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# XVIII ENERGY FORUM

# ECONOMIC

KRYNICA, 10-13 SEPTEMBER, 2008

# FORUM

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# MISSION OF THE ECONOMIC FORUM

To build a favourable climate for the development of political and economic cooperation among the states of the European Union and their neighbours.

In carrying out its mission, the Forum is independent and impartial.

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# Preface

**Zygmunt Berdychowski**  
Chairman of the Programme  
Council of the Economic Forum

*From the left:* **László Sólyom**, President of the Republic of Hungary, **Janos Csak**, Chairman of the Executive Board, Constellation Energy Institute, Hungary, **Zygmunt Berdychowski**, Chairman of the Economic Forum Program Council, Poland

The European Union has been centred on energy issues from its very beginning. Messina declaration of 1955 stipulated that “To these ends, the six ministers have agreed on the following objectives: Putting more abundant energy at a cheaper price at the disposal of the European economies constitutes a fundamental element of economic progress.” First EEC treaties pertained to coal and subsequently, the nuclear energy – the most crucial branch of energy industry at the time.

Global warming is a global concern, while increased oil and gas security may be achieved only if we take truly international measures.

The EU may boost the pace of actions taken in this respect; nevertheless, it must cooperate with USA, China, India, Japan and other partners in this

field. This is possible only if Europe speaks in a single voice.

The Eastern Institute from Warsaw has been contributing to the debate on energy security as well as other essential issues concerning the sector for years now. The energy question are touched upon during Energy Forum, whose third edition took place in Budapest as well as Economic Forum in Krynica, in a special series comprising several debates entitled “Fuels and Energy”. The discussions aim at open dialogue of the highest representatives of political and business circles on the challenges and threats stemming from the current state of affairs as well as the ability of Central Europe to exercise impact on the EU’s energy policy.

Zygmunt Berdychowski

# The future of energy

**László Sólyom**

President of the Republic of Hungary

The future of energy generation and energy distribution as well as the future affordability of energy are indeed pivotal issues. Solving them in a timely and fair manner can make the difference between peace and war, between well-being and misery.

Looking at the data and trends of the present, we have no time to lose.

Currently, we are exploiting our decreasing fossil energy resources at an accelerating rate. In 2005, the International Atomic Energy Agency estimated that in 2008 - 2030 the global energy needs will grow by at least 40 %. During his recent speech at the Catholic University in Budapest, Professor Dennis Meadows - co-author of the famous study "Limits to Growth", quoted estimates setting the gap between the energy generating capacity of today and the needs in 2050 as 17 - 20 Terawatts.

Today, there is an intolerable "energy injustice" on the globe. The per capita average of the global energy consumption is around 70 Gigajoules,

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**László Sólyom** President of the Republic of Hungary

while per capita consumption in Europe and Japan varies between 200 and 260, and over 500 in the US! The majority of human race has no energy available to operate public facilities for health, education and leisure, let alone for private comfort.

The new consumer economies: China, India, Brazil, South Africa, and others in South-East Asia and South America are trying to close this gap. This effort however, unleashed a desperate race for the oil in the Middle East, the gas in Central

Asia, and the remaining global reserves of coal and uranium. The atmosphere of vulnerability is spreading. Our way of managing nature has indeed become an issue of security.

Today, there is an intolerable “energy injustice” on the globe. The per capita average of the global energy consumption is around 70 Gigajoules, while per capita consumption in Europe and Japan varies between 200 and 260, and over 500 in the US! The majority of human race has no energy available to operate public facilities for health, education and leisure, let alone for private comfort.

For the economies of the so-called North, the transition from a fossil energy base, and a resolute turn to renewable energies can secure supplies and prevent the development of intolerably high scarcity prizes of energy. The change-over will have to pass through stages requiring parallel strategies. These are: a more rational use of energy in households and private life, a circular industry wasting neither materials nor energy, and shifting over to energy generation from renewable resources.

At the moment the model of prosperity of the North is resource-intensive, and this model is still widely advertised both in the North and in the South. The North, including us, is still promoting an outdated lifestyle and an outdated model of building, settlements, transport, energy generation to a fast growing, eager audience.

We Hungarians also have a lot to learn, because we have a lot to do. The energy needs of the Hungarian economy, measured in GDP per one

unit of used energy, are still very high compared to other OECD countries: four times more than in Austria or Germany, and five times more than Denmark, Switzerland or Japan. There is a lot of room for improvement.

Instead of effective energy use or of how to save energy, the topical issue in Hungary is how to satisfy hypothetical future energy demands. Not the costs of introducing low energy technologies are discussed but whether the lifetime of our single nuclear power plant be prolonged, or exactly where new, huge power plants will be built in Eastern Hungary. Neither the question of shifting our system of centralised energy supply to a decentralised one has been raised.

In the current situation of urgency, the development, large-scale testing and wide application of sustainable energy technology cannot be left to the market processes. Technological breakthrough needs about 20 years, according to the estimates from modelling and technical experts.

All alternatives must be based on an “energy ethics”, an ethics of fair access to energy, and environmentally sustainable energy generation patterns. The spirit of transparency, solidarity, and inter-generational equity can guide us to be boldly innovative and co-operative in our approach.

All alternatives must be based on an “energy ethics”, an ethics of fair access to energy, and environmentally sustainable energy generation patterns. The spirit of transparency, solidarity, and inter-generational equity can guide us to be boldly innovative and co-operative in our approach.

# Energy Policy in the Central Eastern Europe

**Anita Orban**

Director of the Constellation Energy Institute, Budapest

Recent developments have put energy issues at the forefront of public policy discussions in the European Union, and in Central Eastern Europe (CEE), in particular. As skyrocketing prices, climate change related concerns, sustainable development, rapid technological change, and national security considerations converge, CEE is facing many important strategic decisions that could have long lasting implications for its economic and political development.

The interests of the new member states of the European Union in energy policy in some aspects are different from those of the EU-15. Most importantly they are far more dependent on a single source of energy that is Russia than most of the old member states. It is fundamentally mistaken approach to downgrade Central and Eastern Europe's dependence on Russia or perceive the problem as theirs. The European Union failed so far in making a unified EU energy policy serving the interests of all of its member states. So far member states of the Union continue to enjoy the upper hand when it comes to decisions related to their energy policies as a result severely hindering the chances of the European Union to develop a common energy

policy to support the interests of all the member states.

