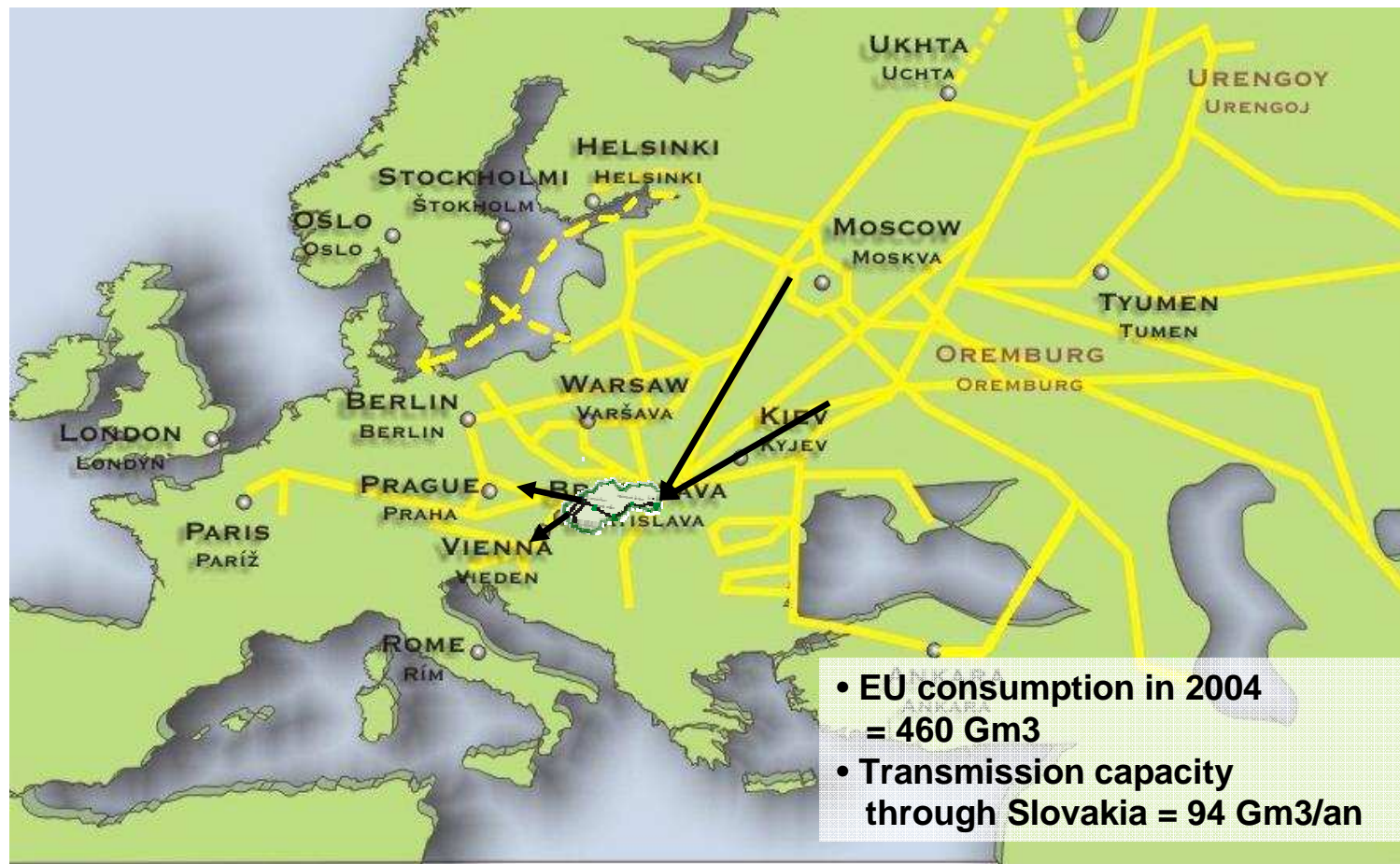


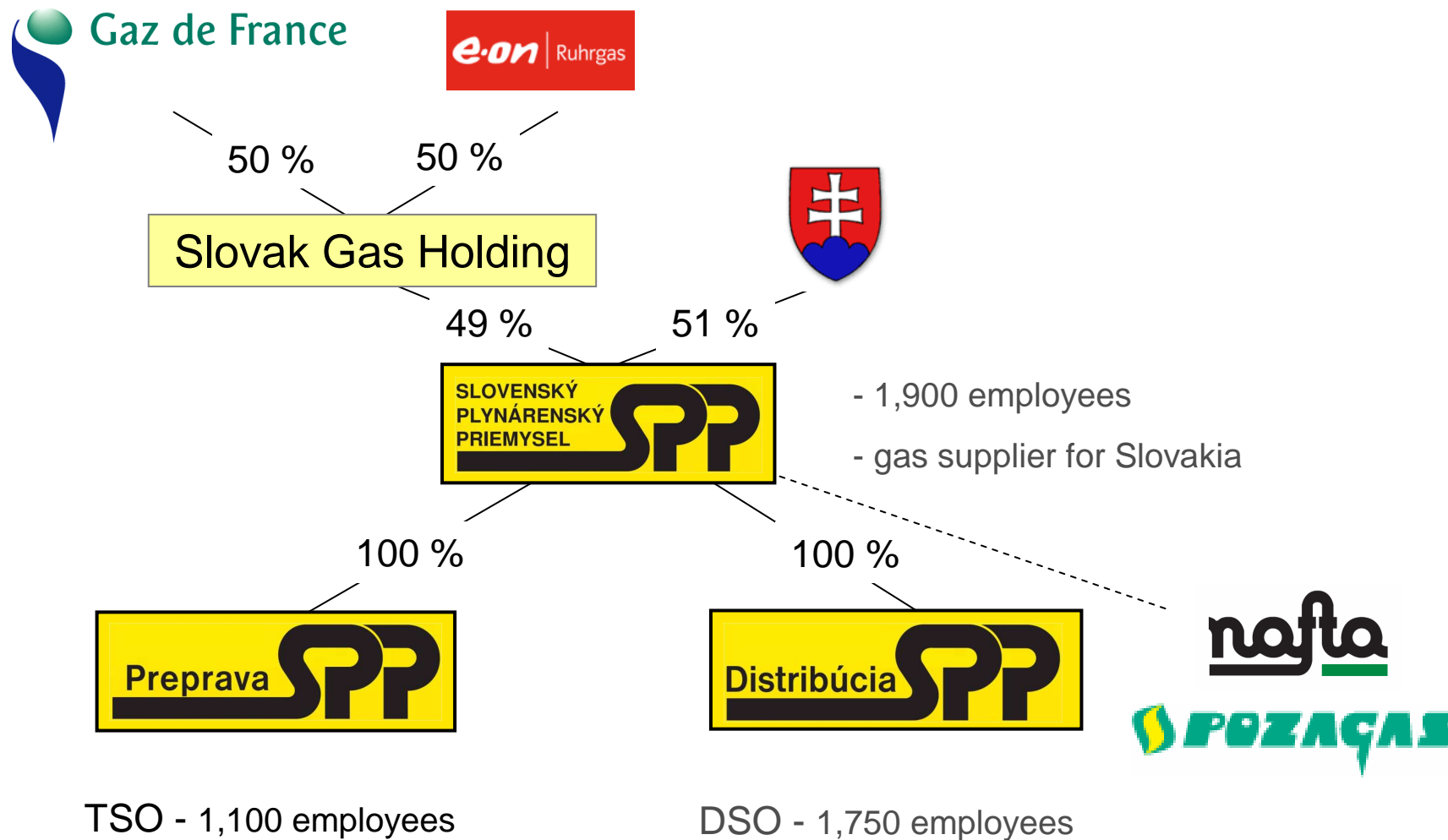
Gas market opening in Slovakia

