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## COMMISSIE VOOR DE REGULERING VAN DE ELEKTRICITEIT EN HET GAS

### **STUDY**

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**on**

*“the comparison of natural gas prices for a household consuming 23,260 kWh of natural gas in Brussels, Paris, Berlin, Amsterdam and London”*

carried out in application of Article 15/14, § 2, 2 of the Act of 12 April 1965 concerning the transport of gas products and others by means of pipelines

24 February 2011

# TABLE OF CONTENTS

I	INTRODUCTION .....	3
II	EUROSTAT .....	4
III	THE HEPI METHOD.....	5
IV	OUR OWN COMPARISON.....	6
IV.1.	Belgium .....	8
IV.1.1.	Distribution rates and taxes	8
IV.1.2.	Rate formulas of some natural gas suppliers	9
IV.1.3.	Calculation of the breakdown of natural gas costs	10
IV.2.	France.....	11
IV.2.1.	Distribution rates and taxes	11
IV.2.2.	Rate formulas of some natural gas suppliers	12
IV.2.3.	Calculation of the breakdown of natural gas prices	13
IV.3.	Germany .....	14
IV.3.1.	Distribution rates and taxes	14
IV.3.2.	Rate formulas of some natural gas suppliers	15
IV.3.3.	Calculation of the breakdown of natural gas prices	16
IV.4.	Netherlands.....	17
IV.4.1.	Distribution rates and taxes	17
IV.4.2.	Rate formulas of some natural gas suppliers	18
IV.4.3.	Calculation of the breakdown of natural gas prices	19
IV.5.	Great Britain .....	20
IV.5.1.	Distribution rates and taxes	20
IV.5.2.	Rate formulas of some natural gas suppliers	21
IV.5.3.	Calculation of the breakdown of natural gas prices	22
V	SUMMARY .....	24
VI	COMPARISON FLEMISH AND WALLOON BRABANT – BRUSSELS.....	27
VII	CONCLUSION.....	30

# I INTRODUCTION

1. With this study, the CREG seeks to compare the structure of the prices of natural gas in January of 2011 in Brussels with that of the capitals of various neighbouring countries. The sample customer is a residential consumer with an annual reading meter (of G2.5 to G6<sup>1</sup> type), annually consuming 23,260 kWh<sup>2</sup> of natural gas.
2. Concerning the validity of the data, we have contacted all the national regulatory authorities of the concerned countries and have taken their comments, if applicable, into consideration.
3. The present study was approved by the Board of Directors of the CREG during its meeting of 24 February 2011.



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<sup>1</sup> Meter with a maximum flow of up to 2.5 or 6 m<sup>3</sup>/hr.

<sup>2</sup> This consumption corresponds to that of an average size household living in a house and using natural gas for heating, cooking and hot water production. This corresponds to the old Eurostat D3 definition.

## II EUROSTAT

4. Eurostat provides a global view of residential natural gas prices, i.e. for consumers in the D2 bracket (between 20 and 200 GJ<sup>3</sup>/year). The following prices result from the Eurostat<sup>4</sup> document "Data in Focus". These prices are those of the first half of 2010 (2010S1), which are the latest statistics available to date. As opposed to the electricity statistics, Eurostat does not mention the portion of the price that is ascribable to the natural gas network rates.

Table 1: Price of natural gas in €/MWh in the first half of 2010, according to Eurostat, for households within the 5,555 kWh – 55,550 kWh range.

€/MWh	Basic Price	Taxes	VAT	Total
Belgium	42.30	1.48	9.14	<b>52.92</b>
Germany	41.54	5.94	9.04	<b>56.52</b>
France	44.10	0.18	7.78	<b>52.06</b>
Nederland	40.28	18.61	11.16	<b>70.06</b>
Great-Britain	38.63	0.00	1.91	<b>40.54</b>

5. These figures should be used with caution. In fact, there are special taxes in Great Britain (like the CESP (*Community Energy Saving Programme*) or CERT (*Carbon Emission Reduction Target*)). However, as far as Eurostat is concerned, they are included in the price of energy (*supplier*). It is therefore important to note that Eurostat classifies as taxes only those appearing on the end consumer's bill as such.

6. These statistics are also supposed to represent a national average, although very frequently the distribution costs differ from one distribution zone to the other within one and the same country.

<sup>3</sup> This corresponds to a volume of between 5,555 kWh and 55,550 kWh/year. The price expressed in €/GJ has been converted to €/MWh in the Table (1 MWh = 3.6 GJ).

<sup>4</sup> [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-QA-10-047/EN/KS-QA-10-047-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-QA-10-047/EN/KS-QA-10-047-EN.PDF), published on 30 November 2010.

### III THE HEPI METHOD

7. Every month, the VaasaETT Global Energy think tank publishes natural gas price indices (HEPI = Household Energy Price Index) for the residential sector in European capitals<sup>5</sup>. In addition to a global price, a breakdown of the global price into four components (VAT, taxes, distribution and energy) is also published. See Table 2 for an overview of these prices for December of 2010.

8. The calculation method covers two stages: first, the price of three different offers for each capital is calculated. The first offer is the "standard" offer of the incumbent, or traditional operator (e.g.: the regulated offer from GDF Suez in Paris, or the price of Electrabel's basic offer in Brussels). The second offer is the "market" offer of the traditional operator (e.g.: the market price offer from GDF Suez in Paris, or Electrabel's EnergyPlus offer in Brussels). The third is the offer of the principal competitor of the traditional operator (e.g. Lampiris in Brussels). Then, the weighted average of these three offers is calculated, with the market shares being used as weighting factors. For HEPI, the energy quantity consists in the national average for the residential segment.

**Table 2:** Natural gas prices for households according to the HEPI index, in December of 2010, in €/year<sup>6</sup>

	Brussels	Paris	Berlin	Amsterdam	London
Energy	868.41	710.59	882.67	687.75	716.73
Distribution	365.65	483.20	333.08	171.94	211.99
Taxes	30.47	14.21	183.20	343.88	30.28
VAT	259.00	198.97	266.47	229.25	50.47
<b>Total</b>	<b>1,523.53</b>	<b>1,421.19</b>	<b>1,665.42</b>	<b>1,432.82</b>	<b>1,009.48</b>
c€/kWh	6.55	6.11	7.16	6.16	4.34

<sup>5</sup> The monthly prices are available on <http://www.vaasaett.com/projects/hepi/latest-press-release/>.

<sup>6</sup> For HEPI, the energy quantity consists in the national average for the residential segment. This average can be higher or lower than 23,260 kWh/year. The price obtained from HEPI is expressed in c€/kWh. In order to obtain a comparable price in €/year, this proportional price is multiplied by 23,260 kWh.

## IV OUR OWN COMPARISON

9. The objective of this chapter is to reconstruct, on the one hand, the HEPI Table for January of 2011 based on data available from public sources and from the national regulators, and, on the other hand, to analyse the rate setting process on the retail natural gas market in each country in greater detail. We shall not dwell on Eurostat, as this reconstruction exercise is associated to a high level of risk.

