

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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December 2020



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'

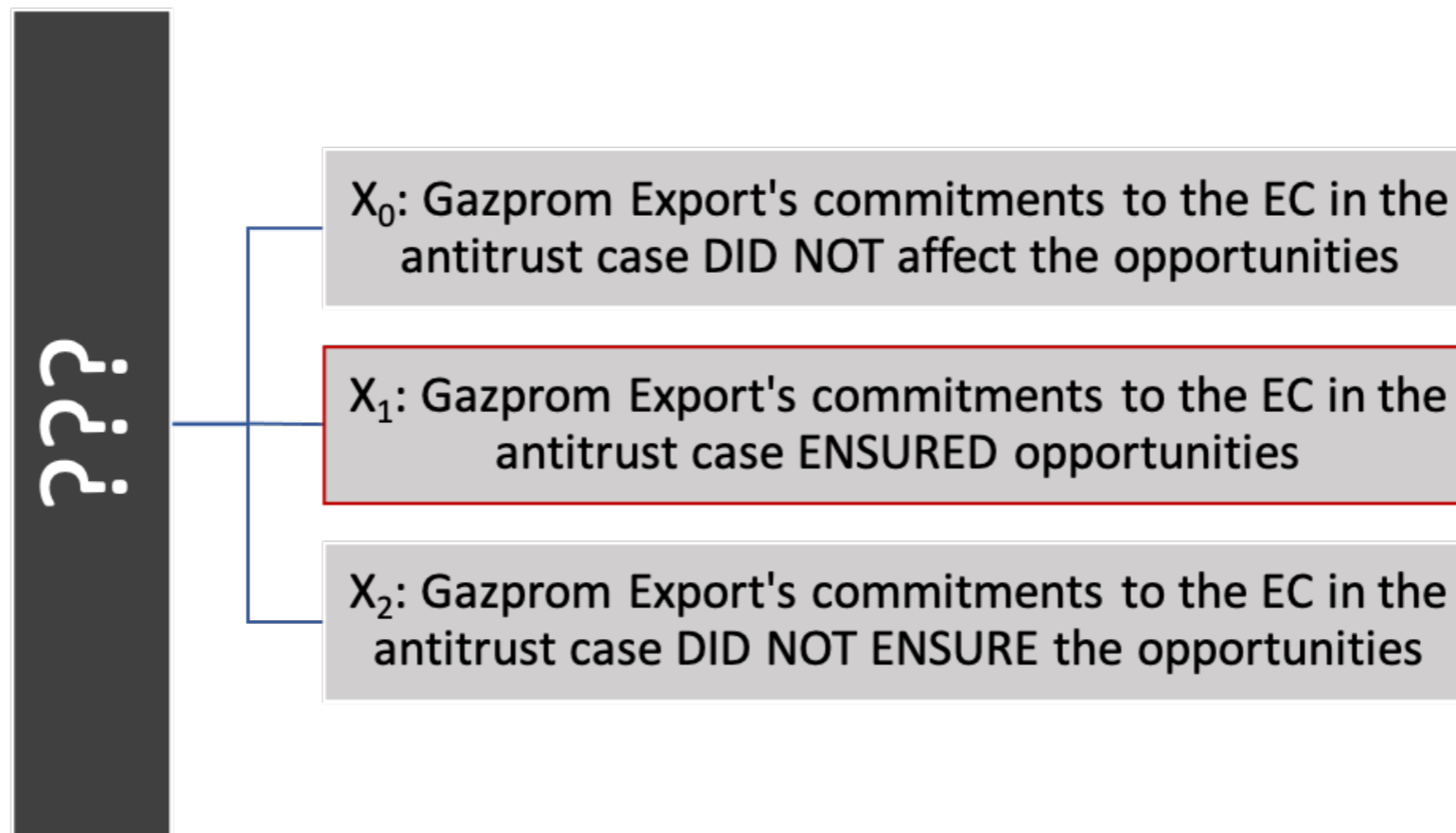
#how

- 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.

