CEE gas tariff setting needs change of direction to reflect new opportunities

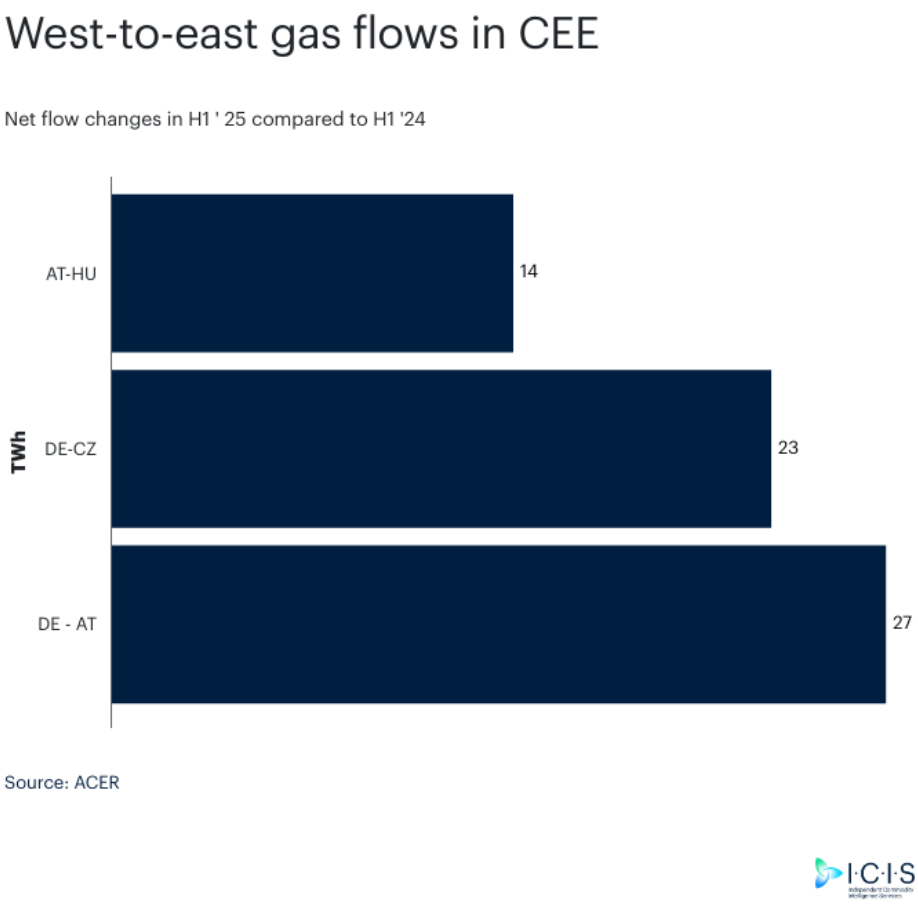
The loss of Russian gas and associated long-term capacity bookings has prompted central and eastern European regulators to increase tariffs to adjust to the new reality. While multiple opportunities are opening regionally, there are also many dilemmas. In this whitepaper, ICIS assesses the challenges and solutions and finds that a new vision may be required to enable stakeholders to maximize emerging opportunities.

Aura Sabadus
ICIS, 21.11.2025

Rising gas transmission tariffs could jeopardize security of supply in central and eastern Europe (CEE) unless regional countries adopt a shared long-term vision to rein in costs, an ICIS analysis shows.

Tariffs have doubled or even tripled since 2021 and the trend remains markedly upward as transmission system operators are struggling to meet a host of new challenges.

The increase is prompted by an unprecedented restructuring of regional flows triggered by the loss of Russian gas and associated long-term capacity bookings as well as the reversal of flows from west to east. All three happened almost concurrently.



A recent report published by the EU regulator ACER found that 40% of EU interconnection points have seen their direction reversed since 2021.

The trend was set in motion in 2022 when Russia cut 80% of supplies to Europe and further accelerated at the start of 2025 after Ukraine refused to extend its long-term transit contract with Gazprom.

