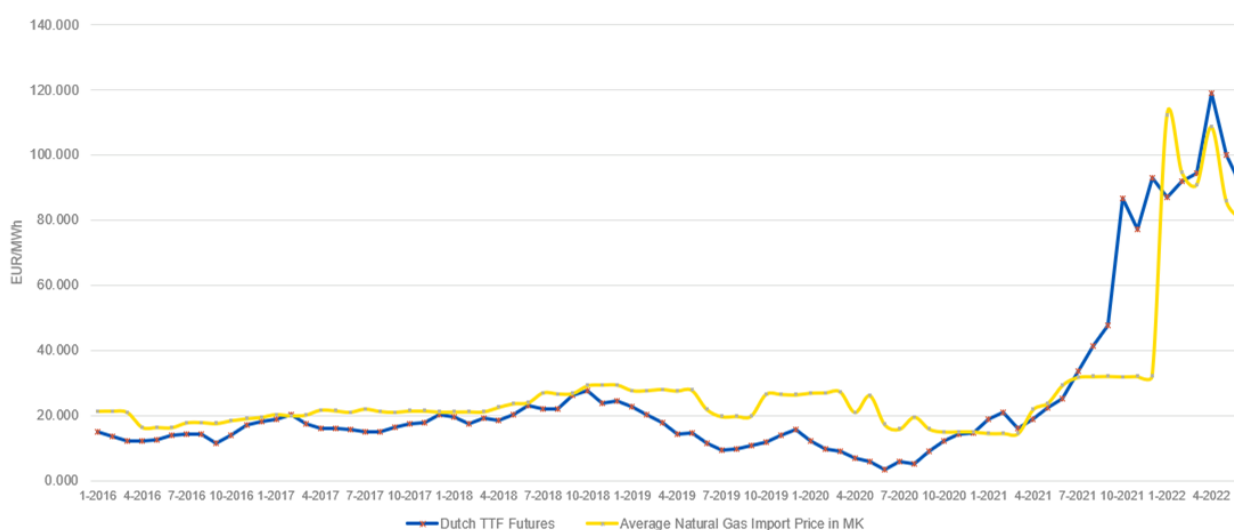


ERRA Natural Gas Markets and Economic Regulation Committee 12th Meeting (Hybrid)

Information about wholesale gas market in North Macedonia

The liberalization of the natural gas market in 2015 represents a significant market reform that enables free formation of prices by market participants. However, the natural gas market remains underdeveloped with relatively low natural gas consumption and a small number of active natural gas traders and suppliers. In 2022, there are two entities as importers of natural gas, such as Makpetrol AD Skopje and TE-TO AD Skopje. In 2021, TE-TO AD Skopje has a dominant share in the import and wholesale trade of natural gas with 81.52%, followed by Makpetrol AD Skopje, whose share is 18.48%. Typical for TE-TO AD Skopje, as a dominant participant in the wholesale natural gas market, is the exclusion of regular commercial activities, that is, this company uses imported natural gas primarily for its own needs in the area of combined production of electricity and steam heating, but smaller quantities are sold individually to the regulated heating producer.

The chart below provides an overview of the country's monthly natural gas import prices and the averagemonthly futures price achieved in Dutch TTF futures for the period from 2016 to present, expressed in EUR/MWh.



It is significant to note that until the end of 2021, the contracts concluded by traders for the purchase of natural gas with Gazprom are based on the oil formula.

From 2022, the contracts signed by the traders have been changed and now the purchase of natural gas from Gazprom is based on the following basis, 70% is the price from TTF and 30% is the price obtained according to the oil formula.

During the Covid, the Government did not declare crisis measures for gas sector, nor has it declared a natural gas crisis now. Only a crisis has been declared for the supply of thermal energy for this heating season, as a result of not having enough financial resources for the purchase of natural gas by the companies, and if funds are provided and natural gas is purchased at current prices, there will be a drastic increase in the price of thermal energy. Otherwise, the consumption of natural gas by industrial consumers has so far decreased by more than 30% compared to the same period of 2021.

The government is thinking about using fuel oil for the next heating season as an energy source for the heating system, but procurement contracts have not yet been made for that as well. Regarding mechanisms for monitoring the natural gas market, we inform you that there is no REMIT regulation, nor is it in force.