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Natural Gas Supplies to Central Europe

Changing Dynamics Since 2010

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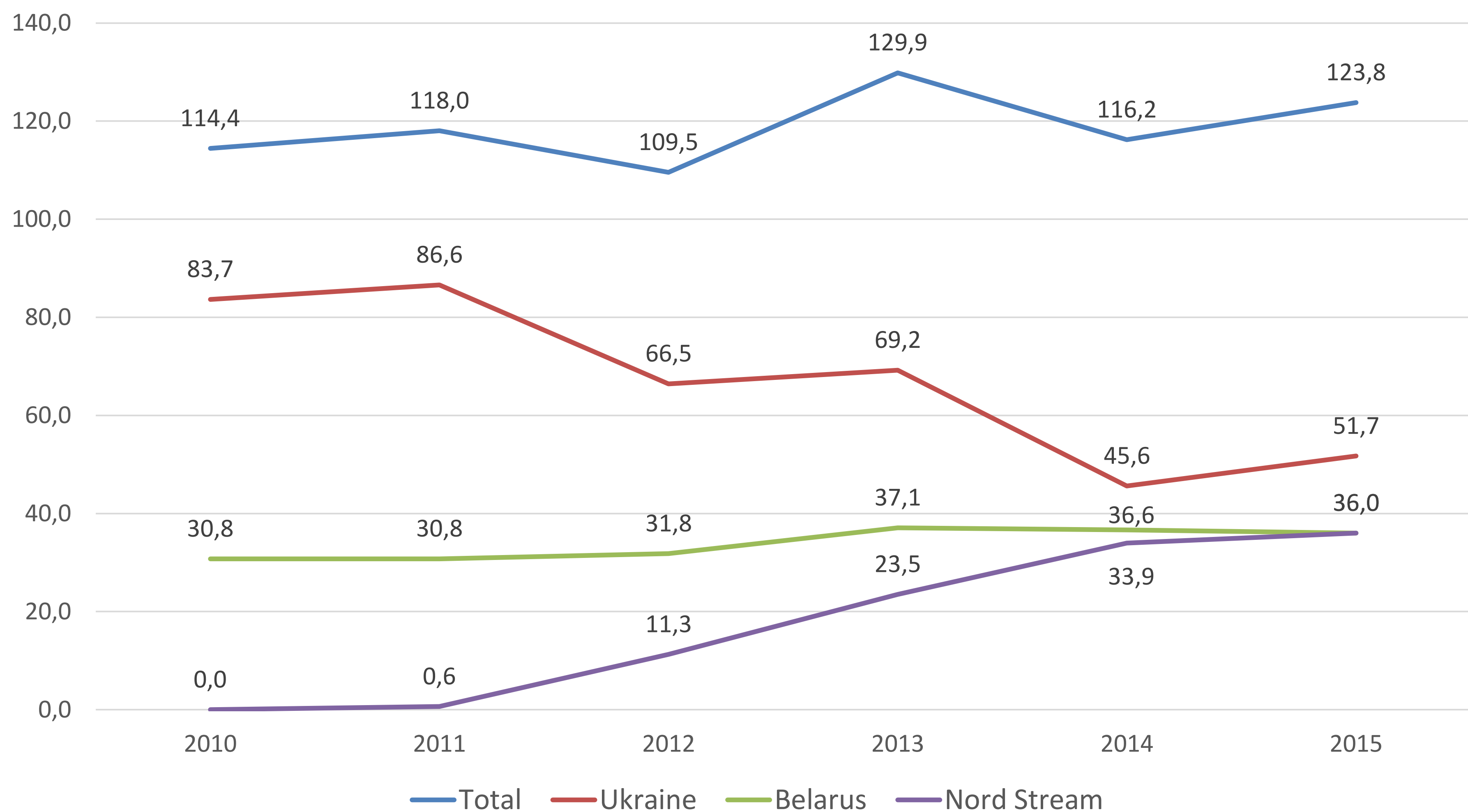
IEA - Gas Trade Flows in Europe, in Mcm