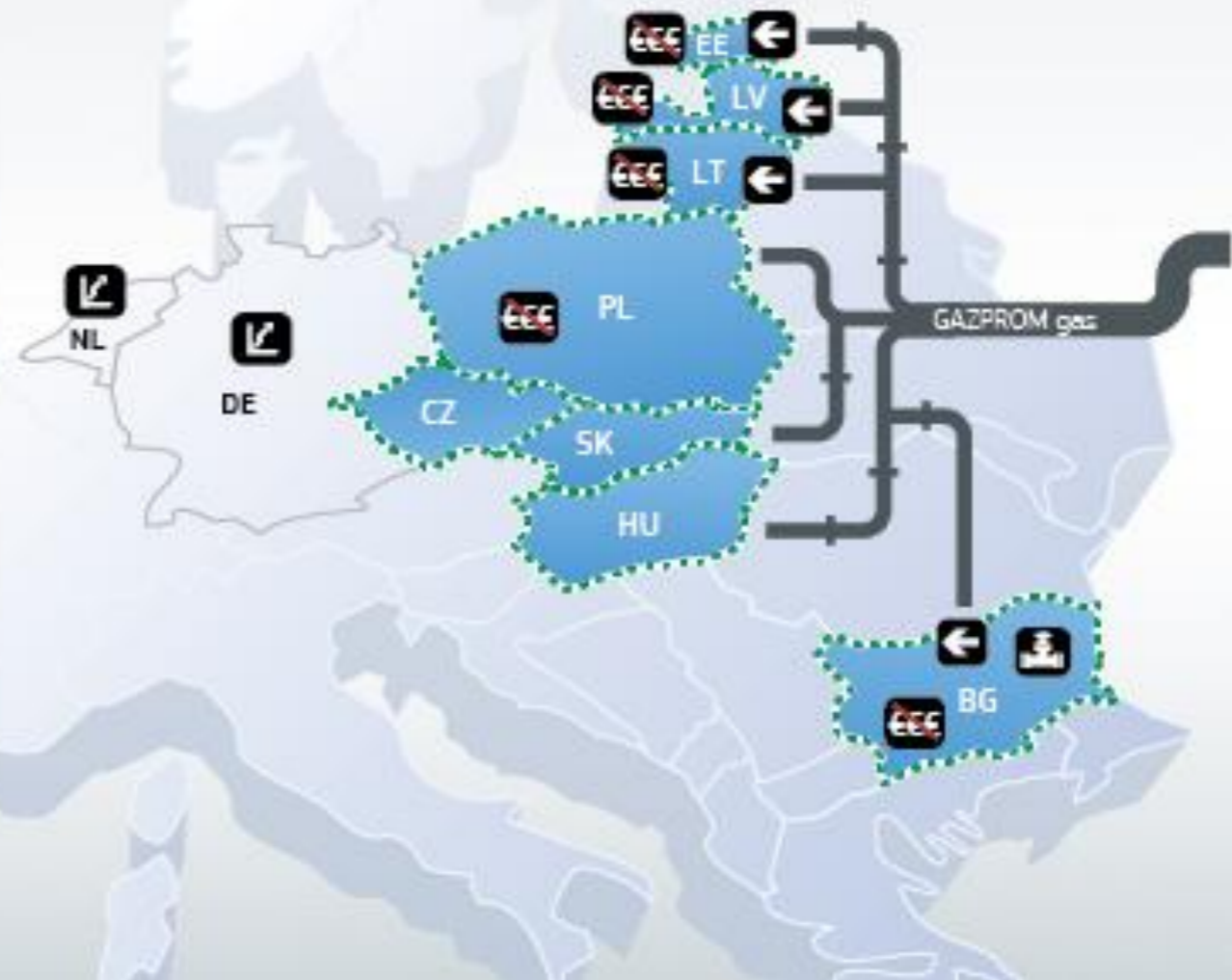


All the researches show that during and after the end of the antitrust case, there is price equalization within the EU for supply of natural gas under a long-term contract with the main supplier.