Central European decision makers need to take their fate into their own hands. Politicians of these countries sometimes tend to argue that their particular country is small and has no leverage over energy policy. They are wrong. Countries of the region do have their choice and say. To utilize this potential, however, they need to develop a

The interests of the new member states of the European Union in energy policy in some aspects are different from those of the EU-15. Most importantly they are far more dependent on a single source of energy that is Russia than most of the old member states. It is fundamentally mistaken approach to downgrade Central and Eastern Europe's dependence on Russia or perceive the problem as theirs. The European Union failed so far in making a unified EU energy policy serving the interests of all of its member states.

fundamentally new approach in their relationship to each other. Central European countries need to coordinate their policies with each other and with countries of the broader Central and Eastern European region. They need to establish a regional mechanism to fund major strategic energy projects, including nuclear power plants, LNG facilities, and major pipelines. The Norway-Poland pipeline

business and political leaders to help implement the above recommendations. As soon as a regional cooperation is achieved, not only CEE countries will feel safer, but they will have the chance to speak with common voice in the European Union, as well.

Central Eastern European countries need to develop and fund a regional energy R&D strategy that will focus on regionally appropriate energy technologies to exploit unconventional reserves, enable continued use of domestic coal reserves in a carbon-constrained world and explore the opportunities of alternative sources of energy.

or/and an LNG terminal on the Adriatic coast may substantially enhance the region's energy security. Countries of Central Europe need to integrate their pipeline infrastructure by North-South connections and they also should build storage facilities that enable them to bridge consumption in case of a shortage of oil or gas supply.

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To reach these objectives CEE countries need to build high level of trust among them. They need to start a series of dialogues among regional



**Anita Orban** Director of the Constellation Energy Institute, Budapest

To enhance the chances of a unified EU policy, Central European decision makers need to show a unified support behind the European Union's initiatives of building alternative pipelines, currently most importantly Nabucco. These countries should interconnect with the transmission infrastructure of the EU-15, as well. Central European countries also need to be active in Brussels in taking the lead on forming the EU's common energy policy. Only if these measures are implemented, will the energy security of the Central Eastern European region be ensured.

# Energy as a security and stability factor

Artur Negri

The Eastern Institute, the organizer of the Economic Forum in Krynica actively joins the energy debate, in particular, with regard to energy security and diversification of energy supplies as well as competitiveness in this field. The Energy Forum provides an framework for the discussion on the aforementioned subjects. The Forum attracts several hundred participants from Europe and the United States. It aims to open a debate of the highest political and business circles representatives on the challenges and threats stemming from the current state of affairs as well

as the ability of Central Europe to exercise impact on the EU's energy policy. Each year, the energy issues are raised at the Economic Forum in Krynica in a special thematic block entitled "Fuels and Energy" comprising several discussions.

The Old Continent may ensure its energy security, yet it must put in enormous effort and bear great costs. There are three energy transmission systems operating in the region of the Baltic Sea and Central and Eastern Europe. However, their capacities for integration and cross-border transmission are limited. The EU opts for

## Andris Piebalgs

European Commissioner for Energy

After fifty years of its existence, the EU still has no common energy policy, which would allow to face current challenges. Although it administers a variety of measures to foster liberalization, renewable energy production, and the energy efficiency increase, they cannot be considered as a coherent set of interrelated policies.



## Victor Orban

President of Fidesz-Hungarian Civic Union,  
former Prime Minister of Hungary

Cooperation in Central Europe is stimulated by two driving forces: Poland and Hungary, which are aware of their potential. So are we going to do anything to ensure energy security? We should develop roads and railroads northwards and southwards with the view of trade exchange. Why Central Europe does not have a common bank of development or any other institution which would support the growth of our region? There are many possibilities we should use. We should commence bilateral cooperation together with Poland and enable other states to join. The cooperation within the Visegrad Group is no longer purposeful. The objective of this alliance was to negotiate the best possible conditions for the Member States during the accession to the EU. In my opinion this objective has been achieved to a large extent.



separation of transmission, distribution and production of electricity. Diversification and security of directions of gas supplies constitute major priorities of energy policy of the importers.

The security of energy supplies and energy raw materials is one of the key issues of contemporary European policy. Decisions regarding this subject to be made by the EU must take into consideration interests of all member states, including new members. The EU's energy policy should be based on the rule of the whole EU's solidarity and loyalty with regard to relations with Russia, which is so strongly articulated by the new members.

Nowadays, the entire world, and Europe in particular, is facing an energy and economic challenge which is equally valid for all Member States. The question is: how can we ensure both clean and competitive energy supplies in the conditions of climatic changes, growth of global energy demand and uncertainty of the future supplies? Should just one state fail to respond to this challenge, the rest will be affected. Even the problems created outside the European Union may impinge the situation of the entire EU. Thus, Europe needs firm energy policy.

How have Georgian crisis and financial crisis exerted upon energy markets in Europe and

## Boyden C. Gray

Special Envoy for Eurasia and Energy Security, USA

The second issue that I think is important is the relationship between the energy and the environment and I am not talking only about the climate change and the air quality, but the climate change is a big issue. It is the flipside of the energy production. You cannot do either policy correctly without the relationship to the other. Climate change is difficult to handle, because we do not yet have technology to produce energy economically and this is something which both sides of the Atlantic must work on together. We must find carbon capture and storage technologies, second generation bio-fuel technologies to reduce our reliance on gasoline and diesel, since they create considerable pollution.

worldwide? In the opinion of Victor Orban, President of Fidesz - Hungarian Civic Union, former Prime Minister of Hungary: As far as the issue of stability and security is concerned, Hungary is at disadvantage since the EU has no common energy policy. Obviously, there are countries which remain intact. There is a large country in the EU for which it is not the matter of security, unlike for the Central European countries. The southern countries may use energy sources from another continent and they do not care for common energy policy either. Central Europe needs uniform energy policy. The solution for those states is establishment of cooperation. They enjoy considerable economic potential and it may occur that after the Lisbon Treaty is accepted, the region will gain importance.



**Said Nacet** Energy Director of the International Energy Forum Secretariat, Saudi Arabia

Cooperation in Central Europe is stimulated by two driving forces: Poland and Hungary, which are aware of their potential. So are we going to do anything to ensure energy security? We should develop roads and railroads northwards and southwards with the view of trade exchange. Why Central Europe does not have a common bank of development or any other institution which would support the growth of our region? There are many possibilities we should use. We should commence bilateral cooperation together with Poland and enable other states to join. The cooperation within the Visegrad Group is no longer purposeful. The objective of the group was to negotiate the best possible conditions for the Member States during the accession to the EU. In my opinion this objective has been achieved to a large extent.

We keep hearing news on climate and demographic changes or energy and financial crises. We are facing new times, new challenges and new opportunities. The strength of Europe lies

in its ability to introduce innovations. The states of Central Europe are creative and ready for changes. Unfortunately, we hitherto have not used our potential to ensure energy security. In the West, the energy crisis is used as the opportunity for development. New industry branches are being created which are responsible for diversification of energy sources. The Swedish use geothermal power for heating. Hungary is also rich in geothermal power sources. If we compare Hungary and Czech Republic, we will find that the Czech Republic gained three times more funds for the development of alternative energy sources.

