

5th AIEE ENERGY SYMPOSIUM

THE GEOPOLITICS OF THE GLOBAL ENERGY TRANSITION

Opportunities to ensure affordable prices and security of natural gas supply in Bulgaria following the commitments of Gazprom Export before the European Commission

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The aim of the study is to research how the end result of the antitrust case, which the EC has led against Gazprom Export (2011-2018), could help Bulgaria benefit by means of :

#what

- affordable price of natural gas
- security of supply

#why

- the strong dependence of Bulgaria on the sole supplier brings the topic of security of supply of blue fuel
- price of energy resources is key for the poorest country in the EU
- natural gas is a key tool for achieving the goals of the 'Energy transition'

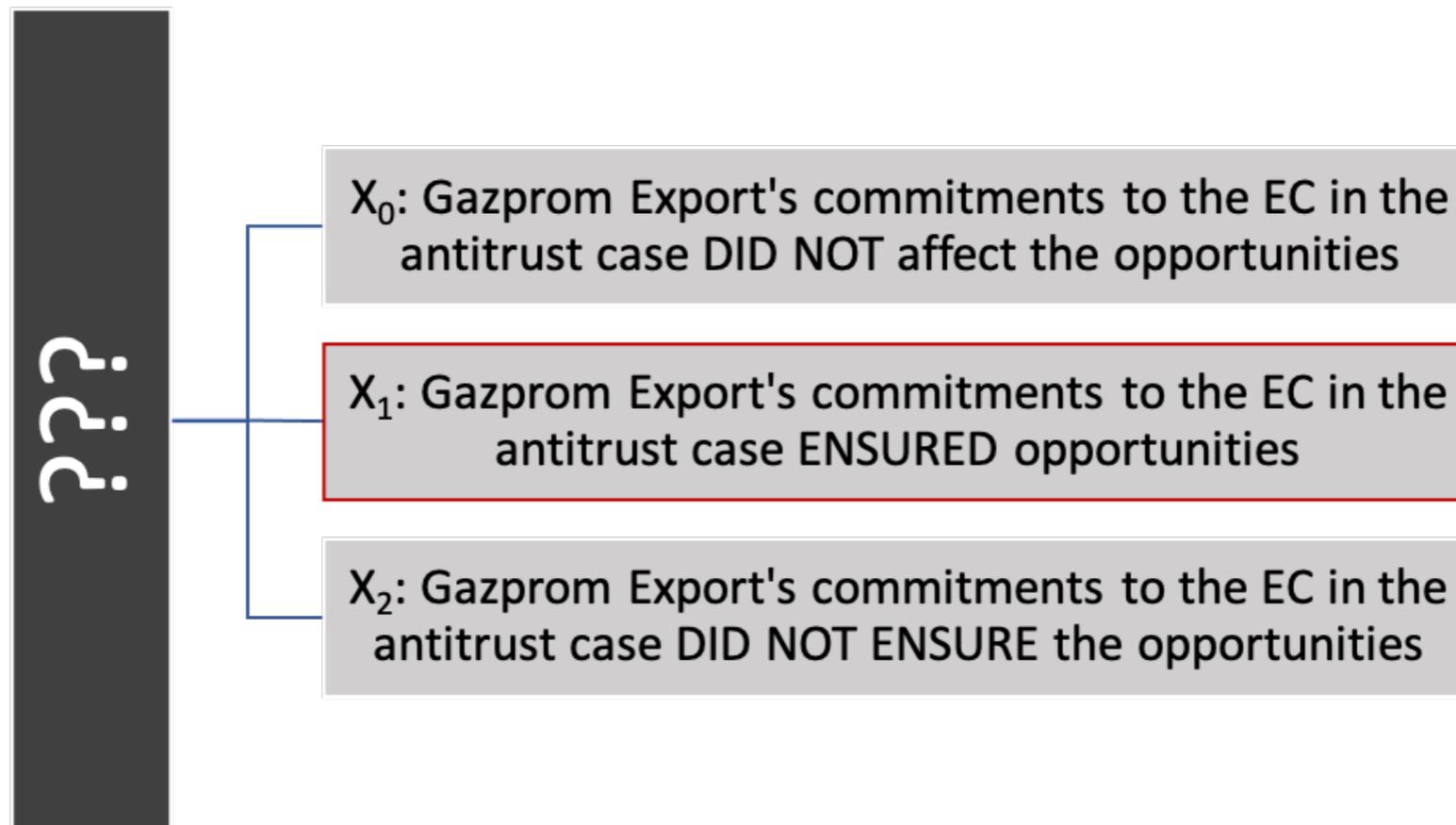
#how

- scientific literature and strategy political documents were reviewed, statistical data on prices was processed and analysed
- recommendations for for a future strategy of Bulgaria were made

And finally what?

???

‘Did Gazprom Export's commitments before the EC in the antitrust case provide opportunities to ensure affordable prices and security of natural gas supply in Bulgaria?’



