Competition Directorate-General

16 February 2006

Preliminary Report – Gas

Presentation of DG Comp´s findings

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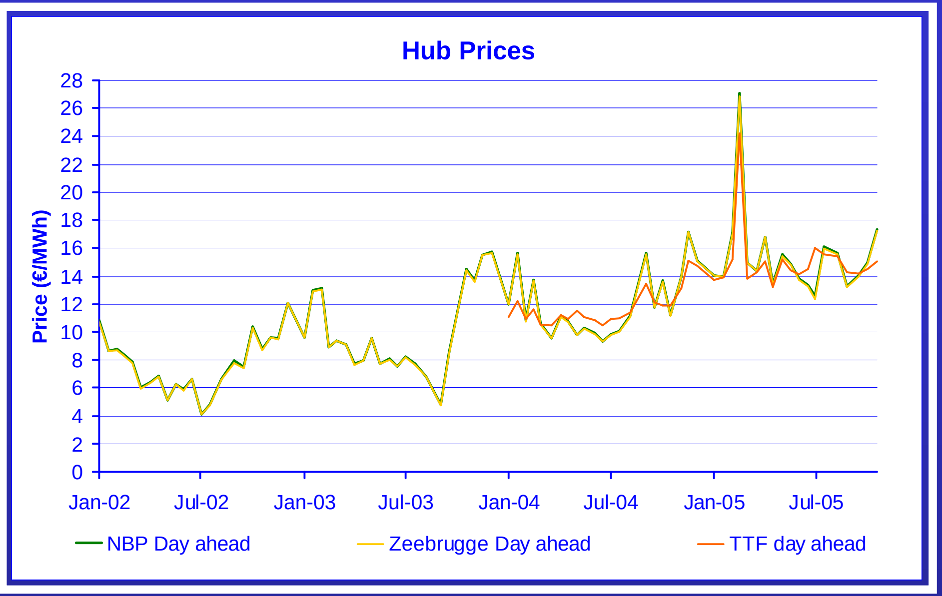
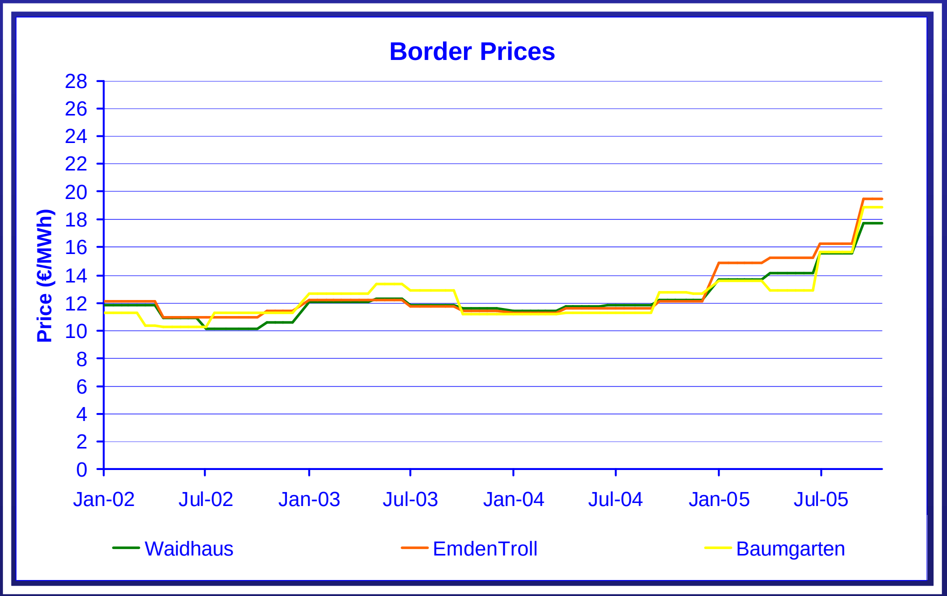
Introduction