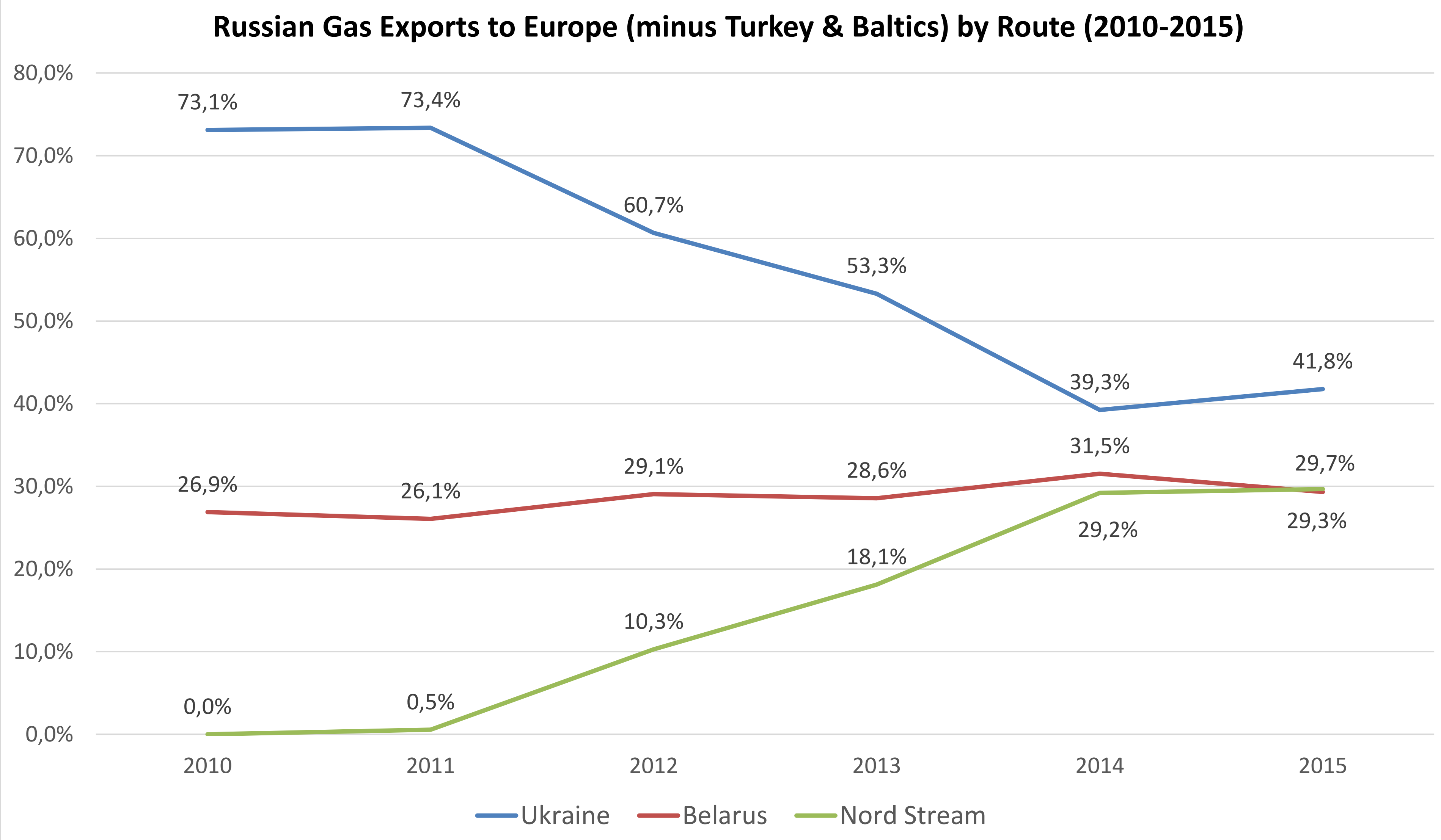
Visegrad Gas Supplies

- Four major developments in the Central European gas market, and why they matter:
  - Declining Russian gas transit via Ukraine
  - Shift from ‘East-West’ to ‘West-East’ gas flows in the Czech Republic and Slovakia
  - Hungary extends its contract with Gazprom until 2018
  - Poland’s gas imports: Virtual reverse flows from Germany and new supplies via LNG import terminal at Swinoujscie