This meant that operators not only lost long-term bookings – in some cases extending until the late 2030s – but also witnessed the reversal of flows from west to east.

Central Europe's gas transmission system had been built in the late 1970s for east-to-west gas flows, guaranteeing ample capacity in this direction. However, as flows are reversed, traders are caught out by limitations on shipping gas in reverse. These translate into physical bottlenecks or soaring tariffs as capacity is often overbid.

MULTIPLE CHALLENGES

Within a very short period of time, operators had to switch from a fairly simple business model where long-term bookings were guaranteeing security of supply and revenue to one where they have to respond to multiple dilemmas.

One dilemma is balancing transmission system operators (TSOs) needs against consumers' interests.

Many stakeholders are questioning the value of regulatory regimes which allow some operators to make profit. They say earnings for transmission system operators should be very limited, reflecting operating expenses.

One market source reiterated the example of the Italian gas grid operator, Snam, which is a shareholder in Austrian TSOs Trans Austria Gasleitung (TAG) and indirectly in Gas Connect Austria (GCA). Snam showed an 89.22% year-on-year increase in tariff income in the first half of 2025. The Italian TSO said in its H1 2025 financial results that it had benefited from a new regulatory framework for transmission tariff calculation in Austria this year.

It said the income was the highest in Snam's portfolio which includes stakes in nine other infrastructure assets in Europe and the Middle East, according to public reports.

Stakeholders say that Snam's example simply illustrates the fact that regulators may be struggling to strike a fine balance between TSO needs and consumer interests.

George Wustner, director of market area at ENTSOG, told ICIS that over- and under-recoveries were a 'net-zero game' where profits and losses are balanced out for TSOs under the allowed revenue model.

But while different regulators have different methodologies in calculating tariffs, TSOs also have different views on how they want to use their networks.

TRANSIT OR NO TRANSIT?

As the ICIS investigation has found out, some operators would like to develop and enhance their west-to-east transit roles. Others, which have to pay off long-standing bonds need to increase tariffs to maintain their credit ratings.

Other operators are also undecided on what to do about infrastructure. They say they have no clarity on whether Russian gas would return to the market or whether renewable gases could replace some of the missing Russian volumes in the mid to long term.

The EU's gas network codes provide rules and procedures to reach an appropriate level of harmonisation to facilitate efficient gas trading and transportation.

Senior ENTSOG specialists told ICIS that, ultimately, all these dilemmas boil down to risk sharing.

"It's a question of risk sharing," said Pierre Duvieusart, president of ENTSOG. "There are some common European rules and there is some subsidiarity at MS [member state] level and the question is where do you pose these risk sharing limits?"

REGIONAL VISION

However, Walter Boltz, former head of the Austrian regulator E-Control, said CEE countries have many peculiarities, largely resulting from their long-term dependence on Russian gas, which cannot be simply addressed via the EU network codes.

For Boltz, the way forward would be to drive operators into insolvency, force them to sell the assets cheaply and start anew with a downsized infrastructure and workforce.

However, he concedes that such an option would be politically unpalatable, and no government or regulator would be willing to pursue it.

As the EU is encouraging the emergence of new transmission routes to facilitate access to alternative supplies in anticipation of the full phaseout of Russian gas later this decade, Boltz says there is a need to start a dialogue on a shared vision for the region.

A first step, as Laurent Percebois, market manager at ENTSOG, said is to acknowledge the need to adapt to new conditions as security of supply is 'back at the front of the stage.'

A second step is to thrash out a common vision that reflects shared regional goals in addition to being finely attuned to the peculiarities of each country.

A PATCHWORK OF CONTRADICTIONS

ICIS has spoken to multiple traders, gas transmission and storage operators, regulators and consumers in countries which had historically facilitated the transit of Russian gas.

The idea was to understand what approach each country is taking and how markets would shape up in the light of recent radical changes.

