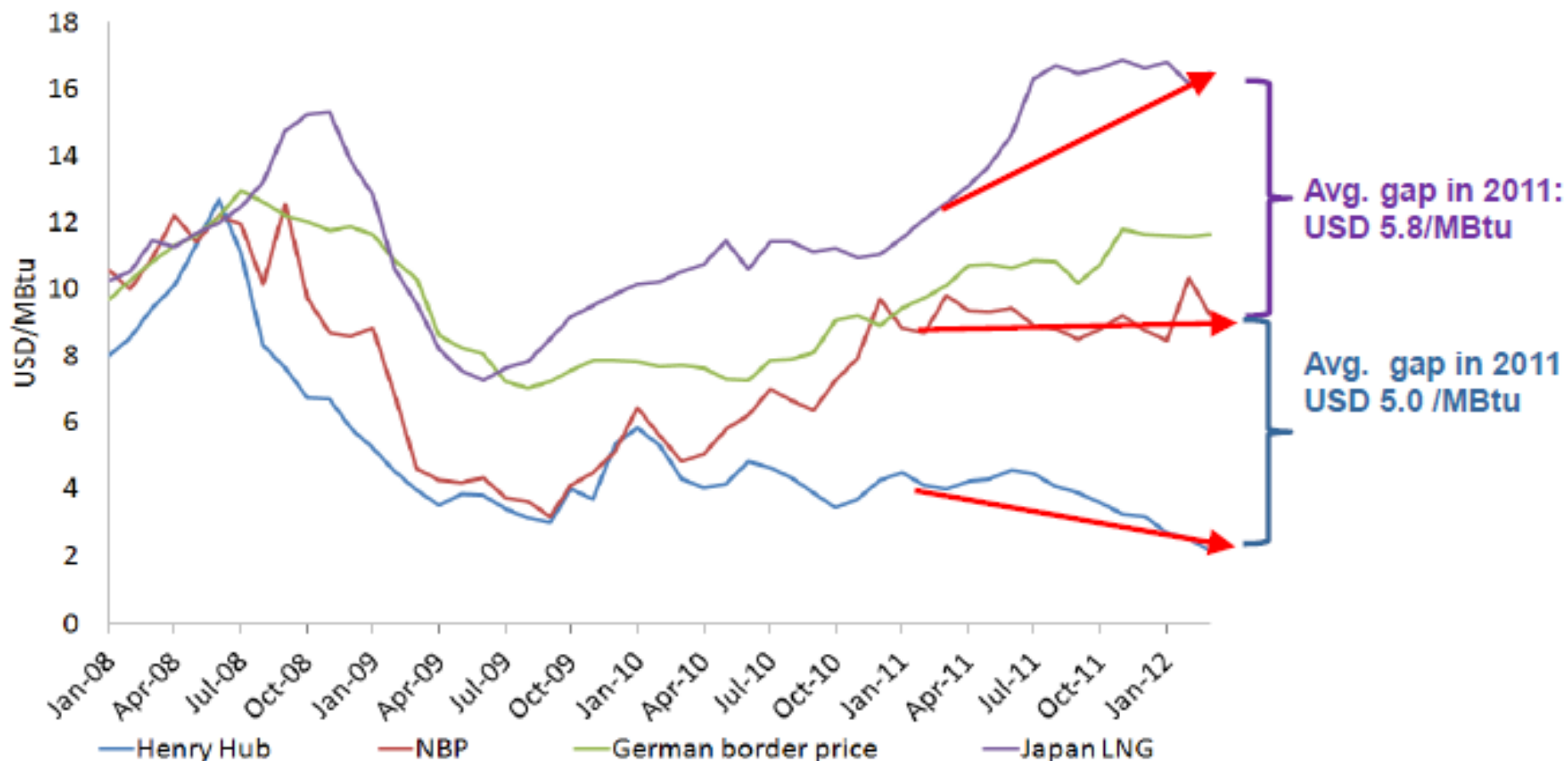


## ENERGY SUPPLY SECURITY

- Gas supply diversification, infrastructure development
- RES and energy efficiency