Declining Russian Gas Transit via Ukraine

Russian Gas Exports to Europe (minus Turkey & Baltics) By Route (2010-2015)



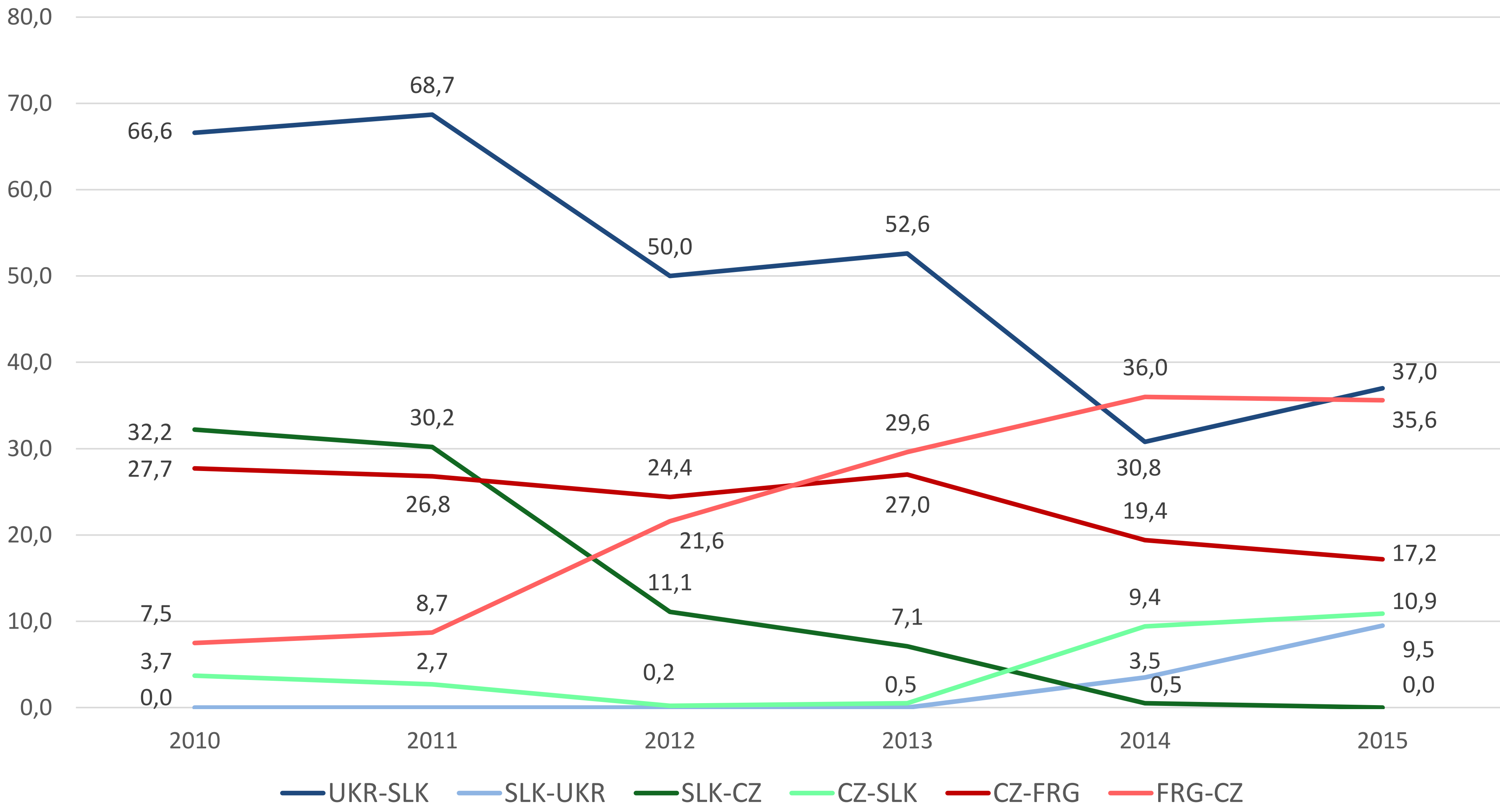

Russian Gas Exports to Europe (minus Turkey & Baltics) by Route (2010-2015)
80,0%
70,0%
60,0%
50,0%
40,0%
30,0%
20,0%
10,0%
0,0%
73,1%
73,4%
60,7%
53,3%
39,3%
41,8%
26,9%
26,1%
29,1%
28,6%
31,5%
29,7%
29,2%
29,3%
0,0%
0,5%
10,3%
18,1%
2010
2011
2012
2013
2014
2015
Ukraine
Belarus
Nord Stream

Impact of Declining Ukrainian Transit

- In 1990s, 95% of Russian gas exports to Europe delivered via Ukraine
- Yamal-Europe (2006) shifted some transit from Ukraine to Belarus
- Since 2010, use of Nord Stream has reduced Ukrainian transit further
- Result is ‘divided Europe’:
  - Western Europe receives Russian gas via Yamal & Nord Stream
  - Central & SE Europe receives Russian gas via Ukraine
  - Poland, Hungary, Serbia, Slovakia, Austria, Slovenia, Croatia, Italy, Romania, Bulgaria, Greece, FYRM
  - But what about the Czech Republic?

Czech Republic

Gas Flows in the Czech Republic and Slovakia, bcm (2010-2015)