### Giorgi Baramidze

Vice Prime Minister, State Minister for European and Euro-Atlantic Integration, Georgia

Energy factor appears to be the most important instrument and direction in the international policy of various countries as well as basic guideline for international relationships. Energy factor may serve as a genuine facility for the development of the civilized, mutually beneficial interstate relationship. However, it is also evident that energy policy could be very well used as a powerful political and economic weapon. The fact that the majority of the resource of rich countries are politically unstable set the stage for future distortion of the world energy market, while opening possibilities for nasty political games for some countries.

In the current situation, one must see not only the threat of getting dependent on Russia but also the opportunities for creating new industry branches. We should promote investments in new technologies. Hungary is a country where the bureaucracy is prevailing. If we implemented administrative reforms, we would be able to achieve 7% economic growth. "The energy crisis should inspire Central European states to act", said former Prime Minister of Hungary.

I am in a great support of your efforts to energy sources diversification, both in Hungary and in this part of Europe as well as of those who support of the so-called Southern Nabucco Pipeline through Georgia and Turkey. Certainly, there are those in Europe who believe that a part of Russia's motive in Georgia was to send a signal about the oil and gas in the Caspian region. We believe that much of it belongs to Europe. There is a history of energy price and energy scarcity triggering financial difficulties and this may be the case currently. If we want to

## Modest Kolerov

Managing Director, REGNUM News Agency,  
Russia

USA is eager to bring international community's energy resources under its management. Common energy policy rhetoric has been imported from the USA. In the beginning, neither Caucasus nor Central Asia was included in the EU energy agenda. Nonetheless, the energy sources did not change, but the rhetoric did



have financial stability, we must have political and energy stability. This is in fact where our interest is. We, the United States, are not anticipating using of any of gas that might come through from the Caspian. We do not need it in fact, as our own gas production is increasing. That does not diminish our attention to this part of the world and I will give you three quick reasons: the relation we have with Europe is incredibly important from the financial point of view, it is nearly 60% of the world's GDP, 40% of the world trade, 1.5 trillion dollars of investments on each side of Atlantic, 700 million

jobs on each side of the Atlantic. It is a huge and important relationship, and we cannot get it right and if we cannot sustain it, then our whole way of life and our whole set of values that are common are in jeopardy from competition from the Far East.

"We do have to work together and energy is one of the important fields to start from, even if we do not benefit specifically from the gas that we hope will come through from the Caspian" noticed Boyden C. Gray, Special Envoy for Eurasia and Energy Security (USA). He added: "The second issue that

## Debate: European Neighborhood and Energy Policy





**Grzegorz Onichimowski**  
President of the Board, of the  
Polish Power Exchange, Poland



**Einari Kisel** Deputy Secretary  
General, Ministry of Economic  
Affairs and Communications,  
Estonia



**André Mernier** Secretary  
General of the Energy Charter  
Secretariat, Belgium

I think is important is the relationship between the energy and the environment and I am not talking only about the climate change and the air quality. It is the flipside of the energy production. You cannot do either policy correctly without the relationship to the other. Climate change is difficult to handle, because we do not yet have technology to produce energy economically and this is something which both sides of the Atlantic must work on together. We must find carbon capture and storage technologies, second generation bio-fuel technologies to reduce our reliance on gasoline and diesel, since they create considerable pollution”.

According to Giorgi Baramidze, Deputy Prime Minister and State Minister for European and Euro-Atlantic Integration of Georgia, “the energy factor began to play a significant role in the global politics leading to the formation of the energy diplomacy in the great power of the world. Energy factor appears to be the most important instrument and direction in the international policy of various countries as well as basic guideline for international relationships. Energy factor may serve as a genuine facility for the development of the civilized, mutually beneficial interstate

relationship. However, it is also evident that energy policy could be very well used as a powerful political and economic weapon. The fact that the majority of the resource rich countries are politically unstable set the stage for future distortion of the world energy market, while opening possibilities for nasty political games for some countries. I would particularly like to stress the Russian factor. Being the largest world gas supplier and the world's no. 1 oil exporter together with Saudi Arabia, Russia is actively using its energy and powerful leverage as a political weapon. It seems that the EU is its primary target as 37% of the EU's oil import and 60% of the EU's gas import comes from Russia. By intimidating the Caspian energy producing and Black Sea transit countries Russia is trying to strengthen its influence over the European Union. This type of behaviour combined with the attempts to monopolize energy supplies and energy infrastructure that is widely exercised as a powerful weapon should be considered as a genuine threat to the European Union's and the Western security. A number of well-known facts have demonstrated the real face of Russia. Dramatic cut off of gas supplies to Georgia and Ukraine during the harsh winter of 2007, cut off of oil supplies to one of the

largest businesses in Lithuania, groundless cut-offs to the Czech Republic and seem other European Countries, sharp price increase of gas for the EU customers, and finally the Russia's large scale military aggression against Georgia, accompanied by occupation and ethnic cleansing of parts of Georgia's territory and bombing of the country's civilian and energy transit infrastructure. It is not incidental that Russia has chosen Georgia for its aggression. Due to geographic location of Georgia, its energy system can be effectively used for import-export transit operations. It is noteworthy that Georgia played already a significant role as a transit country for Caspian resources. Georgia hosts three different oil and gas pipelines bringing energy to the western markets. By controlling Georgia Russia would have the possibility to control transportation of energy resources from the entire Caspian region and Central Asia to the European Union. So, Georgia represents for them the missing link in the energy empire system".

Geopolitical situation is characterized by the existence of a triangle of three large states: Russia, Ukraine and Turkey. In these circumstances, common energy policy should embrace three factors: Lack of energy resources, EU's volatile position on energy issues as well as tensions exerted on the EU to diversify energy mix as a result of Russia's dominant behaviour.

According to Modest Kolerov, Managing Director, REGNUM News Agency from Russia, the entire Economic Forum is devoted to the issue of how

### Waldemar Pawlak

Deputy Prime Minister and the Minister of Economy of the Republic of Poland

Central Europe is inhabited by 160 million people, more than in Russia, while its total GDP amounts to a trillion dollars, more than in Russia. The region as a whole is not an energy hostage of Russia. Oil may be delivered from other regions. There is appropriate infrastructure to achieve this. It is more difficult in the case of gas; however, if we expend some effort, we may become independent of Russia. If we combine our efforts with research on new energy sources e.g. coal gasification, it may occur that we are self-sufficient.





## Debate: Assessment of National Energy Strategies in the Central Eastern Europe

make Old Europe reject the energy dialogue with Russia. USA is eager to bring international community's energy resources under its management. Common energy policy rhetoric has been imported from the USA. At the beginning, neither Caucasus nor Central Asia was included in the EU energy agenda. Nonetheless, the energy sources did not change, but the rhetoric did.

