

A Regional Approach to Gas Market Clearing

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The need for a regional gas market

The SEE & EE Regions, which include the Energy Community Contracting Parties and Romania, Bulgaria, Greece, Croatia, Hungary, Slovenia, Slovakia and Poland, are becoming **increasingly liquid and interconnected**

- A **single common platform for gas trading** in this region would:
 - *trigger liquidity and interoperability*
 - *attract further market participants, increase security of supply and competition in the mentioned market area*
 - *incentivise closed markets to open up for competition and enable diversification of supply sources*
- A **single regional solution for clearing and CCP services** is a prerequisite of a well functioning regional energy market



A regional solution that flexibly meets the unique challenges of a diverse region is needed



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National markets at different levels of development

- Different trading and post-trade service levels
- Clearing, quasi-CCP and EMIR-compliant CCP services

Markets with different regulatory environments

- EU markets vs. non-EU markets

Variety of product range

- Commodity vs. Financial products (physical delivery vs. cash settlement)
- Wide range of cash and derivatives products
- Different currency regimes

Wide range of market participants with different financial capacity

- From small local trading firms to large international players

Different governance and operational structures

- Vertical silos vs. independent organisations
- State vs. private ownership

Different ambitions

- Local focus vs. regional expansion

Lessons learnt from previous EBRD regional projects

Feasibility study of a regional CCP

Setting up a **fully-fledged regional CCP** that provides full service range to the participant markets

- Participants: First round – EU countries, Second round other CEE countries
- Owned by the participant markets
- Fully replaces the existing CCPs of the member markets
- Provides services on local and cross-border level

Main finding:

- The creation of a regional CCP is the most economically viable option for bringing central clearing services to CEE capital markets on a broad basis

SEE Link project

Cross border initiative to **integrate regional equity markets without merger or corporate integration**, using only technology that will enable participating stock exchanges to remain independent yet complement and to allow investors an easier access to other markets through a local broker

- The **trading pillar** – order routing system – is operational
- The **post-trading pillar is pending**
 - Reluctance of local CSDs to open up the markets
 - Substantial investment need for a stand alone solution



Main takeaways

Due to the many interests and different strategies of stakeholders involved, a step by step approach must be applied where the incumbent business of local service providers is not at risk

Strong project ownership is needed by all participating partners and a dedicated project team with clear KPIs to deliver successful implementation

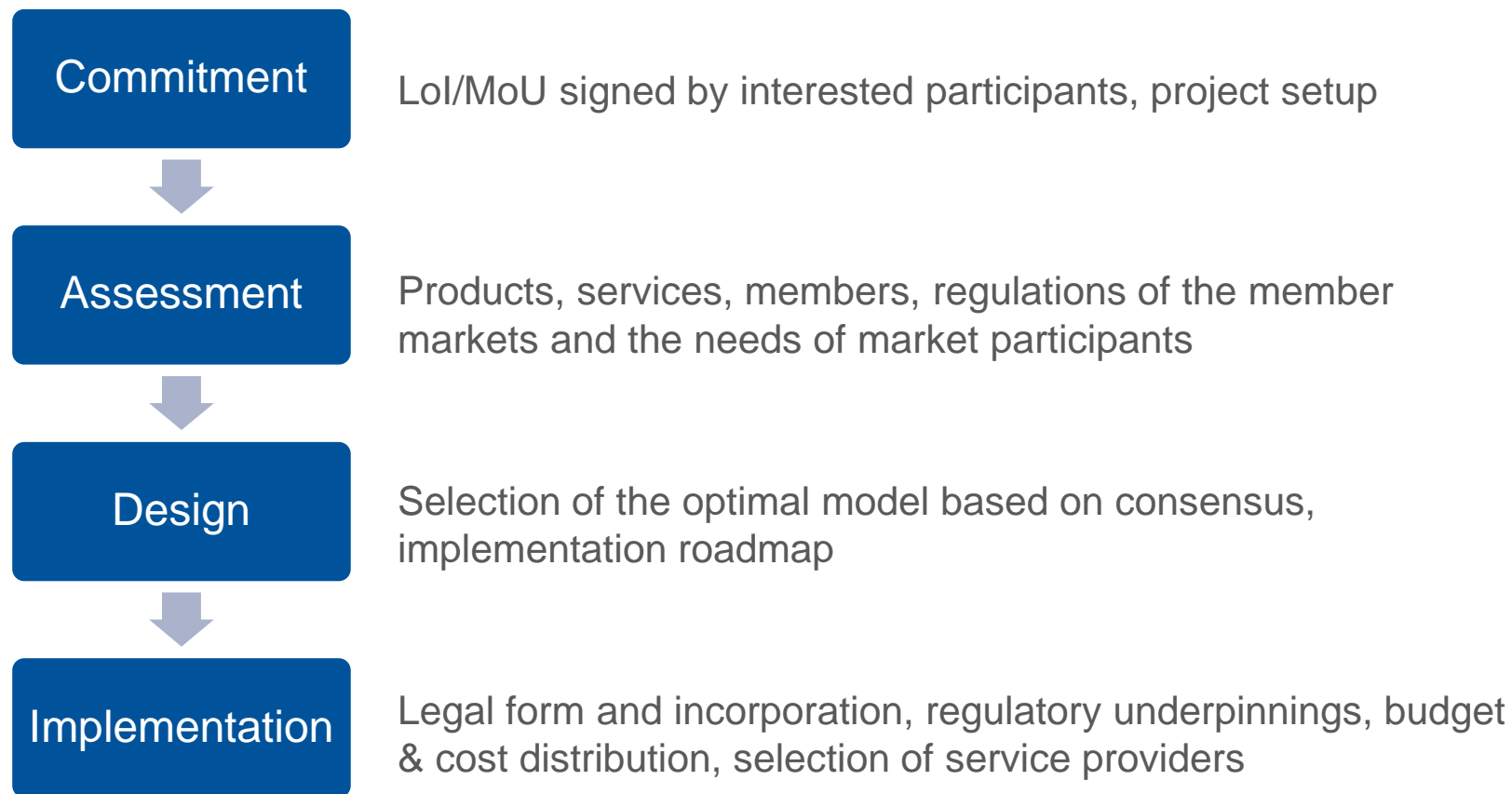
Pillars of regional clearing solution: main considerations



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Roadmap and possible next steps



Proposed next step: formation of a project working group to be co-chaired by Energy Community Secretariat and EBRD as independent facilitators tasked with consolidating interest behind the initiative and roadmap implementation