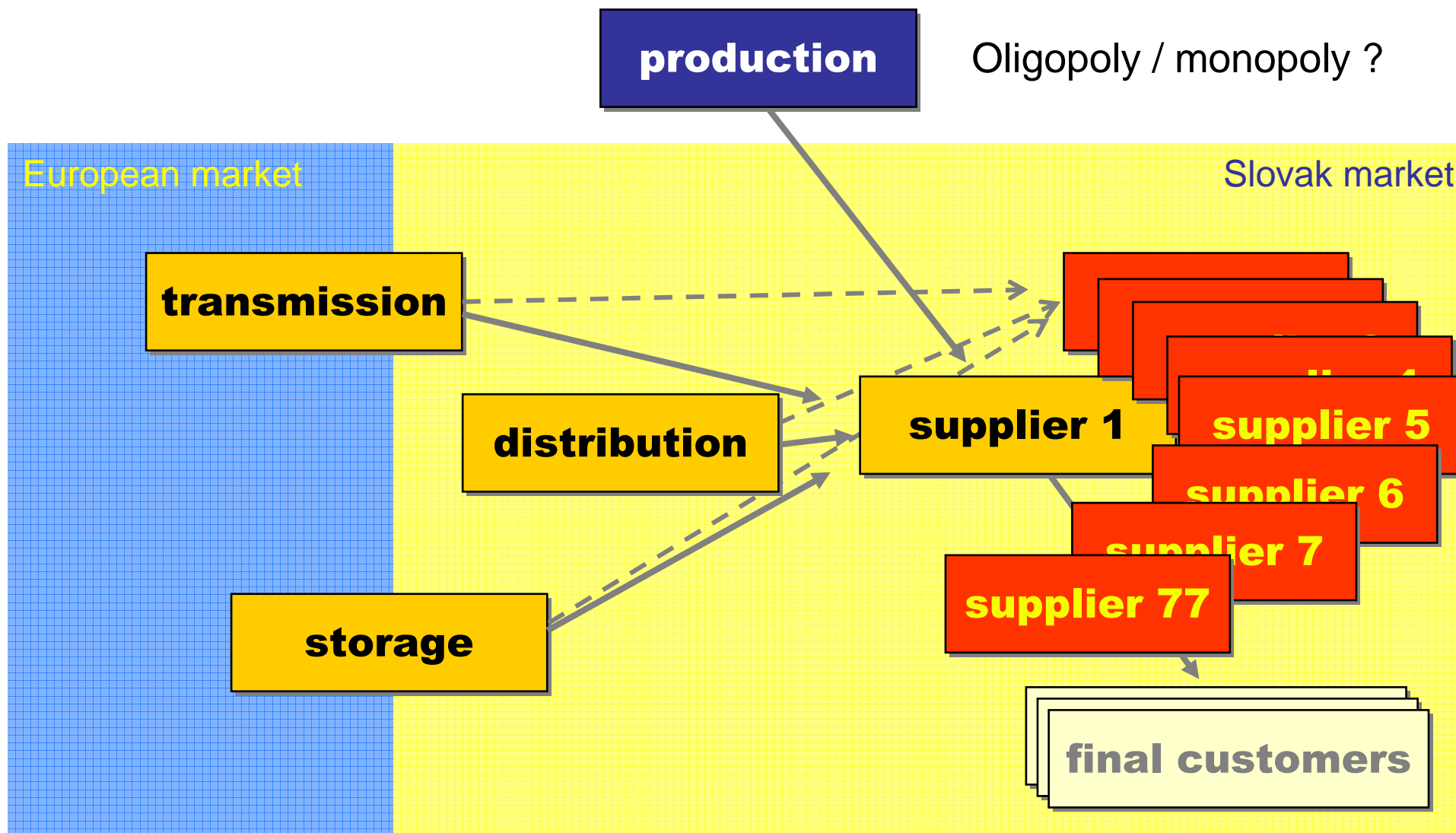
Christophe POILLION
Member of the Board of Directors
SPP – preprava, a.s.