"Ukraine and Lithuania are eager to take the position in the field of energy, since as far as the energy is concerned they are bankrupts. Europe speaks about the need for restocking the energy market and it does not want to embark on a dialogue about the transit issues. Turkmenistan is not interested in Europe, since as a client the state opts for the eastern direction. In this context, Europe loses the struggle for the diversification of energy resources.

Europe is not consistent in its equal approach to human rights and business issues. It applies double standards, which is best exemplified by Turkmenistan in cooperation with which the EU wants to build the Nabucco pipeline and at the same time ignores human rights infringements in this country. Furthermore, EU attempts to exert pressure on Russia to change its internal policy."

How should the issue of energy dependency be handled? In the opinion of Timothy Krysiak, Associate, Russian and Caspian Energy, Cambridge Research Associates (USA), the existing gas pipelines supply gas from Russia to Europe via Ukraine. "This system was developing for some time. Currently, it is changing due to fluctuating prices. The differences between Ukraine and Russia are influential in these circumstances. Ukraine wants to maintain its price level, while Russia wants to pass over Ukraine.



**Vytautas Nauduzas**

Deputy Minister of Economy, Lithuania

The project of an energy bridge between Poland and Lithuania should be accomplished in 2016-2017.



**Gilyán György** State Secretary, Ministry of Foreign Affairs, Hungary

## Volodymyr Yevdokimov

Deputy Director of the State Enterprise “Energoynok”, Ukraine

The subject of electric power is a priority for Ukraine. Politicians use energy issues, but we also need business dialogue in this field. Ukraine is discussing electric energy supplies to Europe. Nonetheless, what it needs are the investments and privatization of the market. Ukraine market is based on one-buyer model. The energy is exchanged with other countries – Moldova, Romania, Hungary and Poland. The price of energy depends on a buyer. Ukraine wants a reasonable price, which takes into account production and delivery thereof.

By 1990, ca. 90% of Russian gas was transported via Ukraine. Now, this quantity lessened considerably. EU endeavours to change this situation. It is building six new gas pipelines. There is also a possibility of supplying gas via Turkey.

Kresimir Cosić, member of the Foreign Affairs Committee from the Parliament of Croatia said: “Croatia is intending to present its energy policy soon. The strategy should be shaped by politicians, analysts and electors. In each democratic country, policy, in particular the energy policy, is developed on the basis of numerous factors. All groups of interests have their own goals. The politicians want to diminish the influence of experts. On the other hand, the experts criticize the decisions made by the politicians. The situation of Croatia remains underdetermined. The forthcoming elections intensify the need for discussion in this area. Each state must create a policy which appropriate for that state.”

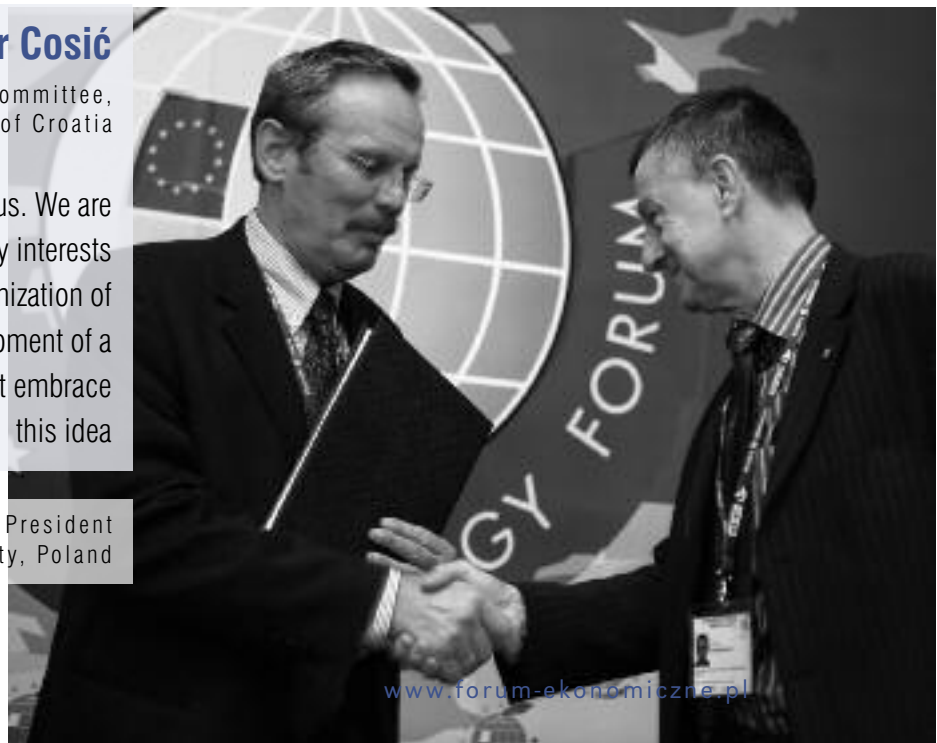
In his opinion, gas and electric power are the Croatian priorities. Croatia has sea ports, which may be used for delivering gas to Kyrk Island. The issue of electric energy and availability thereof is of essence. The downfall of aluminium process at

## Kresimir Cosić

Member of the Foreign Affairs Committee, Parliament of Croatia

EU policy fragmentation is a problem to us. We are asking: how the states which have contradictory interests may develop a common energy policy? Optimization of EU energy policy may facilitate development of a common market. All analyses of the expert must embrace this idea

**Andrzej Zybertowicz** Advisor to the President of the Republic of Poland for National Security, Poland



exchanges also influences the necessity for changes of the energy policy priorities.

“EU policy fragmentation is a problem to us. We are asking: how the states which have contradictory interests may develop a common energy policy? Optimization of EU energy policy may facilitate development of a common market. All analyses of the expert must embrace this idea”, believes Cosić.

We are talking about the need for a common or coordinated policy, but I can see such policy neither in USA nor in Europe. Russia’s energy policy is very reasonable and based on its potential. Europe is strongly apathetic in this area. Large companies have their lobbyists in Brussels; however, the consumers do not. As a result, the intermediaries buy gas in Turkmenistan cheaply and sell it Europe dearly. Whose interests do apathetic governments represent? Big companies are stronger in Brussels than small countries; therefore, Brussels does not hear voices of small states or Ukraine. Russian politicians believe that coordinated energy policy would be beneficial both for the EU and for Russia itself; nevertheless, the latter’s reasoning is underlined by dissimilar notions. Countries with low energy supplies should particularly fight against the trust policy of big companies. Now, we have the “gas OPEC”. Nevertheless, the situation may become difficult, as western states may deliver gas from Africa, whereas Central European countries will have a problem. We need a group to monitor common energy policy. Some countries signed the South Stream agreement without consultation with other states and the European Commission, in



## Debate: Energy Policy: European Union–Russia

### Valery Fedorov

General Director of the All-Russian Public Opinion Centre (VCIOM), Russia

For Russia, diversification means also change in direction of supplies. What policy should be adopted towards China? Should we intensify cooperation with transit countries like Ukraine, Poland, Belarus or rather develop new routes like Nord Stream, South Stream. This issue has not been settled yet.

contradiction to the EU law, nonetheless, no one bore the consequences. Non-EU companies’ activity must be supervised more tightly, which also applies to their revenues. Non-disclosure of information on revenues is unacceptable. The above may be exemplified by oil supply cut-offs in Lithuania and no reaction on the part of the EU at All, said Keith C. Smith, Senior Associate, Energy and National Security Program in the Center for Strategic and International Studies (USA).