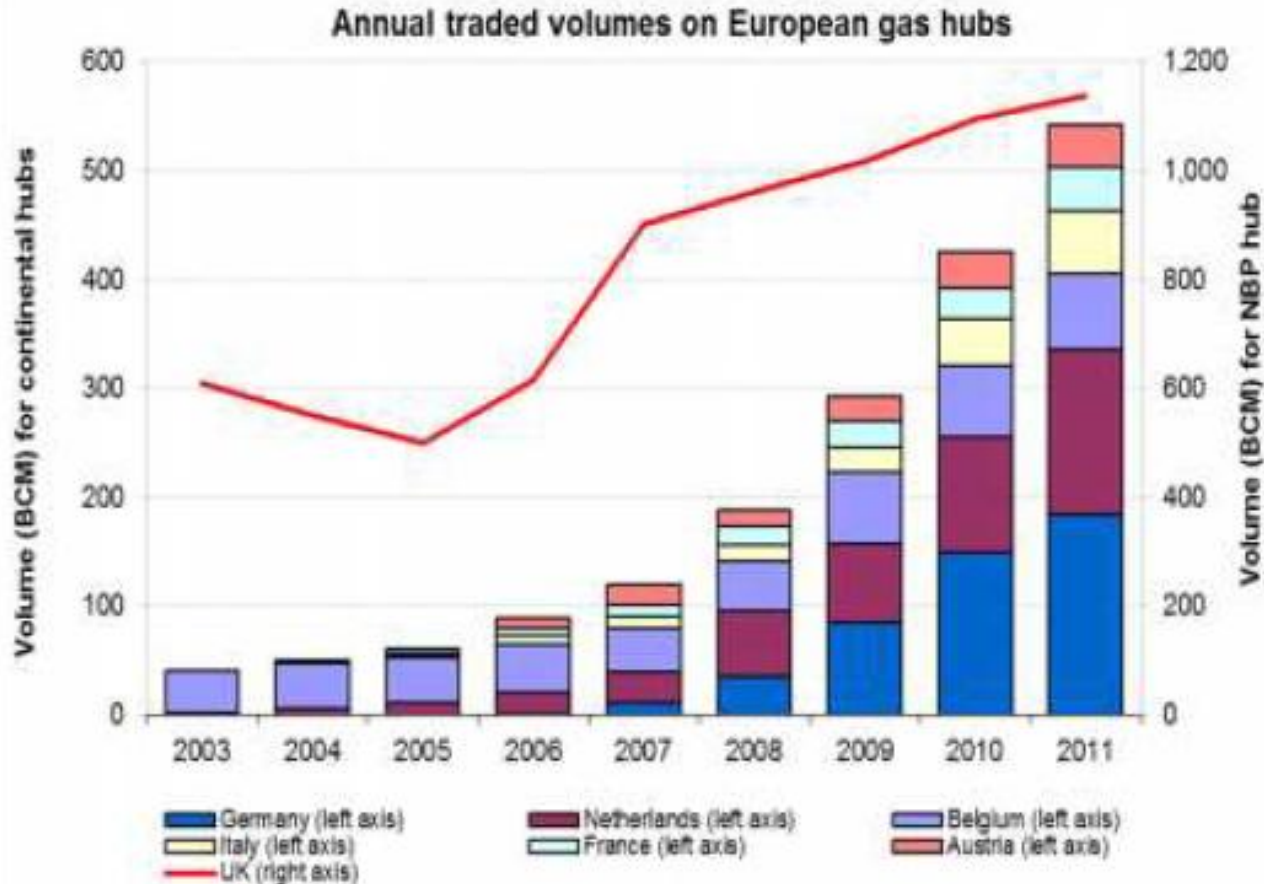
EU-wide agreement on the need to create integrated and competitive internal gas and electricity markets

