



## Energy security of the V4 countries. How do energy relations change in Europe

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## Preface

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Izabela Albrycht

The present publication, initiated and prepared by the Kosciuszko Institute together with the V4 countries' think tanks, is an attempt to deliver a comparative analysis and make the first step towards periodic monitoring of the energy situation of the EU countries. The aim of this Report is to compare selected macro and micro criteria which determine the energy security of the V4 countries with regard to the key primary energy sources – liquid fuels and crude oil as well as natural gas. The problem of energy security is a very complex one and is contingent upon numerous factors. However, given the limited scope of this publication, we shall concentrate here solely on infrastructural elements conditioning the energy security in the aforesaid two energy sectors. Having established the framework, the state of the energy security of the V4 countries has been analysed pursuant to the assessment model created by the Kosciuszko Institute which, for the purposes of this project, has been adapted to the energy portfolio of the Czech Republic, Poland, Slovakia and Hungary. Ultimately, the assessment model should be expanded to include the criteria that estimate the security in the electroenergy sector as well as economic and political criteria determining the energy security of countries.

The presented Report contains a comparative analysis of the state of the V4 countries' energy security and indicates that these countries experience similar energy-related problems which stem from being dependent on imports of resources from one direction and source, apparent diversification, illusory coal-based energy security or the need to significantly reduce CO<sub>2</sub> emissions.

Therefore the Czech Republic, Poland, Slovakia and Hungary are faced with identical, strategic energy challenges. Similarly, one should perceive the possibilities to increase the energy security of these countries through the building of the trans-boundary energy infrastructure, liberalisation of the energy market and, which is particularly important, the development of the unconventional gas sector in Europe. Obviously, one can also observe a number of divergent points regarding the perception of possibilities that could result in the increase of energy security such as the building of the Nord Stream pipeline. For countries like Poland, Slovakia and Hungary the project epitomises further dependence on the Russian gas whereas for Czech experts it offers the hope to secure a greater stability of gas supplies. Conversely, some Hungarian experts see a possibility of potential additional milliards of cubic meters of natural gas in the Russian project, South Stream.

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The views expressed in this Report are those of the author and do not necessarily reflect any views held by The Kosciuszko Institute. They are published as a contribution to public debate.

Despite these differences, the V4 countries' leaders declare that the Group faces a very ambitious challenge, namely enhancing the energy security of Central-Eastern Europe. The cooperation within the V4 group should therefore serve as a platform for negotiating common stances and forming coalitions in order to accomplish common interests on the EU forum. The coming Polish and Slovakian presidencies of the EU Council should also serve to address the energy-related problems of this part of Europe. The Czech Republic and Hungary have set a good example to be followed by the other Member States during their presidencies.

The prospective aim of the Kosciuszko Institute in the coming years is to carry out research on the energy security of all the EU countries and the EU *en bloc* which, by means of policy communitisation, market liberalisation and the development of the trans-boundary energy infrastructure, aims at creating a common EU energy market and a common energy policy. The findings of such periodically conducted research will allow us to assess whether the current political decisions made by the EU leaders and the investments of energy concerns lead to either the increase or decrease of the energy security of the individual Member States. The idea of European integration requires that the process of communitisation of the energy policy should take into account the interests of all the EU Member States, including the state and factors determining the condition of their energy system, quantitative resources and the type of available natural resources, as well as a long-term strategy of building the energy portfolio. Currently, we can observe a situation where the voice and interests of individual EU countries are not always equally important. To illustrate this tendency, we could take as an example the current political debate on unconventional gas that is taking place on the EU forum. Through unconventional gas, Poland and a number of other EU countries would be able to cope with the challenge posed by the reduction of CO<sub>2</sub> emissions as well as to enhance the competitiveness of their economies and achieve energy security. Not all the countries, however, share this view on unconventional gas, which poses a real threat to the potential development of this energy sector. The extraction of unconventional gas on an industrial scale in Poland and other EU countries and its export within the framework of the common EU gas market can contribute to a decrease of gas prices charged to European end-users as well as energy diversification, the strengthening of energy security in Europe along with the reduction of CO<sub>2</sub> emissions. It is therefore valid to say that the development of the unconventional gas sector should be supported by the Polish presidency in the EU and by the other V4 countries so that it is neither discredited nor discriminated against in Europe.

The Report not only identifies the possibilities and threats facing the V4 countries regarding energy security, but also indicates other areas where the EU policy shows an inconsistent approach to the energy problems, challenges and possibilities of Poland, the Czech Republic, Slovakia and Hungary. Therefore, we strongly believe that it will become an important point of reference for politicians, decision-makers and experts who participate in the debate on Europe's energy future.

I would like to thank our experts and partners for their contribution to the Report and invite you to familiarise yourselves with its contents.

## Executive summary

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### The Kosciuszko Institute

Energy policy and especially energy security are undoubtedly of utmost importance for all of the V4 countries. Despite the differences in Poland's, Hungary's, Slovakia's and the Czech Republic's energy portfolio there still is a number of challenges the countries share in the context of energy supplies. The Ukraine – Russia crisis made the countries' common weaknesses and the general problems with energy security in the region clearly visible.

The V4's vulnerability consists in that the countries largely depend on energy supplies from one source and lack an integrated energy market. The 2009 crisis demonstrated, especially in Slovakia, that modernisation and development projects in the field of energy infrastructure require less effort and money than losses incurred by the interruptions in energy supply.

Research done by experts for this publication shows that the V4 is far better organised in terms of crude oil and liquid fuels supplies than in managing issues connected with natural gas. Natural gas constitutes the biggest part of the imported energy sources. What is more, 92% of the gas is imported from one supplier i.e. from Russia. Initiatives which aim at changing the situation should now constitute the priority in common efforts of the V4 countries.

The North-South Gas Corridor is one of the flagship initiatives in the field and stands a very good chance of improving energy security of the V4 countries. The overall objective of the project is to provide access to alternative gas sources of supply for the region and to create a system of interconnected networks of transmission and reception of gas, which would allow the flow of raw material not only from East to West, but also from North to South (two-way flow networks). Construction of the Corridor, a component which may effectively strengthen the region's energy market, should be financed from the EU funds and should involve cooperation and closer relationships in the energy sector with Bulgaria, Romania and Croatia.

The fact that countries from the V4 group – Hungary and now Poland – have been holding the presidencies of the Council of the European Union offers them a perfect opportunity to attract attention to the energy issues at the EU level. During the Hungarian presidency one of the main aims was to develop the internal energy market and Poland should quite naturally