

# COMMISSION OF THE EUROPEAN COMMUNITIES

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Brussels, 6 September 1989

TOWARDS COMPLETION OF THE INTERNAL MARKET  
FOR NATURAL GAS

\_\_\_\_\_  
(Communication from the Commission)

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Proposal for a  
COUNCIL DIRECTIVE

on the transit of natural gas through the major systems

\_\_\_\_\_  
(presented by the Commission)

*TOWARDS COMPLETION OF THE  
INTERNAL MARKET FOR NATURAL GAS*

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## SUMMARY AND CONCLUSIONS

*In the general framework of the completion of an internal energy market, the Commission considers it necessary to achieve a more open internal market for natural gas.*

*In the present situation where for practical and technical reasons there is no competition between gas suppliers for sales to end-consumers in the Community, there is a lack of competitive pressure on gas companies to operate efficiently and minimise costs.*

*In order to improve the efficiency of the gas supply system and create "gas to gas" competition to the benefit of the consumer, the Commission proposes the following "step-by-step" approach:*

- a) The setting up (Directive Article 100<sup>a</sup> EEC) of modalities for the application of transit rights between gas companies of the Community in the high-pressure grid of the EC;*
- b) The setting up of an organisation of representatives of the entities responsible for the high-pressure gas pipeline systems. This organisation will be required, upon request by the Commission, to help with the modalities for claims to transit rights and, when necessary, to seek reconciliation between the parties in case of difficulty and to produce an annual report on its activities;*
- c) The setting up, by the Commission, of a consultation process by establishing two consultative committees - the first with the Member States; the second with the sectorial interests involved - in order to discuss if third-party access to a European transport system needs to be organised and, when necessary, under what conditions, in order to ensure an implementation which will guarantee the preservation of the quality of service to the consumer and the security of supply.*

*The net benefit for the Community as a whole of introducing a system of third-party access to the gas transmission grid has been evaluated at some 625 million ECU per annum. It should be stressed that there are also important indirect advantages resulting from increased competitive behaviour of gas companies whose wide beneficial impact in the longer run on all gas consumers cannot be quantified.*

- d) Improvements in the informative procedure and consultation on future Community investments in the natural gas transport sector. This is the subject of a separate communication from the Commission on energy investments.*

## Introduction

1. *The European Commission has expressed in its Working Document of May 1988<sup>(1)</sup> the need to achieve a more open internal market for gas. Specifically, this theme appeared in the Council Resolution of September 1986 on new Community energy policy objectives for 1995<sup>(2)</sup> which referred to "greater integration, free from barriers to trade, of the internal energy market with a view to improving security of supply, reducing costs and improving economic competitiveness".*
2. *The Commission's Working Document presented a comprehensive inventory of possible barriers to trade in gas and identified priority areas for action to remove the most significant barriers. The priorities included the following:*
  - a) *greater price transparency for non-tariff sales, especially in the United Kingdom and the Federal Republic of Germany;*
  - b) *harmonisation of taxation on energy;*
  - c) *the possibility of third-party access to the grid in return for a reasonable carriage charge.*
3. *The Commission has undertaken to examine each of the potential obstacles listed in the inventory and will report to the Council as these examinations are completed. As a matter of priority, the Council requested the Commission to submit its views on the obstacles to Community gas trade and on the third-party access concept during the course of 1989. This Communication addresses these questions with reference to the structure of the gas industry, the interests of the consumers and the need for more competition. As part of its assessment, the Commission has taken into consideration the results of studies carried out, at its request, by an independent consultant as well as the various opinions which were brought to its attention by the Member States' gas experts, the oil and gas industry, consumer associations and other interested parties. The Commission also looked at the system of third-party access which exists in the United Kingdom and in the United States.*
4. *In order to improve the efficiency of the gas supply system and create "gas to gas" competition to the benefit of the consumer, the Commission proposes the following "step-by-step" approach:*
  - a) *the setting up of a Council Directive (Legal basis: Article 100a EEC) on the modalities of setting up an obligation for natural gas transit between gas companies of the Community for the high-pressure grid of the EC;*

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(1) COM(88) 238 final. The Internal Energy Market.

(2) O.J. n° C 241 of 25.09.86.

