



WORKSHOP ON “CROSS BORDER COORDINATION FOR INTERCONNECTION CAPACITY DEVELOPMENT”

13 October 2022

*Empowering Mediterranean regulators for a common
energy future*



Gas
Working Group
(GAS WG)



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Introduction

Physical interconnections allow for the exchange of natural gas, and hence strengthening energy security. However, the development of interconnection capacity can be complex and requires coordination between multiple stakeholders, including government agencies, regulatory bodies, and gas transmission operators. Cross-border coordination is necessary to ensure that the necessary infrastructure is in place to support the exchange of gas and that it is operated safely and efficiently. This may involve negotiations on issues such as tariffs, capacity allocation, and emergency response protocols. Effective cross-border coordination is essential for the smooth functioning of the gas market and the reliable supply of gas to consumers.

From a regulatory perspective, different countries or regions may have different regulatory frameworks governing the transmission and distribution of natural gas. Cross-border coordination may be necessary to ensure that these frameworks are compatible and allow for the smooth exchange and trade

Keynote Speech

Mr. Paolo Di Benedetto – *Snam*



Due to security of supply concerns and the energy market developments, it has become evident that higher efficiency in our energy systems can be achieved if some infrastructure needs are addressed. The key to reconfigure infrastructures is having harmonized rules.

The harmonization of regulations in the EU gas market has shown how effective they could be in developing cross-border interconnections. Such rules, also applied to the Energy Community countries, have allowed for a strong and resilient infrastructure to be built. These rules could be extended over the Mediterranean area, which is known to be rich in resources in terms of natural gas; however, it would be important to consider the different individualities of the countries.

Snam's experience has shown that there is a need to have a flexibility in designing the commercial rules. A sound regulatory framework provides the sufficient clarity and transparency to motivate and promote investments in the infrastructure, not only that, but also to understand what and how to develop such infrastructures. That is of course besides the ultimate role that the regulators play, which is to always provide the final consumer with a constant and high-quality source of energy.

Panel 1: Regional Perspectives

Mr. Matteo Urbani & Mr. Bruno Castellano – OME-UfM Gas Platform.



UfM Gas Platform

OME runs the secretariat of the UfM gas platform, ensuring the implementation of the Work program holding a dedicated website, publishing, and carrying out studies and event. Among the activities that OME holds, they are held with many of the energy stakeholders in the region as well as in coordination with other regional associations, such as MEDREG.

OME is currently aiming at publishing the 9th edition of the Mediterranean Energy Perspectives, which is to be published by the end of 2022, to be released during COP27 in Egypt. This Mediterranean Energy Perspectives gives a hint towards a net zero carbon emission scenario by 2050, for which a meeting was held on the 29th of September to define the key points and variables.

As for the deliverables of the UfM Gas Platform, a report on the switch from coal to gas in the power sector in the Mediterranean region is to be published soon. Furthermore, a draft has been circulated for the report on the role and importance of south Mediterranean gas in European supply security. In addition, the annual database will also be circulated by the end of the year as well.

Mr. Benoit Esnault – CEER, GWG Vicechair



In the EU, energy regulators consider that new cross border infrastructure needs are reduced in the context of energy transition. However, the gas crisis has relaunched some interest for new interconnectors allowing gas to flow west-east. Of the developments witnessed, many LNG terminals under construction, especially in Germany. Furthermore, flow patterns of Gas within the EU pipelines are to be reconsidered.

Hence, in the short-term, cross border-coordination should be about solidarity mechanisms. As for the long-term perspective, green and decarbonized gases should be given most attention. In that regard, decentralise production should be the main aim. Furthermore, when it comes to developing and building new pipelines, it should be ensured that they would be hydrogen ready to avoid, open to further development if needed.

Regional coordination is important to realize such projects, and it is ensured via the Ten-Year Network Development Plan (TYNDP) and the trans-European networks in energy (TEN-E) guidelines. The development of scenarios becomes crucial, where CEER and ACER request maximum transparency from the member countries, to assess alternative options. From a decarbonisation context, projects of common interest could be reassessed before taking any investment decisions.

Panel 2: MEDREG Member Case Studies

Mr. Mohamed El Tahan – *GasReg, Egypt*



Egypt has adopted a major economic transformation to Develop and reform a strong energy with particular focus to gas market as per international practices making use of unprecedented gas discoveries brought back Egypt to become a gas exporter.

Egypt is regarding hydrogen as a strategic “frontier business” that will play an important role in the global energy transition. Egypt’s pipeline for green hydrogen projects stands at 11.62 gigawatts (GW), equivalent to over 1.57 million tonnes of Green Hydrogen. Estimated cost for the hydrogen projects without additional infrastructures, will be around \$20 billion. The projects are expected to become functional by 2035. Such MOUs enable companies to go through the technical, financial, and legal feasibility studies, coinciding with COP27.

GASREG is currently studying the identification of possible regulatory solutions to address the energy transition, hydrogen, and other relevant topics to be introduced within the Egyptian regulatory regime with much focus to allow the introduction of hydrogen to gas transmission, distribution, storage and regasification, and the development of green certificates for the guarantee of origin of hydrogen.

