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## Central European Energy Forum

Roundtable Discussion on Central European Energy Security

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Moderated by:

**Keith C. Smith**

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Speakers:

**Douglas C. Hengel**

Deputy Assistant Secretary for Energy, Sanctions and Commodities  
U.S. Department of State

**Václav Bartuška**

Ambassador-at-Large for Energy Security  
Czech Ministry of Foreign Affairs

**Wojciech Ponikiewski**

Director of the Department of Foreign Economic Policy  
Polish Ministry of Foreign Affairs

**Andrej Droba**

Deputy Chief of Mission  
Embassy of the Slovak Republic

**Gabor Szabo**

Head of the Economy and Trade Section  
Embassy of Hungary

Global energy security challenges, such as soaring oil, gas and coal prices, rapidly growing energy consumption in China and India, geopolitical risks in unstable regions of the world, and producing countries' inability to increase output to the necessary level to satisfy global demand have significant effects on the Central European region as well. The region, however, is in a peculiar position mainly because of Russia's proximity and its countries' historically high dependence on Russian energy sources. While demand is expected to grow further in the whole EU in the coming decades, investment in the Russian energy sector is not sufficient to meet this demand. Therefore, according to Douglas Hengel, diversification of energy supply is critical for the EU, especially for Central Europe. Mr. Hengel believes that European energy security can best be achieved by the EU's internal efforts to create an interconnected and liquid single energy market through the 3<sup>rd</sup> round of liberalization ("unbundling"), while keeping nuclear power generation capacity in place at the same time.

While the Eastern part of the EU is strongly reliant on Russian energy imports, Southern Europe is more concerned about its dependence on North African gas, and Western Europe has a more or less diversified energy supply. Therefore, energy security in the EU is achievable in theory, but given the different concerns of different countries, it is not likely that the EU will start to speak with one voice and develop a common foreign policy on energy in the foreseeable future. Václav Bartuška pointed out, that energy infrastructure is weak within the EU especially in Central Europe with few interconnections, and believes that a major crisis (a 3-day blackout for example) would convince the governments to invest in energy infrastructure development. Speaking about Russia, Mr. Bartuška stressed that only the EU as a whole can successfully engage Russia, as when Moscow talks to individual countries (especially in the Central European region), it can calibrate its message to every single country, remunerate the ones that cooperate and punish those who resist, strike bilateral deals and easily divide the EU in terms of energy policy. Mr. Bartuška added that it is Russia's strategic interest to build as many costly pipelines as it can, since it is the European consumer, who eventually will pay for them.

Speaking about Poland, Wojciech Ponikiewski emphasized that Poland imports only about half of its energy needs, but it means that it is heavily reliant on domestic coal and lignite at the same time, especially in power generation which has been highly problematic since the discourse on climate change and a carbon-free future started within the EU. Poland, however, is currently not ready to abandon coal and lignite and hopes that clean coal technologies (such as CCS) will provide a solution in the not too distant future. Mr. Ponikiewski believes that energy security can be achieved through a common European energy market and diversification projects, but expensive infrastructural investments are necessary for both. Sometimes, however, these decisions has to be based solely on political will and not necessarily on commercial logic as energy security is not always market based. The elements of Poland's diversification strategy are the increased use of renewable sources (15 percent by 2020) stipulated by the EU,

the joint project of the Ignalina nuclear power plant with the Baltic states, a planned LNG terminal on the Baltic sea, the increasing use of North Sea gas through the planned pipeline connection with the Danish network, the Odessa-Brody pipeline extension and the possible use of domestically generated nuclear power.

Following the announcement of Nord Stream and later South Stream, Slovakia has found itself in a highly unfavorable situation as these pipelines are not only bypassing Ukraine, but also Slovakia which might lose much of its strategic significance upon the completion of both. Slovakia on its part sees nuclear energy as the best solution for the energy security dilemma, supports electricity interconnectors between countries in the Central European region, but thinks that renewables will only play a supplementary role in its energy mix and Russia will remain a key partner for the country.

Hungary's diversification strategy is based on the already existing Adria oil pipeline which can transit shipped oil from the Middle East through Croatia, the planned New Europe Transmission System (NETS) which aims to unify the gas transmission networks of Eastern European countries, the planned LNG terminal in Croatia in which Hungarian oil & gas company MOL will participate through its Croatian subsidiary INA and on a significant increase of strategic gas storage capacity. Hungary also regards South Stream as a means of diversification since it will provide an additional supply route for natural gas regardless of its origin, and has high hopes that its recently discovered unconventional gas field near Mako will help to solve the energy security problems of the entire region in the medium-term.