- b) *a detailed consultation procedure for all concerned to define the conditions under which it would be possible to give expanded general access to third parties (notably public distributors and/or industrial consumers) to transport systems.*

*Additionally, in a separate Communication (COM(89) 335), a draft Council Regulation envisages communication to the Commission of all investment projects of Community interest in the natural gas sector, so that the Commission may make such observations on these projects as will enhance the Community dimension.*

## PART I    IMPORTANT ASPECTS OF THE NATURAL GAS SECTOR

### **A. Specific characteristics**

#### a) Rôle of natural gas in the total energy balance

5. *In the framework of the Community energy policy objectives, natural gas contributed significantly to the objective of diversification of energy supplies away from oil and to the further development of the Community's own energy resources.*

*Between 1975 and 1988, natural gas more than doubled its share in the total Community energy balance to achieve a present share of 18%.*

*The current natural gas share of gross energy consumption varies widely across Member States: there are some "mature" gas markets in a number of countries (the United Kingdom, the Netherlands, Italy, Germany, France, Belgium, Luxembourg) and in some other (Greece, Portugal, Denmark, Ireland, Spain) there are plans to develop new gas industries or considerably expand existing ones.*

*For the future, the Commission envisages a continuing and important rôle for gas in a diversified mix of energy supplies for the Community.*

#### b) Organisational structure of the gas industry

6. *The way in which the gas industry is structured and organised varies quite widely across Member States, although certain common features emerge in a number of cases. Typically, gas production (where it takes place) tends to be organisationally separate from transmission and distribution. Frequently, exploration and production activities involve a wider range of international oil and gas company interests than do the "downstream" operations of the gas industry. Gas production in most Member States is not, therefore, a State monopoly or near-monopoly activity. Nevertheless, there is very considerable State involvement in the upstream gas industry in major gas-consuming countries such as France and Italy, for example.*

7. *Bulk gas importing and transmission, in contrast to production, is an activity carried out by a single national organisation in the vast majority of Community Member States. In a good many cases, that organisation is also 100% owned by the State (in Denmark, Italy, Spain and the Republic of Ireland, for example) while in other cases (Belgium and the Netherlands) there is mixed ownership with considerable State involvement and control. The United Kingdom now provides an interesting exception to the general pattern in that (pending the emergence of competitors) there is a privately-owned monopoly seller which is likely to remain the dominant bulk transporter of natural gas. Only in West Germany are there several major importing transmission companies, but in practice they tend to cooperate rather than compete for bulk purchases and one of them is very much dominant in terms of size and importance, as over 70% of gas sold in West Germany passes through its hands.*

8. *Only in France and the United Kingdom are gas transmission and distribution activities vertically integrated within a single company, though the Republic of Ireland is also moving in this direction. In other cases, a single national transmission company is complemented by a number of regional or local gas distribution companies, many of which are municipally owned. The West German situation is somewhat exceptional, in that there is a third industry tier of regional transmission companies between the main importing utilities and the distributors. Belgium is also interesting in that there is an unusually high proportion of private ownership in the distribution sector.*

*Where transmission and distribution activities are separate, the usual arrangement is for the national transmission company to sell gas direct to larger consumers as well as to the distributors, who then on-sell to households and other smaller gas users.*

9. *As mentioned above, the structure of the West German gas industry is particularly complex and may merit some separate discussion, given the size of the West German market and its central importance to the integrated gas grid in Western Europe. The ownership pattern is a complicated web of cross-holdings and sub-holdings which involves a number of major West German industrial and mining concerns as well as some of the major international oil companies or their West German subsidiaries. Although there is some indirect public sector interest, the degree of private ownership in the main West German gas transmission companies is significantly higher than in most other Member States.*

B. Community gas trade

a) The European gas transmission network

10. The cooperation which exists between most European gas transmission companies is reflected in the existence of a rather well-integrated European gas grid which currently covers France, Belgium, the Netherlands, Luxembourg, West Germany, Denmark and Italy, together with Austria and Switzerland. Some Member States are not yet interconnected to the European gas grid (the United Kingdom, Ireland, Spain, Greece and Portugal). The number of gas trunklines in Western Europe is relatively limited. Their ownership is concentrated in the hands of a small number of major gas utilities and (to a lesser extent) international oil companies which sometimes operate in the framework of joint ventures.

b) The importance of Community gas trade

11. Natural gas flows in the interconnected European grid are quite important. In 1988, half of the gas consumed in the Community was the result of international transactions between Member States and with third countries. Based on the latest forecasts of Member States, it is estimated that in 2000 the importance of international gas transactions between Member States and with third countries will remain high in relation to total consumption ( $\pm 50\%$ ). Recent forecasts made by the IEA and other professional institutions estimate an even higher degree.