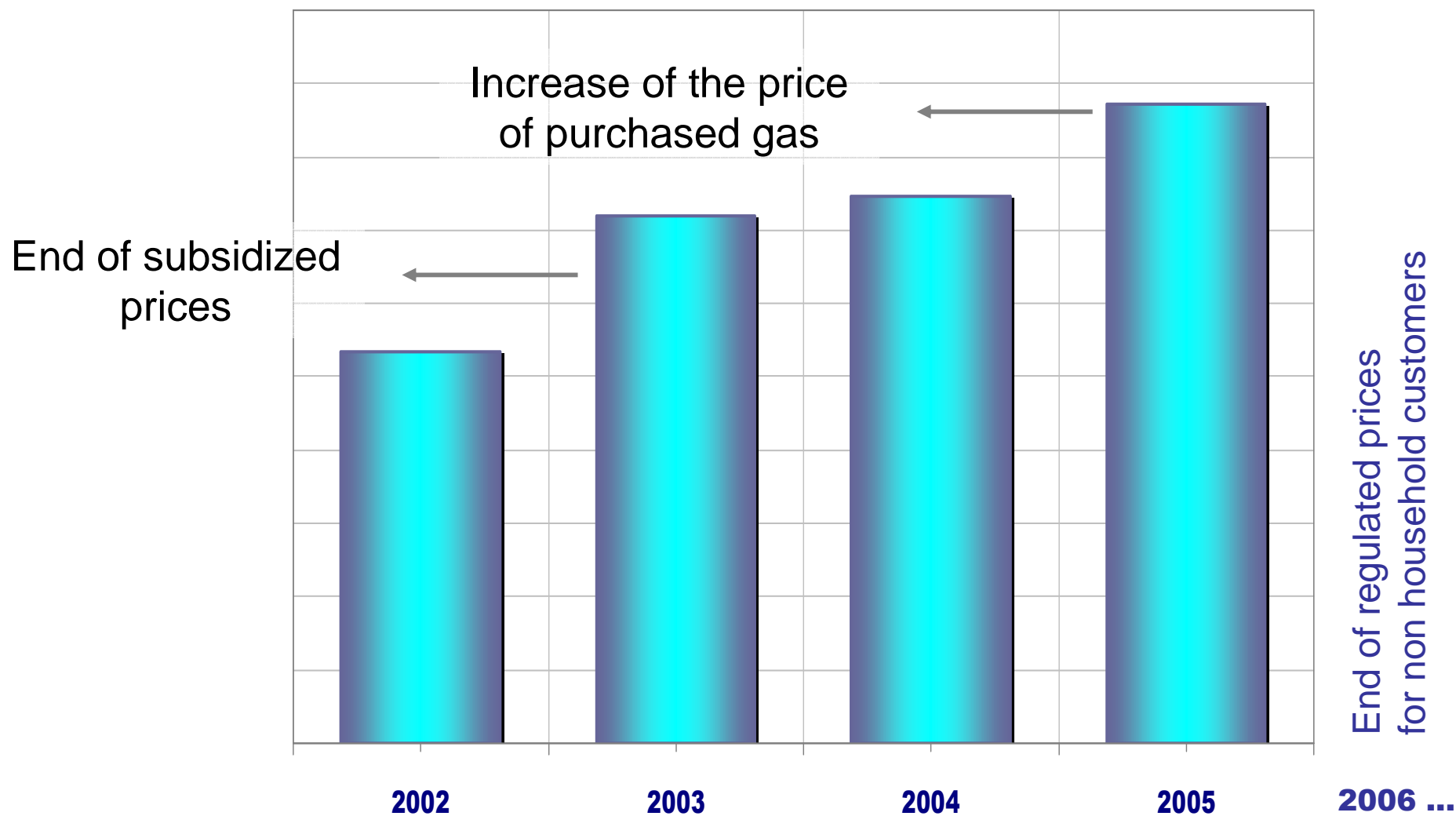
- 2,270 km of pipelines
- mainly 1,200 / 1,400 mm
- operating pressure 73.5 bar
- compression power 1,100 MW

