

## DEGREE OF LIBERALISATION AND COMPETITIVENESS OF THE EU MEMBER STATES' NATIONAL GAS MARKETS

In 2003 the European Commission issued a directive (2003/55/EC) aimed to usher in an integrated, efficient, competitive European gas market. All member states were to open their gas (and electricity) markets to competition by 1 July 2007. By the end of 2008 most member countries, with the exception of Hungary and Portugal, had opened their gas markets (see Table). Although some liberalisation has occurred since then, there is still a long way to go for

real national gas markets – not to mention a truly pan-European one – to be in place. While some progress could be observed in terms of gas market liberalisation, the concentration on wholesale gas markets is still high. According to the European Commission's 2010 benchmark report, the market share of the three largest wholesalers is still about 90 per cent in 10 member states.<sup>1</sup>

One reason behind the sluggish development of the gas markets is the presence of powerful political forces which – loath to having their national champions lose power – resist any reforms. As a result the

<sup>1</sup> European Commission (2010a). Unfortunately, a thorough evaluation of the gas retail markets is hindered by the lack of data for 11 member states.

Table

Competitiveness indicators of the national gas markets of the European member states

	Gas Market opening (% of eligible consumption)	Annual Switching Rate Gas (by volume)				End-user price regulation				Number of companies with more than 5 % share of available gas	Share of 3 biggest companies by available gas (in%)
		Whole retail market	Large industry	Medium industry	Small industry and households	Existence of price controls	Number of customers supplied under end- user prices				
							House- holds	Non- House- holds	House- holds		
		in %									
Austria	100	3.30	NA	4.20	0.70	No	No	0	0	4	86.00
Belgium	100	NA	NA	NA	NA	No	No	0	0	4	92.00
Bulgaria	100	0.00	0.00	0.00	0.00	Yes	Yes	3,334	46,187	1	89.00
Cyprus	0	NAP	NAP	NAP	NAP	No	No	0	0	NAP	NAP
Czech Rep.	100	NA	NA	NA	NA	No	No	0	0	2	NA
Denmark	100	16.00	NA	25.00	2.50	Yes	Yes	NA	NA	3	NA
Estonia	100	NA	NA	NA	NA	Yes	Yes	51,306	NA	2	99.00
Finland	0	NAP	NAP	NAP	NAP	No	No	0	0	1	100
France	100	NA	NA	NA	NA	Yes	Yes	9,940,000	473,000	2	88.00
Germany	100	4.35	6.82	6.49	2.57	No	No	NAP	NAP	7	61.82
Great Britain	100	NA	NA	NA	NA	No	No	0	0	NA	NA
Greece	90	0.00	0.00	0.00	0.00	Yes	Yes	187,730	11,390	1	100
Hungary	34.04	14.20	91.30	56.30	11.80	Yes	Yes	3,294,883	208,194	4	86.90
Ireland	100	NA	NA	NA	NA	Yes	Yes	594,169	21,904	5	81.64
Italy	100	34.90	40.00	6.80	1.40	Yes	No	17,597,115	813,686	3	85.20
Latvia	NAP	0.00	0.00	0.00	0.00	No	No	0	0	1	100
Lithuania	100	0.00	0.00	0.00	0.00	Yes	Yes	544,400	5,710	2	100
Poland	100	0.00	0.00	0.00	0.00	Yes	Yes	6,500,642	57,631	1	100
Portugal	42.99	0.00	NAP	NAP	NAP	Yes	Yes	1,082,930	4,353	0	0.00
Romania	100	NA	NA	NA	NA	Yes	Yes	2,674,407	157,735	3	83.19
Slovak Rep.	100	0.00	0.00	0.00	0.00	Yes	No	1,400,943	73,683	1	100
Slovenia	100	0.52	1.52	2.72	0.03	No	No	0	0	2	100
Spain	100	6.00	9.00	8.00	4.10	Yes	No	3,862,235	0	4	66.00
Sweden	100	NA	NA	NA	NA	No	No	0	0	NA	NA
Netherlands	100	NA	NA	NA	NA	Yes	Yes	6,559,000	161,000	1	87.80

NA = Not available. – NAP= Not applicable.

Source: Europäische Kommission (2010b).

national gas markets of the EU member states are still highly concentrated and inefficient, and a European internal gas market is still far from becoming a reality.

A further obstacle is the use by most member countries of direct end-user price controls – allegedly to protect vulnerable consumers (see Table). The coexistence of an open energy market and regulated energy prices is not exactly a rarity in the EU: in 15 of the 25 states presented in the Table, end-user price regulation was in place for household consumers and in 12 of the EU member states for non-household consumers. In France, for example about one million households and about half a million non-households are supplied under regulated end-user prices. Where price controls exist, the prices are set with varying degrees of (in)transparency by political bodies. While protecting vulnerable consumers from excessive gas prices is surely important, there are far better instruments to accomplish this, such as special social benefit schemes that do not distort price signal mechanisms.

Consumers themselves are also to blame. Although every consumer is free to choose his supplier, the switching rates are still typically very low. Switching levels vary considerably across member states, with countries like Denmark or Italy experiencing relatively high rates, while most of the others show little or no activity at all. At the large and medium-sized industry levels the propensity to change the gas supplier is much higher than at the household level. According to the results of the Eurobarometer survey FL243,<sup>2</sup> fully 80 percent of respondents had the chance to switch suppliers, but only 7 percent did so. One-third of the consumers surveyed chose not to switch because “comparison of offers was very or fairly difficult”. Two-thirds reported that in the period considered their gas prices had increased, and fully 70 percent of those who did switch suppliers obtained a lower price.

J. A.

## References

European Commission (2010a), Communication from the Commission to the Council and the European Parliament, report on progress in creating the internal gas and electricity market, ([http://ec.europa.eu/energy/gas\\_electricity/doc/2010/com\\_2010\\_0084\\_f\\_en.pdf](http://ec.europa.eu/energy/gas_electricity/doc/2010/com_2010_0084_f_en.pdf), accessed March 2011).

European Commission (2010b), Technical Annex to the Communication from the Commission to the Council and the European Parliament, report on progress in creating the internal gas and electricity market, (<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=SEC:2010:0251:FIN:EN:PDF>, accessed March 2011).

European Commission (2009), Report on Progress in Creating the Internal Gas and Electricity Market, ([http://ec.europa.eu/energy/gas\\_electricity/interpretative\\_notes/doc/benchmarking\\_reports/2008\\_report\\_benchmarking\\_annex.pdf](http://ec.europa.eu/energy/gas_electricity/interpretative_notes/doc/benchmarking_reports/2008_report_benchmarking_annex.pdf), accessed March 2011).

<sup>2</sup> European Commission (2009).