# The cost of an inefficient EU gas market



Source: ICE, EIA, IEA, German Customs, Japanese Customs, McCloskey

# Fast development of European gas hubs

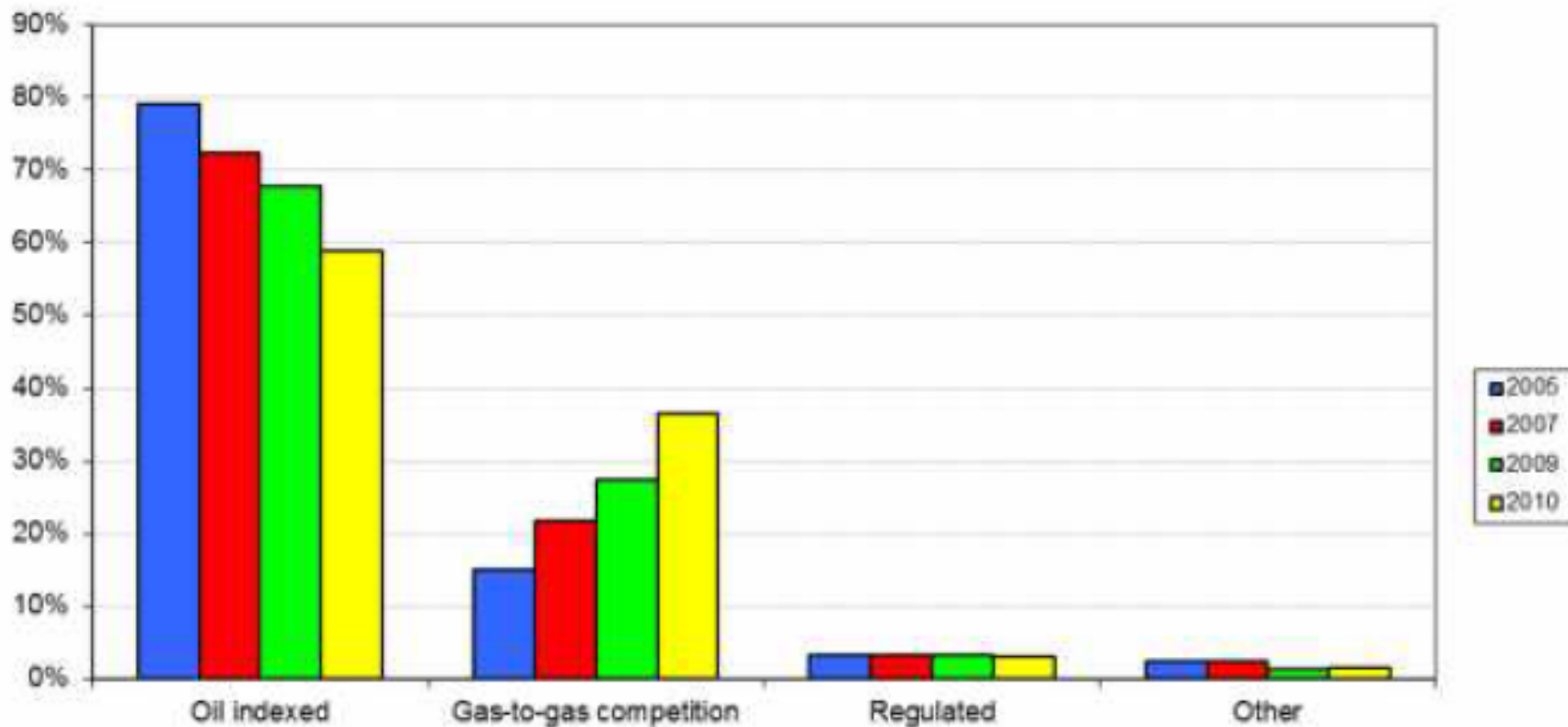


Source: IEA Medium term gas market report

***Continuous increase in liquidity***

# Spread of spot pricing

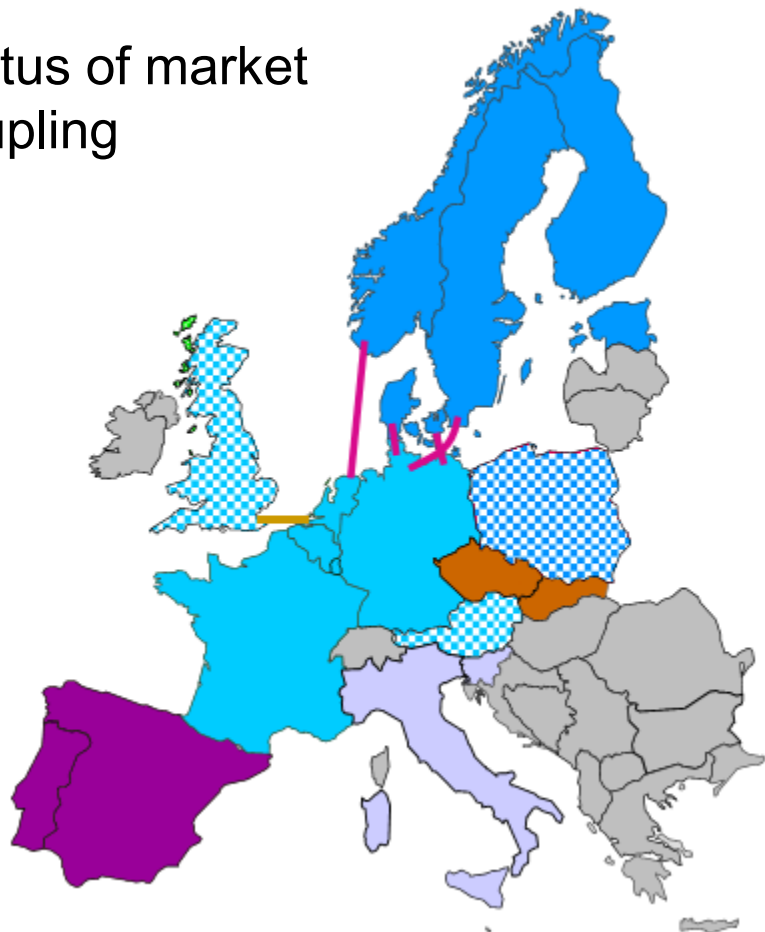
Wholesale gas contracts breakdown in Europe (share of consumption)