12. The transit of gas within the Community, crossing one or more Member States, represented, in 1987 (latest figure available),  $\pm 22\%$  of total gas imports (intra + extra EC). In 2000, the importance of gas transit within the EC, based on Member States' forecasts, will grow to around 33% of total gas imports (intra + extra EC) as set out below:

Contracted Gas Exports/Imports in Transit through a Member State  
(year 2000, in mtoe)

<u>Exporter</u>	<u>Importer</u>	<u>In transit through</u>	<u>Volume</u>
Netherlands	France	Belgium	3.8
Netherlands	Italy	West Germany/ Switzerland	3.3
Netherlands	Luxembourg*	Belgium	0.4
Norway	Netherlands	West Germany	3.8
Norway	France	Belgium	6.3
Norway	Spain	Belgium/ France	0.8
USSR	France	West Germany	9.1
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			27.5**

PART II TOWARDS A MORE OPEN GAS MARKET

**A. The need for more competition in the gas sector**

13. Natural gas supply within the Community is characterised (see above, paragraphs 7 and 8) by a series of national, regional or local monopolies. Although gas competes with other fuels in most of its end-markets - such as heavy fuel oil for industrial steam raising and electricity or gasoil for space heating in the household sector - there is for practical and technical reasons no competition between gas suppliers for sales to end-consumers anywhere in the Community. In cases where competition from other fuels is not particularly intense, there is a lack of competitive pressure on gas suppliers to operate efficiently and minimise costs.

*In the framework of the achievement of a single market for energy, the basic question is how to improve the efficiency of the gas supply system and create "gas to gas" competition to the benefit of the consumer.*

\* Indirect imports, on-sold by Distrigaz (Belgium) to Soteg (Luxembourg).

\*\* This figure of 27.5 mtoe represents 28.7% of total gas imports already contracted for 2000 (intra + extra EC). It does not take into account the transit of additional gas imports which will be necessary to cover the expected total demand of 230 mtoe in 2000. If this is taken into account, the percentage would rise to ± 33%.



*B. "Gas to gas" competition*

14. *Besides introducing in effect transit between operators of the high-pressure grid, the Commission considered the possibility to achieve "gas to gas" competition through the introduction, at Community level, of a system of third-party (e.g. large industrial consumers) access to the European transmission grid.*

*In that context, the Commission examined what would be the advantages and drawbacks of introducing such a system for the consumers, for the gas industry and for the Community as a whole.*

*In particular, the Commission looked at the following issues:*

- a) Would third-party access lead to lower prices by providing incentives for producers to compete one with another?*
  - b) Would lower prices and greater competition have an impact on the development of domestic resources and on security of supply?*
  - c) Would the potential benefits outweigh the potential drawbacks?*
15. *The principal potential advantages and drawbacks of introducing a system of third-party access were identified as follows:*

*Advantages*

- a) the possibility of lower gas purchase prices, if direct marketing opportunities lead gas producers to compete more aggressively for market share;*
- b) the erosion (through third-party access arrangements) of monopoly profits on certain high-margin gas sales to industrial customers;*
- c) some increased competitive pressure on gas utilities to reduce overheads and operate more efficiently;*
- d) wider gas purchase options (and therefore, possibly, lower prices) for new gas-fired power stations;*
- e) increased options for UK gas producers to sell into the rest of the Community, increasing the likelihood of a cross-channel link and further integration.*

*Drawbacks*

- a) the possibility in a tighter gas market than exists today, that competition between new and existing bulk gas buyers could lead to a "bidding up" of gas purchase prices;*
- b) possible increases in selling prices to small consumers, to compensate gas utilities for any loss of industrial market profits;*

- c) *Increased market uncertainty which might put at risk the necessary long-term investments in gas supply capacity, both within and outside the Community, and the security of supply;*
- d) *adverse consequences of market uncertainty for the development of "new" or infant gas industries.*