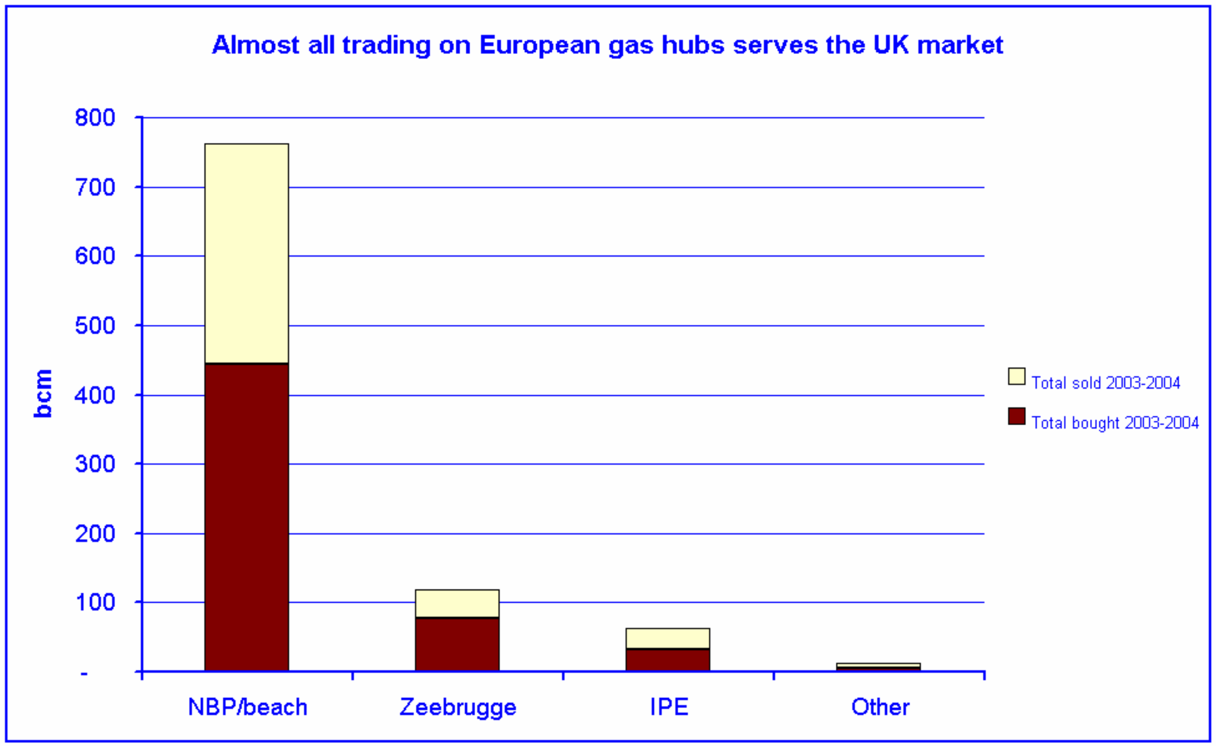
Concentration

- High levels of concentration at wholesale level
- Incumbents largely control imports and domestic production
- Traded markets dominated by incumbents

	Incumbent share of imports	Incumbent share of domestic production
Austria	80-90%	-
Belgium	90-100%	-
Czech Republic	90-100%	-
Denmark	-	80-90%
France	90-100%	-
Great Britain	20-30%	40-50%
Germany	90-100%	80-90%
Hungary	90-100%	90-100%
Italy	60-70%	80-90%
Netherlands	50-60%	90-100%
Poland	90-100%	90-100%
Slovakia	90-100%	-

