IFIEC'S & CEFIC'S VIEWS ON THE EUROPEAN GAS MARKET
"Liquidity at gas hubs is a prerequisite for competition"

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GAS PRICE SHOULD BE DEFINED BY THE SUPPLY/DEMAND BALANCE

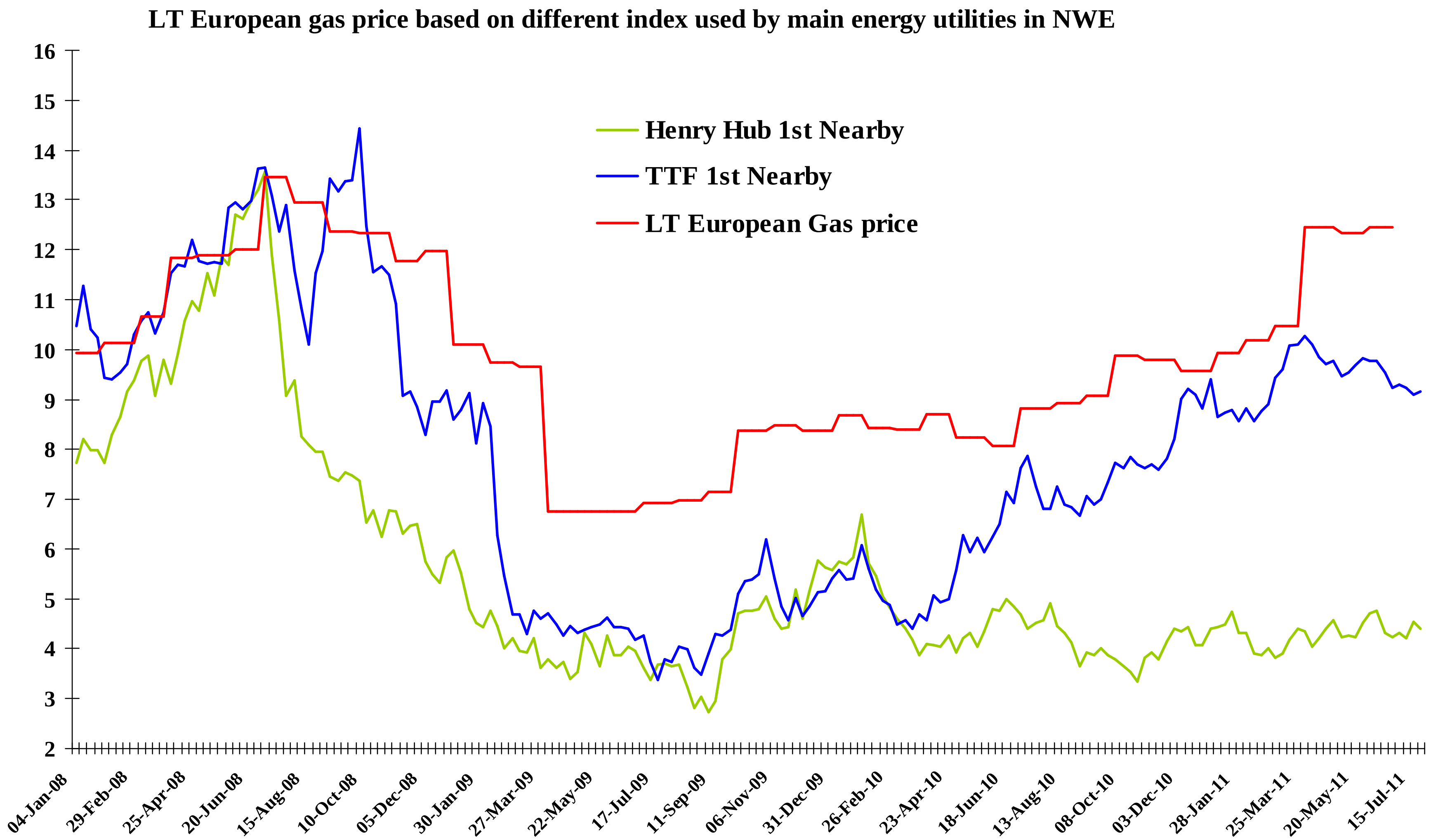
- Gas price in South and Central Europe is directly linked to the oil price.

- Gas price in North West Europe hubs is indirectly linked to oil price due to the long term oil indexed contracts.

- Oil will be more scarce product than gas and the price is controlled by a cartel.

- The reason why producers are fighting in order to keep oil indexed contracts is not because it will be to the benefit of the consumers.

Market gas price versus European LT gas price



LIQUIDITY AT HUBS IS PREREQUISITE FOR GAS TO GAS COMPETITION

- Not sufficient liquidity at gas hubs in South and Central / Eastern Europe.
  - e.g. Italy is a 80 BCM market, but PSV is still not liquid.

- The consequence of low liquidity is that price signals are not reliable.

- One way to increase the liquidity will be to introduce an obligation for dominant players to sell part of their gas portefolio on hubs.

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CAPACITY ALLOCATION - BALANCING

- Standarised firm capacity should be up to 1 year duration.
- IFIEC & Cefic support ACER's suggestion that at least 10% of the available firm capacity at each interconnection point shall be set aside for firm capacity services with a duration of less than one quarter.
- There should be a reserve price equal to the regulated tariff at capacity auctions.
- Restrictions on renomination rights can not be implied in markets with an illiquid intra day market.
- IFIEC and Cefic support that booking platforms are established . An action plan should be established with the aim of reducing the number of platforms in Europe.