**Sergei Komlev** Head of Department of Restructuring of Contracts and Price Policy, Gazprom Export, Russia



**Lajos Alács** Senior Vice-President of the MOL Group, Hungary

According to Igor Krugovykh, Russia's energy policy is based on the fact that Russia is a great producer, consumer and a transit country for energy carriers. Europe has been receiving heat and energy from USSR and afterwards from Russia for 40 years. The programme "The Energy Strategy of Russia for the Period of up to 2020" stipulates that Russia will strive to obtain mutually beneficial conditions of cooperation, competitiveness and availability of energy resources as well as distribution markets".

"The energy market in Russia is facing various problems as well. One of them is internal abuse of gas. However, measures are taken to solve these nuisances (National Gas Reserve Fund), which fosters optimistic approach towards the future. Current crisis has not skipped the energy security issues. Development of a new security system in Europe will not solve the issue of energy security. This problem may be handled by a common EU-Russia economic cooperation area proposed by Sarkozy", said Krugovykh.

In his opinion, as far as energy policy is concerned, only gas which already has been sold is mined: "No one builds structures to look for clients afterwards. The energy issues should be moved from the field of politics to the field of economic responsibility. There is a lot of talk about diversification. Russia also follows this policy". Nevertheless, the more ways of energy transit there are, the more place for conflicts there is. The major problems of today are not the routes but exploration and exploitation of new locations of energy carriers. The same applies to the assessment of approach towards Nabucco – the attitude towards the project determines if one follows pro- or anti-Russian path. Russia may also join the project. "Gas OPEC" is not as scary as it is commonly shown. Development of Gas OPEC is the matter of separating gas process from oil prices. The process of both energy carriers do not have to be inter-related. The main focus should be given to the concerns of building a common energy security system from Europe to Alaska. Therefore, we should develop a mechanism which will foster efficient coordination of such a project.

The subject of electric power is a priority for Ukraine. Politicians use energy issues, but we also

## Edward Chow

Senior Fellow of the Energy Program of the Centre for Strategic and International Studies in Washington, USA

The main problem of the stability of gas supply for Central and Eastern Europe or transit are related to the fact that the business practices in the region regarding transit have not been modernized since the collapse of the Iron Curtain. You have the relationship that started primarily as the counter trade between the former Soviet Union and countries of the Central Europe, which was at government-to-government level as opposed to commercial enterprise-to-enterprise level. Today these practices have not been modernized. In my mind, it is difficult for me to think about spending billions of dollars in the case of oil and gas terminals or tens of billions of dollars in the case of new pipeline routes, when the opportunity to modernize business practices in existing routes are not pursued with any kind of genuine policy.

need business dialogue in this field. Ukraine is discussing electric energy supplies to Europe. Nonetheless, what it needs are the investments and privatization of the market. Ukraine market is based on one-buyer model. The energy is exchanged with other countries – Moldova, Romania, Hungary and Poland. The price of energy depends on a buyer. Ukraine wants a reasonable price, which takes into account production and delivery thereof. At present, we speak about the privatization of energy companies. The government supported this policy of stimulation and competitiveness in production as well as adaptation to cooperation with the EU. Ukraine is going to depart from one-buyer model to mutual agreements model”, said Volodymyr Yevdokimov, Deputy Director, State Enterprise “Energorynok”, Ukraine.

Peter Poptchev, Bulgaria: Bulgarian energy strategy entails the necessity for infrastructure upgrade, including upgrade of nuclear power plant. As far as transport gas from our neighbours is concerned, our capability is reduced. Our network is underdeveloped. Only 50% of society



## Keith C. Smith

Senior Associate, Energy and National Security Program, Center for Strategic and International Studies, USA

We are talking about the need for a common or coordinated policy, but I can see such policy neither in USA nor in Europe. Russia’s energy policy is very reasonable and based on its potential. Europe is strongly apathetic in this area. Large companies have their lobbyists in Brussels; however, the consumers do not. As a result, the intermediaries buy gas in Turkmenistan cheaply and sell it Europe dearly. Whose interests do apathetic governments represent? Big companies are stronger in Brussels than small countries. Therefore, Brussels does not hear voices of small states or Ukraine.

may use gas. Decisions concerning energy policy were preceded by a general debate. The issues of climate changes, resources availability etc. were taken into account. Some of our goals exceeded Brussels' expectations. Contemporary challenges comprise increase of energy sector capitalization and procurement of funds for nuclear power plant development. We want it to be the holding with a considerable share of European states.

Lithuania's main energy concern is the EU's demand to shutdown Ignalin. Upon closure of the plant, Lithuania will become dependent in terms of energy. Contemporary Russia is like a motorway and therefore one cannot be expected that Russia will apply a single approach towards energy issues. Present-day Russia needs more energy itself. The efficiency of energy use should be increased. Today, many companies belong to corporations. They are becoming global, acting in

Libya, Columbia etc. Should one follow this trail or rather explore one's own resources? For Russia, diversification means also change in direction of supplies. What policy should be adopted towards China? Should we intensify cooperation with transit countries like Ukraine, Poland, Belarus or rather develop new routes like Nord Stream, South Stream. "This issue has not been settled yet", believes Valery Fedorov, General Director of the All-Russian Republic Opinion Centre (VCIOM), Russia.

## Danuta Hübner

EU Commissioner for Regional Policy

A boost in the European market economy may be achieved by more extensive use of renewable energy.





**Aleksander Kwiatkowski** President of the Board, A.T.Kearney, Poland



**Igor Krugovykh** Expert of the Russian Gas Association, Russia



**Juergen Cuno** Head of External Affairs and Berlin Office, BP Europe, Germany

What is the actual balance between economic, political or environmental concerns in energy policy? David Bucham, Senior Researcher Fellow of the Oxford Institute for Energy Studies, United Kingdom, claims that energy policy is the security policy and the environmental policy in one. There is internal market related policy which involves structural market reforms. EU employs a very exhaustive climate change policy. There are also other forms of energy policy. Existence within the EU structures requires the Member States to show some devotion. They are compelled to give up controlling of the energy mix and resources at the domestic level.