16. The "order of magnitude" of the financial impact of third-party access has been evaluated as follows:

16.1 Border gas prices

*It is worthwhile noting that the international gas market is scarcely a model of atomistic perfect competition. In continental Europe it is effectively oligopolistic/oligopsonistic, with perhaps only three or four large potential sources of incremental gas for the coming ten to fifteen years which would be able to sell directly to consumers (USSR, Norway, Algeria and, maybe, the Netherlands) and buying consortia which effectively reduce the number of independent buyers to a handful. This market is therefore unlikely to function like a perfectly competitive market, even if third-party access were to double or treble the number of buyers.*

*In this current situation, the impact of a third-party access system on gas import purchase prices must be regarded as an open question as so much depends on the strategy of the significant players.*

*Intensified competition may take place to some extent where large new markets are available (gas-fired power generation, for example), but widespread price cutting seems most unlikely in the oligopolistic conditions of the European gas market.*

*Nevertheless, there would be some increased competitive pressure on existing gas buyers to negotiate the best possible import deals for their incremental supplies. It is therefore expected that there would be a fairly modest reduction in the average cost of gas imported into the Community (2-3%) and some reduction in the cost of new gas production within the Community, as a result of increased competitive pressure.*

*Taking this into account, the total "gas cost" benefit might be 250 million ECU per annum by 2000 for the Community as a whole. This figure excludes the UK on the grounds that third-party access legislation already exists and a decision to introduce a Community-wide system of third-party access would have little additional effect.*

*These benefits are likely to be achieved if the current "buyers' market" conditions persist. In a "sellers' market", the increased number of bulk gas purchasers resulting from third-party access rights might exacerbate the tendency to "bid up" the level of prices where gas is perceived to be becoming in short supply. It is however necessary to say that, based on a very favourable gas reserves situation of traditional and potential suppliers of the Community, it seems likely that a "buyers' market" situation would remain for the next ten to fifteen years.*

16.2 Gas Industry efficiency

*The competitive threat of direct marketing will also bring some additional pressure to bear on gas utilities to operate more efficiently and reduce their non-gas costs, especially at the level of transmission. The efficiency benefit is estimated at about 250 million ECU per annum by 2000 for the Community as a whole.*

16.3 Income distribution effects

*Some European transmission companies might suffer a direct loss in trading profit in the event of third-party use of their systems. It is assumed that those whose profitability is currently below a "normal" level would pass on the increased unit costs to smaller domestic and commercial customers, in order to protect an already poor financial position.*

*On the other hand, under a third-party access régime, very large local or regional distribution companies would also be able to choose between a range of suppliers. These local or regional distribution companies would be exercising their considerable market power on behalf of the smaller consumers and might negotiate better terms than those obtained by large industrial consumers. As the city-gate prices are negotiated by organisations representing both the smaller and the larger distribution companies, the smaller ones will also take advantage of the possibility for the larger ones to negotiate better terms.*

*To the extent that third-party access causes transmission companies to suffer a loss of profit, we would expect to see:*

- a) redistribution of income from transmission companies to industrial users in Italy, West Germany and the United Kingdom; and*
- b) redistribution from small consumers to large users in Belgium and Spain.*

16.4 Macro-economic effects

*To the extent that third-party access leads to lower industrial gas prices, it might be expected to contribute to an improved Community trade performance in world markets for manufactured goods and thus to an increased level of economic activity in the longer term. Although some manufactured goods (such as nitrogenous fertilisers) are very gas intensive, the cost of gas accounts for only around 0.5% of output value for EC industrial production as a whole. For this reason, the external trade effect is likely to be relatively modest. An annual benefit of around 125 million ECU per annum has been estimated on a very tentative basis.*

16.5 Overview

*For the Community as a whole, the best estimates for the year 2000 are as follows:*

- a) *reduced border prices and Community gas production costs - around 250 million ECU per annum, provided that "buyers' market" conditions persist;*
- b) *Increased gas industry efficiency - around 250 million ECU per annum; and*
- c) *macro-economic (trade) benefit - about 125 million ECU per annum.*