The picture that emerges is a patchwork of contradictions, even conflicting views which ultimately saddle energy companies with additional costs, dent economic competitiveness and could jeopardize security of supply.

ICIS discusses below the examples of Austria, Czech Republic, Hungary and Slovakia before reviewing some of the solutions proposed by various stakeholders.

Austria

For years, Austria positioned itself as a transit route to Italy for Russian gas shipped via Ukraine and Slovakia. Three pipelines with a capacity of 15 billion cubic meters (bcm)/year each run parallel from Baumgarten, close to the Slovak border, to Tarvisio on the Italian border.

Around 20 companies had been holding long-term capacity on the three lines operated by TAG but north-south flows had been decreasing since 2022 and stopped altogether at the end of 2024.

To compensate for the loss of revenue, the Austrian regulator E-Control increased tariffs for this year. It then doubled entry tariffs and increased exit costs by an average of 77% for the calendar year starting 1 January 2026.

Under the new regulatory regime, the watchdog removed the so-called volume risk which was linked to the capacity bookings for Russian gas.

However, the other component of the tariff calculation linked to capacity costs increased, which traders say led to rises in distribution tariffs, including for storage, for example.

When compared with the long-term five-year average, the highest increase was on exit tariffs to the distribution grid, where costs soared nearly fivefold compared with increases of 250-350% for entry-exit transmission tariffs.

Austrian gas tariff hikes

Transmission and distribution tariffs in €/KWh/h/year have soared since 2021

Direction (entry)	Entry 2021-2024	2025	2026	Delta 2021-2026%
Oberkappel (DE-AT)	0.97	1.37	2.77	286%
Baumgarten (SK-AT)	0.85	1.37	2.77	326%
Arnoldstein (IT-AT)	0.97	1.37	2.77	286%
Uberackern (DE-AT)	0.97	1.37	2.77	286%

Direction (exit)	Exit 2021-2024	2025	2026	Delta 2021-2026
Oberkappel (AT-DE)	3.26	4.31	7.56	232%
Baumgarten (AT-SK)	1.23	2.15	3.74	304%
Uberackern (AT-DE)	3.26	4.31	7.56	232%
Mosonmagyarorvar (AT-HU)	1.23	2.14	3.97	323%
Murfeld (AT-SL)	1.9	3.74	6.55	345%
Arnoldstein (AT-IT)	4.35	5.98	10.52	242%
Distribution (end consumers and storage)	0.42	1.26	2.09	498%

Source: E-Control

The increase in distribution tariffs was under consultation until 14 November. If approved, the levy for a typical 90-day storage product could rise from €0.91KWh/h to €1.47KWh/h.

Market participants are unhappy. Suppliers OMV and Uniper, and storage operator RAG sent a letter to E-Control, insisting that a disproportionate burden had been put on consumers.

In the letter, seen by ICIS, the three companies noted that the volume risk had been transferred from network operators to network users, which effectively allowed the owners

of TAG to increase their profits significantly in the first half of 2025 compared with the previous year.

An E-Control representative told ICIS the regulator was striving to distribute costs fairly among all market participants and was looking to consult on introducing new products for the storage business to help bring more flexibility to the market from next year.

Nevertheless, market sources are not convinced that new measures would sweeten their situation in the years to come. In fact, they are more alarmed that tariffs would keep rising to a level where they could jeopardize security of supply.

Walter Boltz, the former head of E-Control, said Austria, like other regional countries, was operating a "huge system, with a shrinking use".

In his opinion two of the three TAG lines could be decommissioned. He said Austria had an important advantage, operating the West Austria (WAG) pipeline which would allow it to develop significant west-to-east transit. This asset could sit at the heart of a national strategy to develop an efficient transmission corridor for the region.

Czech Republic

Like all regional gas grid operators, Czech Republic's Net4Gas lost revenue from long-term capacity bookings when Russia cut gas supplies in 2022. The operator initiated two arbitrations against Gazprom and won, but it is unclear whether it had recouped the awards.

Last year it was hit both by lost transit revenue and a rising storage fee charged by Germany for exports to neighbouring countries.