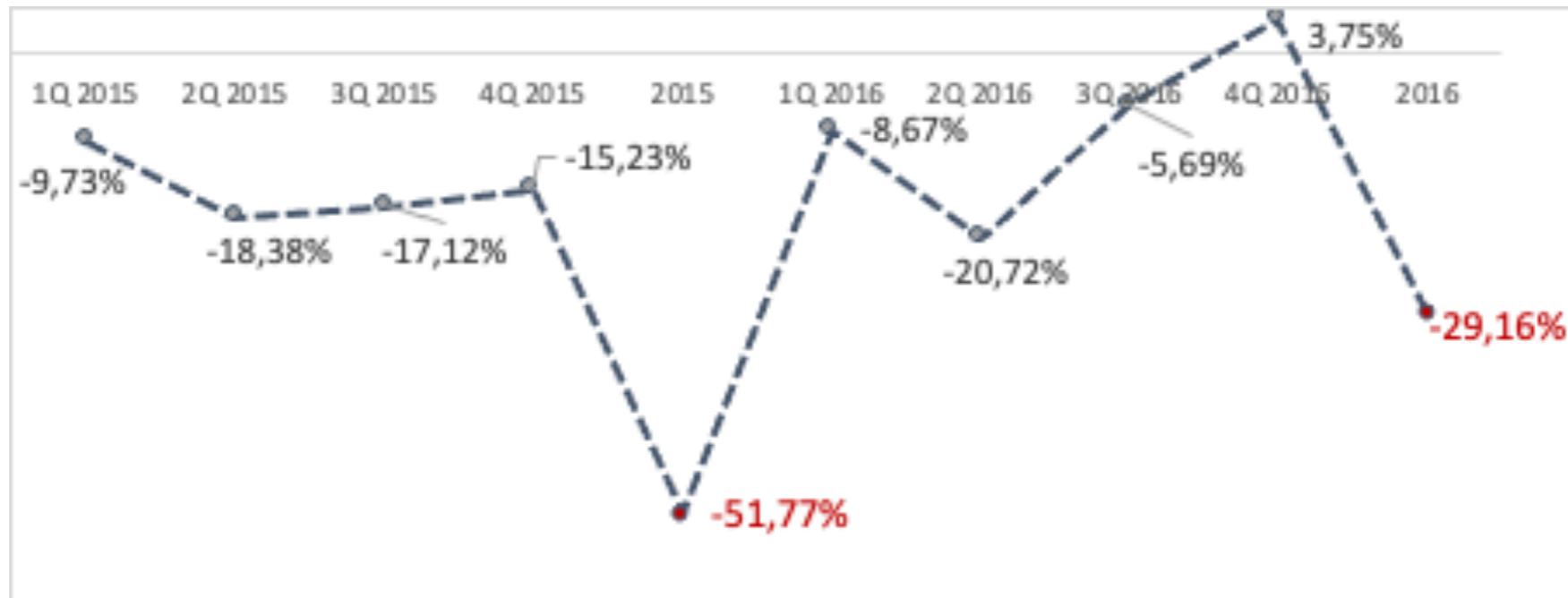
# GAZPROM's proposed measures to remedy competition concerns

-  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

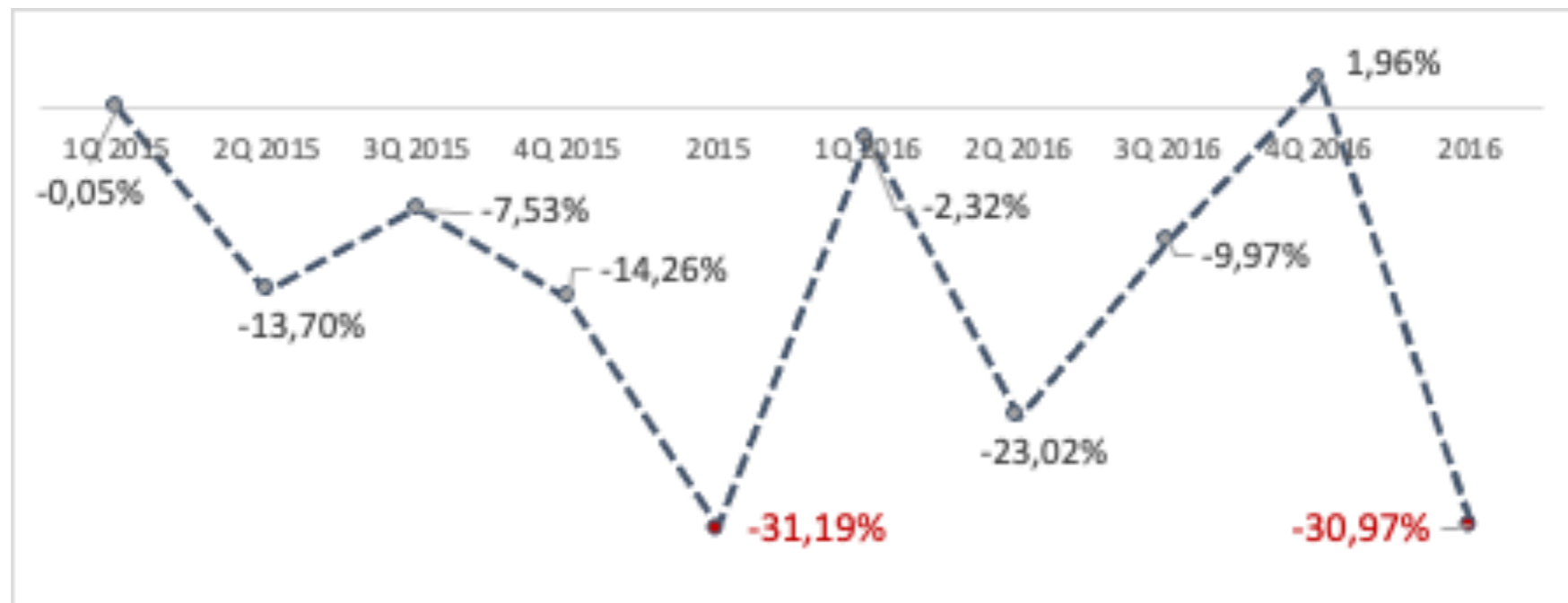


Source: EC

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