Source: International Gas Union

# Electricity market integration by 2014 – mission almost completed

## Status of market coupling



REGIONAL IMPLICIT AUCTIONS		
	CWE	Price coupling
	Austria	1 AT PX price coupled to GE (no congestion)
	GB	1 GB PX price coupled to NL via BritNed only
	Nordic + Estonia	Price coupling, also Poland via Swepol
	ITVC	Volume coupling CWE - Nordic
	Italy - Slovenia	Price coupling
	Mibel	Price coupling
	Czech - Slovak	Price coupling

Source: Day Ahead MC Implementation Roadmap, ENTSO-E – EuroPEX presentation at the Florence Forum (23 May 2011)

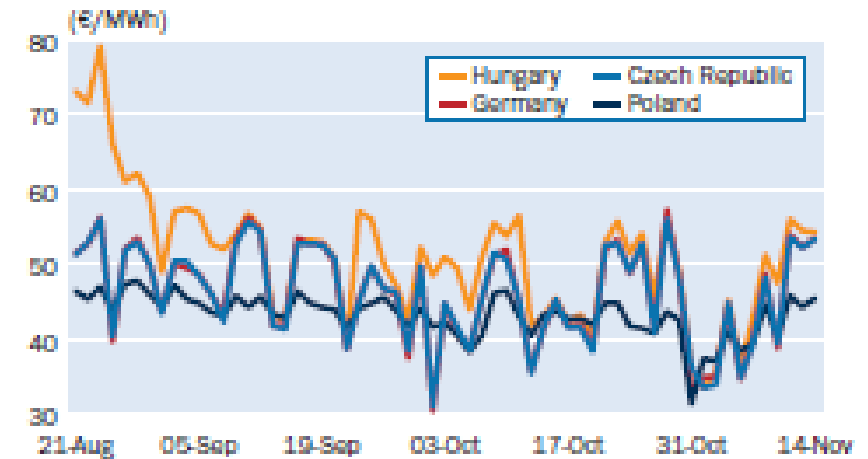
# Czech – Slovak – Hungarian electricity market coupling: September 11, 2012