Mr. Benoit Esnault – *CRE, France*

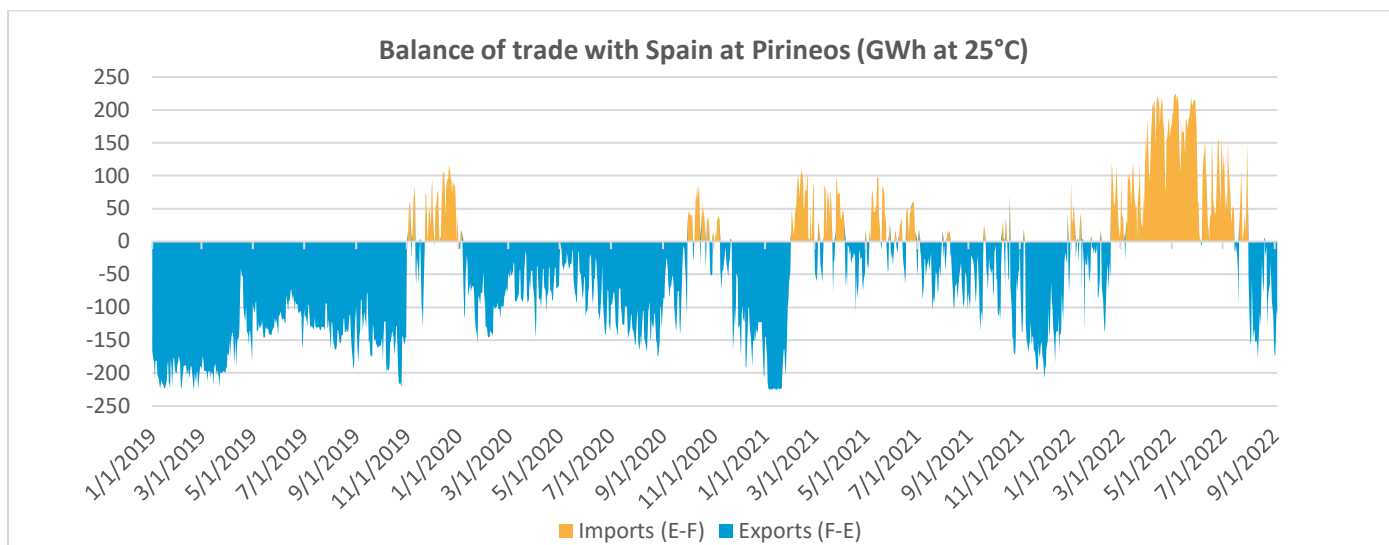


In France, transport capacities in the past have been developed based on long-term contracts, that ensured their financing on a long-term perspective.

It is noteworthy to say France, since November 2018, has become a single marketplace. This was only realized through a pragmatic approach showing very strong cooperation of the TSOs with the regulator, as with the other stakeholders to see optimize the design.

Focusing on Interconnections, especially the ones with Spain, historically, flow paths have been from France to Spain. However, due to recent disruptions in Russian gas imports into the EU from the east and due to an increase in LNG imports in the Iberian Peninsula, the bidirectional pipelines have been used to flow natural gas from Spain to France. Seen in the figure below is the net flow in the interconnection showing the balance of trade with Spain at Pirineos. The colour blue depicts the next export from France to Spain, while yellow depicts net import from Spain to France.

CROSS BORDER COORDINATION FOR INTERCONNECTION CAPACITY DEVELOPMENT



Mr. Gerti Bitri – ERE, Albania



Albania has a small but growing natural gas market that plays an important role in the country's energy mix. The country is home to several natural gas production and exploration projects, while carrying out importing and exporting activities. ERE regulates the natural gas sector, where the regulator is responsible for issuing licenses, setting tariffs, and ensuring compliance with regulations.

Albania has the potential to play a significant role in the regional gas market, whether in the Balkans or the Mediterranean. Albania is a net importer of natural gas and relies on interconnection capacity with neighbouring countries to ensure having a reliable source of gas. Furthermore, Albania also has the potential to export natural gas to other countries in the region. Cross-border coordination is essential to ensure that the necessary infrastructure is in place to support the export of gas in the most effective of ways.

Among the cross-border interconnections made is the Trans-Adriatic Pipeline (TAP). TAP runs from the Caspian Sea region through Greece, Albania, and the Adriatic Sea, ending in Italy.

The natural gas market in Albania has the means to boost the country's economic development and energy security. The development of new interconnection capacity, such as the proposed Ionian-Adriatic Pipeline, could help to increase the country's access to a reliable source of natural gas and reduce its dependence on a single source of energy.

Conclusion

Cross-border coordination is necessary to ensure that this infrastructure is planned and built in a way that is environmentally and socially responsible, and that it meets the needs of all stakeholders. It is also necessary to determine how this capacity will be allocated and to resolve any disputes that may arise, especially at a time where security of supply is being prioritised by most countries.

Interconnections are particularly important in times of high demand or when there are supply shortages in one region. By coordinating the exchange of gas through interconnection capacity, countries or regions can increase their energy security and reduce their dependence on a single source of gas.

In addition to the exchange of gas, cross-border coordination is also important for ensuring the safe and reliable operation of interconnection capacity. This may involve coordinating maintenance and repair efforts, as well as emergency response plans in the event of an incident. By working together and sharing information, countries and regions can ensure that interconnection capacity is operated safely and efficiently, further enhancing the security of supply.

Overall, cross-border coordination is a key factor in ensuring the security of supply in the gas sector and is essential for the smooth functioning of the gas market.



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