

PRESS RELEASE
EUROGAS' POSITION IN RELATION TO THE PROPOSED GREEN PACKAGE AND
EUROGAS' VIEWS ON DEVELOPING MARKET INSTRUMENTS AT REGIONAL LEVEL

Eurogas, the European Union of the Natural Gas Industry has adopted two positions at its meeting of the Governing Board, one on the proposed Green Package and one on the organization's views on Developing Market Instruments at Regional Level.

Eurogas welcomes the Green Package and its overall proposals which are an important step forward in the objective of tackling climate change. Eurogas believes that gas can make a major contribution to a sustainable energy future both in direct use and for power generation. Gas has long been a fuel of choice in many applications and the development of Combined Heat & Power (CHP) and micro CHP offer the promise of high utilisation efficiency with low environmental impact. In addition there are opportunities for the use of natural gas in the transport sector where the potential benefits of natural gas should not be overlooked.

While welcoming the focus on renewable energy sources in the green paper, Eurogas believes that natural gas can be very successfully used in conjunction with other renewable energy sources, for example solar panels. The target of greenhouse gas emission reduction should be the top priority in the package and maximum flexibility should be allowed to reach this overarching goal at least cost. Measures that are over-prescriptive or that potentially distort the market are to be avoided. Natural gas is the most environmentally friendly fossil fuel and in the battle against climate change we have to make the best use of all energy sources.

Commenting on the EU Emission Trading Scheme, Eurogas welcomes the overall objective of improving and extending the scheme. Eurogas favours the introduction of a single Community cap and supports an approach which minimises distortion within the EU and which leads to the optimum macro-economic and environmental outcome.

The second document, "Developing Market Instruments at Regional Level" is part of Eurogas's work to encourage further progress in the development of the internal market for gas. In the paper Eurogas considers the development of hubs and of other regional trading mechanisms such as exchanges, which it recognises as essential for the successful functioning of robust and liquid European internal gas markets.

While recent years have seen progress in the development of hubs this paper sets out ideas and principles which should be adopted if hubs are to play a key role in improving market transparency and market functioning and facilitating cross-border trade.

Three key principles underlie an effective hub: *liquidity* (i.e. sufficient buyers and sellers), *transparency* (i.e. prices are public and available on a continuous basis) and *depth* (i.e. reasonable quantities are offered and can be traded at the hub without significantly moving the price).

In the conclusions of the paper Eurogas notes that

- the gas regional initiatives should reinforce the transparency and liquidity of hubs and that steps should be taken to enhance interconnection capacity
- TSOs should offer a range of hub services, the level of standardisation should be maximised and hub tariffs should be transparent and encourage trade
- regulators' and authorities' responsibilities should facilitate hub and exchange development without undue intervention

The two positions are e-mailed together with this press this press release but are also available under http://www.eurogas.org/publications_positionPapers.aspx

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