

## Natural Gas: Realizing the benefits of the European market

### Progress continues towards a well-functioning market



Under the impetus of internal market legislation, important progress has been made in recent years in establishing a robust internal gas market in Europe. The new legislative framework deriving from the Third Energy Package, combined with the dynamics of competition, will further improve market functioning.

Effective implementation of measures to improve transparency and enhance cross-border co-operation, together with the development of technical codes and market rules at European level, will bring further benefits.

Provisions reinforcing the independence of National Regulatory Authorities, promoting more co-operation among them and more convergent regulation, as well as steps to make unbundling more effective, are all welcome developments.

As long as a balanced approach results in appropriate regulation in a way that facilitates markets, and the policy framework is supportive of supply security, especially new investments, Europe will continue to be an attractive market for gas.

### The internal market contributes to security of supply

A well-functioning internal market with developed hubs will make a significant contribution to supply security, making Europe more effective in attracting gas in a global market, at a time when worldwide demand for gas is growing. At the same time, Europe's continuing reliance on gas offers security of demand for producers.

Suppliers' portfolios will become more diverse, as long-term contracts are complemented by the spot market, and new trading opportunities will emerge, particularly as the share of LNG increases.

A more "liquid" market, with robust trade in commodity and capacity and enhanced cross-border activity, will

help ensure that Europe continues to be an attractive market for gas producers.



Investment in the necessary infrastructure, in particular cross-border, will further enhance Europe's security. If a supply problem risks affecting a particular Member State or region of Europe, a well-functioning market can respond efficiently and at the same time contribute to the objective of European solidarity.

### and is conducive to building a new energy policy

Market dynamics facilitated by the Third Package will make a significant contribution to the new energy policy in which supply security, competition and sustainability are the priorities.

Within a well-functioning competitive market, energy companies are able to respond in a cost-efficient and flexible way to help meet these priorities and to pursue business strategies across the fuel mix.

Natural gas, which in many markets remains the fuel of choice for electricity generation, will also act as an enabler for renewables, providing a necessary complement to the intermittency of some forms of renewable energy. This role will be supported by a range of contractual arrangements and trading opportunities.



## **Meeting consumer needs in a competitive market**

Customers' ability to choose their gas supplier offers them potential financial benefit, but for this to be fully realized, customer choice must be facilitated by a framework that makes it easy for them to make the right decisions about their supplier and must be supported by an efficient customer switching process, providing timely and smooth switching.



In addition, clear bills and the development of smart metering assist customers to a better understanding of

their gas usage, and enable them to better manage their consumption.

## **The needs of vulnerable customers must not be overlooked**

As gas costs can constitute a high portion of family budgets, suitable policy frameworks need to be in place at national level to meet the needs of the fuel poor and other groups of vulnerable customers, including those with special needs.