Working hypotheses

1. Theoretical framework
 - Common EU Energy policy - strategy documents and policy papers
 - Bulgarian practice in the field of Energy strategy
 - Commercial policy of Gazprom Export
 - EU dependence on natural gas imports from Russia
(from the perspective of researches and academia members, energy experts and politicians)

2. Antitrust legislation & the case
 - EU antitrust law and the role of the EC
 - EC antitrust case against Gazprom - taking advantage of a monopoly position in 8 EU Member States (including Bulgaria)

The study is based on the following reports:

- export prices of Russian natural gas for selected European countries 2010 - 2014
- price levels on the natural gas market in the EU, 2015 - 2016
- report on the renegotiated contracts with the Russian company and European clients for the period 2009-2014
- report on export prices of Gazprom Export LLC for 2010-2014

The author processed and analysed statistical data from the quarterly reports of the EC for the period 2013- 2020.

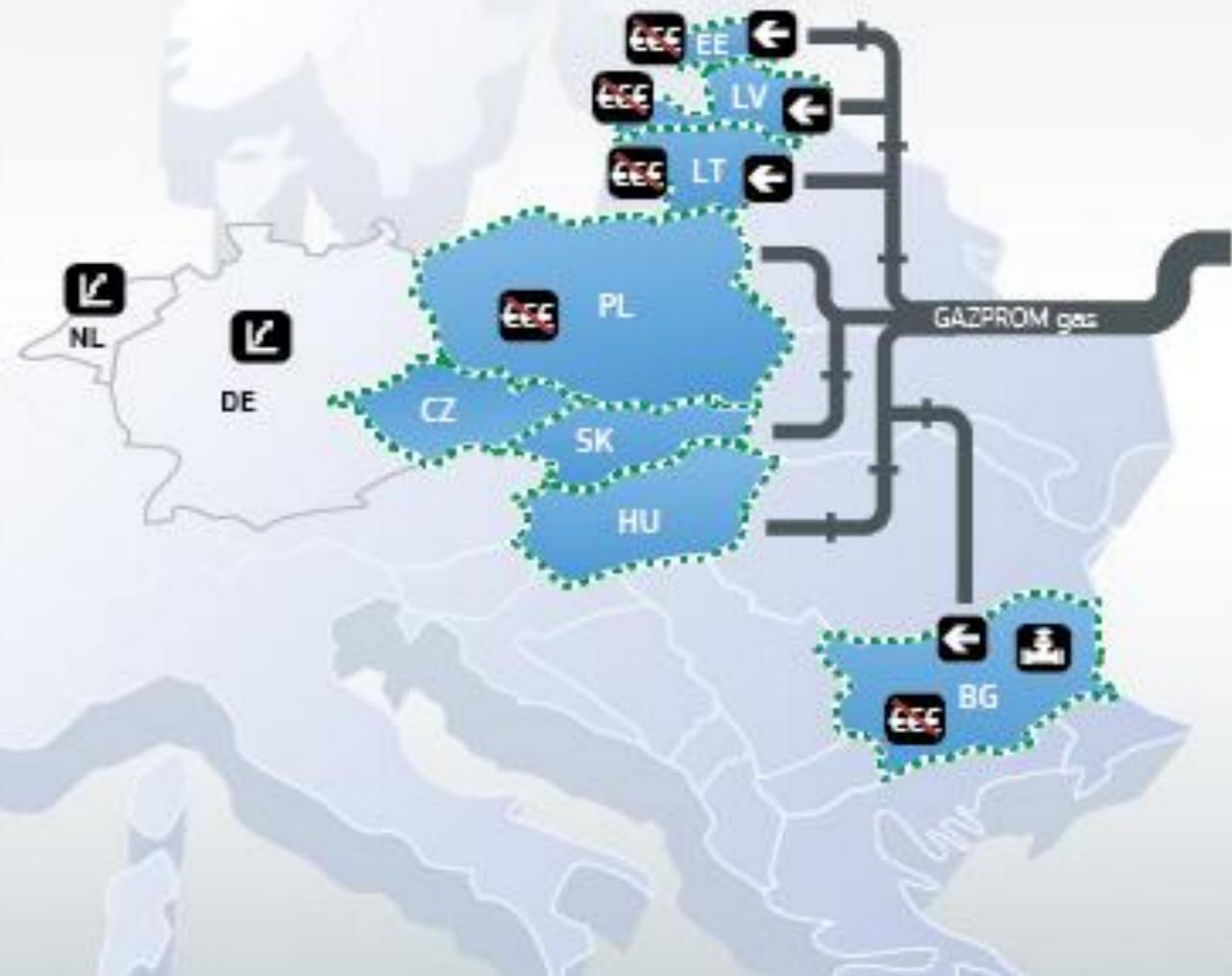


All the researches show that during and after the end of the antitrust case, there is price equalization within the EU for supply of natural gas under a long-term contract with the main supplier.



