LETTERS

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A vicious gas cycle

In his response to my article "Dream of the mundane, not pipes" (EuropeanVoice.com, 10 March), Gazprom spokesman Sergei Kupriyanov makes some claims to which I wish to respond ("No need for Europe to 'face up' to Gazprom", 1-8 April).

My article argues that, in order to increase the security of its gas supplies, the EU should focus on completing the creation of an internal gas market and expend less effort on plans for new pipelines. A genuine internal market would render individual member states less vulnerable to a single supplier. In practice, such a policy would mean convincing governments to break up domestic monopolies ('full ownership unbundling'), in particular in central and eastern Europe where the dependence on Russian gas is greatest. This would also mean some antitrust action, including some that affects Gazprom.

Kupriyanov rightly says that Gazprom will be subject to unbundling rules when the EU's 2009 energy package is implemented. The problem is that the gas directive of 2009 says that companies may benefit from derogations from unbundling requirements when they are dependent on one supplier for more than 75% of their gas. Furthermore, two countries – Estonia and Latvia – are explicitly exempted from the directive's unbundling rules.

Furthermore, most other countries in that region have signalled that they will adopt only the weakest provisions of the unbundling package (the so-called 'third option'). Most observers agree that these weaker provisions, because they do not touch companies' ownership structure, will not prevent monopolistic behaviour.


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Finally, many central and eastern European countries have simply not implemented previous directives on gas-market liberalisation. This does not bode well for implementation of the 2009 rules.

He also says the fact that Gazprom has 25% of the EU's gas markets does not make it a monopoly. That is true. If only there were a single gas market in the EU. In many captive markets in central and eastern Europe, Gazprom's market dominance is much greater; if they were integrated into the wider EU market, Gazprom's grip would be weaker.

Kupriyanov also says that Gazprom's investment into European gas distribution infrastructure is not anti-competitive. Indeed. My article does not claim otherwise. The problem associated with Gazprom's presence in some central and eastern European markets is the cumulative effect of factors that keep those markets captive to Russian gas: domestic monopolies, weakly regulated; in some cases, Gazprom's direct investment in these monopolies; up to 100% dependence on Russian gas; the tying in of these monopolies into long-term supply contracts with Gazprom. All incentives in these markets are skewed in a way that perpetuates their dependence on Gazprom.

This vicious cycle must end. The first step should be to break the monopolies in the most vulnerable countries. Those monopolists, and Gazprom, are likely to resist – just as they have so far, one reason why the region has such an appalling record of implementing EU gas-market rules. This makes direct intervention by Brussels all the more important.

Finally, Kupriyanov claims that "for many decades" Gazprom "has been a reliable supplier of gas to Europe". This was not true in 2006, nor in 2009.

Because some countries farther down the pipeline from Ukraine were overly reliant on Russian gas, Gazprom was able to get away with cutting off gas without sanction from clients who had not breached their obligations to Gazprom. If Gazprom has payment and transit problems with Ukraine, it should use legal methods, not hurt innocent clients.

One option for Russia would be to ratify the European Charter Treaty, which has a strong dispute settlement system. This would allow Gazprom to deal with potential breaches of Ukrainian transit obligations in a manner that is rules-based, civil and does not hurt other clients.

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European railways rise from the ash

In your editorial last week reflecting on crisis management in the wake of the volcanic eruption that grounded Europe's air traffic for several days ("The lessons to be learnt from the ash", 22-28 April), you concluded that, as was the case with the credit crunch of 2008, decisions made by national government counted for more than those made by the EU.

The Community of European Railway and Infrastructure Companies (CER) believes this explanation is too brief: it was not just actions undertaken by national governments, but also the quick reaction of railway companies throughout Europe that helped to avoid even greater chaos for travellers.

By the time transport ministers met via video-conference, European railways had already reacted strongly, by organising additional trains to satisfy sky-rocketing demand. Within hours, railways across Europe had laid on extra trains and coaches.

In Italy, 21,300 additional seats were offered, and supplementary trains travelled on the main high-speed lines. In Spain, RENFE reinforced its schedule, especially on the line connecting Paris. Deutsche Bahn used all available trains to deal with the 30% rise in long-distance passenger traffic. Eurostar put on 63 additional trains and carried around 50,000 extra passengers. Thousands of additional seats were guaranteed on the high-speed trains between France and Germany, between France and Switzerland, and between Switzerland and Germany.

A first lesson to be learnt from the ash should, thus, be remembered by those critics who still think railways are inefficient compared with other modes of transport: in this emergency, railways showed they can be an efficient, flexible and convenient alternative on both short- and long-haul distances for passengers and freight transport.

It is, though, true that not all passenger (and freight) demand could be met on track. The second lesson from the ash cloud is therefore one for political decision-makers: more public investment in rail infrastructure is needed to create a reliable, safe and sustainable transport system free from bottlenecks.

As *European Voice* rightly wrote last week, investment in Europe's railways is woefully inadequate. All EU institutions and national governments have acknowledged this and, in non-binding statements, they have long promised to make rail transport a priority. However, nothing much has happened in terms of concrete and actual measures.

Railways are often put at a disadvantage to other transport modes. Between 1970 and 2005, Europe's motorway network increased by 350%, while the length of its rail lines fell 14%. Rail passengers are offered strong (and costly) rights, while airlines such as Ryanair are openly considering challenging even the limited rights that European legislation requires them to guarantee their passengers.

Even so, high-speed rail is now seen as a serious option for short-haul travel in Europe, according to independent research commissioned by Eurostar following the volcano incident. More than 84% of UK citizens surveyed said that they would definitely or probably choose high-speed rail over air when they plan their next trip to Europe.

Finally, we would like to point out that we support *European Voice*'s view that crisis prevention is cheaper than the cure. We have long reminded politicians that they need to live up to their financial promises. European railways need support, not just so that they can respond even better in times of crisis, but also to ensure that they emerge as a sustainable and attractive alternative to air transport in ordinary times.

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