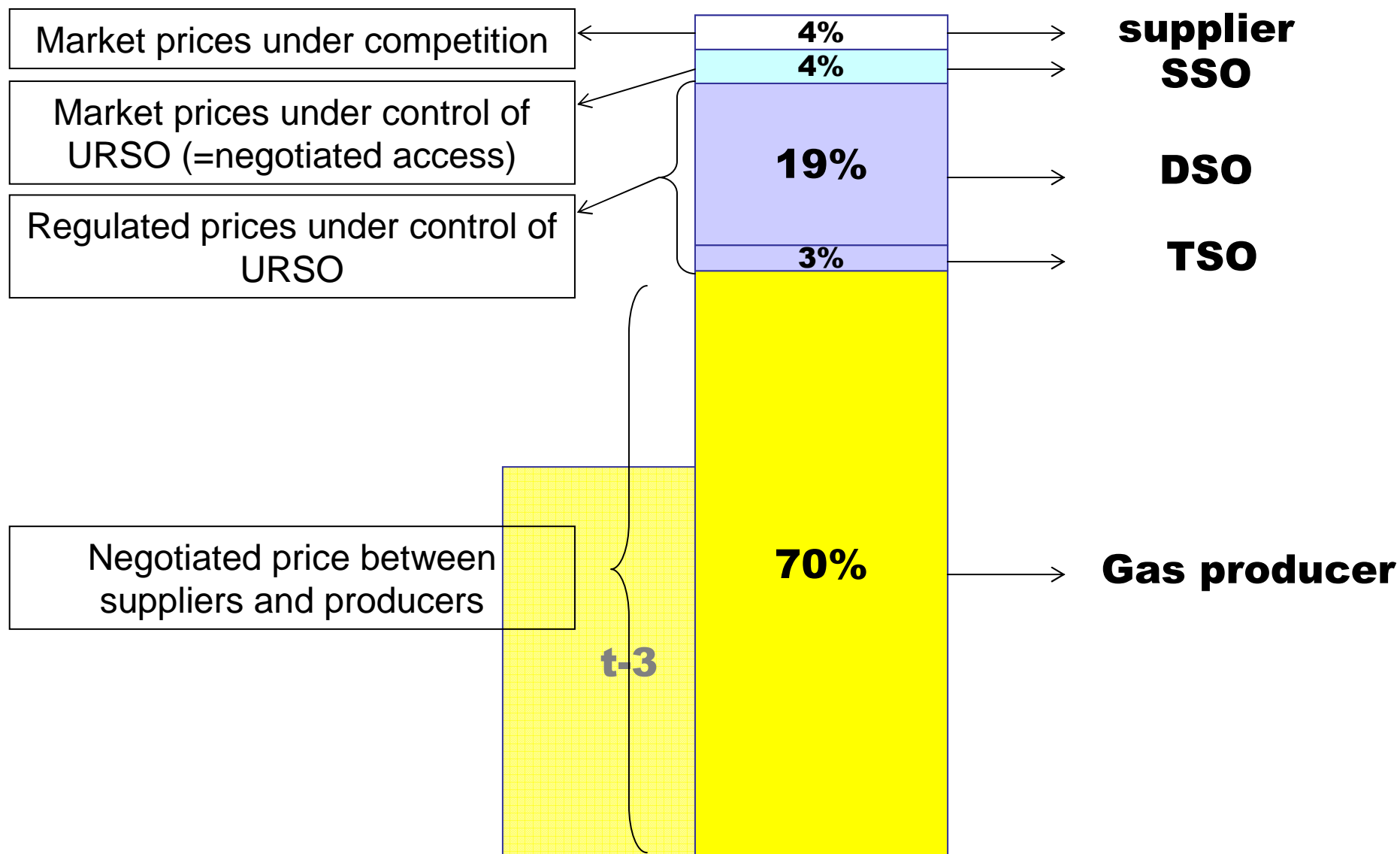


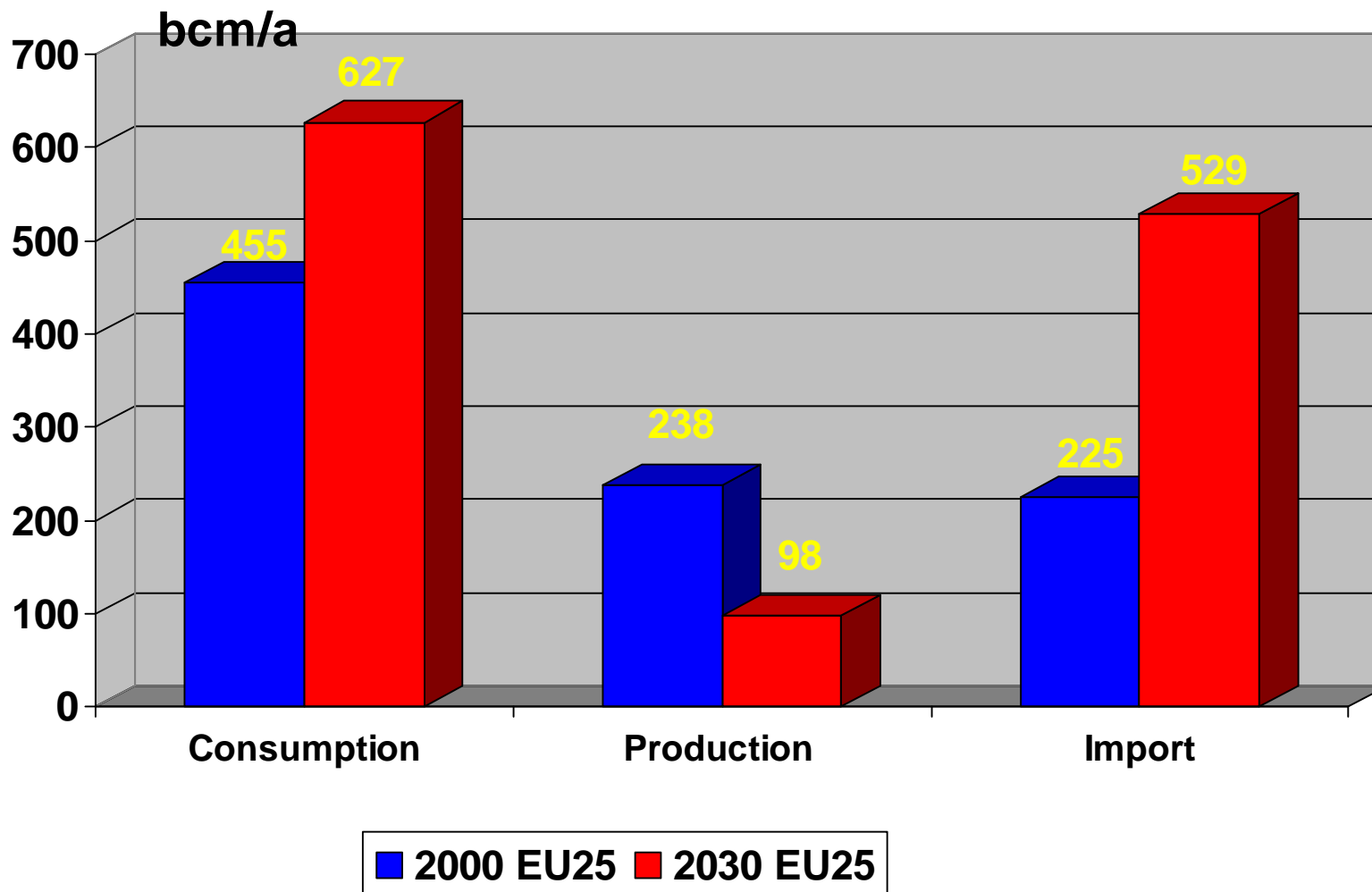