10. In fact, Eurostat uses, first of all, national averages, while we will concentrate on the price of natural gas in the capital cities. A second difference is found in the definition of the typical customer. Eurostat uses a bracket ranging from 5,555 kWh to 55,550 kWh/year. In our approach, we assumed consumption of 23,260 kWh/year. Our comparison therefore does not use the same elements as does Eurostat.

11. As concerns the HEPI method, it is, as already explained, based on a weighting of three natural gas offers. For HEPI, however, the energy quantity is not 23,260 kWh/year, but consists in the national average for the residential segment.

As concerns market shares<sup>7</sup> abroad, we have assumed certain hypotheses in the absence of reliable public information. We also opted for using the least expensive alternative supplier and for estimating the respective market shares of that alternative supplier and of the traditional supplier (standard and market price formulas).

In order to find the most accurate information possible in connection with market shares and the rate structure abroad, we have, in particular, consulted the following websites<sup>8</sup>:

- Regulators (CRE, Bundesnetzagentur, Energiekamer, Ofgem)
- Price comparators (Energie-info, Check24, Easyswitch, Energyhelpline)

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<sup>7</sup> The market shares cumulated in the tables do not total 100% because there are more than two suppliers in each country in our analysis.

<sup>8</sup> [cre.fr](http://cre.fr) ; [bundesnetzagentur.de](http://bundesnetzagentur.de) ; [energiekamer.nl](http://energiekamer.nl) ; [ofgem.co.uk](http://ofgem.co.uk) ; [www.energie-info.fr](http://www.energie-info.fr) ; [www.check24.de](http://www.check24.de) ; [www.easyswitch.nl](http://www.easyswitch.nl) ; [www.energyhelpline.com](http://www.energyhelpline.com) ; [dolcevita.gazdefrance.fr](http://dolcevita.gazdefrance.fr) ; [direct-energie.com](http://direct-energie.com) ; [gasag.de](http://gasag.de) ; [flexgas.de](http://flexgas.de) ; [nuon.nl](http://nuon.nl) ; [nlenergie.nl](http://nlenergie.nl) ; [grdf.fr](http://grdf.fr) ; [nbb-netzgesellschaft.de](http://nbb-netzgesellschaft.de) ; [stadtwerke-bochum.de](http://stadtwerke-bochum.de) ; [liander.nl](http://liander.nl) ; [nationalgrid.com](http://nationalgrid.com)

- Suppliers (GDF, Direct Energie, GASAG, FlexGas, Nuon, NEM, BG, EDF Energy)
- Network operators (GRDF, NBB, Stadtwerke Bochum, Liander, National Grid)

We also contacted the regulators and certain network operators to obtain additional information.

## IV.1. Belgium

### IV.1.1. Distribution rates and taxes

#### IV.1.1.1. Rates for the use of the distribution network

12. The distribution network operator in Brussels is Sibelga. The multiyear distribution rate (2009-2012) was approved by the CREG based on the legislation in force. For a T2 customer (between 5 and 150 MWh/year), it consists of set dues<sup>9</sup> and of proportional components<sup>10</sup>. The distribution total is as follows:

- Set annual fee: €69.44 ex. VAT
- Proportional component: 1.1527 c€/kWh ex VAT

However, there are also taxes included in the distribution rate. For Brussels (Sibelga), this includes the tax on legal persons (0.0104 c€/kWh) and the “road tax” (0.1083 c€/kWh), which are included in the distribution rate. In the exercise of generating a European-level comparison, we therefore think it is more appropriate to show these components under a “Taxes” heading and to remove them from the distribution portion.

The corrected distribution total is then as follows:

- Set annual fee: €69.44 ex. VAT
- Proportional component: 1.034 c€/kWh ex VAT<sup>11</sup>

This results in an annual distribution amount (excluding the above mentioned taxes) of €309.95 for a 23,260 kWh customer.

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<sup>9</sup> The set fee relates to routing and metering.

<sup>10</sup> The proportional component relates to the following items: routing, system management, public service obligations, non-capitalised pension charges, tax on legal persons and “road tax”.

<sup>11</sup>  $1,1527 - (0,0104 + 0,1083)$

#### IV.1.1.2. Taxes

- I. Energy dues<sup>12</sup>: 0.09889 c€/kWh ex VAT
- II. Federal dues<sup>13</sup>: 0.01510 c€/kWh ex VAT
- III. Surcharges for protected customers<sup>14</sup>: 0.03506 c€/kWh ex VAT
- IV. Taxes on legal persons (via GRD - Federal): 0.0104 c€/kWh ex VAT
- V. "Road tax" (via GRD – District/Communal): 0.1083 c€/kWh ex VAT

13. There are therefore four federal taxes and one district or communal tax. The cumulative amount of taxes for a residential customer in Brussels is 0.26775 c€/kWh. This results in an annual tax amount of €62.28 ex VAT for a customer consuming 23,260 kWh/year.

#### IV.1.1.3. VAT

14. The VAT rate is 21%. It applies to all components of the price of natural gas, except for the protected customer surcharge.

### IV.1.2. **Rate formulas of some natural gas suppliers**

15. As opposed to the *all-in* offers from providers in adjacent countries analysed in this study, the offers of providers in Belgium (and in the Netherlands) do mention the energy component (transport included). Distribution and taxes are shown separately on the rate sheets of providers in Belgium. These rate sheets show both the energy and transport rates, VAT included. In the summary table for each country, this energy and transport portion is however presented ex VAT.

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<sup>12</sup> This tax amount applies to annual consumption of less than 976,944 kWh, cf. Art. 149 of the [Programme Law of 27 December 2005](#) (tax amended from 1 January 2007 onwards). This tax is allocated to a fund intended to improve the financial balance of the Social Security system.

<sup>13</sup> <http://www.creg.be/pdf/Tarifs/G/2011/CotFed/CotFedG2011FR.pdf>. See also the order of 24 March 2003 setting the conditions for the Federal dues intended for the financing of certain public service obligations and of the costs relating to the regulation and control of the natural gas market. This tax is, in particular, intended to finance the CREG, the social energy guidance mission of the CPAS and the heating premiums.

<sup>14</sup> Just like the federal contribution, the protected customer surcharge is determined by the CREG and published each year in a Royal Decree. The protected customer surcharge is exempted from VAT.

**Table 3:** Offers of different natural gas suppliers in Brussels (January of 2011), energy and transport components

<b>Contract Type</b>	<b>Annual fee (€/year) VAT incl.</b>	<b>Proportional component (c€/kWh) VAT incl.</b>	<b>Total (€) VAT incl. volume 23.260 kWh/year</b>
<b>Electrabel - basic offer</b>	46.95	4.274	1,041.08
<b>Electrabel - Energy +</b>	45.99	4.188	1,020.12
<b>Lampiris</b>	40.00	3.420	835.49

#### **IV.1.3. Calculation of the breakdown of natural gas costs**

**Table 4:** Breakdown of the price of natural gas in Brussels, Postal Code 1000 (January of 2011) for a volume of 23,260 kWh/year

<b>Brussels</b>	<b>Energy &amp; Transport (€)</b>	<b>Distribution (€)</b>	<b>Taxes (€)</b>	<b>VAT (€)</b>	<b>Total (€)</b>	<b>Market share</b>
<b>Electrabel - basic offer</b>	860.40	309.95	62.28	257.14	1,489.76	36%
<b>Electrabel - Energy +</b>	843.07	309.95	62.28	253.50	1,468.80	30%
<b>Lampiris</b>	690.49	309.95	62.28	221.46	1,284.17	6.5%
<b>Weighted average</b>	837.91	309.95	62.28	252.42	1,462.55	

16. Thus, from information for the third quarter of 2010 provided by Brugel<sup>15</sup>, the regional regulator for Brussels, and by Electrabel, we learn that 36% of customers in Brussels are still with the default operator, i.e. Electrabel (with the basic option). Approximately 30% of customers in Brussels have opted for Electrabel’s EnergyPlus offer. Electrabel’s total market share is of 88% in the Brussels residential sector, the balance of 22% being accounted for by this provider’s other rate formulas. Lampiris is the second biggest supplier for private households in Brussels, with a 6.5% market share.