Climate changes exercise impact on the energy and economy matters. Tradition and lifestyles are changing. Oil prices have shifted. EU states depend on the imported energy at the level of 50%. 93% of domestic energy demand in the EU is satisfied by fossil fuels. In 2005-2030, the global energy consumption will grow by 50% with oil and gas prices still skyrocketing. Global warming may translate into a 20% slowdown in economy. Negative impact and failure to take measures in this respect will force 200 million people to leave their place of living.

In Portugal, we have created an opportunity for the development of wind energy and we want to produce 30% of energy from wind. We export energy to Spain, at the same time creating jobs and ensuring economic growth. Annual turnover at the market of renewable energy amounts to 25 billion euros with 350,000 employed in the sector. In addition, it allows to reduce GHG emission, said Jose Eduardo Martins, Member of Parliament of Portugal.



**Torbjörn Wahlborg** Country Manager of the Vattenfall Poland



## Zsolt Németh

Chairman of the Committee on Foreign Affairs,  
Parliament of Hungary

For the people from the West, the economic considerations are determining. In Central Europe, the political and particularly the security considerations are important. It is not only geographical location that determines our dominant approach towards energy security but the time span as well. In the long run, we are ready to talk about the environmental aspects as well. The economic consideration are nevertheless very pressing and in the foreseeable future many countries of the region will tend to shape their energy policy on very short-term economic considerations and somewhere in between we ready to consider political security aspects as well. So it is not just the geographical situation but also the time span that defines what kind of considerations are ready to confront.

## David Bucham

Senior Researcher Fellow, Oxford Institute for Energy  
Studies, United Kingdom

EU employs a very exhaustive climate change policy. There are also other forms of energy policy. Existence within the EU structures requires the member states to show some dedication. They are compelled to give up controlling of the energy mix and resources at the domestic level.

According to Zsolt Németh, Chairman of the Committee on Foreign Affairs of the Parliament of Hungary: "We have been thought Marxism for a long period in Hungary. Marx said that the existence determines consciousness and we are talking about the subject in this way. For the people from northern countries, the environmental considerations are stronger. For the people from the West, economic considerations are determining. In Central Europe, political and particularly security considerations are important. It is not only geographical location that determines our dominant approach towards energy security but the time span as well. In the long run, we are ready to talk about the environmental aspects as well. The economic consideration are nevertheless very pressing and in the foreseeable future many countries of the region will tend to shape their energy policy on very short-term economic considerations and somewhere in between we ready to consider political security aspects as well. So it is not just the geographical situation but also the time span that defines what kind of considerations are ready to confront", believes Németh.

"For the West to have the right energy policy, first we need to have the right policy towards Russia. In order to have the right policy towards Russia, we need to have the right energy policy. It may sound tautological but it is not. I think we need to reconsider our policy towards Russia when we talk about energy. First of all, I would like to underline that without a common European and Atlantic policy towards Russia, we are not going to achieve any of the aims we are talking about here. For the time being, the EU is deeply divided on its policy towards Russia and it is not in the interest of

Russia either. I am talking about Schroederism – private EU-Russia policies of competing in the European Union, which is the most dangerous component of our future.

Secondly, we need to consider what this united approach, once hopefully being borne, should be and stand for. Russia has introduced a new foreign relations doctrine in the recent years, but gradually it transformed in what can be depicted best with 7th August military developments. This foreign policy doctrine asserts the ‘sphere of influence’ notion - Yalta-type sphere of influence’ notion is back again in international discussions. On the other hand, we are experiencing very serious global challenges – terrorism, proliferation, climate changes etc., which require the involvement and engagement of Russia in order to find the appropriate solutions. We are moving towards conditional engagement approach towards Russia and I do not think we can accept this notion, since this would be a breach of our principles.”, said Nemeth.

Competition in the energy sector: Cooperation or contest? According to Jan Bury, Secretary of State of the Ministry of the Treasury from Poland, Russia and EU are inter-related and cannot function without each other. Europe’s energy security depends on EU itself. Without EU policy, Russia will follow its own policies. The pipelines are not enough; we need diversified oil supply sources. We are looking for alternatives to Russia, but the energy security issues are not only about Russia. Nevertheless, we are striving to become independent of Russian resources. EU should support alternative energy sources. Innovations in the field of energy are of immense significance. The use of new power units will increase the

## Jose Eduardo Martins

Member of Parliament of Portugal

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## Michał Szubski

President of the Board, Polish Oil and Gas Company, Poland

The interests of the state and the interest of the private owners do not need to collide. The transit company cannot interfere with the interests of clients by reducing the supplies. Contractual penalties would ruin a company, which would dare to make such steps. It can only be a single instance resulting solely from desperation.



**Thor Otto Lohne**  
Vice-President, Gassco AS, Norway



**Paolo Ruzzini** President of the Board and General Director, Slovenske Elektrarne, Slovakia

capacity of power plants and reduce fuel consumption. The EU lacks efficient system of cross-border interrelations. We need strong regional gas operators. This may provide basis for imposing conditions on Russia, which is determining for the European energy security.

Jan Bury cited a certain sheik, who said that the “Stone Age” did not end because there were not enough stones, but because other materials were



**Filip Thon**  
President of RWE in Poland

It is coal that may cause Poland to become a very competitive energy producer.

invented. New technologies may provide an answer to energy security, competition and energy supply security issues.

Laszlo Varro, Vice President for Strategy and Development, MOL, Hungary, believes that to a large extent, the debates and misunderstandings lie in two fundamental different visions. On the one hand, you have important state circles which tend to built big vertically integrated energy companies, which believe that in order to maintain energy security, we need a vertically integrated value chain. One often hears comments that competition and liberalization of energy markets is important, but we should care about energy security as well as if there was a trade-off between competition and security. This philosophy anticipates that in terms of competition policy big strategic deals which would create a regional or national champion should be facilitated. There is also a lot

of talk about security in general without going into the details of the aspects of the energy security. I believe there are two main aspects that we should keep in mind: one is the adequacy of the resource base and the other is the robustness of the infrastructure. I must say that the second aspect is quite often neglected. It is politically much more fashionable to talk about procuring new sources than talking about new infrastructure, but in fact the big energy security crises of the past tended to be infrastructure failures.

Nowadays, because of the financial crisis, there seems to be a lack of faith in the competitive market, so it is very important that the people who believe in the competitive market fight for the faith. Basically, every crisis situation in the competitive market means a sudden shift in the demand-supply balance. The prices drive the behaviour of the demand side and the supply side.

The infrastructure investments require proper incentives. It is a good thing to have infrastructure bottlenecks if one is a dominant trading party, because if one invests in the infrastructure, one creates more efficient and more competitive market but at the same time one undermines its dominant position. So the problem with infrastructure bottlenecks in Europe is that the companies which are supposed to build new infrastructure are the ones who have the strongest interest not to build the new infrastructure. In such situation, one can always find technical reasons to announce a particular project impossible. However, once there are new incentives, there appear very strong reasons to develop new infrastructure. If we do not change the incentives, we will not make any progress in the next five years either", said Varro.