GAZPROM's proposed measures to remedy competition concerns

-  Allowing cross-border flows of gas
-  Ensuring competitive prices, linked e.g. to liquid hubs 
-  Enabling interconnections
-  Providing flexibility to divert gas to this delivery point

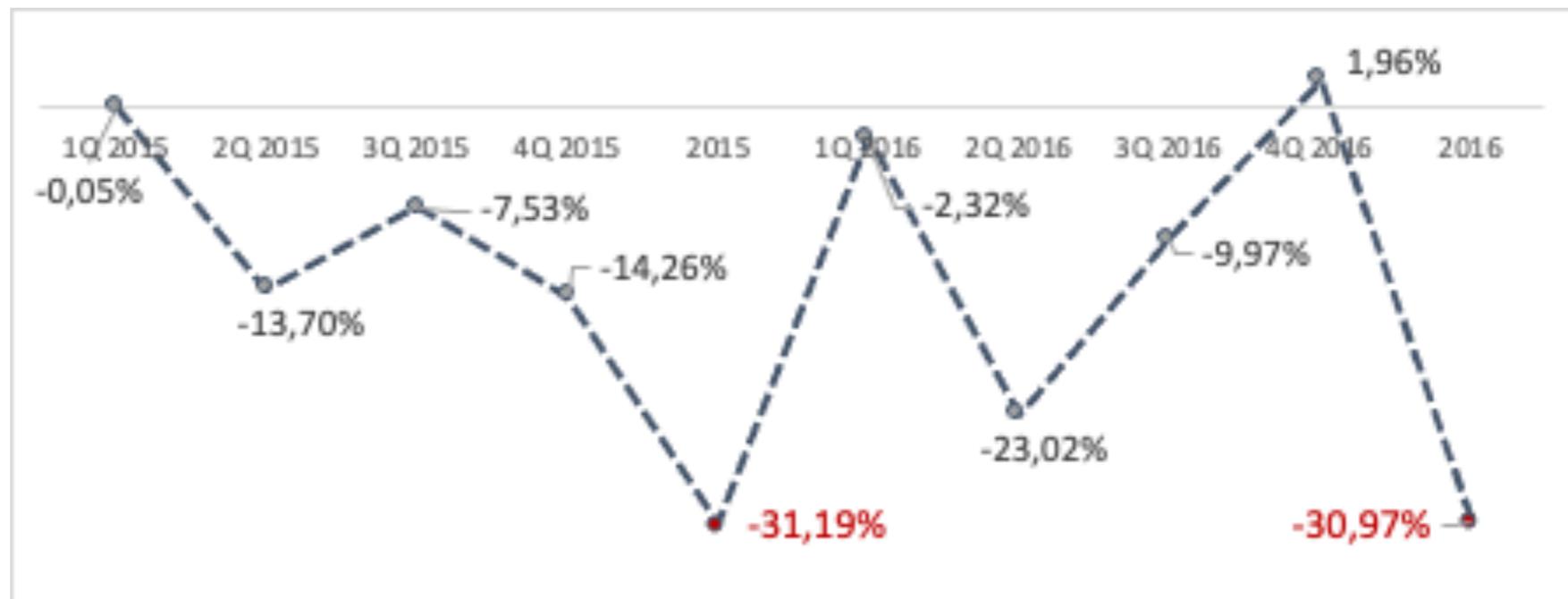


Source: EC

Reduction of natural gas delivery prices for Bulgaria under a contract with OOO Gazprom



Reduction of natural gas final prices of natural gas of Bulgargaz EAD on a regulated market, 2015 - 2016



- 02.03.2020 was negotiated a new mechanism for pricing:
 - on monthly basis
 - hybrid formula - including petroleum component and hub indexing
 - retroactive - as of 05.08.2019
 - Russian supplier agrees to reimburse the partner for the overpaid amounts
- Bulgaria was:
 - the last to finalize the agreement with its Russian partner (from the 8 countries concerned in the antitrust case)
 - the only country, for which the price was reduced retroactively
 - price was reduced *after* the heating season
 - the amounts recovered would be very difficult to reach end users

1. Constant **monitoring** of natural gas, fuel oil and gas oil prices on the markets in Europe and preparation of monthly short-term and medium-term forecasts
2. Continuous **forecasting** of domestic consumption (regulated market) and forecasts for at least one year ahead
3. Constant **optimization of the conditions** under the long-term contract for supply of natural gas with OOO Gazprom Export
 - the public supplier may plan to purchase larger quantities during the periods for which it has forecast a decline in market prices, respectively expects a reduction in its delivery price with the Russian company
 - the formed surpluses can be stored as in the Chiren gas storage
4. Negotiations regarding the **"take or pay" clause** under the long-term supply contract with the Russian side

5. **Diversification** of sources and routes of natural gas supply, but with a leading end goal - the lowest possible price.
6. Publication of **monthly analyses and forecasts** for the general public
7. Active support for the formation of a liquid market in Bulgaria, including the **Balkan Gas Hub**
8. **Quality control** over the purchased and sold natural gas
9. Completion of the gas transmission network **on time**
10. Development of the **gas storage** capacities