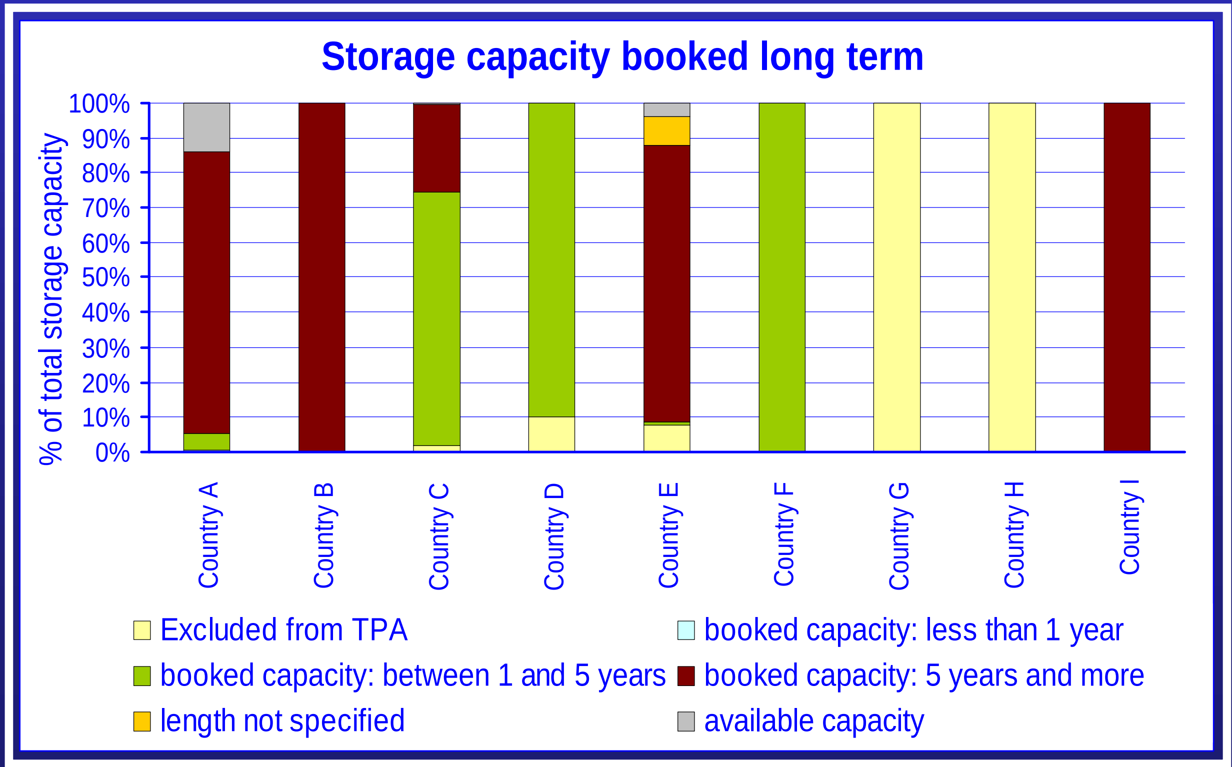
Vertical integration – access to inputs

- Almost all commercially available gas production is covered by incumbents' long-term contracts
- Inquiry looked at a number of features of the contracts that reduce incentives to provide liquid supply to gas hubs

