

Market obstacles in SEE power market force energy traders to look for Turkey, coupling far and obstacles creating non-competitive markets

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Southeast European power traders are looking to new markets in Turkey and areas further east, frustrated by growing regulatory, political and economic risks in local markets, participants at an industry seminar said this week.

In the past few years power markets have been opening up in southeast Europe, where grid connections are good and there is scope for prices to rise.

But traders said liberalisation is not moving fast enough in some areas and that new obstacles appear in a number of markets, including Bulgaria, Romania and Greece.

"There is a lot of interest among traders to do business in SEE, but at the same time we are struggling to remove some market barriers," said Claus Urbanke, a representative of the European Federation of Energy Traders (EFET) and head of new markets at Statkraft Trading.

"We were more optimistic when we moved into the region in 2007 and 2008, but development has been slow."

Bulgaria's power regulator recently said it would raise the export fee by around 4 euros per megawatt-hour (MWh) to 15.7 euros (\$19.78), around a third of the whole output cost. Protectionist measures have also been introduced by Romania and Greece.

In February, market participants criticised decisions by several local grid operators to limit cross-border trading and cut exports during a spell of extreme cold. Traders lost booked

capacities and money, which has never been recouped.

"A lot of money was lost and psychological and financial damage made to traders, who will now stay away from the region for some time and that will hurt liquidity," said Vladimir Dichov, chief executive at CEZ Trade Bulgaria.

BARRIERS TO EU PLANS

Traders also complained about relatively high trading costs, bureaucracy, lack of transparency and counterparty risks.

Cagdas Ozan Ates, the head of emerging markets power trading at Danske Commodities, called his presentation on trading in the region, "Walking a Minefield". He cited e-mails from trading partners who refused to pay for delivered power or close already agreed deals.

Government curbs on cross-border trade and new export-import fees in the region have hampered European Union efforts to couple Europe's power markets.

"I would say that such fees are highly illegal and discriminatory," said Matti Supponen, policy coordinator at the European Commission's Directorate-General for Energy.

Combining the region's short-term electricity markets is part of a plan to eventually link them with the neighbouring Central Western European region which includes Germany, France, Belgium, the Netherlands and Luxembourg.

The European Union plans ultimately to bind together the power grids of all 27 EU countries to boost distribution of renewable energy and to help in the event of an energy crisis, potentially as soon as 2014.

"If these countries (Romania, Bulgaria and Greece) have any ambition of joining the market-coupling, this would be hardly doable," Urbanke said.

Increasingly fed up with limits on opportunities to trade in Central and South East Europe, a number of traders have started to point to Turkey and further east as their growth areas in the future.

Turkey, one of the fastest growing economies in this part of the world with annual power consumption above 200 terawatt-hours, is opening its power market and has ambitions to become a regional energy hub.

"Decision-makers are listening, and that's a good thing about Turkey," Danske's Cagdas Ozan Ates said.

"If you look at the size of Turkey ... it has a 70 million population, so I see a big potential in Turkey, not only for CSEE, but also for Arab countries and countries of North Africa."

He said Turkey might prove to be an entry point into a region with vast potential including

countries such as Iran, Iraq and Syria.

"Now you have Turkey as very large market that is opening up and is called the China of Europe. Turks have a very clear idea how they want to develop their market, and I am not really sure if SEE can afford to stay on the sidelines," Urbanke said.

Source reuters