EPEX compatibility

Poland and Romania already expressed interest to join

## Central & Eastern Europe day-ahead baseload



Source: Platts

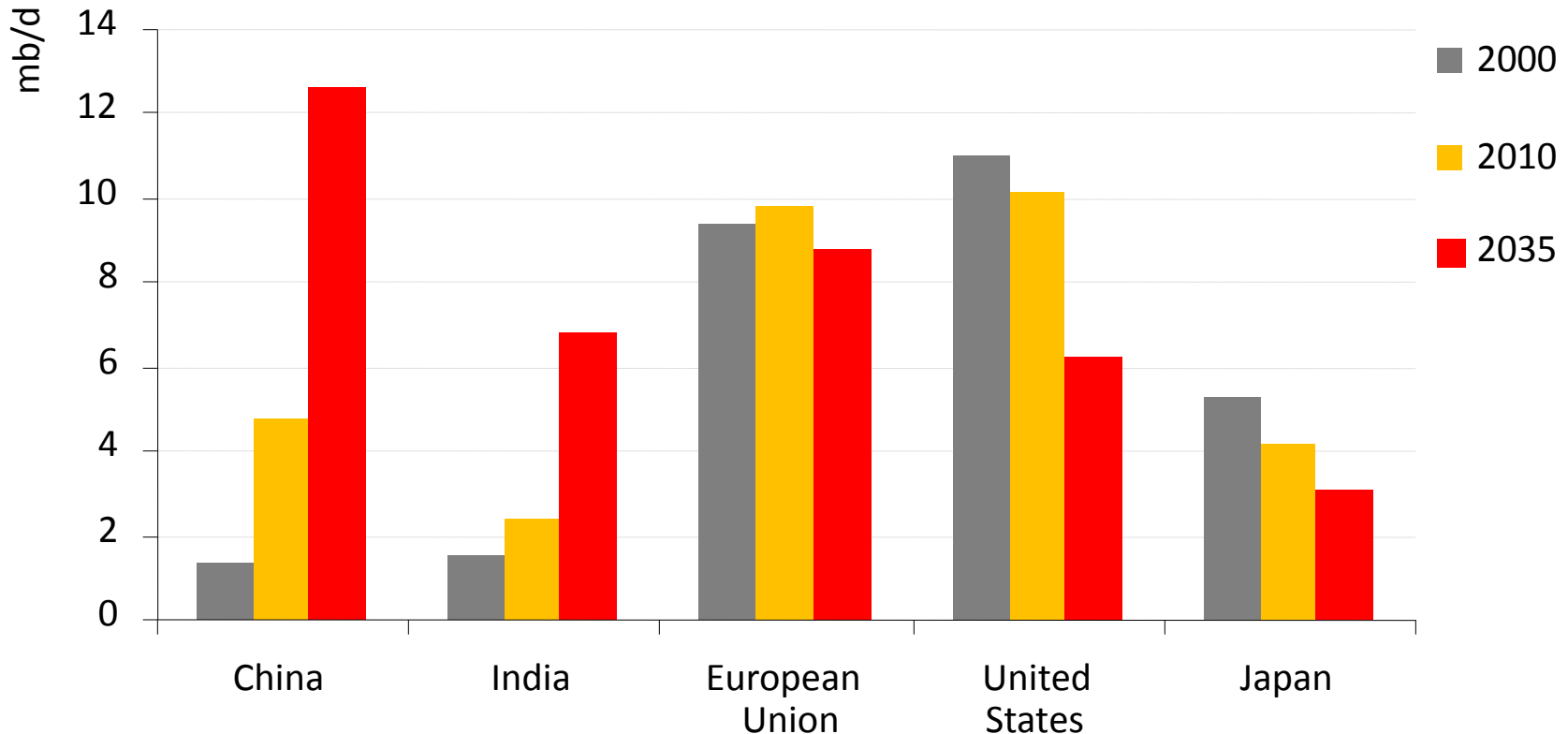
First result: re-integration of regional wholesale electricity prices



EU-wide agreement on the need to diversify oil and gas supplies to offset increasing import dependence