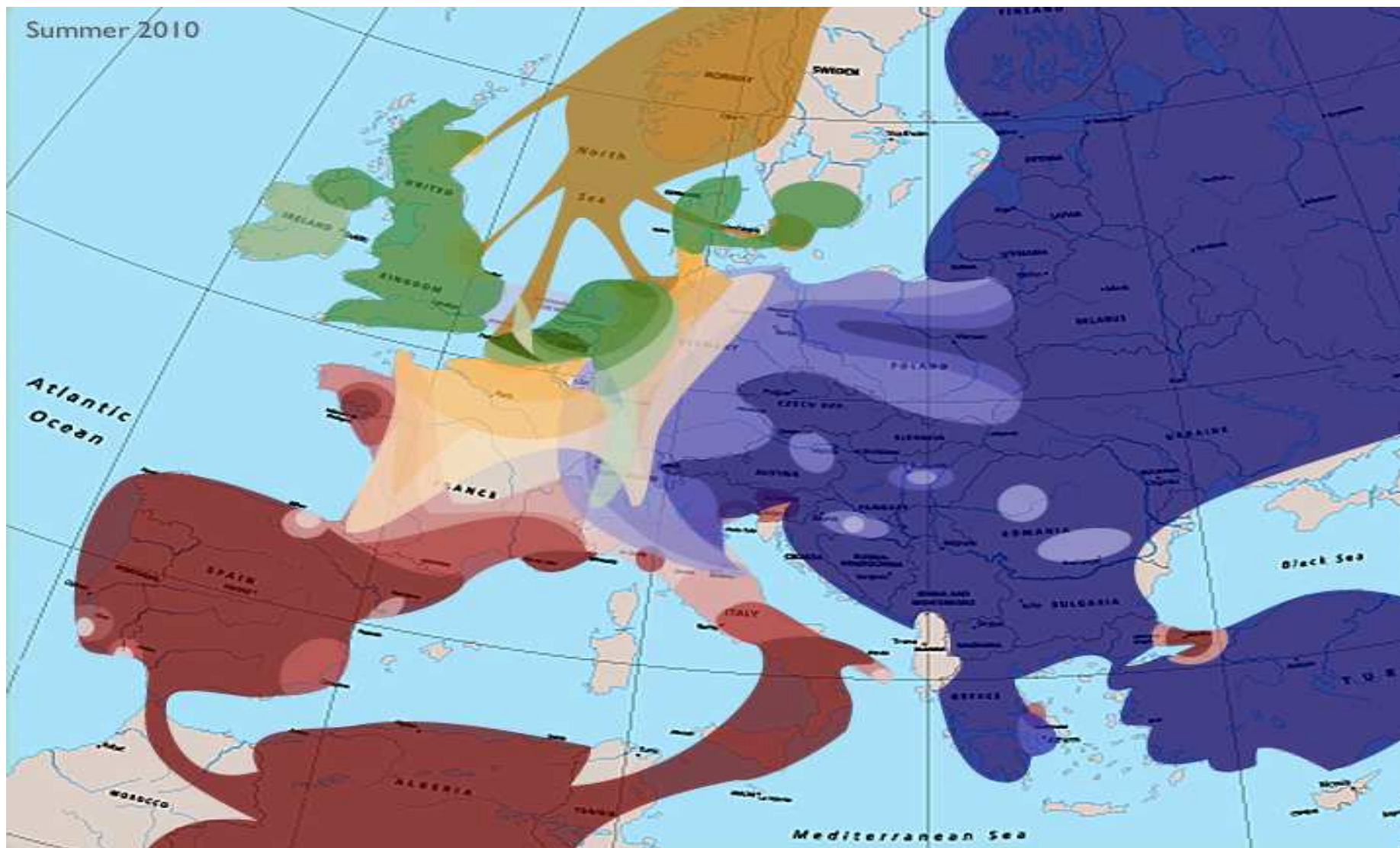
⇒ **Effective competition leads to decreasing prices for final consumers**