Just like Austria, it took the fairly common approach to escalate tariffs on the domestic side, which meant that its tariffs have also increased significantly since 2023.

Nevertheless, watching neighbouring Poland decreasing tariffs largely on account of abundant supplies, it started to benchmark against the Polish grid operator, Gaz-System, even if the only available transit route was the Csesky Tesin interconnection point with Poland.

"Poland has many sources and there is a lot of motivation for traders to book some alternatives," a Net4Gas source told ICIS.

"We were also looking at other countries and noticed that high transmission tariffs are simply killing the business. Reasonable tariffs might generate more transmission and more revenue. Even our NRA [regulator ERO] is saying that any money made on the transit side reduces the bill for domestic customers," the source added.

Noticing that many companies are now expecting to secure LNG from western Europe and in particular Germany, the Czech operator is keen to build on its geographical position to encourage west-to-east transit.

It decided to keep exit tariffs at the Lanzhot border point with Slovakia low from 2026 while increasing entry points.

Czech gas tariff hikes

Czech tariffs converted from Czech Koruna/MWh/d/year into €/MWh/d/year have risen in recent years

Direction entry	2023	2024	2025	2026
Lanzhot (SK-CZ)	21.6029	25.92635	29.561	70.643
Cesky Tesin (PL-CZ)	9.58047	11.49599	8.938	20.44137
VIP Brandov (DE_CZ)	36.01973	43.22384	46.21274	95.03308
VIP Waidhaus (DE-CZ)	38.4129	46.10368	52.82645	114.49496
Direction exit				
Lanzhot (CZ-SK)	143.30853	275.28138	266.5	147.6
Cesky Tesin (CZ-PL)	217.8781	418.54399	266.5	225.5
VIP Brandov (CZ_DE)	153.89309	295.62558	266.5	287
VIP Waidhaus (CZ-DE)	78.84136	151.45441	266.5	287

Source: Net4Gas

Expecting surging LNG imports as global production is set to soar, the operator will be looking to expand its border capacity with Germany and sees increased volumes heading east to Slovakia and Ukraine.

The west-to-east export capacity of the virtual interconnection point (VIP) Brandov is expected to increase from 8.4bcm/year (268.8GWh/d) currently to 18.8bcm/year by the end of 2026. With an export capacity of 12bm/year at Lanzhot on the Slovak border, Czech Republic could be a critical transit route for companies further east.

In fact, traders active in Slovakia told ICIS they were already comparing the merits of regional corridors including from Italy, Germany and Poland, and found that the German-Czech route would be one of the most cost-effective.

Nevertheless, much of the success of the Czech route will also depend on operators further downstream and this is where their ambitions may be challenged.