*The combined benefit of some 625 million ECU per annum is equivalent to around 2% of the Community's projected total annual gas supply costs in 2000. One should stress again the "order of magnitude" nature of these results and the dangers of misinterpretation. For example, there are likely to be resource allocation benefits from eliminating monopoly profits that we were not able to quantify. Also, the possible negative effect on supply security has not been calculated in financial terms.*

17. *The Commission's evaluation is that the major direct benefits of third-party access would accrue to very large gas users, although there is a potential for small electricity consumers to benefit indirectly from the competitive pricing of gas to combined-cycle power generation. Medium-sized industrial companies who could not themselves purchase direct might nevertheless form purchasing consortia or buy through independent gas marketers/traders.*

*The Commission will remain vigilant to the fact that an increase in intra-Community trade of natural gas, together with an improvement in the competition situation, should have an appropriate influence on the price paid by all consumers.*

*Even if the system of third-party access were not heavily used, however, there may still be advantages in the mere potential for competition to take place if third-party access in itself causes modifications to restrictive or anti-competitive business behaviour.*

*In a general sense, therefore, it may be said that an open, flexible gas supply system is more likely to be beneficial than otherwise.*

PART III A STEP-BY-STEP APPROACH TO THE PROBLEM: PROPOSALS FOR THE FUTURE

18. To achieve a more open gas market, the Commission is examining the following questions to which the answers would permit an opening up of the market beyond the present transit situation. These questions on which the Commission will report separately to the Council have the following objectives:

- a) ensuring that competition within the new environment is not distorted by State aids, predatory pricing or by discriminatory, collusive or other anti-competitive practices on the part of gas industry players;
- b) removing barriers to free competition in natural gas created by statutory monopolies, exclusive rights, statutory restrictions and restrictive commercial agreements;
- b) bis making uniform the common commercial policy, including extension to the natural gas sector;
- c) the expediency of repealing the Directive on gas in power plants, albeit this point is less pertinent than a) and b) above. This would create a large new market for gas, allowing more room for competition. The Commission intends to come back to this issue in the framework of the preparation of new Community energy policy objectives.

In that perspective, the Commission also considers it necessary

- I) to establish the modalities necessary with a view to guaranteeing the free circulation of natural gas in the Community,
- II) to introduce "gas to gas" competition through a system of third-party access to the transmission grid,
- III) to actively promote a Community dimension of investments in the transmission system.

To provide an answer to these issues, the Commission envisages a "step-by-step" approach as follows:

A. *Introduction of a legal instrument on the modalities of enforcing the obligation to transit natural gas in the Community*

19. *As explained above (paragraphs 11 and 12), there is already a great deal of international trade in gas in the Community.*

*Natural gas circulates within the integrated grid through arrangements between pipeline owners. We have referred, in paragraph 10, to a number of joint venture pipelines which carry gas on behalf of the partners in the joint venture.*

*Gas is also transported on a tariffed rather than a joint venture basis. These arrangements are almost all made on long-term basis between gas utilities.*

20. *There may be restrictions to the free flow of natural gas over national borders due to the existence of some legislation or administrative obstacles to gas trade (see paragraph 18) which may prevent normal commercial arrangements between interested parties.*

*In view of achieving a more integrated European gas market, it seems necessary that the right of transit set up in principle by the EEC Treaty be effectively enforced by Member States.*

*A draft Council Directive on this subject is attached in annex (legal basis: Article 100a). It contains the modalities for enforcing the right of transit for the transport of natural gas between transmission companies.*

21. *In order to assist the Commission in the preparation of the necessary modalities for increased access to transit, it will set up a representative body of organisations responsible for the networks.*

*This organisation will be responsible for assisting the Commission in studying, when requested:*

- the conditions (technical, financial, legal) of transit;*
- the appropriate measures to encourage the development of exchanges and improve the infrastructure through shared developments;*
- the conditions required to encourage advanced cooperation in the development of new equipment for the production or transport of gas;*
- the possibilities for cooperation with entities in the third countries.*

*At the Commission's request, this organisation will equally be responsible to act as a privileged forum where one would seek to secure agreement, by conciliation, between the companies concerned on transit operations, which are in the Community interest. Finally, this organisation will make an annual report to the Commission on its activities.*

