

ENERGY SECURITY FROM PERSPECTIVE OF V4 COUNTRIES

Rafał Miland

Deputy Director

Oil and Gas Department, Ministry of Economy of the Republic of Poland
(Poland)

The first question is what is the energy security from the perspective of the V-4 countries and the overview of the countries is that we all have kind of inheritance from the, let us say, the Soviet times so we are somewhat connected to the Soviet system, our industry, energy industry, is more less dependent on the supplies. Of course, we have some internal assets, let's say, it means that Poland, the Czech Republic, we have coal, and in some countries like Slovakia there is a power plant and this is something what we can use but this connection to the Soviet system is still very visible. From the Polish perspective, we import almost 95 % of our oil from Russia. This is why we are on the pipeline, on the Northern route of the Druzhba pipeline and our two refineries are connected to that. These are our two major refineries. Apart from that, we have three small refineries in the south of Poland, but they play no role in our industry.

In gas, as it has been said before, we are the least dependent but from our prospective our dependence is quite significant. There is a small usage of gas in Poland which amounts to 14 billion cubic meters a year. This is the lowest rating in the European Union per capita. However gas is still very important for our industry, especially our chemical and petroleum industry. We have about six and a half million households connected to gas, so when would we compare this to the total number of people (almost 40 million), it is not that much. Yet what threatens us is that almost 70 % of our gas supply is imported and almost all of it is coming from the East, Russia. The imported gas is either Russian or comes from Central Asia, which, in fact, goes through the Russian system, so for us it is basically the same. You never know if it is going to come or not. Only 30 % of our gas consumption comes from our own resources. We have gas deposits in the south of Poland and in the western part of Poland. The problem is that this gas differs from the typical variety. It is not high in methane, but another gas which must be re-processed before it is useable.

What concerns the last connection to the Soviet times? All of our countries possess infrastructure from that time period but the structure of processing is different. I mean that in Poland it is under the control of the state, but in other countries there are some privatized pipelines and gas pipelines. Energy security from the Polish perspective should mean diversification of supplies or the routes of supplies. The projects which we are currently running should guarantee us diversification of supplies, at least in the gas sector. The project which I am talking about is the LNG terminal on the Polish Baltic sea coast and the possible connection to the Norwegian offshore gas deposits, called the Baltic Pipe which is the underwater pipeline from Denmark. Then the gas would be delivered to Denmark from the Norwegian shelf. Hopefully, these two projects will succeed. We are currently in the phase of negotiations on the corporate and governmental level. But the corporations play the most important role. As far as the LNG terminal is concerned, the investment is in the

phase of preparation. This means that we are gaining all the documents, feasibility studies, environmental impacts assessments and all the necessary staff. Of course we must be in accordance with the European requirements and this takes time.

Our aim, apart from making these investments, is to use the EU's influence, or, let us say, the EU regulatory framework to increase the security of our supplies. As it was mentioned before, last year, we proposed a kind of treaty which was discussed very seriously. Despite not being successful, we will try once again to promote this policy down in the future and we will act in a manner that enables us some provisions regarding the energy solidarity into EU legislation. We are expecting the new legislative package of the Commission and we hope that in that package we can, at least, put some mechanism in for solidarity. Of course, it is not so easy because this solidarity, especially in the gas sector, means that you have to have real way to supply gas.

Another action which we introduced which is connected with the oil market is joining the International Energy Agency. We will become a member of the agency this fall. To be a member of this agency is not an easy task. We are, in fact, the last country from the V4 countries which will join the organization. The agency provides us with rules concerning energy crisis management. Of course, the need for keeping stocks of oil and oil products at least 90 days is one of these regulations which we intend comply with.

What we should reflect on is the views of our partners in the V4, especially from the point of view of the Polish energy security. Of course one such project is North stream pipeline which Poland and some Baltic states strongly oppose. It does seem though that other countries from the Baltic Sea are not very keen on that project as well. However in contrast to our security concerns, these nations have environmental qualms. Currently, we are in the process of consultations on the basis of the ESPO convention which is regulating the natural environment protection, especially in the area of the Baltic Sea, and the analysis (made within the group of countries) showed that the environmental impact assessments of that investment are not sufficient. So, we ask the investors to make it more precise. Another problem, which we may expect, is connected with the lack of oil which may be the result of the extension of Primorsk port in Baltic Sea. The Primorsk port may be extended and it may mean that the northern route of Družba pipeline will not be used anymore. This means that we have to be prepared for such actions. Fortunately for Poland we have enough infrastructures on the seaside in place which enables us to import oil from the Baltic Sea. However, the price of oil imported by pipeline and by ship is incomparable. So at the end of the day this is a question of money.

If we should think about the role of Russia and its perception of transit countries, we realize that Russia tries to keep control over the transit infrastructure. This

is one thing and another thing which from our perspective is very painful, is that Russia tries to separate EU member states into two categories: old member states and new member states. Old member states may be pleased with better treatment they receive and new member states, do not necessarily expect the same treatment from Russia. This bias is not only on the basis of energy but also on the basis of agricultural products. For example, we currently face an embargo on the Polish agricultural products and meat from Moscow. We have tried to discuss this problem on the European level and we expect that it should be resolved somehow within the framework of a common action of the European Union. This embargo and also the attitude of Russia to the Transit protocol and the European Charter Treaty was one of the main reasons that Poland was against the mandate of the new PCA agreement between the EU and Russia. Because of our veto this mandate was not given, so the EU is, in fact, without the new treaty with Russia. However it seems that no one really needs this treaty.

What should we make of the cooperation between our countries in the European Union? We would expect that we could create a group of countries which would unify laterally and try to push our interests. This is important because, as I have said, the European Union is sometimes where you have to fight for your rights, especially with regards to EU legislation and regulatory framework. These arenas are very important and have a direct impact on our actions. Sometimes, we have the feeling that a single action has no power but a coordinated action should have more influence on the European institutions.

Of course, Poland thinks that cooperation with former soviet countries is crucial. One of the examples of this possible cooperation is the Odessa-Brody-Plock project. This is a project where an oil pipeline will be built from the Caspian Sea through Azerbaijan, Georgia, Ukraine and Poland to Gdansk. This project is very politically charged issue, but it may also be very economically viable. Now the process of political talks is going on and also some commercial activities have been made. Hopefully, quite soon we can expect some progress. From my point of view, this project may also be the vehicle for cooperation in the European Union, especially by bringing on board Eastern member states.

The last thing I should mention is the attitude to the Union's attempts to insert ideology into the energy debate. I mean that the EU campaign to reduce emissions, improve energy use and intensify the use of biomass as a renewable source of energy. I would say that in this context, we need not ideology, but rather common sense. Therefore unless our actions can convince China, India and other nations, they are in vain. Thank you.