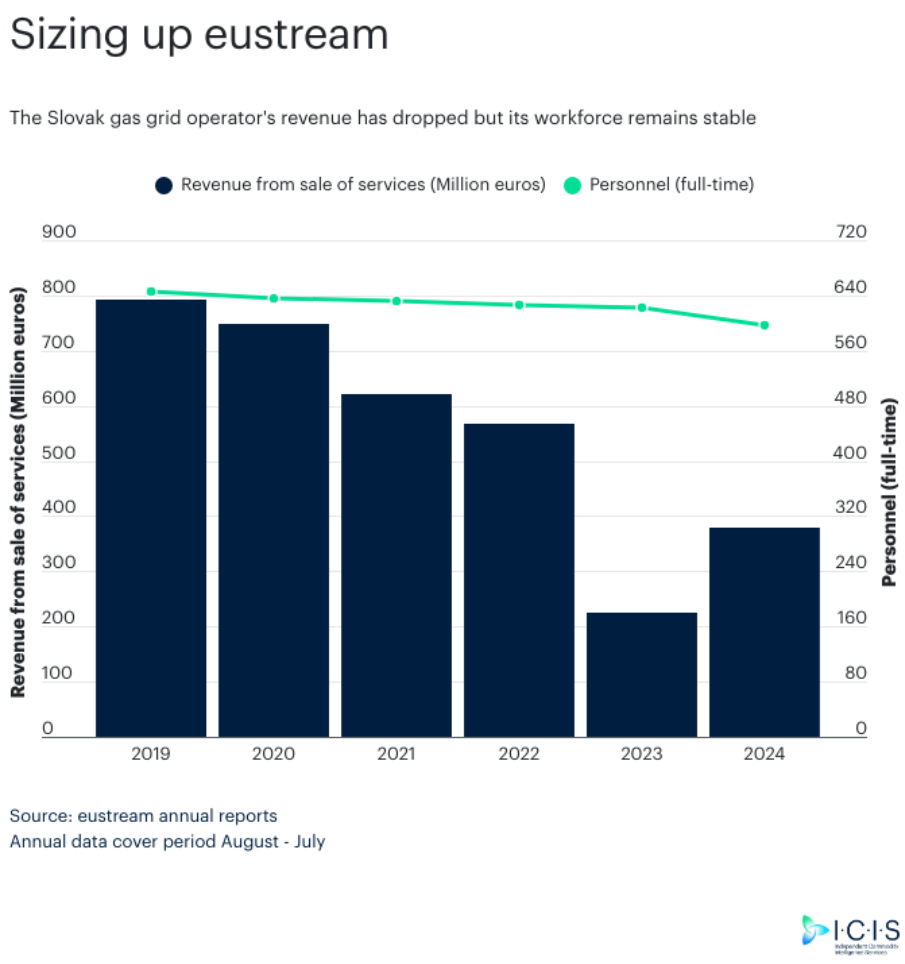
Slovakia

At its height in the mid-1990s and in the early 2000s, the Slovak gas transmission system had an interconnection capacity with neighbouring countries of around 100 billion cubic meters (bcm)/year. Very little of the network has been decommissioned even as transit has been decreasing since 2020.

Like everywhere else regionally, Russian flows stopped altogether at the start of 2025, although long-term Russian capacity bookings are expected to expire in 2028.
In contrast, the Slovak domestic gas market barely exceeds 4bcm/year, prompting some traders to describe Slovakia as using a "spaceship for ordinary, earthly needs".

Despite the fact that there are no longer east-to-west flows and shipments in opposite direction are limited, operator eustream is yet to take steps to downsize visibly.

Annual reports published by operator eustream show that even though revenues have dropped to €379 million last year from around €792 million in 2018, the workforce has remained relatively stable. In 2018, eustream employed 653 people but in 2024 that number stood at 596.



Market sources say eustream needs to repay its corporate bonds, which means that one way to do so would be to show bondholders it had taken steps to increase tariffs.

This may explain why eustream had been consulting on increasing tariffs by 70% from 2026, but traders say the rise would simply kill transit from Slovakia to Ukraine.

A source at eustream conceded downsizing was a solution but noted that there had been uncertainty about the future of Russian gas exports to Europe as well as the EU's plans to ramp up renewable gases production.

The same source agreed west-to-east natural gas transit was a possible solution but added that eustream was in a tough spot, facing competition from both Hungary and Poland, which have access to resources.

For Slovak private companies encouraging transit is a no-brainer and they say the gas grid operator is simply looking to "squeeze the last drops" of Russian money rather than drafting a long-term strategy adapted to the new reality.

Hungary

Although criticized for remaining addicted to Russian gas, while most EU countries have diversified away, Hungary is nevertheless quietly preparing for a scenario where these volumes will disappear.

The country holds a 1bcm/year LNG regasification capacity at the Krk LNG terminal until 2028 and has signed a number of contracts with alternative LNG and pipeline suppliers which could partially replace Russian volumes imported under its long-term contract.

