

# EUROPEAN GAS DAILY

October 2017

## PLATTS GUIDE TO EU-RUSSIAN ENERGY RELATIONS

This guide looks at relations between the EU and Russia in different energy-related areas, and gives an overall assessment.

Overall relationship assessment: **TENSE**

### EC ANTITRUST CASE AGAINST GAZPROM

Status: **TENSE**

**Started:** August 2012 - European Commission opens formal probe into Gazprom's alleged market abuse in Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland and Slovakia.

**Key issues:** Restrictions on gas resales across borders and allegedly unfair pricing.

**Latest news:** A market test on Gazprom's commitments to drop all resale restrictions and enable customers to opt for prices linked to "competitive benchmarks," including western European gas hubs, closed in May.

The EC is in further talks with Gazprom to find a way to settle the case without fines, as it has with most other energy antitrust cases. Poland's PGNiG wants Gazprom fined.

**Next steps:** The EC has asked Gazprom to submit improved commitments. The EC could accept these without a further market test. There is no deadline for the EC's decision.

If the EC accepts commitments in the end, it will make them binding. Gazprom would then face a fine of up to 10% of its annual worldwide turnover if it later breaks them.

### GAZPROM'S NORD STREAM 2 GAS PIPELINE PROJECT

Status: **TENSE**

**Started:** September 2015 - Gazprom and five European gas companies agree to build second 55 Bcm/year Nord Stream gas pipeline from Russia to Germany.

**Key issues:** Russia wants it onstream by end-2019, when transit deal with Ukraine expires; says needed to safeguard supplies to Europe, avoiding Ukraine.

EC says it creates a security issue by bringing too much Russian gas to EU through one route, and undermines gas transit through Ukraine.

German TSOs have included scenarios with more gas via NS2 in their grid development plans.

BASF, Uniper, Shell, Engie and OMV planned JV but settled for agreeing to finance up to 10% each of the €9.5 billion cost after Polish antitrust body expressed concerns.

The companies have not been deterred so far by the risk of potential US sanctions.

**Latest news:** The EC plans to propose in November a revised EU gas directive that would apply third energy package rules to all offshore gas pipelines, including NS2.

If this proposal is approved - which is not guaranteed -- NS2 would have to comply with EU unbundling, third-party access, tariff and transparency rules.

**Next steps:** 100% Gazprom-owned NS2 developer to seek bank loans in early 2018.

### RUSSIAN COMPLAINT TO WTO ABOUT EU ENERGY RULES

Status: **TENSE**

**Started:** April 2014 - Russia complained to World Trade Organization that EU's third energy package discriminated against Russian energy infrastructure projects.

**Key issues:** New gas pipelines can gain exemptions from EU third energy package rules on third party access, ownership unbundling and regulated tariffs under certain conditions.

Russia complained the EU did not grant Russian infrastructure the same level of exemptions as other projects.

**Latest news:** A panel created by the WTO dispute settlement body is investigating.

**Next steps:** Panel has delayed final report from May to end-2017 (dispute DS476).

### EU SANCTIONS AGAINST RUSSIA

Status: **BAD**

**Started:** March 2014 - EU imposed sanctions on Russia for its role in destabilizing Ukraine.

**Key issues:** July 2014 - EU limited Russian access to European technology and services for developing Arctic, deep water and unconventional oil resources.

September 2014 - EU added measures restricting Rosneft, Gazprom Neft and Transneft's access to EU capital markets.

Sanctions to apply until 2015 Minsk peace accords implemented.

**Latest news:** In June the EU extended the sanctions till January 31, 2018.

**Next steps:** Sanctions to be reviewed before expiry; can be prolonged.

### GAZPROM ACCESS TO OPAL GAS PIPELINE IN GERMANY

Status: **TENSE**

**Started:** 2013 - Gazprom asked for right to bid for more capacity in 36.5 Bcm/year OPAL gas link across Germany to Czech border.

**Key issues:** OPAL came online in 2011 and is linked to Gazprom's 55 Bcm/year Nord Stream 1 pipeline from Russia to Germany, and Germany's GASPOOL hub. It is owned 80% by Gazprom/BASF, and 20% by E.ON.

Under a 2009 exemption decision from EU internal market rules, the EC and German regulator BNetzA allowed Gazprom to reserve about 12.8 Bcm/year of the unregulated transit capacity it owned in OPAL for itself.

To use any of the remaining 12.8 Bcm/year unregulated transit capacity it owned, Gazprom would have to carry out a 3 Bcm/year gas release program.

In October 2016 the EC agreed to allow Gazprom's remaining 12.8 Bcm/year of unregulated transit capacity to be sold on European gas capacity booking platform Prisma.

Gazprom would be free to outbid rivals for up to 10.24 Bcm of this, but not for 2.56 Bcm.

If there is strong demand from rivals, the portion Gazprom can not outbid them on can rise to a maximum of 5.12 Bcm, and the EC can review this maximum.

Gazprom flowed more gas through Nord Stream 1 and Opal in January 2017, after extra OPAL capacity for January was sold on Prisma in December 2016.

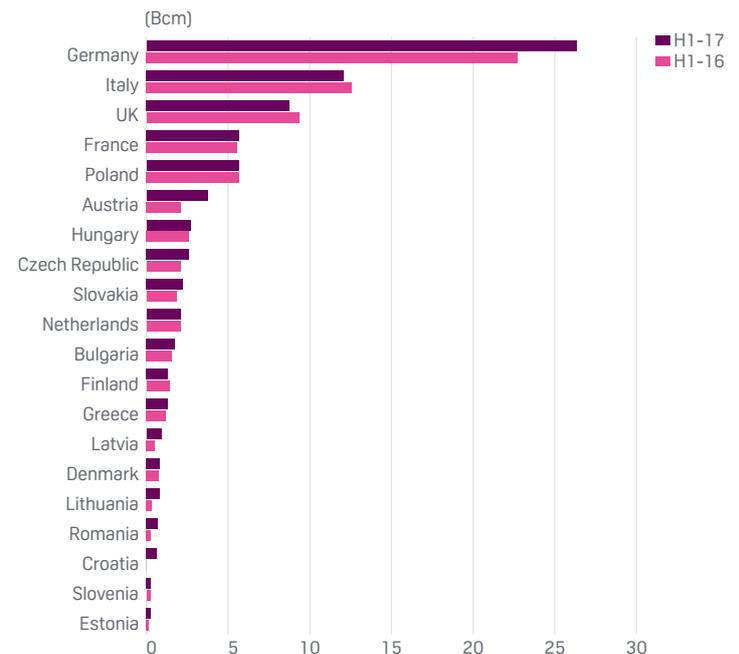
**Latest news:** In July the EU General Court in Luxembourg lifted a temporary ban imposed at Poland's request late December on Gazprom's access to the extra capacity.

OPAL operator OGT had halted the Prisma sales after the ban and restarted them on August 2.

**Next steps:** The EU General Court expects to rule in 2019 on requests from Poland to annul the EC's October decision permanently. It has warned that extra capacity booked for after the final ruling may not be guaranteed.

### RUSSIAN GAS SALES TO EU COUNTRIES H1-17 vs H1-16\*

Status: **GOOD**



\*No sales registered to Belgium, Ireland, Luxembourg, Portugal, Spain or Sweden. Malta and Cyprus do not use gas.

Source: Gazprom