<sup>15</sup> <http://www.brugel.be/Public/Page.php?ID=3293&siteID=&language=fr>, and then click on the “Statistics” document.

## IV.2. France

17. The regulated rate is subject to equalisation in France<sup>16</sup>. There are nonetheless six zones depending on the distance from the transport network. Paris is in Zone 2.

### IV.2.1. Distribution rates and taxes

#### IV.2.1.1. Rates for the use of the public natural gas distribution networks

18. In Paris, the distribution network operator is GRDF, a subsidiary of GDF Suez. The distribution rate<sup>17</sup> is set by a Ministerial decision, following a proposal of the CRE (the French national regulator).

This rate is broken down into two components. For a T2 customer (from 6 to 300 MWh/year), these components are as follows:

- A set annual fee of €112.80 ex VAT
- A proportional price of 0.682 c€ /kWh ex VAT

#### IV.2.1.2. Contribution to the special solidarity natural gas price (CTSSG)

19. The unit amount of this contribution is set by a ministerial order<sup>18</sup> in euro cents per kilowatt hour. It is applied to each kilowatt hour consumed. This contribution makes it possible to finance the Special Solidarity Gas Rate applied to underprivileged customers.

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<sup>16</sup> The regulated rate of the ELD (traditional suppliers other than GDF Suez) is not equalised to that of GDF Suez.

<sup>17</sup> The last version of the multiannual distribution rate for (2008-2011) came into effect on 1 August 2010. [http://www.grdf.fr/fileadmin/user\\_upload/pdf/Cible\\_Fournisseurs/Arrete\\_du\\_31\\_mai\\_2010.pdf](http://www.grdf.fr/fileadmin/user_upload/pdf/Cible_Fournisseurs/Arrete_du_31_mai_2010.pdf) provides more information on the subject.

<sup>18</sup> Order of 28 October 2009 published in the "Journal Officiel" of 11 November 2009 [http://www.legifrance.gouv.fr/jopdf/common/jo\\_pdf.jsp?numJO=0&dateJO=20091111&numTexte=12&pageDebut=19506&pageFin=19506](http://www.legifrance.gouv.fr/jopdf/common/jo_pdf.jsp?numJO=0&dateJO=20091111&numTexte=12&pageDebut=19506&pageFin=19506)

The CTSSG amounts to 0.0045 by c€/kWh before VAT. This represents approximately €1.05 per customer.

The CTSSG is included in the regulated rate.

#### IV.2.1.3. Routing Contribution Rate (CTA)

20. As is the case in electricity supply, this tax represents a percentage<sup>19</sup> of the routing price of natural gas. It is set by ministerial order and is independent of the supplier, but depends on the commune/district as well as on the use of natural gas. The value of the CTA in Paris is of approximately €24 per customer per year, ex VAT.

The CTA is not included as such in the regulated rate of GDF Suez. It is nevertheless taken into account in the following tables for practical reasons.

#### IV.2.1.4. VAT

21. The VAT rates are different depending on whether the fee is fixed or based on a proportional term. The rate is 5.5% on the subscription and the CTA, and 19.6% on the proportional term.

### IV.2.2. **Rate formulas of some natural gas suppliers**

22. Today, there are two types of offer in France: The first is an offer with a regulated<sup>20</sup> rate model, and the second is the market offer. Within the scope of this study, we have chosen to determine the price of natural gas in the Paris at the B1 rate (6 to 30 MWh/year) in Zone 2.

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<sup>19</sup> This percentage is of 17.7% of the cost of the distribution subscription (€112.80) and 5.3% of the cost of transport (estimated at €76.40 in Paris). See [http://www.vialis.tm.fr/degn/cta\\_437.php](http://www.vialis.tm.fr/degn/cta_437.php).

<sup>20</sup> Regulated rates are jointly set by the Ministers in charge of the Economy and Energy, based on opinions of the CRE. They are such that they make it possible to cover the rate for the use of the public natural gas networks, supply costs and the commercial costs of the traditional supplier, GDF Suez. On 10 December 2010, the [Order](#) relating to regulated natural gas rates was published in the "Journal Officiel", including the new indexation formula for supply costs, based on the price of oil products and the TTF gas quotation, which represents approximately 9.5% of these costs further to the renegotiation of certain long term contracts.

Table 5: VAT included offers in Paris, postal code 75013 (January of 2011)

	Contract Type	Annual fee (€/year) VAT incl.	Proportional component (c€/kWh) VAT incl.
GDF Suez	Regulated price B1	179.77	5.059
GDF Suez	Market offer 1 year	185.47	5.382
Direct Energie	Market price B1 and B2i	177.36	4.550

23. There are other natural gas suppliers in France (e.g. Altagaz, EDF). A comparison of their offers can be found on <http://www.energie-info.fr/>. The CRE markets observatory report provides an indication of the market shares held by the various players in the residential sector as of 30 September 2010<sup>21</sup>. GDF Suez regulates some 89% of the market, and GDF Suez' market offer accounts for approximately 4.7% of the market. The most important alternative natural gas operator would be Direct Energie<sup>22</sup>.

### IV.2.3. Calculation of the breakdown of natural gas prices

Table 6: Breakdown of natural gas prices in Paris, postal code 75013 (January 2011)

Paris	Energy & Transport (€)	Distribution (€)	Taxes (€)	VAT (€)	Total (€)	Market share
GDF Suez regulated	857.79	271.43	25.06	202.21	1,356.49	88.8%
GDF Suez market	926.01	271.43	25.06	214.82	1,437.32	4.7%
Direct Energie	756.51	271.43	25.06	182.68	1,235.69	2.0%
<b>Weighted average</b>	859.01	271.43	25.06	202.42	1,357.93	

<sup>21</sup> [http://www.cre.fr/fr/marches/observatoire\\_des\\_marches](http://www.cre.fr/fr/marches/observatoire_des_marches) (3<sup>rd</sup> quarter of 2010)

<sup>22</sup> <http://groupe.direct-energie.com/le-groupe-direct-energie/ouverture-marche-energie.html>

We sampled 215,000 households, customers of Direct Energie, out of a total of 10,700,000 residential sites. The other market shares are directly reproduced or calculated from data available in the CRE's Markets Observatory report.