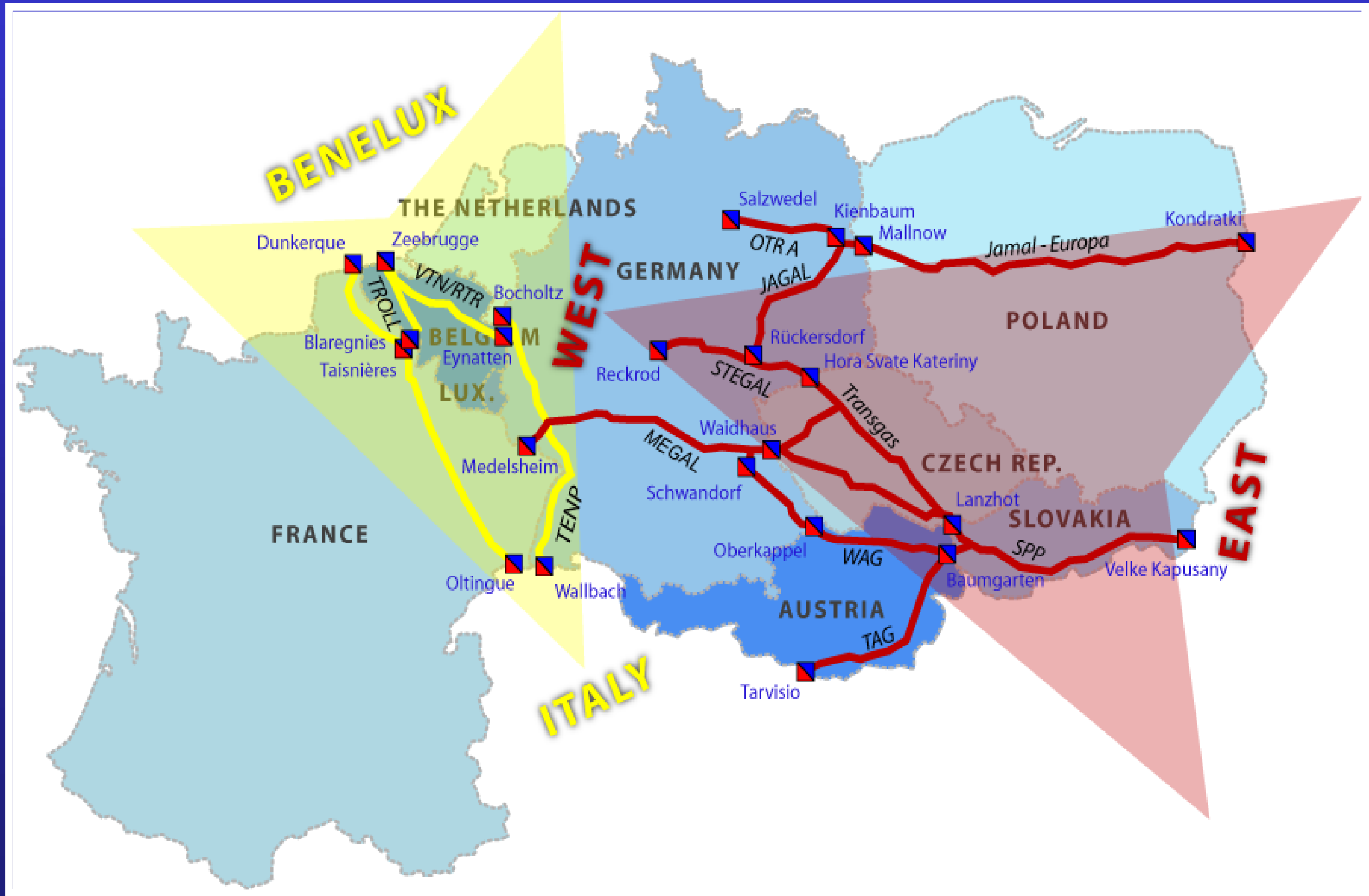


Vertical foreclosure – infrastructure

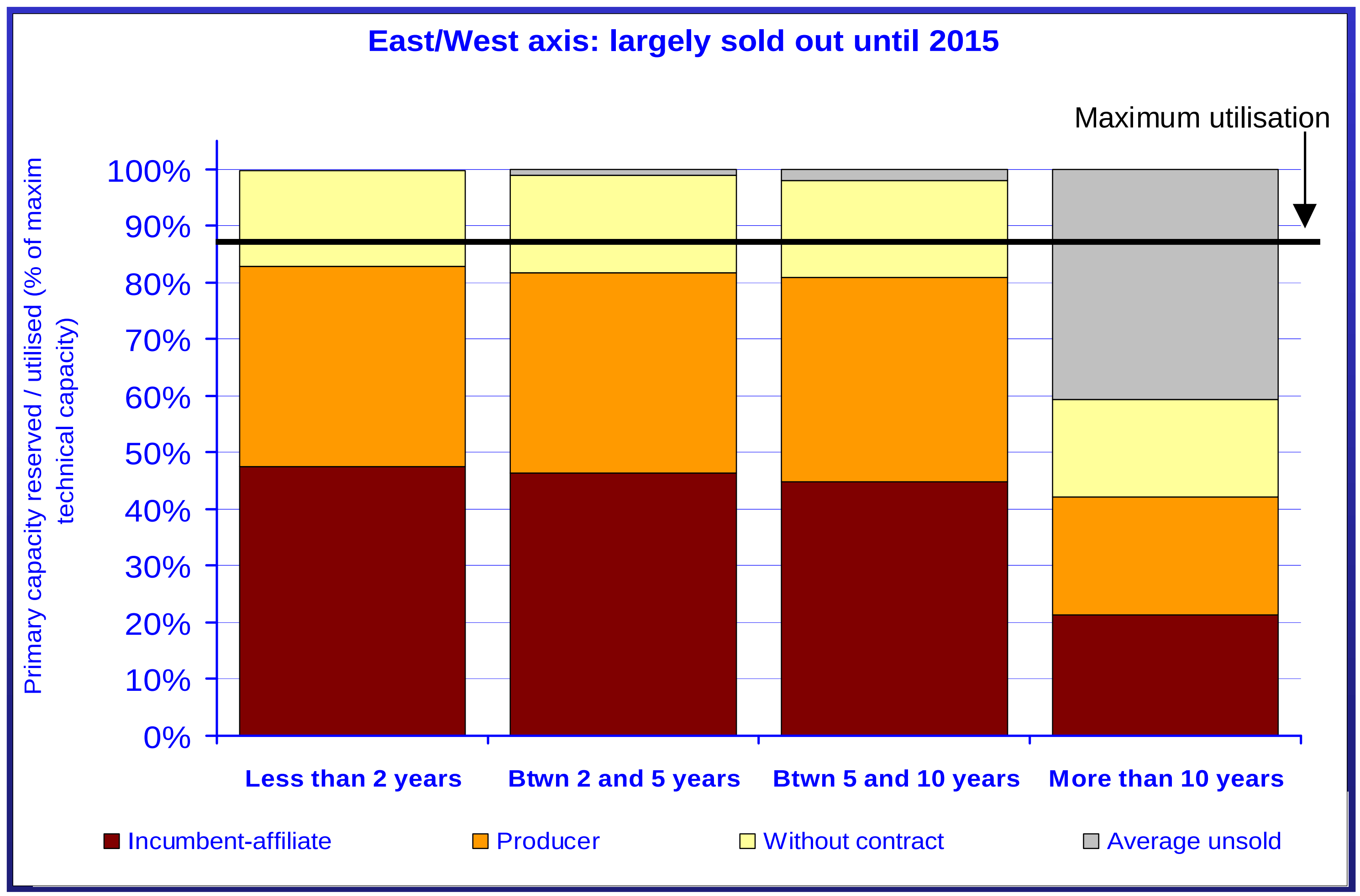
- Gas infrastructure remains mostly owned by incumbents and not sufficiently unbundled
- Long-term capacity reservations in “transit” pipelines and storage



