

First proposal for a cooperative approach Bursa Romana de Marfuri (BRM)

South-East and East European Gas Platform Meeting (SEEGAS) Kick-off Meeting

15 December 2020

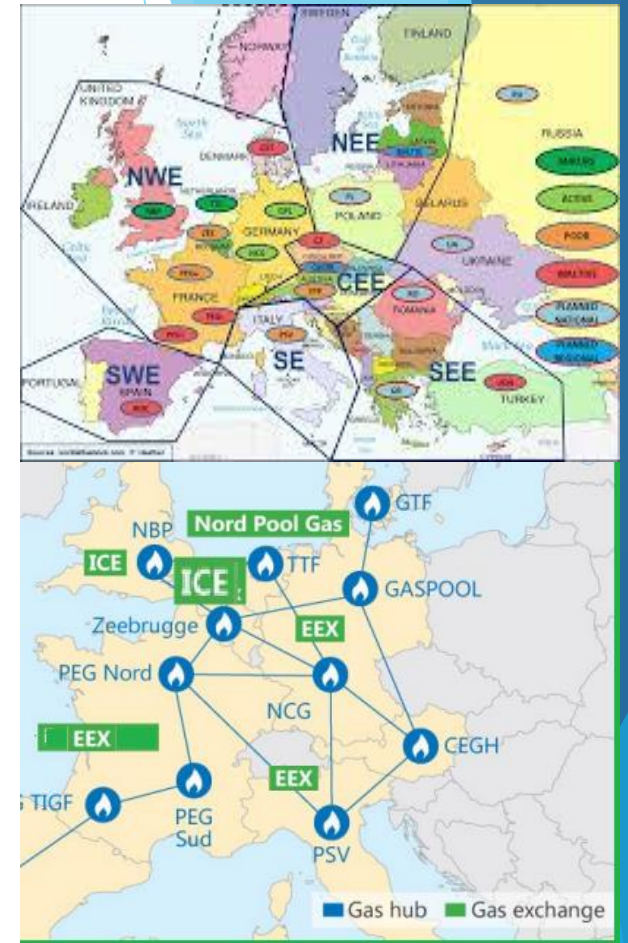
European gas hubs in SEE region - market integration

- ▶ The cooperation in the region is the basis for creating a roadmap for market integration and potential creation of a regional gas exchange
- ▶ The general prerequisites for market integration are related to:
 - **Integration of trading and post trading infrastructure between energy exchanges** (*subject of the current presentation*)
 - Increased physical interconnection and flows in the region, mainly on behalf of TSO's
 - EU support through general policies and particular programs - as SEEGAS
 - National authorities through relevant institutions support for national market integration, mainly on behalf of the NRA's and energy Ministries

European gas hubs in SEE region-status compared to western hubs

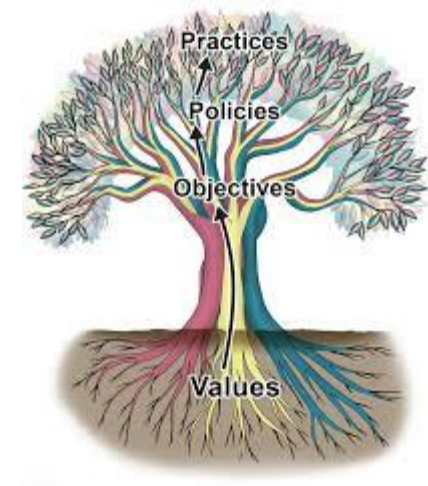
Some of the main differences of the SEE gas hubs related to Western gas hubs are:

- ▶ Fragmentation of exchanges compared to dominant players in the west
- ▶ Individual solutions for local markets for trading and post trading
- ▶ Heterogenous technical solutions implemented
- ▶ Segregation between power and gas exchange
- ▶ Lack of regional centralized clearing solution
- ▶ Other general factors: Limited physical interconnection,, state owned market operators, gas hubs development still in progress, EU and non EU gas hubs, etc



European gas hubs in SEE region- values of adequate integration of gas trading in the region

- ✓ progressive approach based on mutual interest between exchanges
- ✓ Step by step implementation in correlation with the overall physical interconnections, development of hubs and regulatory readiness
- ✓ Keeping the independence and unicity of each exchange
- ✓ Cost efficient implementation of technologies related to trading and post trading structures tailored for the region characteristics
- ✓ Adequate set up of the common project considering each local market needs and values