Hungarian gas import contracts

The country is taking steps to diversify its gas sources

	Bcm/y	Start date	End date
MVM Gazprom (pipeline)	4.5	2021	2036
MVM Engie (LNG)	0.4	2028	2038
MVM Shell (LNG)	0.2	2021	2027
MVM Shell (LNG)	0.2	2026	2036
Shah Deniz (pipeline)	1.5	2030	

Source: REKK

So far, access to cheaply priced Russian gas imported via Bulgaria and other European sources has allowed Hungary to keep a lid on tariffs, being one of the most sought-after export routes regionally.

Hungary's regulatory tariff regimes changes periodically. In 2021, Hungarian energy regulator MEKH made a substantial increase in tariffs, because the country was no longer transiting gas from Ukraine, rerouting it via Turkey, Bulgaria and Serbia.

Nevertheless, since 2021, tariffs remained stable as the country established a southern transit route.

A source at Hungarian gas grid operator FGSZ said regulators had to strike a fine balance between TSO and market interests, but conceded operators cannot gain excess revenue from their regulated tariffs.

Hungary has very strict opex regulations where the gas grid operator is expected to improve its opex efficiency by 1.5% per year.

When calculating the tariff, the regulator deducts the 1.5% opex efficiency rate from the relevant index (consumer price index, national wage index) and the resulting value is the non-energy related opex increase that needs to be reflected in the tariff.

However, this methodology is arguably feasible as long as Hungary has access to multiple resources, which means that if Russian gas stops in 2028, as planned by the EU, it would have to replace it with alternative sources to keep a lid on transmission costs.

These could include additional volumes sourced via Croatia's Krk LNG or Romanian gas produced at the Black Sea offshore Neptun Deep bloc.