# Europe becomes no.1 oil importer by 2015

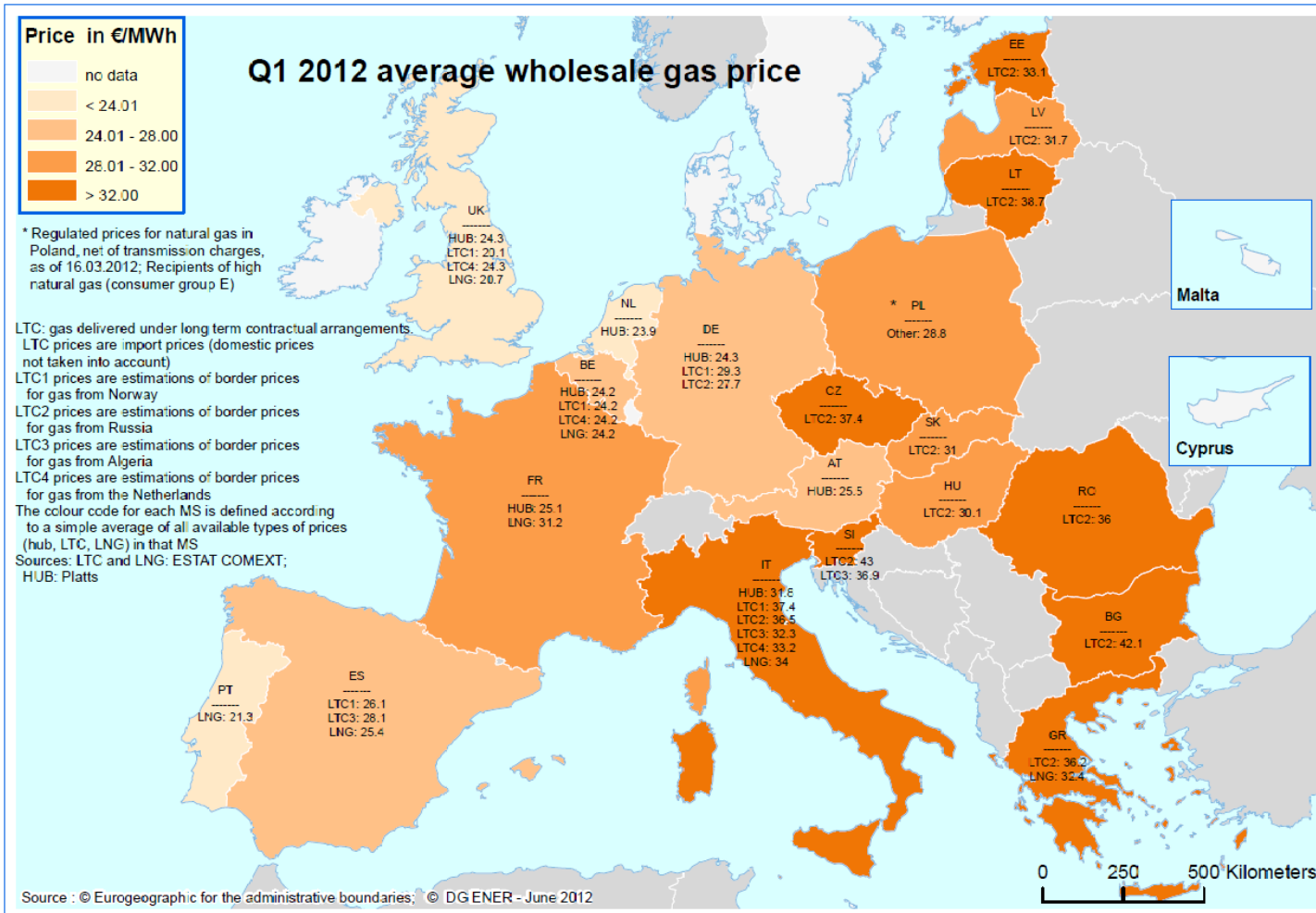
## Net oil import



***USA: growing domestic production and increasing energy efficiency***

***USA/Canada: major oil and gas reserves and production***

# Lack of