

Natural gas: common rules for the internal market

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The European Council at Stockholm requested a detailed evaluation of the situation in the gas sector relating to market opening. This has been carried out in the form of a benchmarking report considering in detail the regimes in place in different Member States for gas. The report reveals that almost all Member States have transposed the gas Directive although legal implementation has been delayed in France and is incomplete in Germany, and infringement procedures have been launched. Other than Finland, Portugal and Greece, which are emerging markets and have certain derogations in place, all Member States except France and Denmark are envisaging full market opening before 2008. However, a number of obstacles to full competition have been identified in the Commission's report as follows: - network access tariffs based on distance and point to point capacity reservation which do not allow flexibility to third parties to change their gas sources or their customers base without incurring higher costs, - high network tariffs, which will form a barrier to competition in themselves by discouraging third party access, and may provide revenue for cross subsidy of affiliated business into the competitive market, - concentration of gas production and import with one or two companies, which tends to mean that new entrants find it very difficult to buy wholesale gas on reasonable terms, - balancing regimes which are non-market based and which are unnecessarily stringent and not reflected of costs incurred, - insufficient unbundling, which serves to obscure possible discriminatory charging structures and again lead to possible cross subsidy, - network access tariffs and conditions that are not subject to ex-ante approval; this may lead to uncertainty and create costly and time consuming disputes unless combined with full ownership unbundling. In addition to the barriers to competition within Member States, there are also several constraints on cross border transactions. The report examines the rules in place at borders with the following conclusions: very little progress has been made towards a transparent and cost reflective system for cross border transactions. In conclusion, there are considerable asymmetries in the implementation of the current Directive. These are leading to considerable distortions of the internal market.