

Gas market

Summary

Gas imports stabilised at the 2009 level and amounted to 1384 TWh (2009: 1.373 TWh). Over the same period exports increased from 418 TWh in 2009 to 463 TWh in 2010. The production of domestic gas continues to decline, amounting in 2010 to some 12.63bn m³ (2009: 14.36bn m³). Statistical life has increased from 10.5 to almost 11 years as a result of a reassessment of gas reserves.

A further step was taken in 2010 to enhance market transparency with the revised Gas Network Access Ordinance (GasNZV). The TSOs were required to reduce the number of market areas for L-Gas to one and for H-Gas to two by 1 April 2011. The former market areas Thyssengas H-Gas and Thyssengas L-Gas along with the market area OGE L-Gas were integrated in the NetConnect Germany market area. Thus for the first time, Germany had a dual-quality market area. Technically, the L-gas and the H-gas networks must continue to be operated separately. This is no longer of any relevance for shippers and traders, since all the entry and exit points and hence all the customers are incorporated in one large balancing area. In this way, shippers and traders can supply their customers with gas, regardless of the quality. Previously, this had not been possible.

In connection with the report evaluating the portfolio balancing and the system balancing energy arrangements presented by the Bundesnetzagentur, this has proved a boost for competition, as had been hoped. Besides the markedly improved competition for household customers, liquidity in the trading markets has also increased. The dynamic generated by the portfolio and system balancing energy regime makes further progress likely. The total costs of this balancing energy system are in suitable relation with the expenditure required. Admittedly, the balancing energy levy rose considerably in the last few contribution periods, but it has been possible to stop or even reverse this trend in some market areas.

With regard to security of supply, reference must be made to both the investments in gas pipelines (Nord Stream, OPAL and NEL) and to new European legislative arrangements. The new gas pipeline projects will add further to securing supplies of natural gas in Germany. The Nord Stream pipeline and the Ostsee-Pipeline-Anbindungsleitung (OPAL) with an annual transport capacity of some 35bn m³, will become operational at the end of 2011. Scheduled for 2012 is completion of the Norddeutsche Erdgasleitung (NEL) with an annual capacity of around 20bn m³, carrying gas westwards from Nord Stream. EU Regulation No 994/2010 was adopted in response to the supply disruption between the Russian Gazprom and the Ukrainian Naftogaz in early 2009, which also affected eastern parts of the European Union. The EU Regulation aims to avert any gaps in gas supply in future.

The maximum useable volume of working gas in underground storage is 20.97bn m_N³. Of this, 9.19bn m_N³ is accounted for by cavern storage and 11.78bn m_N³ by pore storage. Reflecting the structure of the German gas market, the largest part of the storage facilities, by far, is designed for the storage of H-gas. As of 31 December 2010 there was a great increase in the volume of freely bookable working gas, compared to previous years. The main reason for this is likely to be that several customers of the major storage facility operators made heavy use of the possibility to return booked capacity.

The national wholesale gas market has continued to experience dynamic development, thanks also to combining the H-gas and the L-gas market areas. The volume of trading on the exchange grew steadily, recording an increase of 216 percent in 2010 over 2009. One of the main reasons for this was the additional procurement on the exchange of system balancing energy by the two balancing zone operators, NetConnect Germany and Gaspool.

All the same, the 47.110 GWh traded on the EEX for spot and futures products was less than three percent of OTC trading. Parallel to this, there was strong growth in OTC trading, so that the volume traded on the EEX hardly changed in percentage terms.

There was a strong recovery in the German economy in 2010. As a result, higher gas consumption was recorded, accompanied by a rise in prices. The price of natural gas on the wholesale market jumped on average by almost 30 percent in 2010, compared to 2009. It took until summer, however, until the trading prices had reached the level of the border (import) prices. The border price is currently moving upwards as a result of the continued frequent indexing to the (rising) oil prices and was two to three euros above the spot market prices at the end of April.

The retail market is still experiencing dynamic development. This is particularly true in respect of changes of supplier and the number of suppliers in the individual networks. Whereas household customers could not switch supplier in 2006 on account of the lack of framework conditions, some 720,000 household customers did so in 2010. While the volume of supplier switch in 2009 grew by a modest ten percent, the volume of gas supplied doubled in 2010 from 47.18 TWh in 2009 to 110.38 TWh in 2010. With an offtake volume of 1014.49 TWh in 2010 this corresponds to a switch rate of 10.88 percent.

If the majority of household customers in 2008 could choose between one and five suppliers only, the majority in 2009 could already choose between six and ten. In 2010 most household customers had a choice of between 11 and 20 suppliers. In 36 network areas already, a household customer can choose from over 50 suppliers. This pleasing and healthy diversity indicates that the regional and supraregional gas markets in Germany are highly attractive.

As of 1 April 2011 the gas price for household customers with standard, or default, supply was 6.64 ct/kWh. The network tariffs in this consumer category stand at 1.37 ct/kWh, which makes their share in the total gas price approx 20 percent.

Following a fall in prices in 2010, the gas prices for household customers are now rising again, without the highest prices from 2009 being reached, however.