## IV.3. Germany

### IV.3.1. Distribution rates and taxes

#### IV.3.1.1. Rates for the use of the distribution network (Netzentgelte)

24. The Berlin distribution network operator is Netzgesellschaft Berlin – Brandenburg (NBB). The distribution rate<sup>23</sup> is set on an annual basis by the distribution network operator in accordance with the principles laid down in the *Gasnetzentgeltverordnung (Gas Grid Fee Ordinance)* and based on the allowed revenues as determined by the *Bundesnetzagentur* (the German Federal regulator). For a customer consuming between 6 and 25 MWh/year, it consists of the following three fees (amounts ex VAT):

- Network use fee (*Netznutzungsentgelt*) consisting of a set component (*Grundpreis*) of €0.88/month and of a proportional component of 1.272 c€/kWh (*Arbeitspreis*)
- Counter fee (*Abrechnungsentgelt*): €10.76/year
- Meter fee (*Messentgelt*): €6.22/year for a G2.5 meter

The distribution rate also comprises a district fee (*Konzessionsabgabe*) of 0.03 c€/kWh for consumption levels between 8 and 5,000 MWh/year. However, in this study this fee is reflected under the “taxes” heading.

The distribution rate (excluding the district fee) is therefore as follows:

- Set annual fee: €27.54 ex VAT
- Proportional component: 1.272 c€/kWh ex VAT

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<sup>23</sup> Cf. [http://www.nbb-netzgesellschaft.de/de/service/download\\_center/index.doc.html](http://www.nbb-netzgesellschaft.de/de/service/download_center/index.doc.html), tab “Netzzugang und Transport” [Network Access and Transport]

It should be pointed out that in this case the distribution rate also comprises the transport component, as opposed to the other countries analysed in this study, where transport is billed together with the gas supply. This is due to the fact that in Germany the cost of transport is billed to the distribution network operator and not to the provider as is the case in the other countries analysed. This could also explain the higher cost of the distribution rate in Germany as compared to the other countries.

#### *IV.3.1.2. Natural Gas Tax (Erdgassteuer)*

25. This tax, which is collected on behalf of the Federal government, has been of 0.55 c€/kWh<sup>24</sup> ex VAT since 2002.

#### *IV.3.1.3. Concession (Konzessionsabgabe)*

26. This is a levy paid to the district for the right to use roads for laying and operating different types of piping (water, electricity, gas, etc.). This tax amounts to 0.03 c€/MWh ex VAT for Berlin.

#### *IV.3.1.4. VAT (Mehrwertsteuer)*

27. The VAT rate is 19%, and it is due on all the above mentioned components and on the energy component.

### **IV.3.2. Rate formulas of some natural gas suppliers**

28. The reference city is Berlin (postal code 10115).

29. GASAG is the biggest natural gas supplier in Berlin. The “Komfort” formula is the default option. GASAG’s most competitive formula (without a deposit) is the “Online” offer.

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<sup>24</sup> [http://www.stadtwerke-bochum.de/index/privatkunden/energiepreise/steuern\\_erdgas.html](http://www.stadtwerke-bochum.de/index/privatkunden/energiepreise/steuern_erdgas.html)

Finally, the FlexGas DeutschlandsBest Region 4 offer is the best competing offer. A comparison of these offers can be found on <http://www.check24.de/strom-gas/>

**Table 7:** VAT included “all-in” offers from various different natural gas suppliers in Berlin, postal code 10115 (January of 2011)

<b>Contract Type</b>	<b>Annual fee (€/year) VAT incl.</b>	<b>Proportional component (c€/kWh) VAT incl.</b>
GASAG-Komfort	185.64	5.950
GASAG-Online	167.88	5.831
FlexGas Region 4	207.00	3.400

### IV.3.3. Calculation of the breakdown of natural gas prices

30. As concerns market shares, the German regulator informs us that default suppliers have, in general, a 95%<sup>25</sup> market share. The default offering accounts for 27% of all contracts, while the other contractual offers represent 68% of contracts. It therefore seems appropriate to attribute those 27% to GASAG’s Komfort offer, 50% to GASAG’s Online offer (GASAG has yet another two offers), and 2% to the FlexGas offer.

**Table 8:** Breakdown of natural gas prices in Berlin<sup>26</sup>, postal code 10115 (January 2011)

<b>Berlin</b>	<b>Energy (€)</b>	<b>Distribution &amp; Transport (€)</b>	<b>Taxes (€)</b>	<b>VAT (€)</b>	<b>Total (€)</b>	<b>Market share</b>
<b>GASAG-Komfort</b>	860.68	323.41	134.91	250.61	1,569.61	27%
<b>GASAG-Online</b>	822.50	323.41	134.91	243.35	1,524.17	50%
<b>FlexGas Region 4</b>	380.21	323.41	134.91	159.32	997.84	2%
<b>Weighted average</b>	824.35	323.41	134.91	243.71	1,526.38	

31. It is remarkable that FlexGas’ prices are almost €600/year lower than those of the traditional operator. FlexGas’ energy price is very low and corresponds to 16.35 €/MWh, which is less than the price of gas on the spot markets, which varies between 18 and 23 €/MWh since July of 2010. One may therefore wonder whether this supplier is not selling at a loss.

<sup>25</sup> [http://www.bundesnetzagentur.de/cln\\_1932/EN/PressSection/Publications/publications\\_node.html](http://www.bundesnetzagentur.de/cln_1932/EN/PressSection/Publications/publications_node.html) Monitoring Report 2010, Monitoring Report 2010, p. 66

<sup>26</sup> The German regulator Bundesnetzagentur told us that the prices for natural gas in Berlin were among the most expensive because of a more costly infrastructure and because of a relative limited number of customers. For example, the total natural gas price for a same volume of 23,260 kWh/year is € 1,329.37 in Munich for the traditional supplier Stadtwerke München.

## IV.4. Netherlands

It should first of all be pointed out that variable rate schemes in the Netherlands are expressed in €/m<sup>3</sup>, while the other countries we analysed use conditions expressed in €/MWh or in c€/kWh. The gas used in Amsterdam is L gas, with a conversion coefficient of 9.76 kWh per m<sup>3</sup>. We use therefore 2,383 m<sup>3</sup> (23,260 / 9.76) as the standard consumption.

### IV.4.1. Distribution rates and taxes

#### IV.4.1.1. Distribution rate

32. The Amsterdam distribution network operator is Liander, a subsidiary of Alliander (formerly owned by Nuon).

For a customer consuming between 500 and 4,000 m<sup>3</sup> with a G6 meter, Liander's rates <sup>27</sup>, which are set on an annual basis by the *Energiekamer*, the national regulator (formerly DTe) consists of the three following components (amounts ex VAT):

- Connection service (*aansluitdienst*) : €1.71/month
- Low pressure transport (*transportdienst*) : €7.77/month
- Meter fee (*Messentgelt*): €1.629/month

The Netherlands distribution rate therefore consists only of fixed components in a total amount of €133,31/year ex VAT. In the other countries there is a fix amount but also a variable portion depending on consumption.