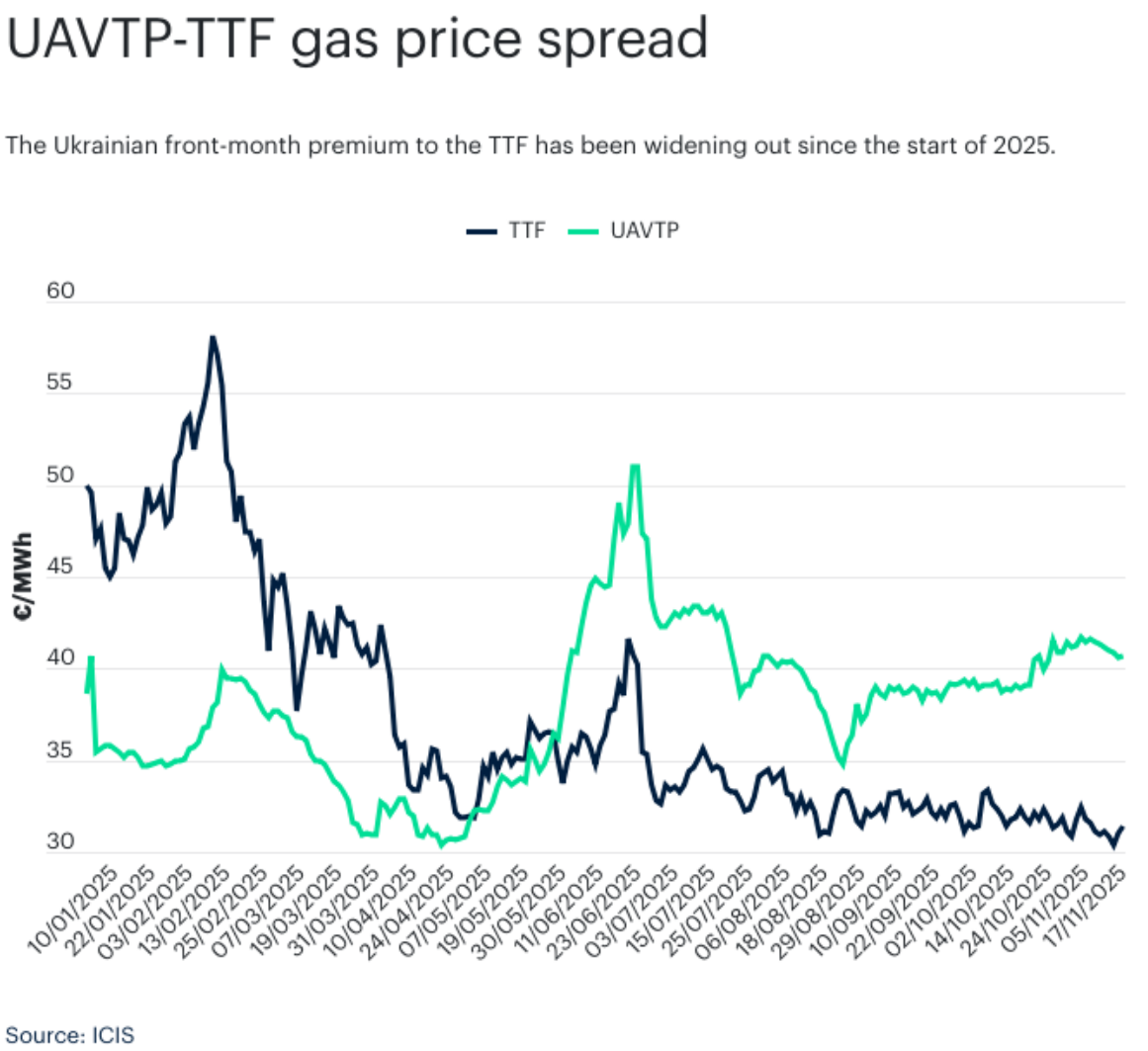
SOLUTIONS

The loss of Russian gas has created many challenges for grid operators in central Europe but is also opening options for diversification.

With Ukrainian front-month gas prices trading some €8.00-€9.00/MWh above the Dutch TTF equivalent, traders have been rushing to secure gas from all directions, including as far out as Germany, Denmark and Lithuania in the north, or Croatia and Greece in the south.

Nevertheless, even if volumes may be cheaply priced at the source, transmission tariffs – often stacked over several countries – could make exports prohibitively expensive.

As a result, tariffs are becoming a hindrance and have been taking significant space for debate in recent months.



FRESH THINKING

Market sources interviewed by ICIS admit the situation is disconcerting but say there are solutions.

Traders, for example, say a well-structured supply deal should help mitigate the cost of transit.

“If you buy [LNG] in the US and are part of a value chain, the direction of transit is not that important,” a trader said.

The same trader noted that some big regional players were positioning themselves to mediate the supply of regasified LNG to companies in landlocked countries.

However, the trader conceded that some supply routes may be more expensive, for example, importing LNG via Italy may be more costly because the country needs to recoup investments in expanding its regasification infrastructure.

For gas grid operators, the solution lies in risk sharing.

Pierre Duvieusart, president of ENTSOG and deputy CEO of the French gas transmission system operator (TSO), NaTran, said that in France the operator together with the regulator would seek to anticipate the volume that would be sold on each entry and exit point every year and make best assumptions based on the capacities that would be sold.

These assumptions would ultimately allow the definition of the tariffs.

Georg Fischer, managing advisor at Austrian-based consultancy WECOM, said west-to-east transit is critical but existing capacity simply cannot compensate for missing flows in the opposite direction.

TSOs would need to deliver more compression and, following market demand assessments, decide whether they should increase existing transmission capacity. Ultimately, all these entail investments, which would have to be reflected in tariffs.

START FROM SCRATCH

As a former head of regulator E-Control, Walter Boltz understands the constraints facing colleagues but asks: “How much higher should regulators allow tariffs to rise before choking transmission and jeopardizing security of supply?”

For him, the best solution would be to drive operators into insolvency, decommission most of the oversized networks, reduce the workforce and start from scratch.

But such an option, he admitted, may not stand a chance politically, even though governments would have a choice to appoint caretakers until new operators are installed.

The only option, therefore, is to recognize that central European gas markets face peculiarities inherent to their legacy arrangements and start a debate on how to smooth out differences while preparing for a world of new opportunities.