



# Distrigas

## Unbundling – An industry view

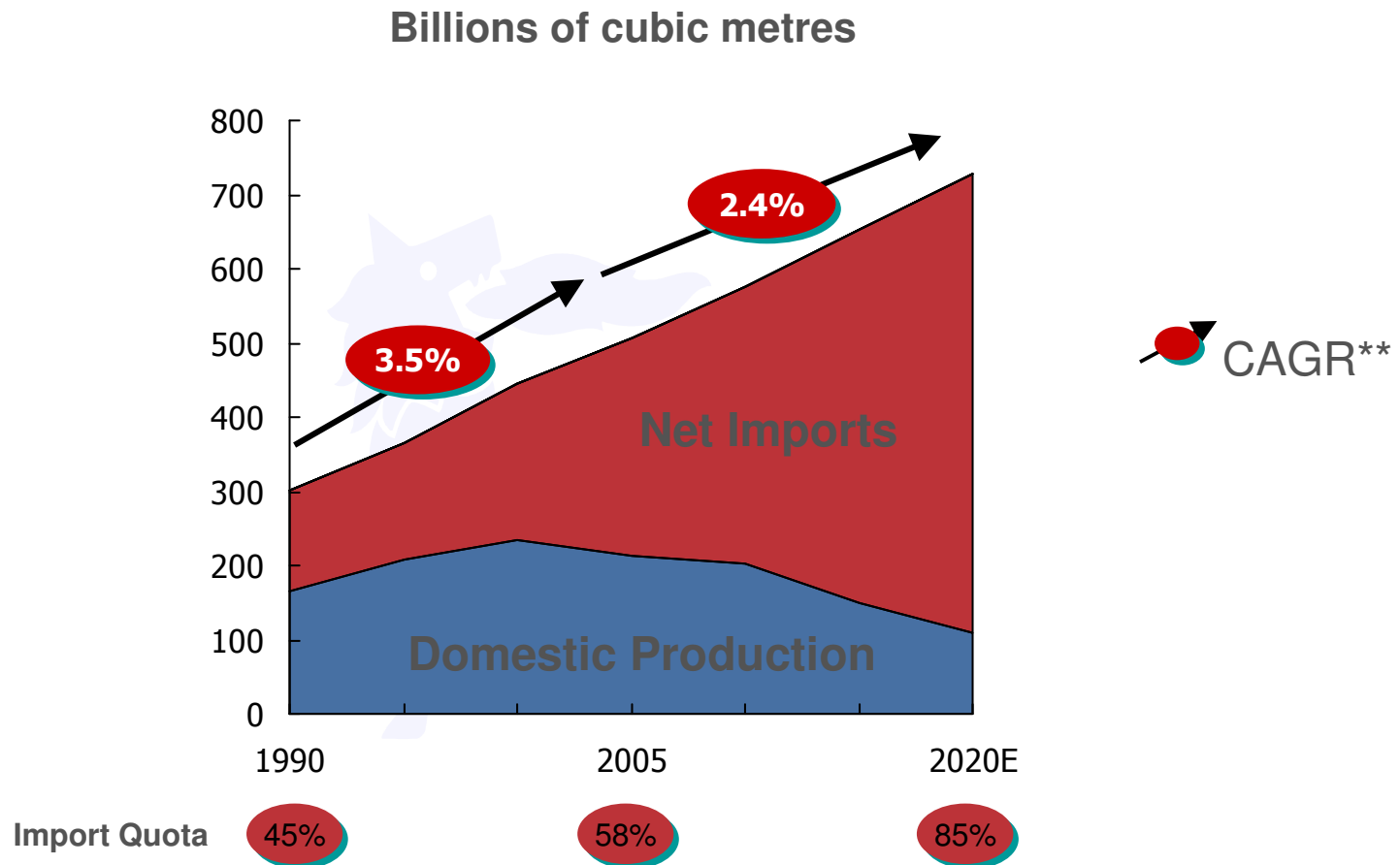
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# European Gas Market

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- In the next 15 years
  - EU Demand: +25-40% and internal EU production declining
  - Imports: +75-100%
- Investment requirements of 340-400 bln \$ in production and transport
- EU gas market not yet integrated. No harmonised regulation, markets still “local.”