#### IV.4.1.2. Energy tax (energiebelasting)<sup>28</sup>

33. This tax, which is collected on behalf of the Dutch government, is of 0.1639 €/m<sup>3</sup> ex VAT.

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<sup>27</sup> [http://www.liander.nl/liander/campagne/tarieven\\_2011.htm](http://www.liander.nl/liander/campagne/tarieven_2011.htm), Tarievenbladen kleinverbruik Gas [Small Gas Consumer Rate Sheets]

<sup>28</sup> <http://www.nuon.nl/energie/energieprijzen/>, General Rates for 2011 tab

#### IV.4.1.3. Regional surcharge (regiotoeslag)<sup>29</sup>

34. This tax varies as a function of the area in which the gas is delivered. The greater the distance between the area and Groningen – where the gas is extracted – the higher the surcharge. For the Amsterdam region (Region C), the surcharge is of €0.0039/m<sup>3</sup> ex VAT.

#### IV.4.1.4. VAT

35. The VAT rate is 19%. It is due and payable on all the above mentioned components and on the energy component.

### IV.4.2. Rate formulas of some natural gas suppliers

36. As concerns market share, the most recent document on market monitoring in the Netherlands published by *Energiekamer*<sup>30</sup> reveals the fact that the new suppliers on the market had a market share of approximately 21% of the market at the end of 2009, as compared to 19% at the end of 2007. It can therefore reasonably be assumed that their market share was of 23% at the end of 2010. The default supplier, i.e. Nuon in Amsterdam, would therefore hold a 75% market share. Once could therefore attribute 65% to the Standard formula, which turns out to be the least expensive Nuon offer by a couple of euro. We would attribute 5% to one of Nuon's alternative formulas, called "*Variabel Gas Actieprijs*". The least expensive alternative local provider is *Nederlandse Energie Maatschappij* (NEM) with its "*Aardgas variabel*" (Variable Natural Gas) product. The customer base percentage attributed to NEM *Aardgas variabel*<sup>31</sup> is also of 5%. Prices were obtained from the <http://www.easyswitch.nl/energie/vergelijk-energie/> supplier site comparator. In the event of differences<sup>32</sup>, the supplier's rate sheet was used.

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<sup>29</sup> Ibidem

<sup>30</sup> <http://www.energiekamer.nl/nederlands/gas/levering/index.asp>, retailmonitor 2009 page 37

<sup>31</sup> [http://www.nlenergie.nl/overons/Nieuws\\_en\\_pers/Nieuwsberichten](http://www.nlenergie.nl/overons/Nieuws_en_pers/Nieuwsberichten) reports half a million customers for NEM in December of 2010. Some 90% of Dutch customers are connected to the gas network. NEM has both a fixed and a variable rate. We estimate that the variable rate is used by five out of every six customers. The total number of residential gas customers is of approximately 6,700,000 in the Netherlands (retailmonitor, above mentioned, page 51).

<sup>32</sup> We have found a difference of 0.0012 €/m<sup>3</sup> between Nuon's rate sheets and the result obtained on the comparator, which results in a difference of approximately €2.7 VAT included on the total amount. The difference for NEM, on the other hand, amounts to only €0.15.

**Table 9:** Energy offers (including transport) of various natural gas suppliers in Amsterdam, postal code 1062 GD (January of 2011)

<b>Contract Type</b>	<b>Annual fee (€/year) VAT incl.</b>	<b>Proportional component VAT incl. (€/m<sup>3</sup>)</b>
Nuon - Standaard	32.99	0.3415
Nuon - Variabel Gas Actieprijs	32.99	0.3407
Nederlandse Energie Maatschappij - Aardgas Variabel	83.88	0.2631

#### **IV.4.3. Calculation of the breakdown of natural gas prices**

**Table 10:** Breakdown of natural gas prices in Amsterdam, postal code 1062 GD (January 2011)

<b>Amsterdam</b>	<b>Energy &amp; Transport (€)</b>	<b>Distribution (€)</b>	<b>Taxes (€)</b>	<b>VAT (€)</b>	<b>Total (€)</b>	<b>Market share</b>
Nuon - Standaard	711.58	133.31	403.92	237.27	1,486.08	65%
Nuon - Variabel Gas Actieprijs	709.98	133.31	403.92	236.97	1,484.18	5%
Nederlandse Energie Maatschappij - Aardgas Variabel	597.39	133.31	403.92	215.58	1,350.20	5%
<b>Weighted average</b>	<b>703.86</b>	<b>133.31</b>	<b>403.92</b>	<b>235.81</b>	<b>1,476.90</b>	

## IV.5. Great Britain

37. The site of the British regulator, Ofgem, provides information on the breakdown of the natural gas bill of residential customers<sup>33</sup>. Here we will be reproducing the pertinent components.

It should be pointed out directly that taxes in GB are proportionally lower than in continental Europe, and that VAT is limited to 5%.

38. For the conversion from pounds sterling - euro, we used the average of the rates of exchange for the month of December 2010 as published by the BCE<sup>34</sup>. This average is of GBP 0.8481 = EUR 1.00.

### IV.5.1. Distribution rates and taxes

#### IV.5.1.1. Distribution rate

39. In London, the distribution network operator is National Grid<sup>35</sup>. Rates are set by Ofgem on an annual basis. The latest rates published have been applicable since April 2010<sup>36</sup>.

They consist of the following three components (amounts ex VAT):

- Cost of the system in terms of capacity: 0.1325 p / peak per day / kWh per day
- Cost of the system in terms of “commodity”: 0.0216 p / kWh
- Customer cost in terms of capacity: 0.0833 p / peak per day / kWh per day

For a customer consuming 23,260 kWh/year with a daily peak of 193 kWh<sup>37</sup>, this results in a total of £157.13/year.

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<sup>33</sup> <http://www.ofgem.gov.uk/Media/FactSheets/Documents1/updatedhouseholdbillsjan11.pdf>

<sup>34</sup> <http://www.ecb.int/stats/exchange/eurofxref/html/index.en.html>

<sup>35</sup> The transport network is also operated by National Grid. According to Ofgem, the transport cost is estimated at a total of £17.16/year for a customer consuming 23,260 kWh/year with a daily peak of 193 kWh.

<sup>36</sup> <http://www.nationalgrid.com/uk/Gas/Charges/statements/transportation/> Current Distribution Charges – London network charges

<sup>37</sup>  $23,260 / (365 * 0.33)$  based on an example provided in a London DN document

40. There are also metering costs amounting to £14.58/year.

#### *IV.5.1.2. Carbon Emission Reduction Target<sup>38</sup>(CERT)*

41. The British government imposed a reduction of 185 MtCO<sub>2</sub> over the period 2008-2011 on the gas and electricity suppliers. This is the principal programme aimed at improving energy efficiency.

Ofgem indicates that the programme costs £52.00 per year and household (gas and electricity). In order to determine the portion of the CERT attributable to natural gas, the Ofgem approach consists in dividing this amount by two. Thus, the residential natural gas consumer must pay £26.00 per year for the CERT.

#### *IV.5.1.3. Community Energy Saving Programme (CESP)*

42. Ofgem states that this is of £3.00 for the natural gas and electricity bills together. This is therefore equivalent to £1.50 for natural gas.

