ENERGY SECURITY IN CEE REGION

PRAGUE POINT OF VIEW

Nicosia 7 May 2014

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Structure of presentation

- What defines energy security in EU/V4 today?
- Trends for use of natural gas in EU and worldwide
- Solutions for V4
- Note on role of CY natural gas for V4
What defines energy security in EU/V4 today?

- Sufficient and uninterrupted supply to consumers?
- Retail price of electricity, heating or gasoline?
- Source of origin / geographical location on the map of EU
- Has influence on both security of supply and wholesale price of gas in V4
One dominant supplier
- SK imports 98.4% out of which 83.5% RF
- CZ imports 98% out of which 58% RF
- HU imports 78.2% out of which 100% RF
- PL imports 72% out of which 81.3% RF
- EU imports 65% out of which 36.5% RF (Eurostat, 2012 figures)

East-West pipeline AXE

Politics fiddling into gas deliveries
Difference between V4 and other MS EU

- Supply cuts in UA-RF Gas dispute in 2009:

<table>
<thead>
<tr>
<th>Country</th>
<th>Cut</th>
<th>Response</th>
</tr>
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<tbody>
<tr>
<td>CZ</td>
<td>71%</td>
<td>Imported gas from Norway and via Belarus/Germany Gas storage and increased domestic production</td>
</tr>
<tr>
<td>SK</td>
<td>97%</td>
<td>No alternative gas imports Gas storage and alternative fuels</td>
</tr>
<tr>
<td>PL</td>
<td>33%</td>
<td>Imported gas from Norway and via Belarus Gas storage and alternative fuels</td>
</tr>
<tr>
<td>HU</td>
<td>45%</td>
<td>Imported gas from Norway Gas storage and alternative fuels</td>
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</tbody>
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Source: Gas Coordination Group Memo 2009
Difference between V4 and other MS EU

- Supply cuts in UA-RF Gas dispute in 2009:

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<thead>
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<th>Country</th>
<th>Cut</th>
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</tr>
</thead>
<tbody>
<tr>
<td>AT</td>
<td>66%</td>
<td>IT</td>
<td>25%</td>
</tr>
<tr>
<td>BG</td>
<td>100%</td>
<td>RO</td>
<td>34%</td>
</tr>
<tr>
<td>DE</td>
<td>10%</td>
<td>SI</td>
<td>50%</td>
</tr>
<tr>
<td>EL</td>
<td>80%</td>
<td>FR</td>
<td>15%</td>
</tr>
</tbody>
</table>

Source: Gas Coordination Group Memo 2009
Missing Gas

- UA-RF persisting disputes over gas debts or gas price could have negative affect on EU gas market.

- In 2012, about 54% of RF supplies to EU was served through UA (about 161 bcm)

- In case of disruption not only V4 would be hurt, but all 17 importers within MS EU

- Existing free capacity on Nord Stream, Jamal or other pipelines wouldn’t make up for the UA cut

- …This needs to change…
Trends for use of natural gas in EU and worldwide

- Gas is to maintain its role in energy mixes in EU
  - HU 38%
  - SK 28%
  - CZ 17.5%
  - PL 13%
  - DE ?? Energiewende will demand reliable back-up capacities to RES

- Gas consumption not to increase in EU dramatically in the future, CO2 targets motivation for fuel change, yet price remain a factor

- Global demand is to rise, especially non-OECD countries – EU bound to compete on global market (IEA Estimate)
DIVERSIFICATION OF SUPPLY ROUTES AND SOURCE TERRITORIES MUST CONTINUE

And V4 does not lose time

…this 42bcm a gas market is on the move…
North-South Gas Corridor (PL-CZ-SK-HU-HR)

- 2014 LNG Terminal in PL, 2014 interconnector SK-HU, total over 20 PCI projects to be implemented

Common Gas Market (since 2012)

- Contribution to IEM, requires cooperation of NRAs, challenge

Support for BG, RO, EL capacity pipeline

- Swift implementation of local PCIs will establish capacity infrastructure on route similar to Nabucco West and open doors for new suppliers to the region
North-South Gas Connection
Current about-to-break gas crisis = new impetus for diversification in CSEE

Diversification is about long-and-mid term strategies – V4 is working on its “homework”. Within 3-5 yrs will be ready for new market entrants.

“EU support” (financial or political) important, but has to be seen realistically (lesson learnt from Nabucco)

Therefore, timely results from explorations proving CY natural gas reserves needed they will foster solutions for export
Thank you for your attention

Questions?

Nicosia 7 May 2014

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