North Stream 2 and Austrian Gas and Transit Markets

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I will start with my conclusions....

- Natural gas is an important part of Austria`s and the surrounding countries` energy mix and (declining) production needs to be supplemented with imports
- In the competing world of energy fuels reliability, i.e. Security of Supply and image play a key role

*We therefore welcome a new reliable and economically efficient supply route, even proposed a direct CZ / AT link*

- The Austrian network is an important and efficient turntable in Europe for supply and storage with the CEGH as easternmost European gas trading hub

*We therefore invite all future gas flows to use this available infrastructure*

and try to explain them in the following....
Natural Gas in Austria 2015

Gas as important part of the ENERGY MIX

- Coal 10%
- Gas 20%
- Oil 36%
- Renewables 34%

Gas consumption

- Natural gas consumption: ~7.5 bn cu m
- Domestic natural gas output: ~1.2 bn cu m
- Total storage capacity: ~8.2 bn cu m

Source: FGW (Association of Gas- and District Heating Supply Companies), E-Control, Statistics Austria
Austrian Gas Supply 2012-2015

Source: WKO (The Austrian Economic Chambers)
Regional demand is going up again

Source: BP Statistical Report & Eurogas
Tariffs at interconnection points between CESEC and neighbouring countries show Austria`s competitiveness.

Source: REKK

no reliable information on tariffs is available

Source: REKK
CEGH volume development

OTC Market

1 - 10/2016: 424.5 TWh
(y-t-y: +7.4%)

Gas Exchange

1 - 10/2016: 25.5 TWh
(y-t-y: +17.7%)

Source: Central European Gas Hub AG
Low gas prices play a decisive part in the fuel's attractiveness
North Stream 2 – Aspects of the debate

Established route (North Stream 1)

Existing routes may continue working besides this additional transit route and new interconnectors

Creates additional route to countries with production declines – NL, UK

No subsidies in play so far

Same landing point for most of the gas - Baumgarten

Avoids a geographical area with a frozen conflict – vis-a-vis consumers a relevant factor

Game changer for CEE – massive influence on existing and planned infrastructure / hubs

Demand/Supply volume in SEE to be assessed – new interconnectors and keeping up existing alternative supplies (SoS and competition)

2019 – 2021 conditions for transition time seem unresolved

Negotiation tool for Ukrainian gas transit price

Influence of North Stream 2 on regional gas prices is hard to predict (alt. Supply routes)

Has to be legally compliant + existing contracts with TSOs to be respected
Nord Stream II and Austrian Gas Flows

The utilization of different pipelines will ultimately depend on technical and commercial viability and on price competitiveness, also between Russian gas and LNG, particularly in NWE.

Austria to remain an attractive destination

1. Trading between German and Austrian hubs (via WAG/PENTA) and ST for HU, SL

2. High storage capacity: providing flexibility in addition to arbitrage possibilities

3. Bavaria is expected to replace nuclear capacity with gas-fired plants

4. HAG and SOL are not expected to be negatively impacted by Nord Stream II

Source: eurogas.org, naftogaz-europe.com
New infrastructure increases SoS and competition

Source: eurogas.org, naftogaz-europe.com
Thank you!