#### *IV.5.1.4. VAT*

43. The VAT rate is 5% in the residential sector, which is distinctly lower than in the other countries.

### **IV.5.2. Rate formulas of some natural gas suppliers**

44. The traditional operator in London is British Gas (BG). In one of its documents,<sup>39</sup> Ofgem provides the market shares of the main natural gas suppliers in Great Britain. In December of 2009, BG had a 42% market share. In terms of rate breakdown, 21% of market share is attributed to the standard rate, and 10% to the competitive rate (the balance, of

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<sup>38</sup> <http://www.ofgem.gov.uk/Sustainability/Environment/EnergyEff/CU/Documents1/certfeb10.pdf> et [http://www.decc.gov.uk/en/content/cms/what\\_we\\_do/consumers/saving\\_energy/cert/cert.aspx](http://www.decc.gov.uk/en/content/cms/what_we_do/consumers/saving_energy/cert/cert.aspx).

<sup>39</sup> [http://www.energy-regulators.eu/portal/page/portal/EER\\_HOME/EER\\_PUBLICATIONS/NATIONAL\\_REPORTS/National%20Reporting%202010/NR\\_En/E10\\_NR\\_UK-EN.pdf](http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_PUBLICATIONS/NATIONAL_REPORTS/National%20Reporting%202010/NR_En/E10_NR_UK-EN.pdf) p. 53

11%, is attributed to the numerous different offers from a BG). With its standard rate, EDF Energy is the alternative supplier. It is considered that EDF Energy holds a 6% market share. The rates offered by the British suppliers are special in the sense that there is no set fee. There are, on the other hand, two proportional rates – one for consumption of up to 670 kWh/quarter (corresponding to a “cooking – hot water” type use) and another for consumption above that threshold.

**Table 11:** All-in price offers in London postal code N8 7PS (January of 2011).

<b>Contract type</b>	<b>Proportional term I, 0 to 670 kWh per quarter (p/kWh)</b>	<b>Proportional term II, beyond 670 kWh per quarter (p/kWh)</b>
British Gas Standard	7.338	3.362
British Gas Websaver 10 Gas Only	6.897	2.976
EDF Standard	7.350	3.036

This is the rate that is applied without taking into account any potential deductions. These rates were found on the suppliers’ sites and on the [www.energyhelpline.com/](http://www.energyhelpline.com/) comparator.

#### **IV.5.3. Calculation of the breakdown of natural gas prices**

45. There follow tables showing weighted market shares and rates without taking into account potential reductions.

**Table 12:** Breakdown of natural gas prices in London, postal code N8 7PS (January 2011) in £

<b>London</b>	<b>Energy &amp; Transport (£)</b>	<b>Distribution (£)</b>	<b>Taxes (£)</b>	<b>VAT (£)</b>	<b>Total (£)</b>	<b>Market share</b>
<b>British Gas Standard</b>	647.04	171.71	27.50	42.31	888.56	21%
<b>British Gas Websaver 10 Gas Only</b>	560.12	171.71	27.50	37.97	797.30	10%
<b>EDF Standard</b>	583.45	171.71	27.50	39.13	821.79	5%
<b>Weighted average</b>	614.06	171.71	27.50	40.66	853.94	

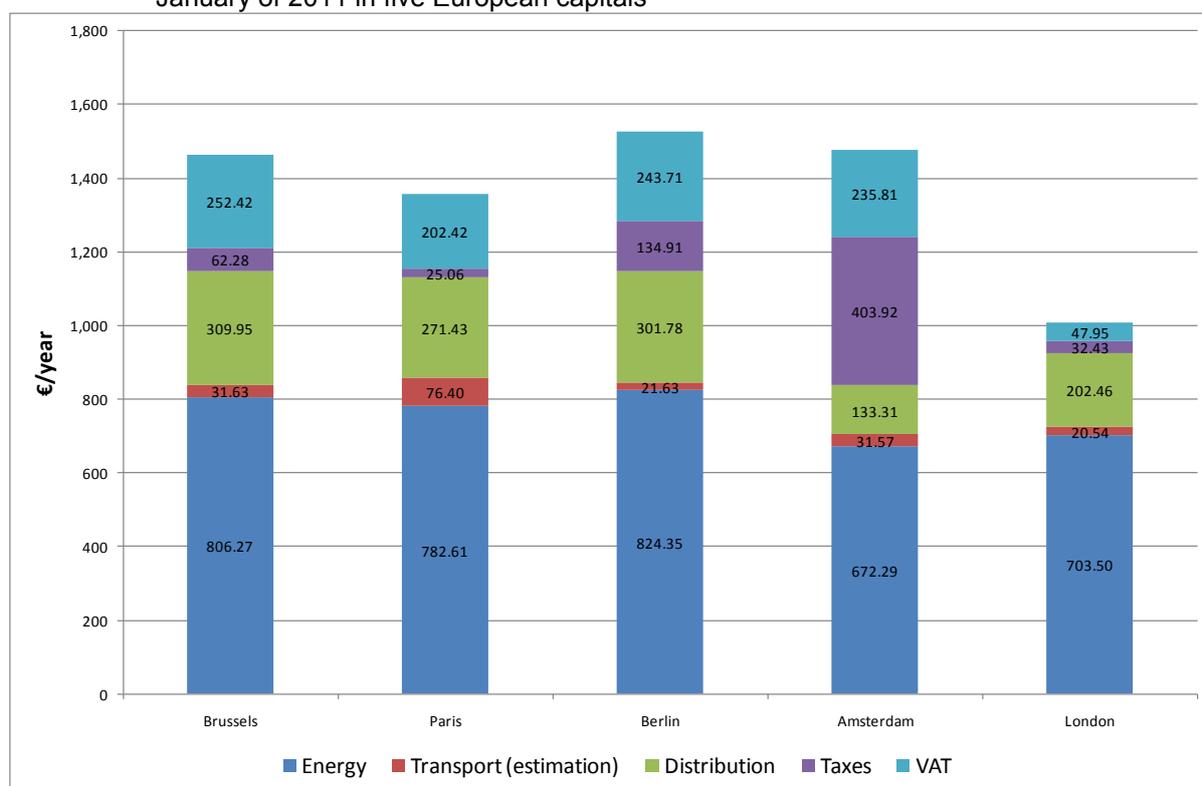
Table 13: Breakdown of natural gas prices in London, postal code N8 7PS (January 2011) in €

<b>London</b>	<b>Energy &amp; Transport (€)</b>	<b>Distribution (€)</b>	<b>Taxes (€)</b>	<b>VAT (€)</b>	<b>Total (€)</b>	<b>Market share</b>
<b>British Gas Standard</b>	762.92	202.46	32.43	49.89	1,047.70	21%
<b>British Gas Websaver 10 Gas Only</b>	660.44	202.46	32.43	44.77	940.10	10%
<b>EDF Standard</b>	687.94	202.46	32.43	46.14	968.98	5%
<b>Weighted average</b>	724.04	202.46	32.43	47.95	1,006.88	

## V SUMMARY

46. The synthesis hereunder also covers the estimation of the transport rate<sup>40</sup> that is mostly included into the energy component. Indeed, in all analysed countries except Germany, the transport network operator (TSO) sends the transport invoice to the natural gas supplier. In Germany the TSO sends his transport invoice to the distribution network operator (DSO).