# Evolution of gas demand in Europe (\*)

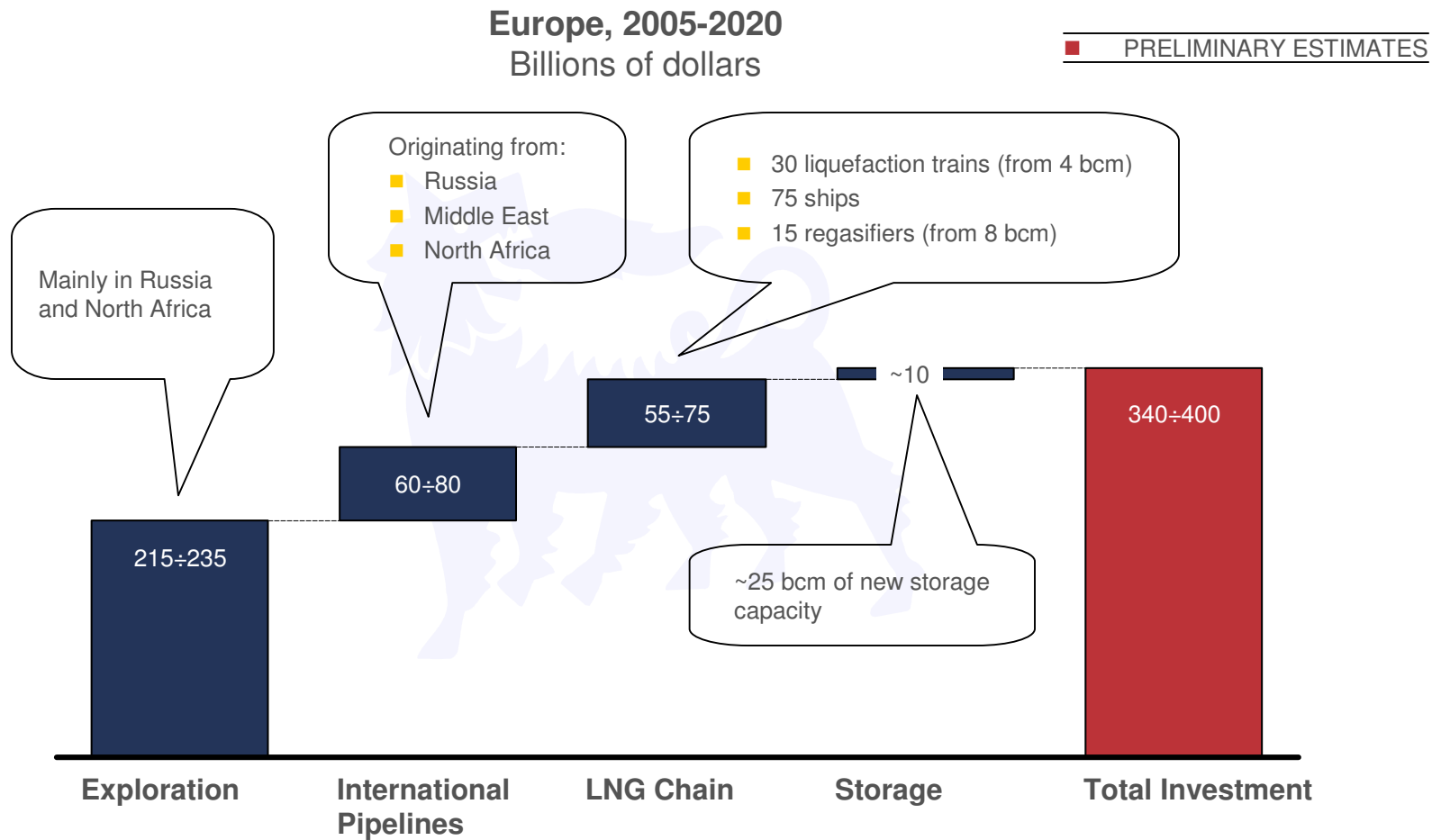


\* Countries considered: EU 25 (excluding Cyprus, Estonia, Latvia, Lithuania, Malta, Slovenia) + Switzerland

\*\* Average annual growth rate

Source: IEA historical data, ENI Research Office forecasts

# Necessary investments in infrastructure



Source: Analysis on IEA data (World Energy Investment Outlook)

# Key developments in supply model

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- Supply decisions and infrastructure decisions have become separated
  - Initially a consequence of surpluses in transport capacity in some markets (UK, USA, Canada)
  - Subsequently institutionalized by unbundling in liberalisation process
  - Has consequences in supply contracting and infrastructure planning (e.g. lack of integrated vision over supply needs and slow actions on slow market signals)

# Key developments in supply model - continued

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- Fragmentation of and competition between gas-merchants/importers
  - Increases market uncertainty for producers, leading to downstream integration (concerns of security of demand)
  - Difficult or slower aggregation of demand hampers very large scale and cost efficient pipeline supply projects
- Demand-driven vs Producer-driven supply decisions
  - Demand-driven (traditional)
  - Producer-driven (newer trend) – investment decision without concomitant identification of aggregated demand

# Focus on three unbundling models

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- Ownership unbundling
  - Weakened European gas companies through financial impact of forced break-up and loss of know-how and technological edge
  - No particular incentive towards market integration
  - Ownership unbundling of state-owned companies
  - What happens with cross-border pipelines/transit lines/import pipelines?
- ISO/ITO models will lead to significant *agency costs*
- Certification in relation to third countries and Level playing field

# European trends in gas transmission network ownership

## Legally Separate but with Common Ownership (VIU)

- France
- Germany
- Belgium
- Italy
- Austria

Net Gas Importing Countries

## Ownership Unbundling

- UK
- The Netherlands
- Norway
- Denmark

Historically net gas exporting  
countries (*a situation similar  
to the electricity sector*)

# Creation of a “European Transmission System Operator”

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- ***Establishment of a “European Transmission System Operator” including assets of the principal European TSOs***
- ***Focus on the management and the development of a unified gas transmission network***

## Value of aggregation

- Powerful tool for the creation of an integrated European gas market
- “Automatic” harmonisation of tariffs, network codes...
- Greater capacity for planning, coordination and realisation of the necessary investments
- Maximisation of industrial synergies in transmission infrastructure management
- Increased security of supply