## Jean-Baptiste Renard

Regional BP Group Vice President, Europe and Southern Africa

It is simple economy of CO2 quotas, which drives nuclear energy industry.



**Viacheslav Illarionov** Deputy Chairman of the Committee on Natural Resources and Environment, Chamber of Industry and Commerce, Russia

## Darius Degutis

International Affairs Director  
for Strategic Projects, LEO LT AB, Lithuania

The issue of Ignalina Nuclear Power Plant, which Lithuania obliged to close in the Accession Treaty, remains unresolved. In the light of postponement of the implementation of an alternative Polish-Baltic Project, the so-called Ignalina 2, as well as the fears of Russia's energy blackmail, the government is pushing through the concept of delaying decommissioning of the power plant for a few years. The final decision will be made during the EU Summit in November. We hope that the solution adopted by the EU will not intensify our dependency on Russian raw materials.

Said Nechet, Energy Director of the International Energy Forum Secretariat (Saudi Arabia) believes that we must answer the question "What competition are we talking about?". "It is market that determines process, supplies and consumption of raw materials nowadays. The countries may change market signals, make energy price decisions and make consumers use more expensive energy carriers. The monopolies may continue to prevail if there are no other alternatives. Therefore, we must seek alternatives. Competition helps – it forces us to conduct new searches and undermines the adopted axioms. What does security mean? Guarantee of availability of energy resources within the specific price ranges. At some price levels, the energy carriers become inaccessible to certain countries. We must consider how to make energy carriers available to all consumers. Market cannot develop reserves, no



**Jerzy Buzek** Member of the European Parliament, former Prime Minister, Poland

one will pay for; therefore, we also need other mechanisms. We have been investing funds for the past 30 years and the feasibility of such projects proved well.”

In the opinion of Mirosław Bieliński, regulation is an important issue. However, we are competing with other companies. New infrastructure is being developed and our company is preparing new strategies. We invite investors to participate in the projects. Investment package aims at increasing regional security. We offer investors creation of new coal power plants that will cost ca. 2 billion euros. We build both gas and water power plants. New investments provide new opportunities. Transparent investments are looked forward to by the public opinion. Compromise, meaning collaboration in the field of investments and customer responsibility, is viable.”

Krzysztof Rosen believes that mutually beneficial cooperation with Russia is practicable. “We must ensure that the market responds to the consumer needs and the services are of high quality and reliable. I presume that a lot may change in the EU as far as energy is concerned. Politicians are elected by people and therefore must defend their interests. We must take all of these issues into account, especially if there are conflicts.”

In his opinion, everyone wants to be the father of the success, also in the area of energy policy. From time to time we tend to consider security in terms of supervision not competition. Control is needed but does not guarantee security, in particular as far as energy goes. We saw how certain companies act in Poland. The major problem of our region is insufficient cooperation. Oil and gas pipelines stretch from east to west.



### Dariusz Lubera

President of PKE Tauron Polska Energia, Poland

Hard coal is still the main energy resource in Poland; nevertheless, the use of natural gas and renewables is growing as well. Like other states, we need to build strong companies. This was the case of energy industry and vertical consolidation. At present, it is believed that one of the right solutions is privatization or going public.

### Paweł Urbański

Vice-President, of the PGE Polska Grupa Energetyczna, Poland

We must not focus only on renewable or nuclear energy. We must try all options; we cannot disregard any concept whatsoever.

There are no north to south directions. We have to change this situation. Only this may guarantee real diversification of supplies. We must privatize the energy sector, but European governments do not fancy such privatization at their own countries. Nevertheless, they recommend this solution to their neighbours. Privatized companies are critical and secure. What we need today is reliable and transparent privatization. This factor will provide security of supplies for consumers. 300 years ago, there was an economist, who claimed that the world cannot provide enough food for the growing number of people. But there came the technical revolution and the problem were solved. The technical revolution changes labour processes; the next revolution will allow to find new solutions for energy problems, fostering a major shift throughout the world.”

## Stephen Poloz

Vice-President of Export Development  
Canada

With regard to nuclear energy, every one says “let’s do it right away”, but no one really takes any steps. There is insufficient number of specialists in the field of nuclear power plant construction and not more than five construction companies, which have experience in this area worldwide. Building of several dozen nuclear power plants at the same time is not technically feasible. Yet, we must build them, since CO2 quota prices are skyrocketing drastically. In these circumstances, the countries who decide to build them first will win.



**Bohdan Sokolovskyi** Representative of the President for International Energy Policy, Secretariat of the President of Ukraine



## Debate: Competition and Energy Security: Is There a Trade-Off?

Vladimír Štěpan, Energy Analyst of the Ena s.r.o., Czech Republic, believes that Russia depends on Europe, since 40 % of gas and 50% of oil is exported to Europe. Central Europe is a transit area. Why should not we use this potential both in terms of gas transit and gas storage on the transit routes so as to make it beneficial for all parties? Today, the demand for gas is rising; although energy production in our region is based on coal. It is not about ensuring gas supplies from Russia. The gas has been supplied for 40 years and the supplies are trustworthy. Nonetheless, there is an issue of gas supplies diversification and gas transit routes. Russia is discovering new gas fields, yet they further inside the country. Thus, its transport will be more and more costly.

According to Edward Chow, Senior Fellow of the Energy Program of the Centre for Strategic and International Studies in Washington, USA, the main problem of the stability of gas supply for Central and Eastern Europe or transit are related to the fact that the business practices in the region regarding transit have not been modernized since the collapse of the Iron Curtain. “You have the relationship that started primarily as the counter trade between the former Soviet Union and

countries of the Central Europe, which was at government-to-government level as opposed to commercial enterprise-to-enterprise level. Today these practices have not been modernized. In my mind, it is difficult for me to think about spending billions of dollars in the case of oil and gas

### Said Nechet

Energy Director of the International Energy Forum Secretariat, Saudi Arabia

The countries may change market signals, make energy price decisions and make consumers use more expensive energy carriers. The monopolies may continue to prevail if there are no other alternatives. Therefore, we must seek alternatives. Competition helps – it forces us to conduct new searches and undermines the adopted axioms. What does security mean? Guarantee of availability of energy resources within the specific price ranges.