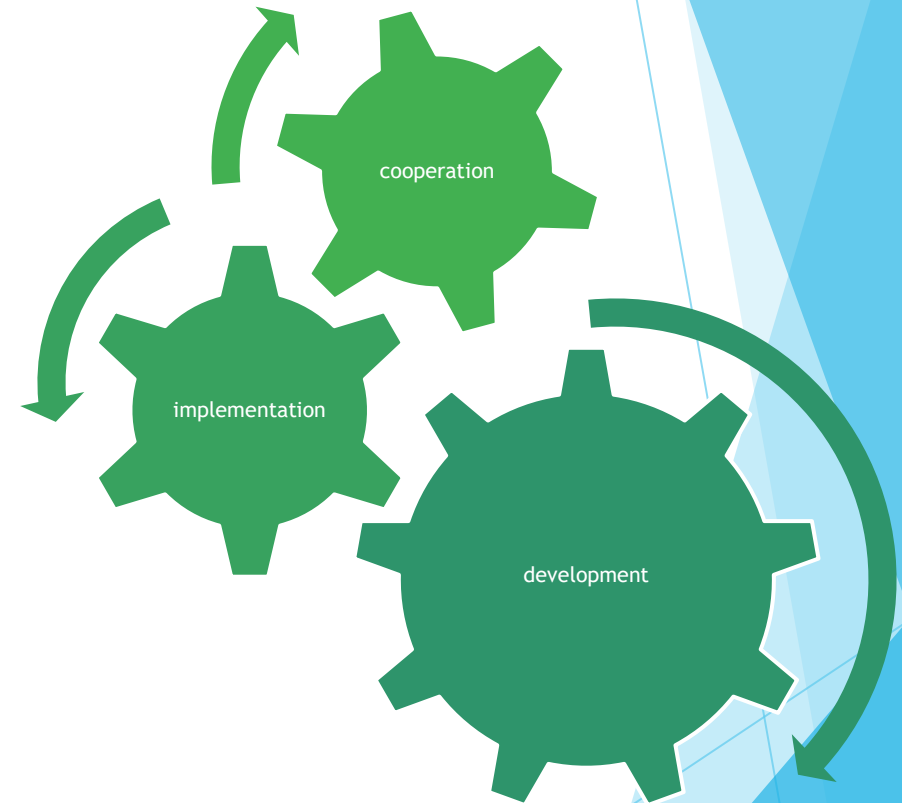


Integration of trading and post trading infrastructure – *possible steps for integration between exchanges*

Step 1 – exchange cooperation

Bilateral and multilateral approach -*process under development*

Bilateral and multilateral MoU's related to regional integration: *objectives, roadmap, communication protocols, joint committees, working groups, API design, etc*



Integration of trading and post trading infrastructure – *possible steps for integration between exchanges*

Step 2 – products mapping

- Technical interconnectivity – product mapping by creating common library/database of product specification
- Design for gateway between trading hubs and standard communication for joint platforms

As a result : publication of each exchange products in *read only* to all exchanges part in the common project

Product
visibility

Technical
interconnection

Products mapping

Integration of trading and post trading infrastructure – *possible steps for integration between exchanges*

Step 3 –market participant mapping

- Creating common library/database of for members
- Bilateral recognition of common members
- Design for unified membership access, protocols and recognition of each other participants (*similar to passporting concept as under MIFID*)
- **As a result : facilitated access for market participants between regional trading platforms**



Integration of trading and post trading infrastructure – *possible steps for integration between exchanges*

Step 4 – start of trading activity

- Design for order routing protocols and execution the external products on each platform
- Data feed for order/trades lifecycle
- Post trading information availability



As a result : trading activity is available on each exchange for products of all exchanges part in the common project

Integration of trading and post trading infrastructure – *possible steps for integration between exchanges*

5. Further market integration

- Creating a common post trading infrastructure – regional clearing solution
- Design of Regional indexes
- Creation of Spread products
- Start of financial derivatives

As a result: establishment of a interoperable regional network of exchanges with optimal trading and post trading solution tailored by the specific needs of the stakeholders involved in the project



Opportunities and possible barriers for joined exchanges

Opportunities

- Increased regional market integration while keeping each exchange unique characteristics independence
- Flexible regional market design as basis for further integration
- Catalyst for enhanced overall liquidity
- Unique ecosystem for mapped products
- Improved post trading infrastructures
- Simplified member access
- Prerequisites for more sophisticated products



Barriers

- Bureaucratic procedures especially in state owned enterprises
- Priorities or different agenda for development of each individual exchange
- Costs and time factor related to new project implementation
- Heterogeneous membership between hubs
- Trading behaviour – hub related and not regional approach
- General barriers from authorities, NRA's: regulatory restrictions and obligations on each hub, policies of each government, etc
- Physical layer from TSO's : limited interconnection, capacity allocation, transit costs, etc

Q&A

Thank you!