**Figure 1:** Summary of the breakdown of the cost of 23,260 kWh/year of natural gas in €, prices for January of 2011 in five European capitals



**Table 14:** Summary of the price to residential customers consuming 23,260 kWh/year (January 2011)

	Brussels	Paris	Berlin	Amsterdam	London
Energy	806.27	782.61	824.35	672.29	703.50
Transport (estimation)	31.63	76.40	21.63	31.57	20.54
Distribution	309.95	271.43	301.78	133.31	202.46
Taxes	62.28	25.06	134.91	403.92	32.43
VAT	252.42	202.42	243.71	235.81	47.95
<b>Total</b>	<b>1,462.55</b>	<b>1,357.93</b>	<b>1,526.38</b>	<b>1,476.90</b>	<b>1,006.88</b>

<sup>40</sup> These transport prices, initially expressed in capacity terms (€/m<sup>3</sup>/h), were supplied by the national regulators or the network operator, as applicable.

**Table 15:** Detailed summary of the different components of the cost of natural gas (January of 2011) for a consumption of 23,260 kWh/year

	Brussels	Paris	Berlin	Amsterdam	London
Energy and transport	837.91	859.01	824.35	703.86	724.04
<i>Energy</i>	806.27	782.61	824.35	672.29	703.50
<i>Transport (estimate)</i>	31.63	76.40		31.57	20.54
Distribution	309.95	271.43	323.41	133.31	202.46
<i>Transport</i>			21.63		
<i>Routing and others</i>	302.07	N.C.	284.80	113.76	187.88
<i>Metering</i>	7.88	N.C.	16.98	19.55	14.58
Taxes	62.28	25.06	134.91	403.92	32.43
<i>local</i>	25.19		6.98		
<i>regional</i>				15.88	
<i>federal/national</i>	37.09	25.06	127.93	464.78	32.43
VAT	252.42	202.42	243.71	235.81	47.95
<b>Total</b>	<b>1,462.55</b>	<b>1,357.93</b>	<b>1,526.38</b>	<b>1,476.90</b>	<b>1,006.88</b>

47. Tables 14 and 15 show that the prices for gas supply are lowest in the Netherlands, followed by Great Britain. These two countries are themselves producers of natural gas. The Netherlands are net exporters, which has no longer been the case for Great Britain for some years now. Then there follow Belgium, France and Germany.

48. The price of the distribution network (€310) is highest in Brussels, even when allocating the tax components (“road tax” and tax on legal persons) of this distribution network management to “tax” components. The rate for the distribution network in Berlin (€323) at first sight certainly appears to be more expensive, but it also comprises a “transport” portion estimated at approximately €22 (cf. Table 15). In this respect, Amsterdam sets itself apart by offering a distribution rate of €133 that represents approximately half of the average price paid in the other capital cities. Amsterdam is followed by London, Berlin and Paris.

49. The taxes are very high in the Netherlands, a gas producing country in which 90% of the population is connected to the network. Taxes, mainly the *Energiebelasting*, represent more than €400/year for standard consumption, thus constituting 27% of the price of gas. Once VAT is added, this sum even represents as much as 43%. Removing taxes and VAT, the best value price of natural gas would in fact be that found in the Netherlands. Taxes are lowest in France and Great Britain (approximately €30), followed by Belgium (approx. €60). Taxes in Germany are fairly high (€135) because of the *Erdgassteuer*.

50. VAT is highest in Belgium (21%), followed closely by the Netherlands, Germany and France<sup>41</sup> (19%). The VAT rate in Great Britain is of only 5%.

51. In the final analysis, the all-in prices for natural gas are least expensive in Great Britain. This is not only due to a lower VAT rate. Indeed, even with VAT rates identical to those of the other countries, the price of natural gas would still be more than €200 lower as compared to the price in France. British prices are characterised by competitive gas supply prices owing to relatively lively competition and to the “gas to gas” price system. In fact, and contrary to most of the other countries, in Britain the indexation of natural gas prices is not determined directly by trends in oil prices but by those recorded in gas prices on the international markets, in particular the NBP; these prices were relatively low over the last two years.

At €1,462.55 per year including VAT, Belgian prices are within the average range. They are €105/year higher than French prices, which are still subject to government regulation, and almost identical to Dutch prices in spite of the high taxes applied in the Netherlands; Belgian prices are €65/year lower than German prices. This difference of €65 with Germany approximately corresponds to the difference in the amount of taxes<sup>42</sup> between the two countries.

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<sup>41</sup> In France, the VAT rate is 19.6% for proportional terms (c€/kWh) and 5.5 % for fixed fees (€/year).

<sup>42</sup> Taxes amounting to €135 in Germany and to €62 in Belgium.

## VI COMPARISON FLEMISH AND WALLOON BRABANT – BRUSSELS

52. These calculations are similar to those for Brussels. The alternative supplier considered here is also Lampiris, even if Luminus is the second supplier in terms of market share in the Walloon area and in Flanders. Market share figures were determined on the basis of internal data. The distribution network operator taken into consideration is Iverlek (Flemish Brabant) for Flanders, and Sedilec (Walloon Brabant) for the Walloon region.

Table 16: Offers of various natural gas suppliers in Brussels and both Walloon and Flemish Brabant (January of 2011)

Contract Type	Annual fee (€/year) VAT incl.	Proportional component (c€/kWh) VAT incl.
Electrabel - basic offer	46.95	4.274
Electrabel - Energy +	45.99	4.188
Lampiris	40.00	3.420

53. The offers of the various natural gas suppliers are similar in Brussels and in both Walloon and Flemish Brabant. The costs for the distribution network and the other contributions, however, are different (see following table).

Table 17: Summary of the distribution components of the price of natural gas in Brussels (Sibelga) and in Flemish Brabant (Iverlek) and Walloon Brabant (Sedilec) (January of 2011).

Distribution (road tax and IPM excluded)	VL	BRU	WAL
<b>Fix (€/year)</b>	<b>68.91</b>	<b>69.44</b>	<b>81.65</b>
Routing	62.97	61.56	74.07
Metering	5.94	7.88	7.58
<b>Proportional (€/kWh)</b>	<b>0.0085420</b>	<b>0.0103400</b>	<b>0.0106400</b>
Routing and system management	0.0076232	0.0080280	0.0079800
Public service obligations	0.0003968	0.0008530	0.0019000
Pensions charges	0.0005220	0.0014590	0.0007600
<b>Total DSO excl. Road tax and IPM for a volume of 23.260 kWh/year (€)</b>	<b>267.60</b>	<b>309.95</b>	<b>329.14</b>

**Table 18:** Summary of the tax components of the price of natural gas in Brussels (Sibelga) and in Flemish Brabant (Iverlek) and Walloon Brabant (Sedilec) (January of 2011).

