

TASK FORCE ON GAS MARKET INTEGRATION

Introduction: Finding the keys to favour the regional energy and gas integration

Either because the gas market in their region is still on an early stage of development, or because they are facing an increasingly demanding energy prospect, stakeholders in the global gas industry, including policy-makers and private enterprises working along the gas chain, are seriously drawing or reviewing their strategies to face the challenges to come.

The dynamics of the geopolitical and economic developments across the world, the consolidation of trading blocks, the trends to define a new set of rules and regulations that structure the energy business, the mergers and shifts of strengths among the energy players, and the technological developments that enable new trading possibilities, provide additional complexities to this decision process. However, there is little disagreement on the basic premise that these strategies will be better based when considering trans-national, if not regional considerations.

Security of supply has been defined as one the key issues to be tackled during the 2006-2009 triennium. Zooming out from the safety and operational side of this topic which will be dealt separately by other committees, our task force will engage this issue from the international market integration perspective, both from the geopolitical side and the role and relations with the governments, as with the commercial relationships between major gas companies involved in regional gas market developments.

The goal of the Task Force on Gas Market Integration for this triennium will be to identify the possible success keys that enable or favour the regional energy and gas market integration.

To this purpose, we have divided the study into two major, inter-linked themes impacting on regional gas market integration, which are *the structure harmonisation of the gas business* and *the key goals and objectives the private and public players must reach to ensure a sound, long-term market integration process*.

I. Structure harmonization of the energy and gas business that facilitate a regional integration

The drive towards liberalisation and deregulation, amongst other trends, are changing the structure and rules of the energy and gas businesses, and trading blocks of diverse sizes and nature around the world are realising the importance of harmonising these rules, although the process shows all the signs of being complex and with no certainties on the results for the long-term.

Moreover, the clear trend towards more import dependence in the natural gas market and the related need for exploration abroad, the remoteness of supply sources, the major projects involving trans-national investment, followed by transit and transmission

agreements, all this within a given geopolitical, social and security environment, further enhances the need to develop common grounds of discussion.

The gas exporting nations need certain long-term delivery assurance to be able to endorse an equally long-term investment in exploration, while the gas importers request a similar assurance to cope with their developing markets. On the other hand, the trend to liberalisation and increasing competition tend naturally to focus on the immediate gain of market interactions. It is therefore one of the key issues of success that governments, policy-makers and corporate gas players develop creative schemes that balance these objectives.

In these lines, the study of this topic will include the following issues:

- New and flexible regulation
- Regional stability concerning institutional and economical aspects
- Trading development between different regions
- Gas supply and demand markets
- Security of gas supply
- Optimisation in the utilisation of energy resources
- Investment opportunities
- Time drivers and progressive agendas/objectives to reach

II. The goals that governmental and corporate players must reach to be successful in the gas markets integration process

We often encounter that it is hard to discern the causes for the problems related to security of supply, especially when geopolitical forces are in play. However, there is little doubt that the more effective the gas industry is in managing the relationships between the stakeholders (both public and private), the smaller are the chances that the end user will be affected.

The role of governments in energy integration processes and regulation becomes crucial as a structural driver to promote natural gas markets development, and create the context in which private corporations will have confidence to invest.

Governments have also a fundamental role of including geographical, environmental, social and cultural aspects that have a particular importance for energy integration, while ensuring at the same time, the sustainability of these processes and the interests of the consumers.

On the other hand, the profit-driven spur of the private corporations act as a key economic agent for infrastructure and market development, where open and fluid communication channels and objective-sharing within a region proves to be of paramount importance for a sustainable integration of gas markets.

Triennium Objectives

The Task Force will be composed by a limited number of specialists, carefully selected to provide a suitable global coverage.

We also envisage possible interaction with other committees dealing with these issues from other perspectives, like PGC B (Strategy, Economics and Regulation), and PGC C (Developing Gas Markets).

During the 2006-2009 triennium, we will analyse a number of specific leading cases around the world that will provide solid learnings from past experiences, and to identify the success keys that will improve the possibilities of developing constructive gas market integrations in the future.

In line with IGU's objective of fostering a healthy business environment within the industry, and a constructive dialogue spirit with governments and regulators, our ambition is that the deliverables from our task force in this triennium will provide IGU with the necessary tools to promote gas market integration as a means to facilitate economic growth, social development and sustainability.

In this way, we intend to support IGU in reaching for its ***Vision*** to be the most influential, effective and independent non-profit organisation, while serving as the spokesman for the gas industry worldwide