22. *Finally, in order to be able to avoid distortions and discrimination during the limited phase of the setting up of transit rights, and because of the different strategies, past and present, followed in the Member States to put in place arrangements for production, commercialisation and distribution, methods of investment financing and production itself, the Commission will establish, before 1 July 1990, transparency regarding the following elements:*

- financing of investments;*
- arrangements relative to the financing of production, commercialisation and the distribution of natural gas in the Member States.*

**B. *Third-party access***

23. *In view of the abovementioned evaluation (see paragraphs 14 to 17), the Commission proposes the following:*

*(I) the Commission will pursue its consultation with all interested parties during a maximum period of one year in order to examine in depth whether third-party access to the European transport system needs to be organised, and, if so, under what conditions, in order to guarantee the maintenance of the quality of service to consumers and supply security..*

*For that purpose, it will set up two consultative committees, one with Member States and the other with the interested parties (producers, transmission and distribution companies and consumers).*

*(II) on the basis of this consultation, the Commission will take its decision concerning the introduction of a system of third-party access to the gas transmission grid.*

C. *Promotion of the Community dimension in Investments in the transmission system*

24. *The objective is to ensure that the investment decision taken by individual gas companies will take into account the possibilities to further interconnect and improve the coherence of the integration process of the European gas grid. This is the subject of a separate Communication from the Commission on energy investments.*

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Proposal for a  
COUNCIL DIRECTIVE  
ON THE TRANSIT OF NATURAL GAS  
THROUGH THE MAJOR SYSTEMS

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THE COUNCIL OF THE EUROPEAN COMMUNITIES,

*Having regard to the Treaty establishing the European Economic Community, and in particular Article 100a thereof,*

*Having regard to the proposal from the Commission,*

*In cooperation with the European Parliament,*

*Having regard to the opinion of the Economic and Social Committee,*

*Whereas it is necessary to adopt the measures required to gradually complete the internal market by 31 December 1992; whereas successive European Councils have recognised the need for a single internal market, and, in particular in Rhodes, the need for a single energy market;*

*Whereas there must be greater integration of the European energy market if a single internal market is to be achieved; whereas natural gas is an essential component of the Community's energy balance;*

*Whereas the objective of the single natural gas market is to ensure greater profitability and security of supply by freer trade but avoid unacceptable restrictions on competition; whereas the special nature of the natural gas sector must be taken into account in the pursuit of this objective;*

*Whereas there is already increasing trade in natural gas each year between high-pressure gas transmission grids in Europe; whereas the Community's security of natural gas supply can be improved and costs can be reduced by coordinating the building and operation of the inter-connections required for such trade;*

*Whereas it is possible and desirable to increase the number of inter-connections to integrate more regions or even Member States which are not yet or are not fully linked up into the European transmission grid and, thereby, to improve the security and quality of natural gas supply;*

*Whereas in the future interconnections between several Member States will need to be made to allow adequate supply and compliance with the natural gas transit obligation will have the effect of reducing non-technical obstacles: whereas compliance with this obligation constitutes a first stage in the development of the internal market for natural gas.*

*Whereas this obligation must, at least at this stage, be confined to the transit of natural gas through high-pressure grids;*

*Whereas the financial, technical and legal conditions for such transit must, as a general rule, be worked out directly between the transmission companies concerned;*

*Whereas the conditions of transit should be equitable and should not bring about, directly or indirectly, conditions contrary to Community competition rules;*

*Whereas it is necessary, in order to realise this first stage of the internal energy market in satisfactory competitive conditions, to approximate legislative, regulatory or administrative provisions passed by Member States so as to provide a procedural framework for the formulation of these agreements in the most transparent manner;*

*Whereas it could prove necessary for the Council to decide, before 1 January 1993, without prejudice to the Commission's own powers, complementary conditions governing the modalities of intra-Community transit;*

HAS ADOPTED THIS DIRECTIVE:

#### **Article 1**

*Member States shall take the measures necessary to ensure compliance with the obligation for the transit of natural gas through high-pressure gas transmission grids in accordance with the conditions laid down in this Directive.*

#### **Article 2**

- 1. Transmission of natural gas under the following conditions shall constitute transit of natural gas through transmission grids within the meaning of this Directive:*