⇒ **For effective competition, we need a lot of competitors**



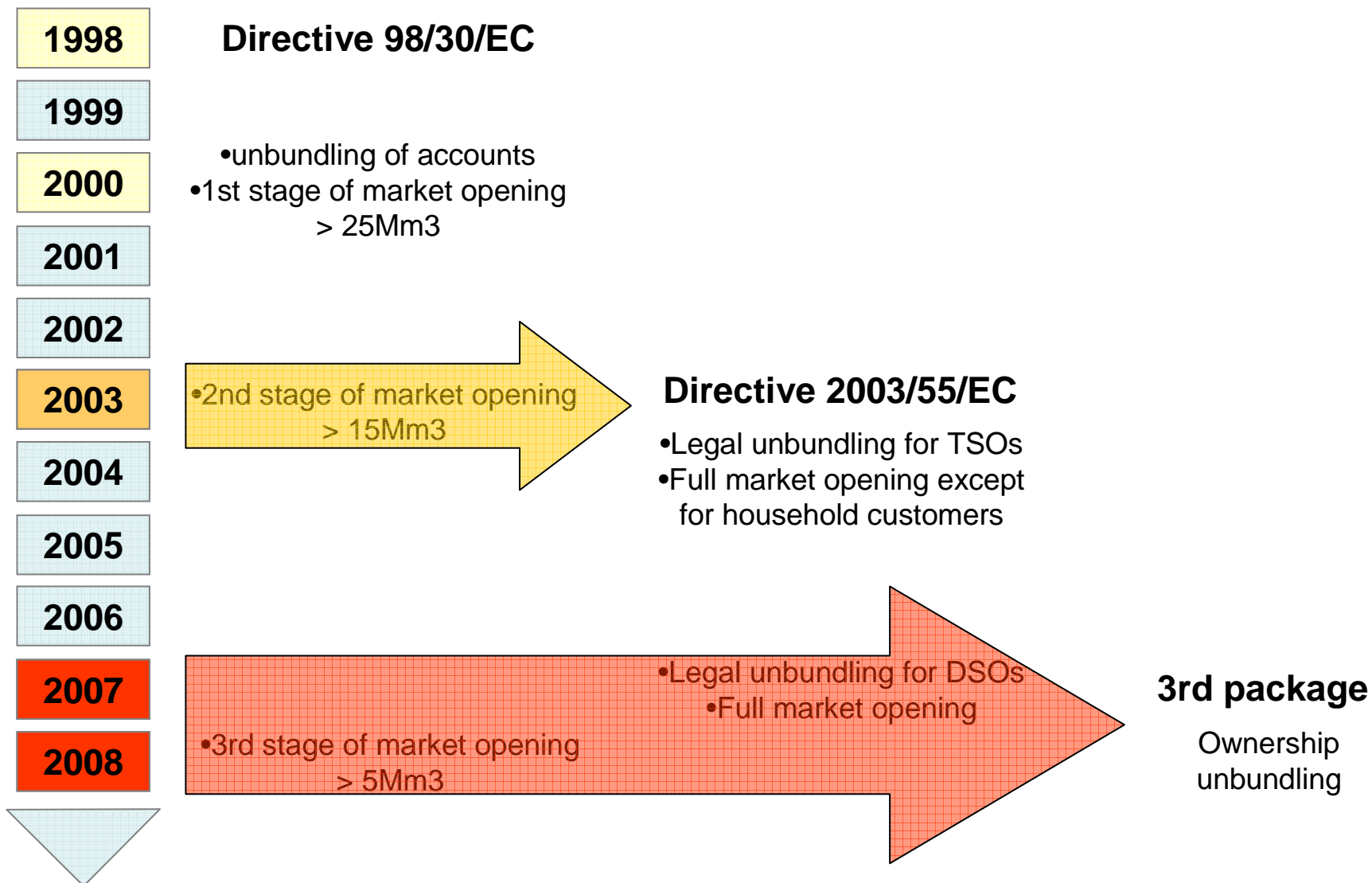


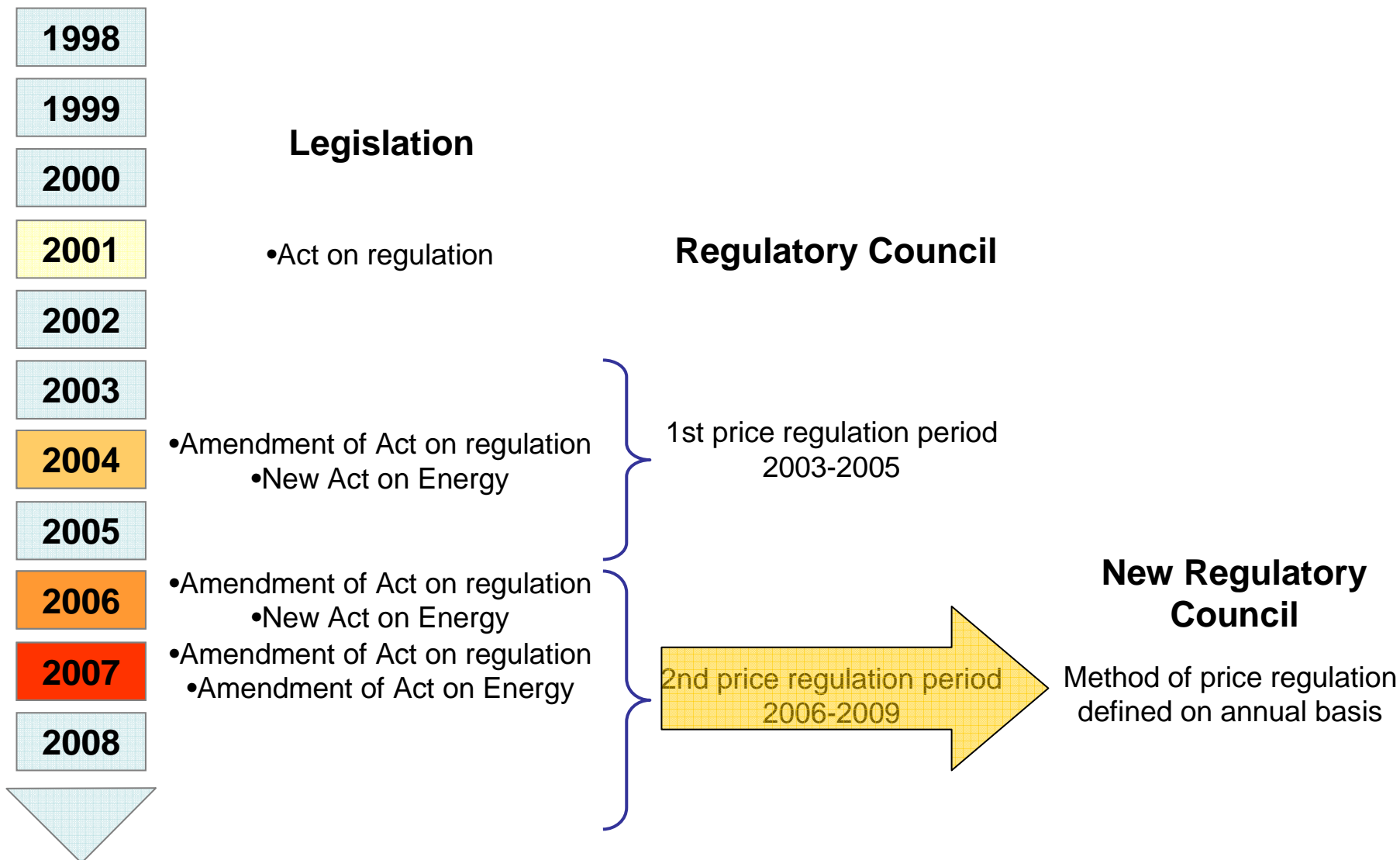




⇒ **The way the internal gas market is designed by the EU Commission has to take into account the dominant position of non-EU gas producers.**