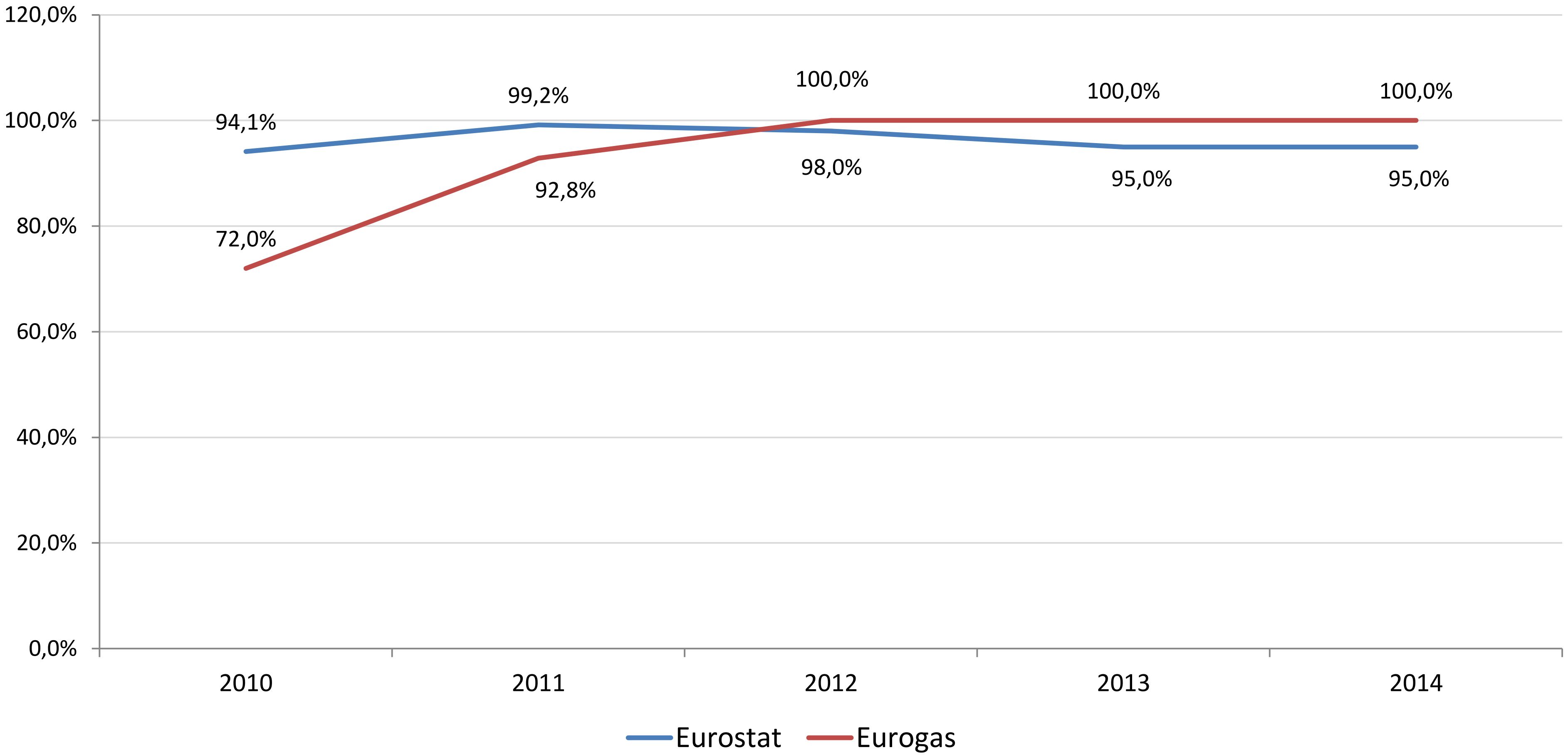


Gas Flows in the Czech Republic

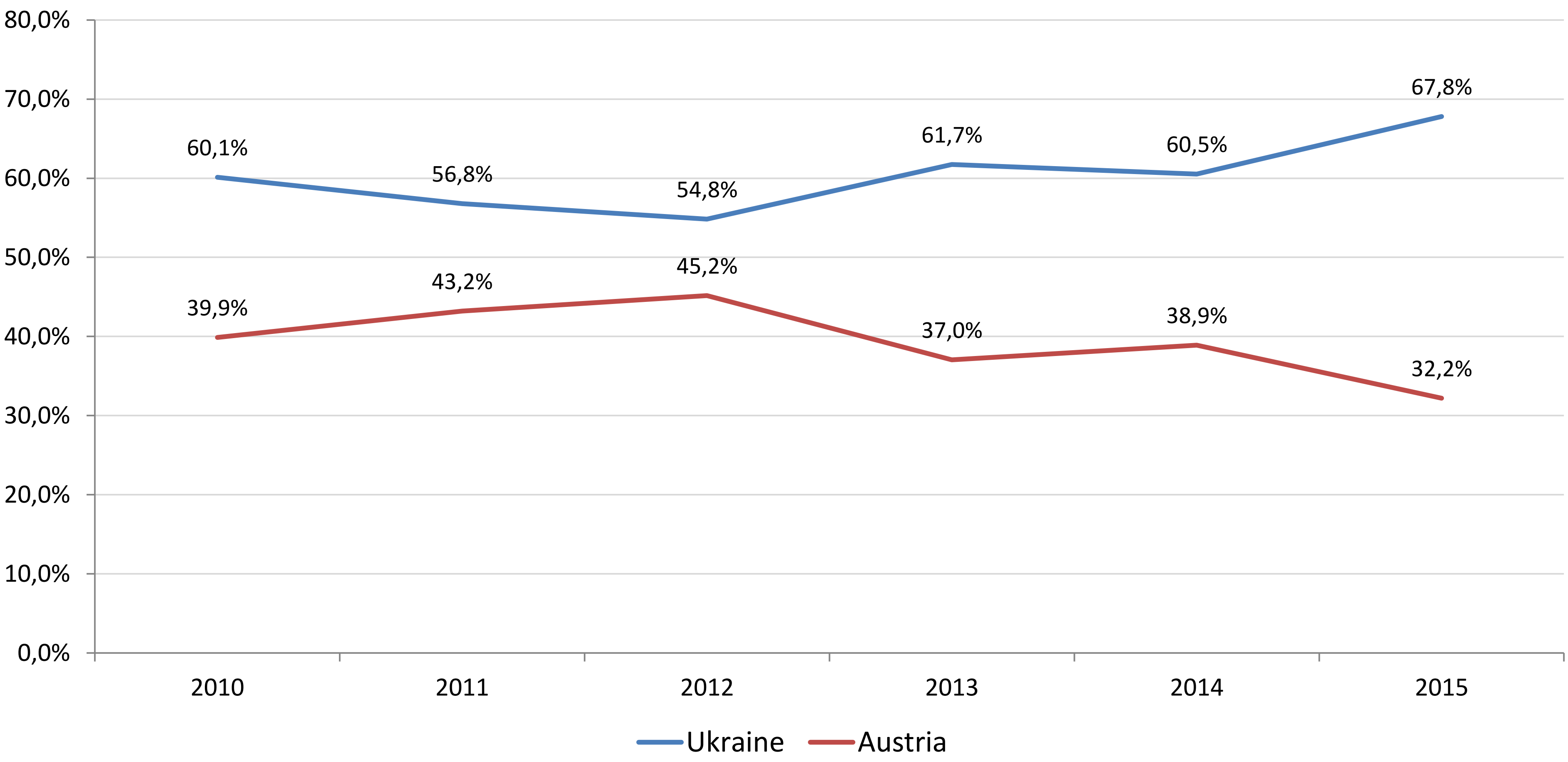
- In 2010, CZ received gas from Russia via Ukraine & Slovakia, of which CZ transited most onwards to Germany ('East to West')
- In 2015, CZ received no gas from Slovakia
- Instead, CZ received gas from Germany, of which more than half was sent on to Slovakia and Ukraine
- CZ now imports Russian gas via Nord Stream
  - RWE-Gazprom contract runs until 2035
- *"Since January 1, 2013, gas volumes previously transported to Lanžhot through the Uzhgorod transit corridor have been completely rerouted to the Nord Stream gas pipeline" (Gazprom Export)*