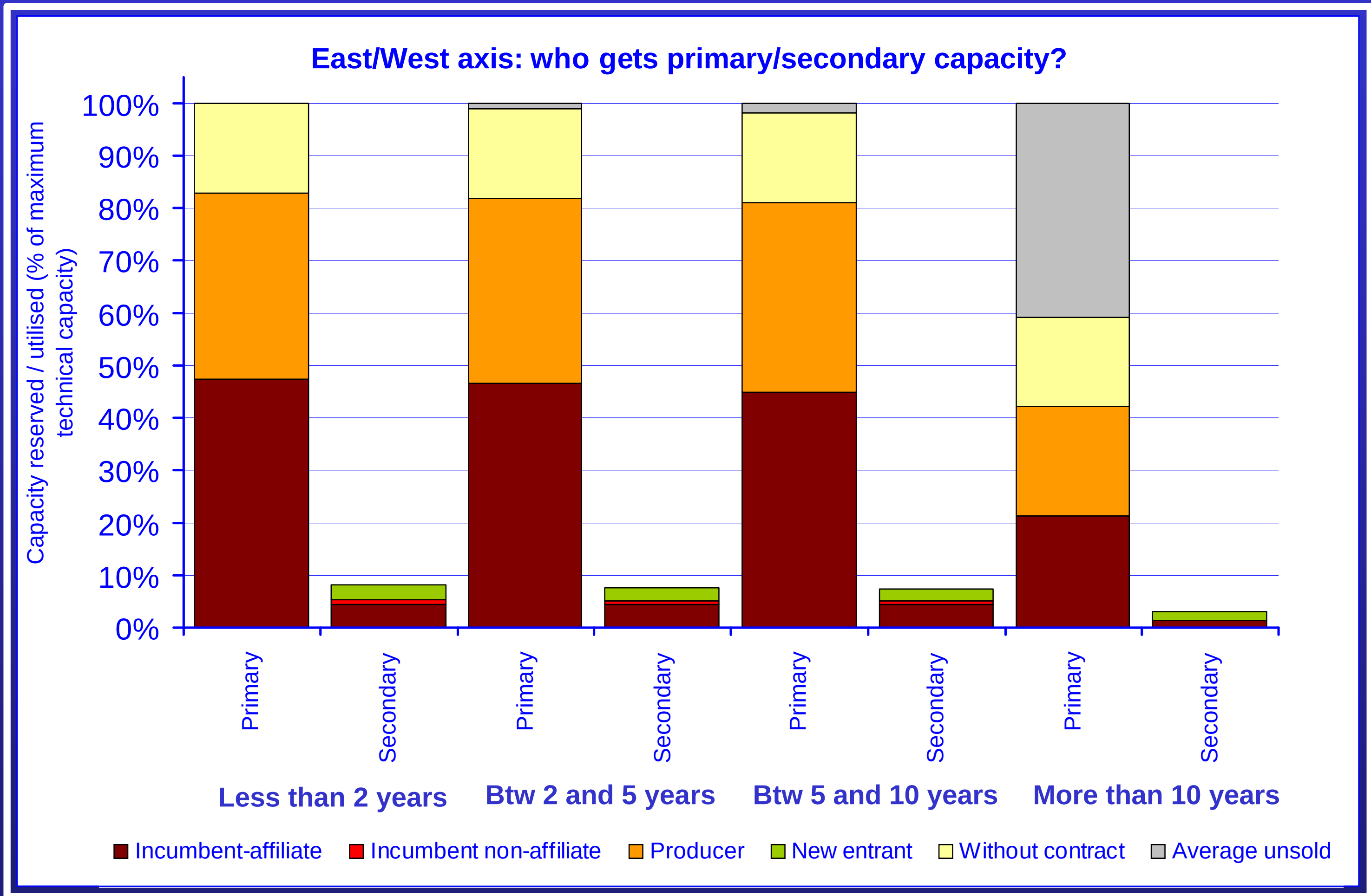
Market integration – gas import routes



Transit capacity– East/West axis

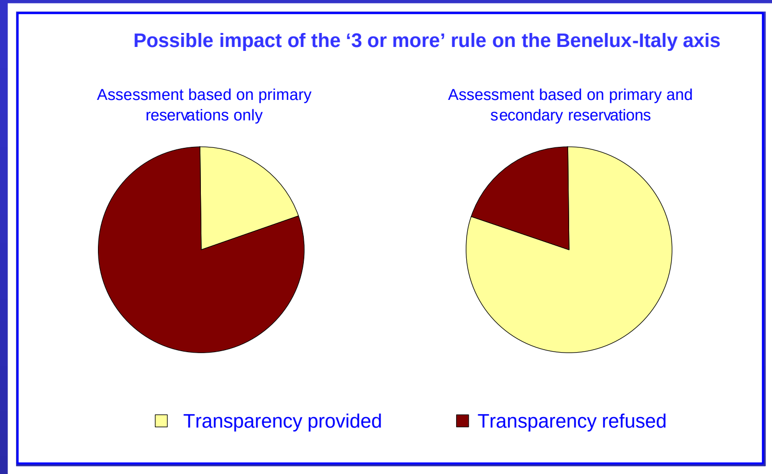


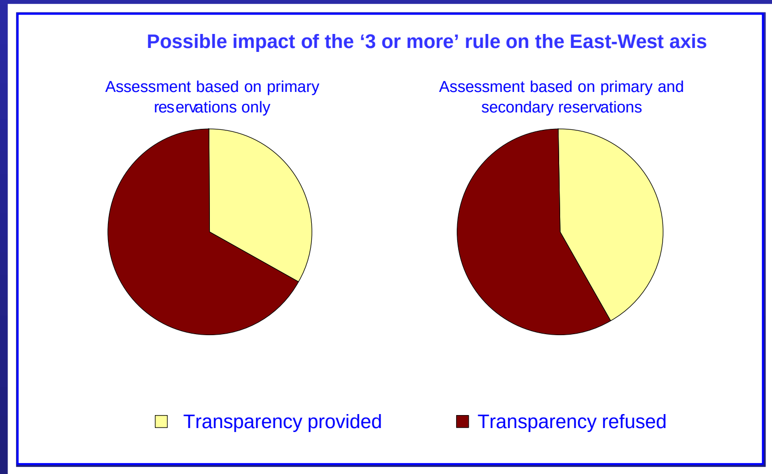
Transit capacity– East/West axis



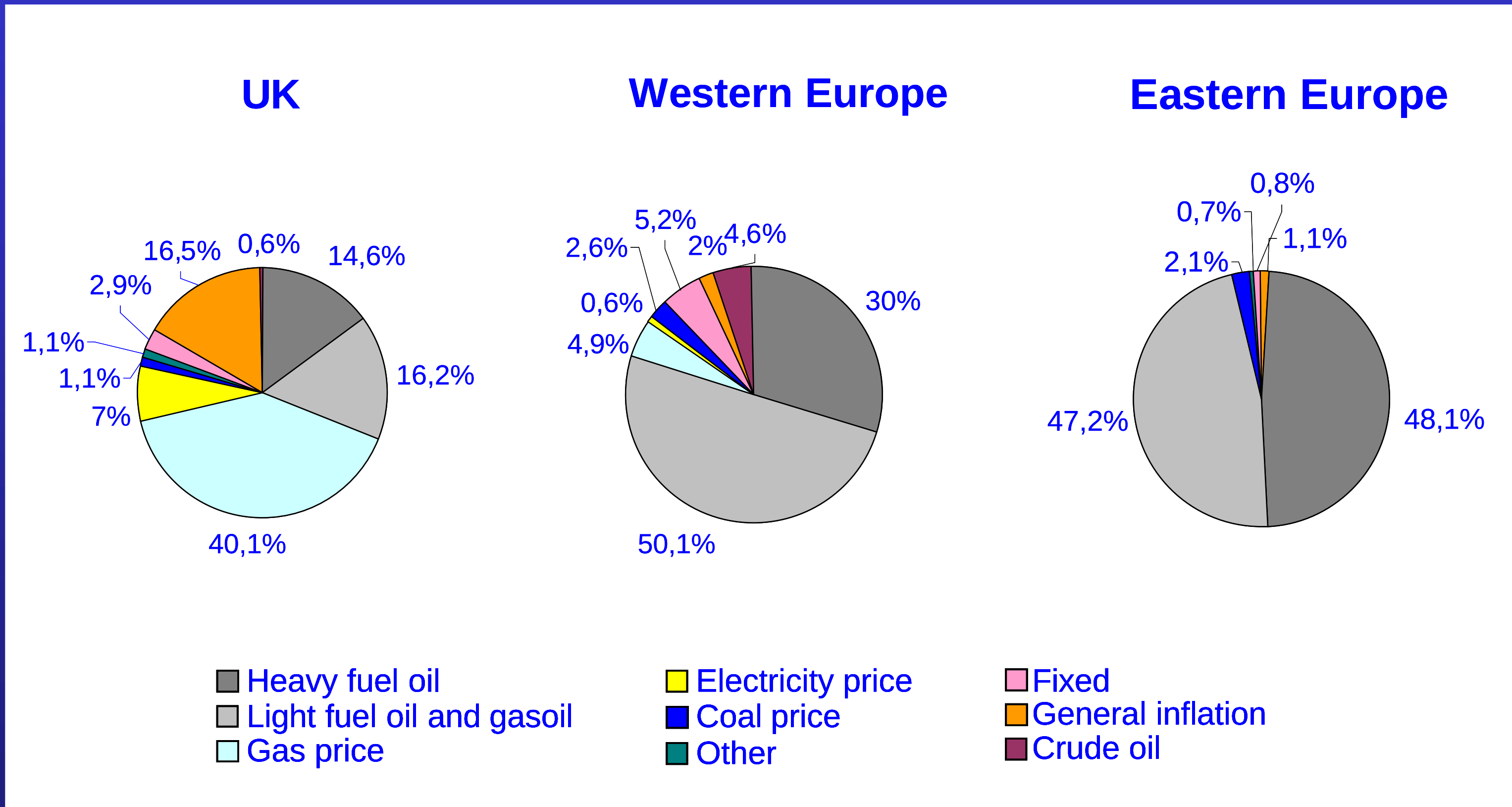
Transparency

- Gas market remains opaque and more transparency is needed
- Network users want reliable and timely information, beyond minimum requirements of EU legislation
- Confidentiality should not be used as a cloak to prevent proper disclosure