	VL	BRU	WAL
<b>Taxes (€/kWh)</b>	<b>0.0017329</b>	<b>0.0026775</b>	<b>0.0037455</b>
Tax on legal persons (IPM)*	0.0001414	0.0001040	0.0002700
Road tax *	0.0001010	0.0010830	0.0019100
Connection tax			0.0000750
Energy tax	0.0009889	0.0009889	0.0009889
Federal tax	0.0001510	0.0001510	0.0001510
Tax protected customers	0.0003506	0.0003506	0.0003506
<b>Total taxes for a volume of 23.260 kWh/year (€)</b>	<b>40.31</b>	<b>62.28</b>	<b>87.12</b>

\* On the invoice, these taxes are included in the distribution rate

**Table 19:** Breakdown of the price of natural gas in Flemish Brabant (January of 2011)

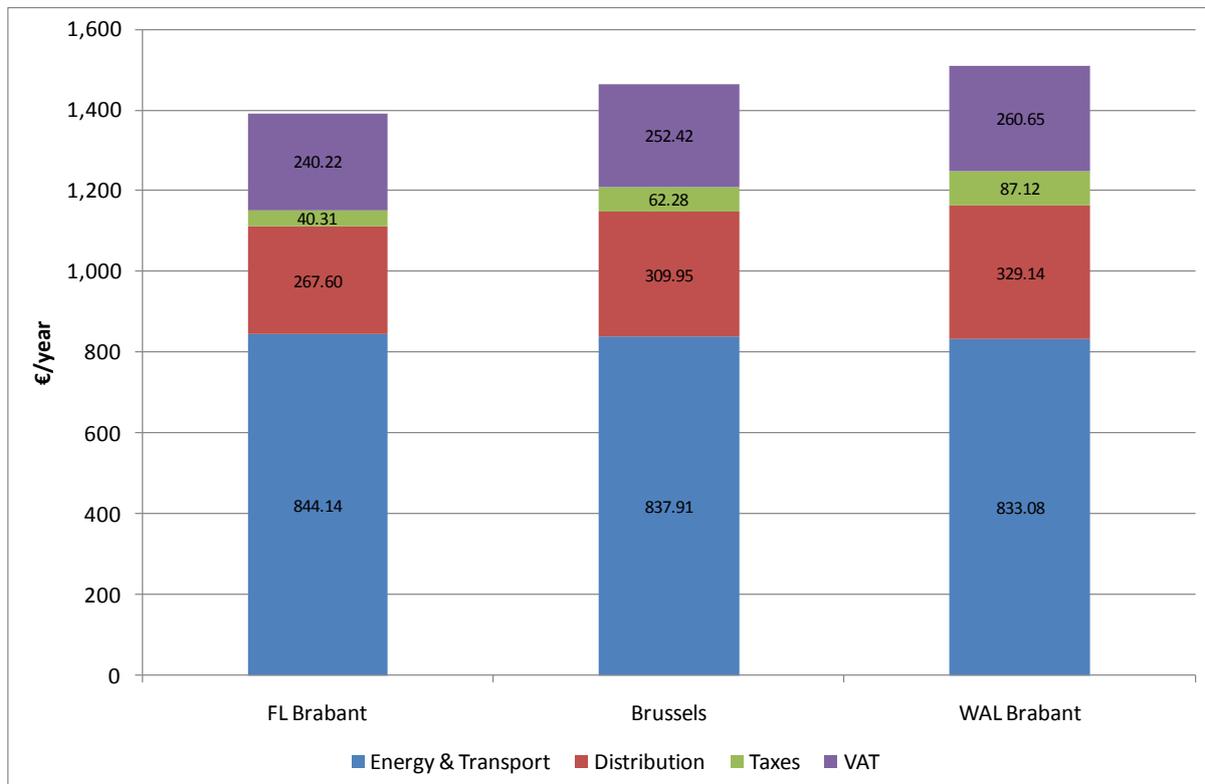
Flanders	Energy & Transport (€)	Distribution (€)	Taxes (€)	VAT (€)	Total (€)	Market share
<b>Electrabel - basic offer</b>	860.40	267.60	40.31	243.63	1,411.93	31%
<b>Electrabel - Energy +</b>	843.07	267.60	40.31	239.99	1,390.97	26%
<b>Lampiris</b>	690.49	267.60	40.31	207.95	1,206.34	3.1%
<b>Weighted average</b>	844.14	267.60	40.31	240.22	1,392.26	

**Table 20:** Breakdown of the price of natural gas in Walloon Brabant (January of 2011)

Wallonia	Energy & Transport (€)	Distribution (€)	Taxes (€)	VAT (€)	Total (€)	Market share
<b>Electrabel - basic offer</b>	860.40	329.14	87.12	266.39	1,543.04	28%
<b>Electrabel - Energy +</b>	843.07	329.14	87.12	262.75	1,522.08	23%
<b>Lampiris</b>	690.49	329.14	87.12	230.70	1,337.45	7%
<b>Weighted average</b>	833.08	329.14	87.12	260.65	1,509.98	

54. The market shares of Electrabel in Brussels, in Flanders and in the Walloon region (mixed areas) are of 90%, 78% and 71% respectively. However, Electrabel has numerous different price formulas, which explains that the total of the two formulas (Basic and Energy Plus) shown in the tables is lower than Electrabel's total market share.

**Figure 2:** Summary of the breakdown of the price of 23,260 kWh/year of natural gas in January of 2011 in three distribution zones in Belgium (annualised data).



55. In Belgium, the price of natural gas for a standard customer is €70/year lower in Flanders than in Brussels. The high level of local district taxes and of the public service obligation (PSO) is mainly responsible for this difference. Prices in the Walloon region, which were previously comparable to Brussels prices, are now €50/year higher further to the introduction of the Walloon “road tax” to be included in the rates from January of 2011 onwards.

## VII CONCLUSION

This study allowed us to establish that in January of 2011 the price of natural gas in Brussels was of €1,463/year for a standard consumption (heating, cooking and hot water) of 23,260 kWh/year. This price is thus within the range of the average of the other capital cities of continental Europe. By far the lowest prices for natural gas are those applied in Great Britain (€1,007/year, or €380 to €520/year less expensive than the other capitals in our analysis); there are a number of reasons for this difference: the price of gas supply is indexed on gas quotations, combined with strong competition, very low taxes and VAT rates that are distinctly lower than those applied on the Continent.

France is the second least expensive country at €1,358/year. Belgium and the Netherlands (€1,477/year) follow a good distance behind, and Germany brings up the rear at €1,526/year.

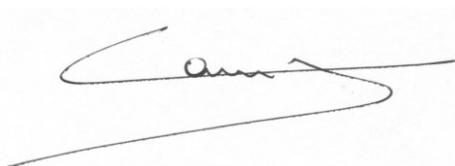
We nonetheless find that the prices before taxes and VAT are substantially similar in France, Belgium and Germany. In this case, the difference in rates is essentially due to the difference in the amount of taxes (cf. Figure 1). We also found that the price of the Brussels distribution network is highest together with that for Berlin.

End prices in the Netherlands, on the other hand, are comparable to Belgian prices only because of extremely high taxes applied in that country (€404/year for a standard customer in Amsterdam as compared to €62/year in Brussels).

On a Belgium-wide level, the price of natural gas for a standard customer is €70/year lower in Flanders as compared to Brussels because of district taxes and a more substantial public service obligation in the capital. Prices in the Walloon area, on the other hand, are €50/year higher than those in Brussels further to the recent introduction of the “road tax”.

\*\*\*\*

For the Commission for Electricity and Gas Regulation



Guido Camps  
Director



François Possemiers  
Chairman of the Management Board