Hungary

Share of Russia in Hungarian Gas Imports



Hungary's Gas Imports By Route (2010-2015)

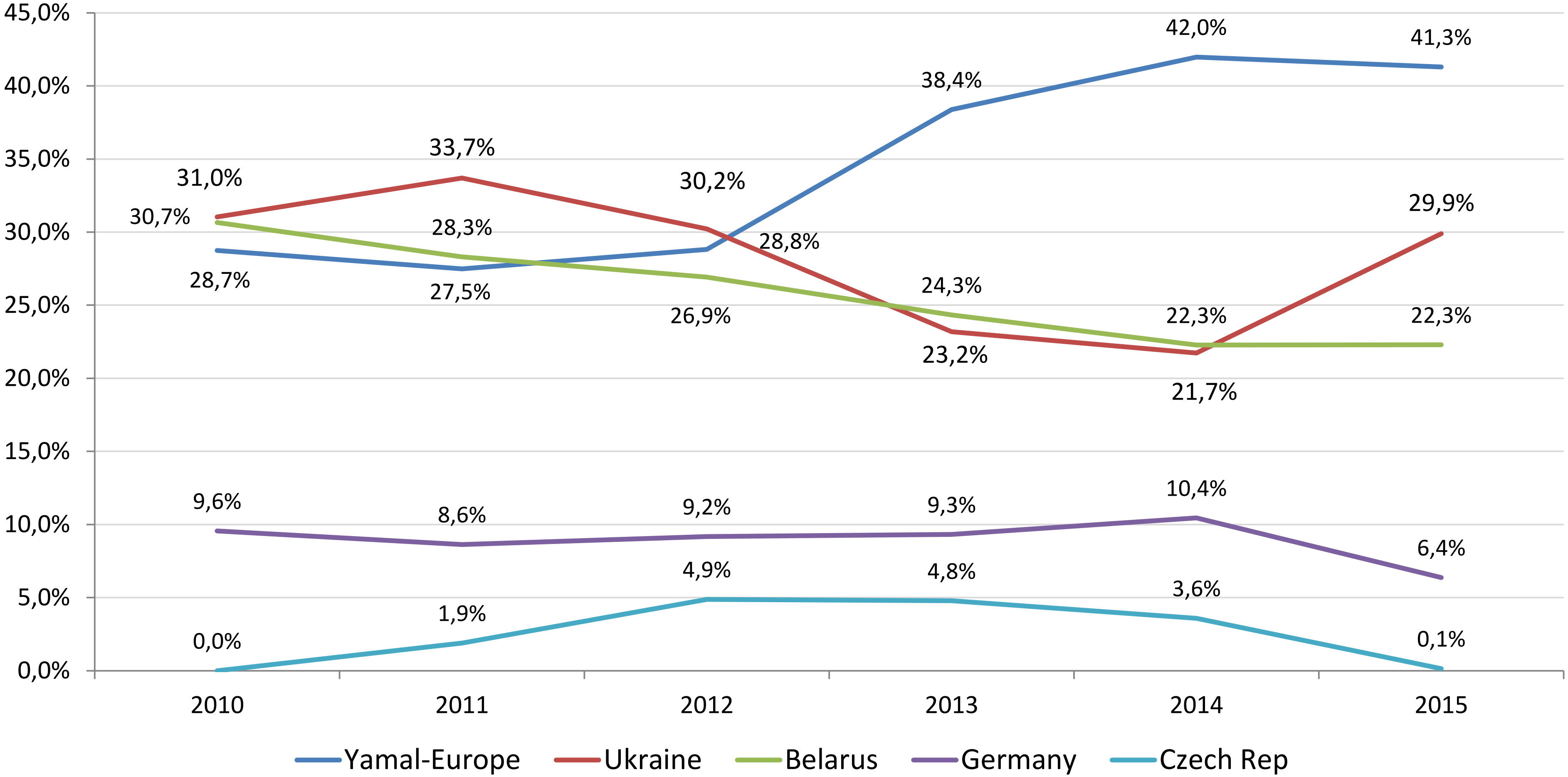


Trends in Hungary’s Gas Imports

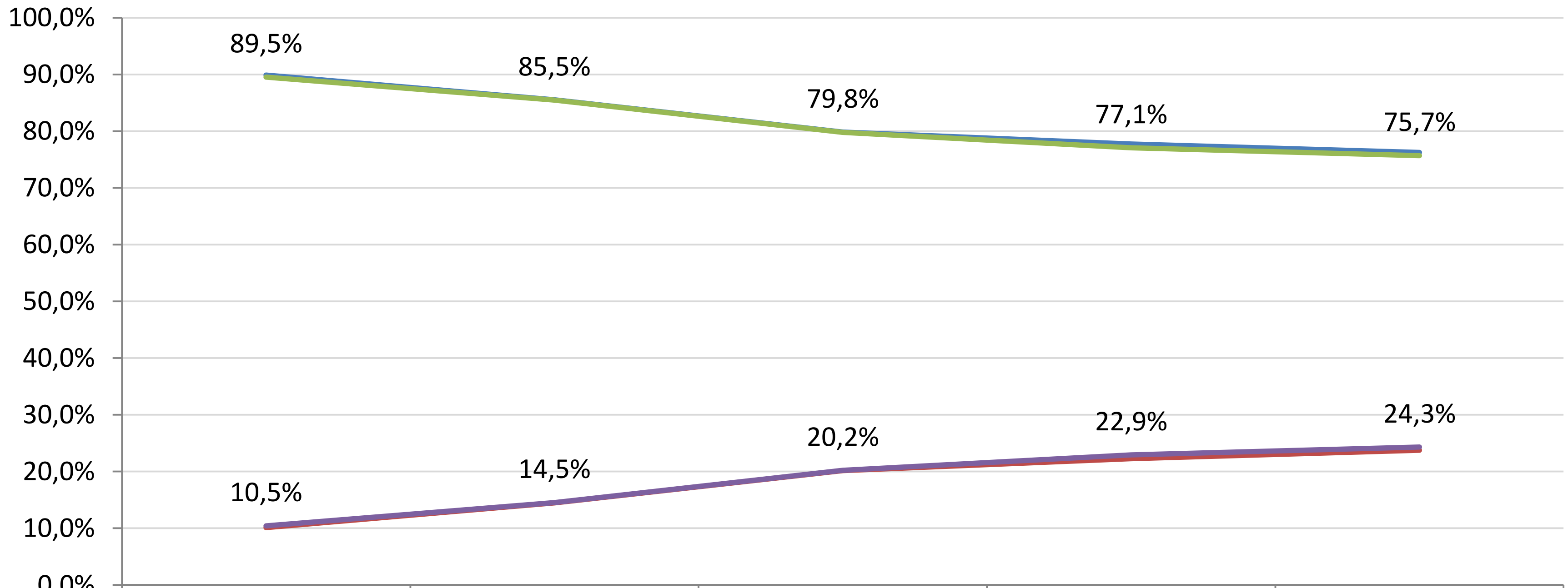
- Dramatic decline in import volumes 2010-2015 (9.4 bcm → 6.2 bcm)
- Share of Ukrainian transit in imports is rising
  - Reduction of Russian gas deliveries to CZ, Austria & Germany via Ukraine
- Gazprom remains dominant supplier to Hungary (PanRusGaz)
  - In 2015, existing contract was extended to 2018
  - Hungarian gas market dominated by MVM (shareholder in PanRusGaz)
- Hungary has annual imports of 6.2 bcm (2015), and 4.2 bcm p.a. import capacity from Baumgarten (Austria)
- If Hungarian market is liberalised, spot purchases from Baumgarten would be possible – But does the Hungarian govt want liberalisation?

Poland

Poland's Gas Imports By Route (2010-2015)