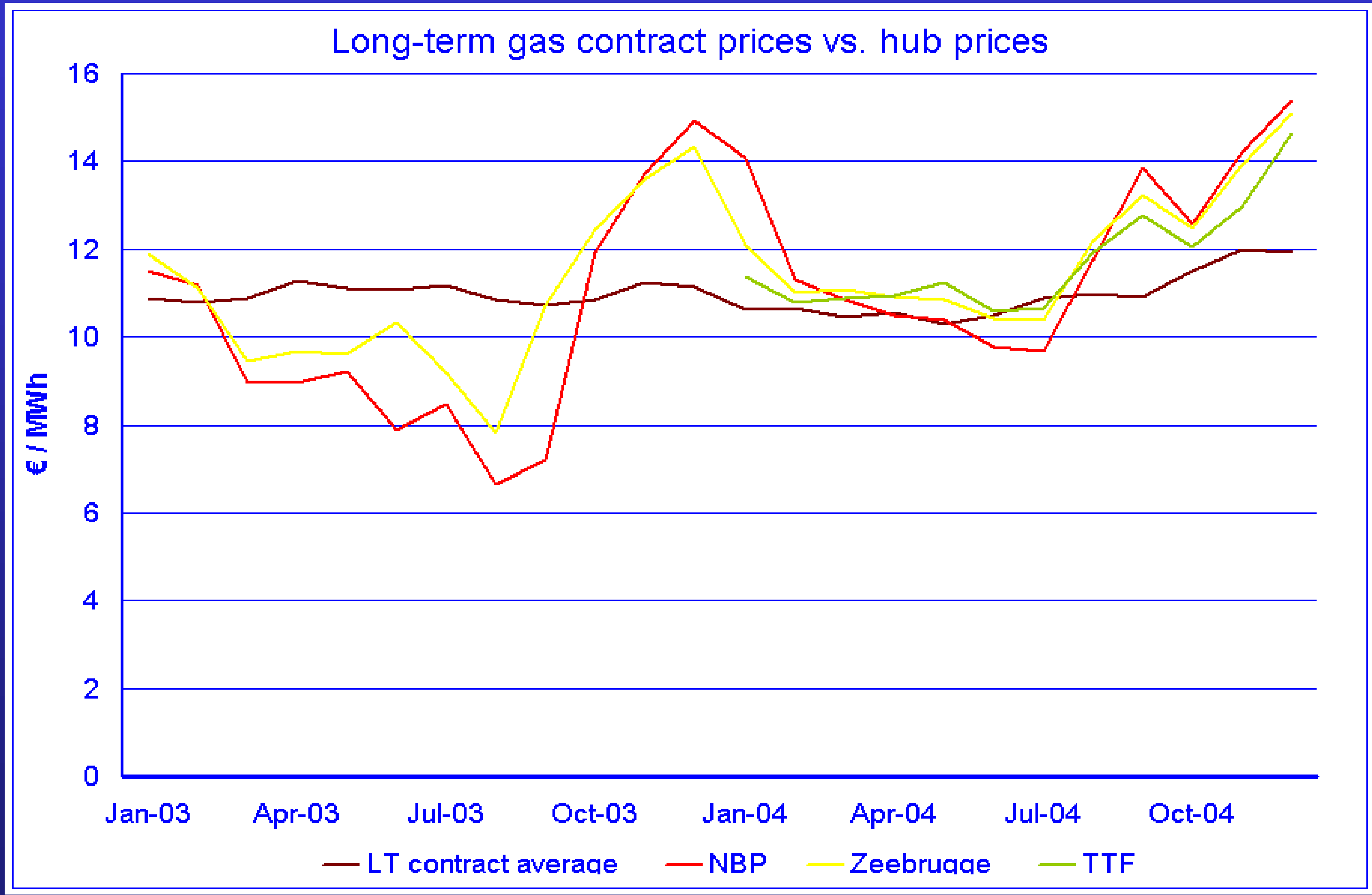




Prices – indexation



Prices – Oil-price link vs hub prices



Conclusions

- Wholesale markets in the EU generally maintain the **high level of concentration** of the pre-liberalisation period
- **Lack of liquidity and limited access to infrastructure** prevent new entrant suppliers from offering their services to the consumer
- **Transit capacity**, crucial for market integration, could be used much more efficiently
- There is a **lack of reliable and timely information on the markets**, essential for healthy competition