Key factors influencing energy security in the sector of natural gas in CEE and SEE

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- Countries of the former Eastern Bloc
- The region’s energy sector still influenced by its past
  - infrastructure
  - supplies
  - technology
  - inner structure of economies
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- Sharp differences in
  - overall development
  - security of supplies
  - state of diversification
  - positioning in multilateral organizations
Factors that drive and influence natural gas sector in SEE

- Underdevelopment of the sector
- Infrastructural projects
- Instability, corruption, politicization
- Changing market conditions
- Changes on the global scale
- Case specific variables
Underdevelopment of the sector

- Sparse infrastructure
- Low level of diversification
  - source – majority dependent on single supplier
  - route – often dependent on single pipeline (e.g. MOL, FYROM, BiH,...)
- Underfinanced
- Low levels of indigenous resources
Underdevelopment of the sector

- **Low utilization of gas in the economy**
  - less than 2 bcm/y in average
  - low incentives for infrastructural development
  - need for viable anchor loads (i.e. projects utilizing natural gas) – expansion of distribution networks, power plants,...
  - predictions of moderate growth

- high importance for housing & industry despite low utilization

- **Negligible or even non-existent gas sector in some countries**
  - FYROM, Albania, Montenegro, Kosovo
  - Development bound to large trans-border infrastructural projects (TAP/IAP, Turkish S./Tesla,...)
Infrastructural projects

- **Large-scale trans-border infrastructural projects**
  - TAP/IAP
  - EC Gas Ring
  - Turkish Stream/Tesla Pipeline

- **Interconnectors**
  - projects of first choice in majority of countries

- **LNG terminals**
  - Adria (Krk - CRO)
  - Alexandroupolis (GRE)
  - Aegean (GRE)
  - Eagle LNG (ALB)
Instability, corruption, politicization

- Supply deals are often plagued with corruption & non-transparency
  - non-transparent network of intermediaries (Serbia, Macedonia, Romania...)
- Coupling infrastructural projects with politics (Bulgaria)
- Inability to conduct reforms, investment programs (Moldova)
- Inner disputes & issues
  - territorial: Moldova
  - territorial & ethnic: BiH – diverging foreign & energy policies
Changing market conditions

- Role of the EU´s Internal Energy Market rules
- EU´s IEM rules effectively prevent the traditional way gas was traded
  - prohibits restrictions on re-selling
  - opens the sector to free market competition
  - prohibits conditions for creating market hegemons

- Former market creators have become subjected to market-based rules imposed by higher authority
Changes on the global scale

- ‘New’ sources of gas (unconventionals) & LNG
  - ‘Internationalization’ of gas market
  - opening of new sources
  - hopes for diversification of supply portfolio through LNG deliveries vs. reality
  - questionable economic viability + overall costs
Case-specific variables

- **Clash between long- and short-term goals**
  - Romania – short-term goal to maintain low domestic prices as a possible reason for slow development of interconnectivity

- **Distrust in natural gas as energy source due to environmental conditions (Greece)**
SEE: Conclusion & recommendations

- States in SEE lack
  - infrastructure
  - interconnectivity
  - transparency
  - consistency in energy policies
SEE: Conclusion & recommendations

- **States in SEE need**
  - Source & route diversification (local & large-scale infrastructural projects)
  - Trans-border cooperation (intra-state, interconnectors)
  - Transparency and implementation of market-based principles
  - Stable & predictable sectoral policies
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- Well conducted transition to market-oriented economy
- Developed sector of natural gas
  - mid-sized consumption
- Transit countries
- Implementing IEM principles
- Relatively stable & depoliticized environment
- Integration & IEM rules as the main driving principles
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- Stabilized situation in terms of supply security and diversification
  - 2009 crisis as a spur
  - no important indigenous sources (despite past predictions – Poland)

- Infrastructural projects of rather regional character
  - aimed at greater interconnectivity

- Transit importance is likely to decrease
  - case of Nord Stream
Thank you for your attention

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