- (a) *the transport is carried out through the high-pressure gas grid on the territory of a Member State;*
  - (b) *the transport is carried out between Member States' gas companies.*
2. *Operations involved in such transmission and contributing to the security and quality of natural gas supply shall be considered to form part of transit within the meaning of this Directive.*
  3. *The high-pressure natural gas transmission grids and the entities responsible for them, which are listed in the Annex, shall be covered by the provisions of this Directive. This list shall be revised whenever necessary by decision of the Commission.*

### **Article 3**

1. *The conditions of natural gas transit through gas transmission grids shall be negotiated and agreed by the bodies responsible for the grids concerned.*
2. *Member States shall take the measures necessary to ensure examination by the entities which come under their territorial jurisdiction of any request for transit according to the following conditions;*
  - *Any request for transit shall, within eight (8) days, be communicated by the requesting entity or entities to the Commission and the national competent authorities;*
  - *The responsible entities shall be obliged, within a maximum of one month, to open negotiations on the conditions of the natural gas transit requested;*
  - *The transit conditions must be equitable for all the parties concerned and should not include unfair clauses or unjustified restrictions, in particular, payment for transit must take account of the responsibilities of the entity responsible for transit for ensuring security of supply and contractual quality of service;*
  - *The Commission and the national competent authorities shall be informed, within eight (8) days, of any agreement on transit;*
  - *If, after twelve months following the communication of the request, negotiations have not achieved an agreement, the Commission and the national authorities will be informed, without delay, by the interested parties who have to indicate their reasons.*

#### Article 4

In the absence of due reasons for the failure to reach an agreement or if the reasons appear unjustified or insufficient, the Commission, acting on a complaint from the requesting body or on its own initiative, shall put in hand the procedures provided for by the Treaty or any other applicable provision of Community law.

#### Article 5

Before 1 January 1993, without prejudice to the Commission's own powers, the Council will decide - as far as it is necessary - complementary conditions governing the detailed rules of Intra-Community transit.

#### Article 6

Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive not later than 1 July 1990. They shall forthwith inform the Commission thereof and communicate to the Commission the provisions of national law which they adopt in the field covered by this Directive.

The provisions adopted pursuant to the first paragraph shall make express reference to this Directive.

#### Article 7

This Directive is addressed to the Member States.

Done at Brussels,

For the Council  
The President

List of entities and high-pressure gas transmission grids

Member State	Entity	Grid
Federal Republic of Germany	Bayerngas GmbH	Grid supplying end distributors (municipal authorities, etc.) and major end consumers
	BEB Erdgas und Erdöl GmbH	
	Deutsche Erdgas Transport GmbH	
	Energieversorgung Weser Ams AG (EWE)	"
	Erdgas Verkaufs Gesellschaft mbH	"
	Ferngas Nordbayern GmbH	"
	Ferngas Salzglitter GmbH	"
	Gas-Union GmbH	"
	Mobil Oil AG	"
	Ruhrgas AG	"
	Saar Ferngas AG	"
	Thyssengas GmbH	"
	Vereinigte Elektrizitätswerke Westfalen AG (VEW)	"
	Westfälische Ferngas AG	"
	Energieversorgung Mittelrhein	"
	EWAG, Nürnberg	"
	Erdgas Schwaben GmbH	"
	Erdgas Südbayern GmbH	"
	GEW Köln	"
Gasversorgung Süddeutschland	"	
Gasversorgung Südhannover Nordhessen	"	

Member State	Entity	Grid
	Hamburger Gaswerke	"
	Landesgasversorgung Niedersachsen	"
	Main-Gaswerke AG	"
	Schleswig AG	"
	Südhessische Gas und Wasser AG	"
	Technische Werke der Stadt Stuttgart AG	"
	Thüga AG	"
	GASAG, Berlin	"
Belgium	Distrigaz SA	"
Denmark	Dansk Naturgas A/S	"
Spain	Empresa Nacional de Gas SA (ENAGAS)	"
	Catalana de Gas	"
	Gas de Euskadi	"
Greece	DEPA	"
Luxembourg	SOTEG	"
Netherlands	NV Nederlandse Gasunie	"
Italy	Snam S.p.A.	"
France	Gaz de France	Public grid
	SNGSO	"
United Kingdom	British Gas	"
Ireland	Irish Gas Board	"