interconnectivity conserves high gas prices in the region (2011)



# Key policy measure: New EU energy infrastructure package

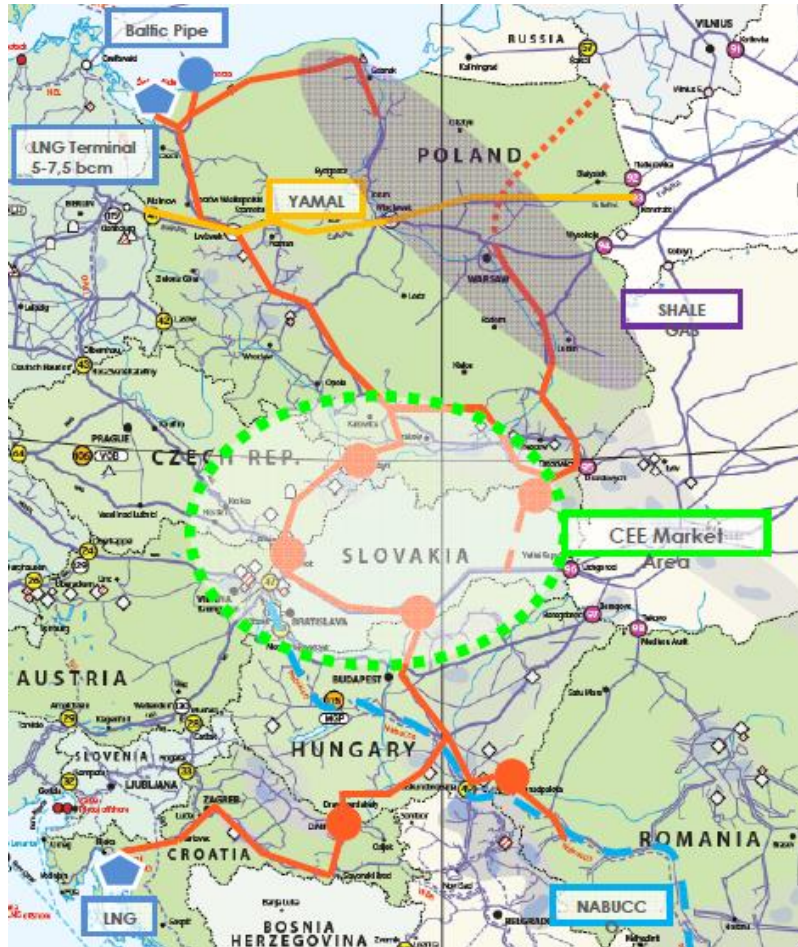
Priorities after 2020



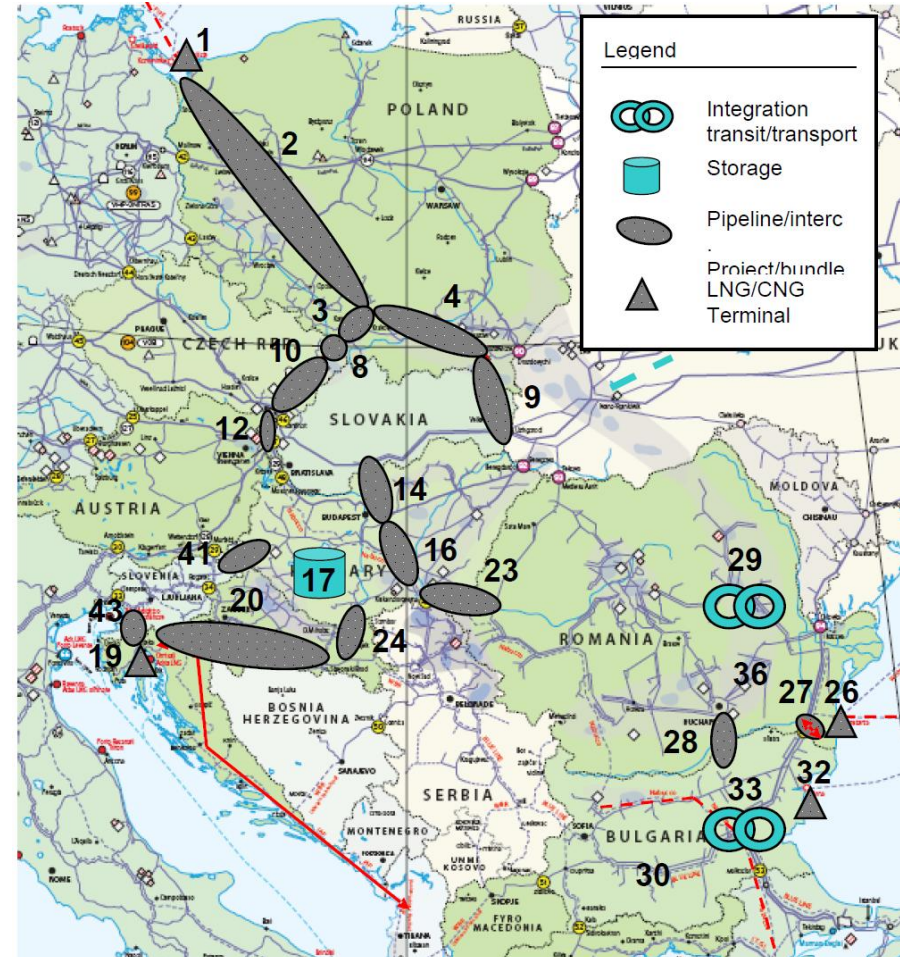
Electric  
'highways'