Poland’s Gas Imports By Source (2010-2014)



	2010	2011	2012	2013	2014
Eurogas - From Russia	89,9%	85,5%	79,8%	77,7%	76,3%
Eurogas - From Others	10,1%	14,5%	20,2%	22,3%	23,7%
Eurostat - From Russia	89,5%	85,5%	79,8%	77,1%	75,7%
Eurostat - From Others	10,5%	14,5%	20,2%	22,9%	24,3%

Eurogas - From Russia Eurogas - From Others Eurostat - From Russia Eurostat - From Others

Trends in Poland’s Gas Imports

- Increased imports & transit via Yamal-Europe pipeline
  - Linked to 'virtual reverse-flow‘ imports from Germany?
- Share of imports delivered via Ukraine rather stable (28-34%)
- Q1 2016 shows beginning of LNG imports
  - Terminal cap of 5 bcm p/a and contract with Qatargas for 1.3 bcm p/a
  - Interconnectors with CZ (2017) & SLK (2018) under development
- PGNiG is reducing dependence on Gazprom. In 2014:
  - 73% of imports (8.1 bcm) sourced from Gazprom
  - 27% of imports (2.9 bcm) sourced from other companies (German spot market)
  - But contract with Gazprom runs until 2022 – Limited options until then

Conclusions

Trends in Visegrad Gas Supplies

- Nord Stream has divided Europe into those countries which receive Russian gas via Ukraine and those which do not
- But is also facilities West-East flows to Ukraine via CZ & SLK
- Hungarian situation will remain stable until 2018 & much will depend on the development of competition on Hungarian market
- Poland has relatively stable import volumes, and is using Yamal-Europe to access ‘virtual reverse’ imports from Germany
- LNG terminal offers new supplies for Poland & interconnectors will make small volumes of LNG from Poland available to CZ and SLK

Thank you for your attention

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