⇒ **a need for strong European energy companies negotiating with non-EU gas producers.**





⇒ **Gas market participants need time for getting used to the new legislation and the underlying business model.**

⇒ **New EU Member States have only recently implemented rules for liberalisation and it is too early for drawing any reliable conclusion.**

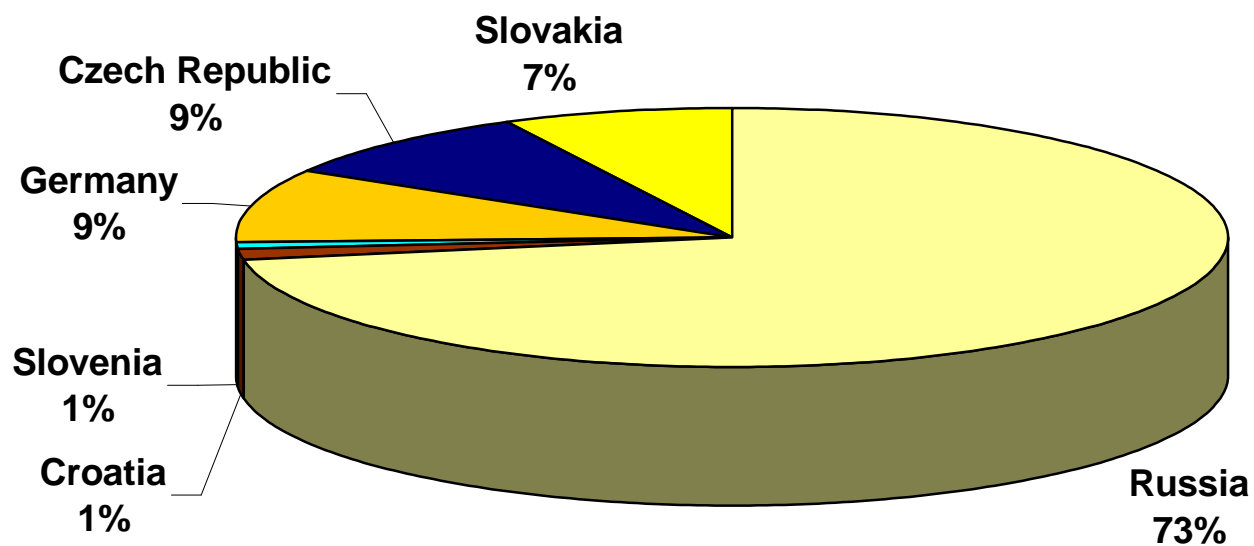
⇒ **Gas industry relies on long term investments and needs stable and predictable rules.**

- ⇒ **Improvement of security of supply**
- ⇒ **Improvement of market interconnection:**
 - ❑ Improved coordination between network operators
 - ❑ European coordination of big infrastructure projects
 - ❑ Harmonisation of technical standard
- ⇒ **Improvement of market liquidity and market entrance**
- ⇒ **Increasing powers and competences of national regulators**
- ⇒ **Creation of a European Agency for coordination of national regulators**
- ⇒ **Enforcement of unbundling:**
 - ❑ Ownership unbundling
 - ❑ Independent System Operator

- ☹ No change in the dominant position of gas producers
- ☹ No direct correlation between level of investments and ownership unbundling
 - In the UK, investment has fallen since the « progressive unbundling » of British Gas (source: Seris, British consultant)
 - 1987-1996 : legal unbundling
 - Since 1997 : ownership unbundling
 - Between 1997 and 2005, yearly investment was on average 25% below than those of the 1987-1996 period
 - In Slovakia, investments planned for the gas transmission system should represent in total around 5,5 billion SKK for the period 2008-2009
- ☹ No improvement of market integration
 - National disparities (regulation, technical standards)
 - Insufficient co-operation between system operators

- ☹ Ownership Unbundling would weaken gas operators:
 - In their negotiations with non-EU producers
 - In a context of ever increasing competition between Europe, Asia and the US to access gas resources

- ☹ Ownership unbundling could result in a deterioration of Europe's security of supply
 - See CERA's position (An Anglo-American Consultant in Economics)
 - launched a recent report on security of supply
 - confirming that a mandatory and universally ownership unbundling could lead to a strategic mistake if national specificities are not taken into account.



⇒ **a 3rd solution for Europe is possible, which:**

- ☺ better guarantees the independence of network operators:
 - ✓ draft guidelines elaborated by ERGEG
- ☺ provides for a favourable framework for investments:
 - ✓ 10-years investment scheme
 - ✓ aggregated at EU level
 - ✓ approved by the regulator
- ☺ Progresses towards an integrated market:
 - ✓ Strengthened European regulation
 - ✓ Harmonised access rules for the network and technical standards
 - ✓ Cooperation between system operators



**Thank you
for your attention**