CO2 transport  
pipeline  
system

# More integrated gas market: no.1 regional energy policy priority for the Danube region



The vision of an integrated Danube Region gas market



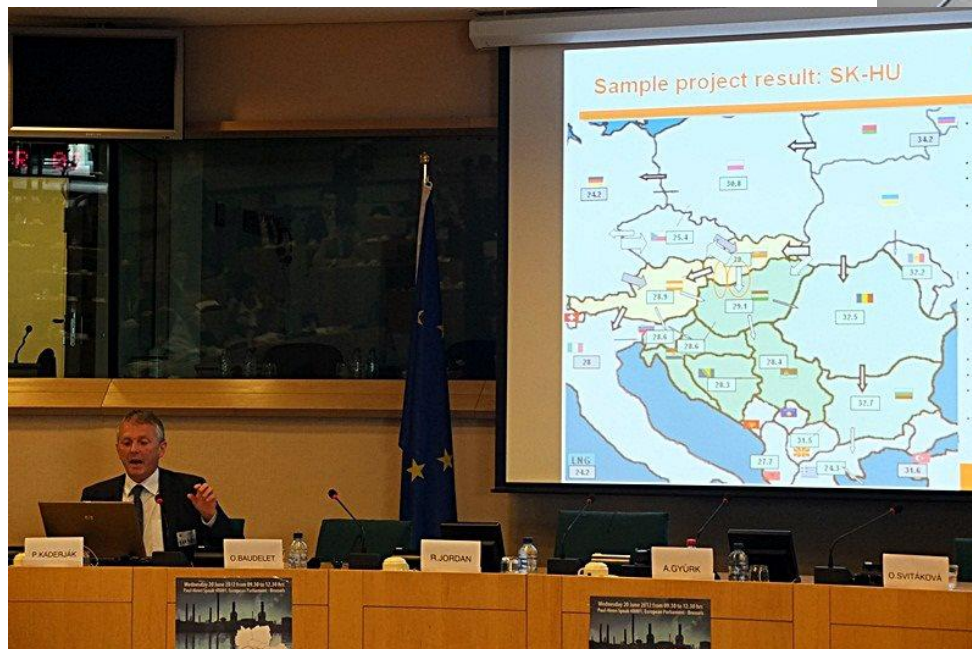
North-South gas corridor: concept and Action Plan (December 2011)



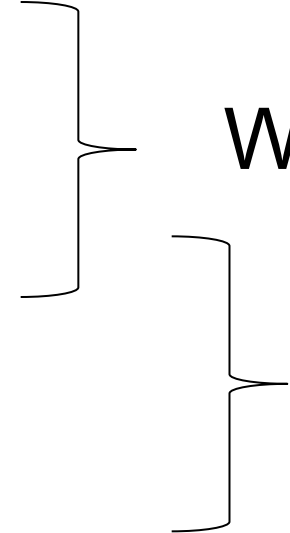
# Launch of the Danube Region Gas Market Model

## Objectives

- identifying infrastructure investment priorities for the Region
- promoting DR and West Europe gas market integration



EU divided on aggressive (80-90%)  
decarbonisation objectives and the related  
green growth vision

- RES promotion
  - Energy Efficiency
  - Nuclear energy
  - Carbon Capture and Storage - ???
- WE preferences
- ECE preferences
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# The Region's dilemmas with regard to further decarbonisation

- Impact on EU competitiveness: carbon leakage or green growth?
- RES technology considered by the Region as technology import; limited added value to local economic development
- Massive CAPEX requirement in times of economic crisis
- Threats to electricity market competition: support (RES, nuke) and capacity payment schemes
- No further political will for price subsidies / FIT
- Coal mining (Poland, Czech Republic)
- Electricity grid integration conflicts
- Energy efficiency seems more cost effective

Regional attitude: keeping the 2020 RES targets but no move beyond

- Truly common objectives: internal market, supply security and related infrastructure policy, energy efficiency policy
- RES: discussion needed on more market based policies, promotion of smart solutions and flexibility services

- North-South gas corridor and regional gas market integration
- Further integration of electricity markets
  - Issues: impacts of capacity mechanisms and loop flows
- Creation and discussion of national 2050 Energy Roadmaps

- Continued work on regional gas market integration:
  - Modelling and contributing to the selection of PCIs
  - Establishment of the Central Eastern European Forum for Gas Market Integration
  - Regional gas storage market study
- A DR renewables monitoring program
  - monitoring reports
  - exchange of good practices to promote investment
- Biomass utilization
- Smart grids
- Steering Group assessment of individual projects applications (e.g. Cohesion Fund)
- Preparation for the new EU budgetary period

THANK YOU FOR YOUR ATTENTION!

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