### Laszlo Varro

Vice President for Strategy and Development, MOL, Hungary

The infrastructure investments require proper incentives. It is a god thing to have infrastructure bottlenecks if one is a dominant trading party, because if one invests in the infrastructure, one creates more efficient and more competitive market but at the same time one undermines its dominant position. So the problem with infrastructure bottlenecks in Europe is that the companies which are supposed to build new infrastructure are the ones who have the strongest interest not to build the new infrastructure. In such situation, one can always find technical reasons to announce a particular project impossible. However, once there are new incentives very strong reasons appear to develop new infrastructure. If we do not change the incentives, we will not make any progress in the next five years either

### Vladimir Socor

Expert from Jamestown Foundation, USA

Americans decided on energy supply diversification in Europe nearly a decade ago. They are pushing ahead projects targeted at ensuring independence of Russian oil and gas, as they realize that energy overdependence on Moscow will cause division in the EU in the long term, which will seriously affect its capacity to act, outside the EU as well, partially relieving the USA.

terminals or tens of billions of dollars in the case of new pipeline routes, when the opportunity to modernize business practices in existing routes are not pursued with any kind of genuine policy.

The trade in oil and gas is continuing to be dominated by middleman companies, which often corrupt the politics. So you continue to be rent seeking on all routes diminishing volume as opposed to growing the volume, getting higher revenue, more dependability of supply through volume growth as opposed to trying to extract rent as much as possible from the existing flow. What does shipper like Russia do in response? In term of transit concerns, I am rather sympathetic towards Russia's worries about the difficulties of transit. Where those difficulties exist because of conditions not only those imposed from outside regions but also from inside of the region, you may end up with Russia building very expensive by-pass pipelines. Old routes always beat new routes in terms of economic efficiency. It is only because the old routes are not working to the satisfaction of the shippers that the shippers will be seeking for the new routes. It is within the power and control of southern states of Central and Eastern Europe to stabilize the relations between those states and Russia, since by and large Russia is not able to ship gas to Western Europe without crossing the territory of Central and Eastern Europe", said Chow.

Philippe Hochart, Vice President, Caspian and Iran, GDF SUEZ, Global Gas & LNG (France) as far as gas demand is concerned, the International Energy Agency predicts that by 2030 gas demand in Europe, including Turkey, will be between 720 and 820 BCM per year. The indigenous resources in Europe will decline and the only way to fill the

gap will be to look for new resources beyond the existing suppliers. Some of them, like Russia, will be able to increase their supplies to Europe. There are many energy terminals being built in Europe and there are a lot of projects, but if one considers energy that can be supplied to Europe, taking into considerations the existing suppliers, there still remains a gap to be filled. There are two main regions where new gas supplies can be obtained from: the Caspian region and Middle East, mainly Iran and Iraq. Middle East has the ratio of reserves production, which is more than two hundred years, 40% of the world's gas reserves, distributed mainly among Iran, Qatar, Iraq and Saudi Arabia and it is an obvious region to look at with respect to new supplies. Kazakhstan, Uzbekistan and Turkmenistan supplied the Soviet Union and Russia for decades and these are ties, one cannot unfold easily. So what are the main challenges? In my opinion, they include: development of resources, huge investments, technology for offshore fields, cooperation between NOCs and IOCs.

Energy and gas management in these countries needs to be elaborated. For instance, in Iran there



### Vadim Chuprun

Vice President of the Board, NAK Naftogaz Ukraine

The gas corridor will certainly not omit the Ukraine, since Ukraine is the largest importer of gas in Europe and the most important transit route of this energy carrier to the West.

are huge quantities of natural gas. However, the domestic market is not easy to manage as there are few flexibility tools, and few storage facilities.



**Gergely Olosz** President of the Energy Regulatory Authority, Romania



**Mariusz Swora** President of the The Energy Regulatory Office, Poland



## Jan Bury

Secretary of State, Ministry of the Treasury, Poland

Russia and EU are inter-related and cannot function without each other. Europe's energy security depends on EU itself. Without EU policy, Russia will follow its own policies. The pipelines are not enough; we need diversified oil supply sources. We are looking for alternatives to Russia, but the energy security issues are not only about Russia. Nevertheless, we are striving to become independent of Russian resources.



## Philippe Hochart

Vice President of the Caspian and Iran, GDF SUEZ, Global Gas & LNG, France

In terms of transit and transport we must consider the remoteness of all those fields, which is a great challenge. To develop the new routes, one will need to exercise one's economic skills. The second challenge will be the complexity of transit issues e.g. to bring gas from Iran, one needs to go through at least five different countries and even six or seven in the case of Turkmenistan. All of those countries have different regulatory regimes and their own needs, which increases the complexity of legal, administrative and business issues

The same story is in Turkey, which is the main transit country. The issue of internal market management, new strategies to be designed and flexibility to be developed as well as uncertainty about gas development for the domestic prevail in Turkmenistan, Azerbaijan, not to mention Iraq. I believe that before contemplating importing of natural gas from these producing countries, we must ensure that these countries can manage their own internal markets, because they will be the source of major uncertainty if we do not take necessary steps.

In terms of transit and transport we must consider the remoteness of all those fields, which is a great challenge. To develop the new routes, one will need to exercise one's economic skills. The second challenge will be the complexity of transit issues e.g. to bring gas from Iran, one needs to go through at least five different countries and even six or seven in the case of Turkmenistan. All of those countries have different regulatory regimes and their own needs, which increases the complexity of legal, administrative and business issues, noticed Hochart.

Nodari Simonia, Director of the Centre for Energy Studies of the Institute of World Economy and



**Mirosław Bieliński** President of the Board, ENERGA, Poland

International Relations from Russia reminds that European common energy policy based on the common gas market is widely discussed issue. Yet, each country has its own sources. There is no common infrastructure in Europe. Commissioner Piebalgs said that it is the most crucial energy project. The crucial question is "Why is it not being developed?" The conduct of the European Commission reminds operation of state planned and soviet state central distribution systems.

According to Simonia, this was the cause for the collapse of USSR. Until today, eastern Russia maintains stronger relationships with China and Japan than with Europe. When we hear about common energy policy, we see it as development of common policy against Russia. Recently, the US Department of Interior published a report, which stipulates that 60% of USA territory, where the potentially energy resources prevail are encompassed by moratorium with regard to exploration and exploitation of resources. This strategy is targeted at preservation of resources. If USA used these reserves, they could certainly help both Europe and other countries. Thus, who is to

## Vladimír Štěpan

Energy Analyst of the Ena s.r.o, Czech Republic

Today, the demand for gas is rising; although energy production in our region is based on coal. It is not about ensuring gas supplies from Russia. The gas has been supplied for 40 years and the supplies are trustworthy. Nonetheless, there is an issue of gas supplies diversification and gas transit routes. Russia is discovering new gas fields, yet they further inside the country. Thus, its transport will be more and more costly.

be blamed for high prices and problems with supplies – not Russia, it is rather USA. Russia delivers 151 billion of gas to Europe. But this is not a monopoly. Other countries deliver gas as well, so one cannot refer to a monopoly. Oil and gas are not ordinary consumer goods. Oil is traded on exchanges, but it is a faulty solution, since oil is a



**Valerii Kalchenko** Head of the National Electricity Regulatory Commission (NERC), Ukraine

strategic commodity, which today becomes the source of conflict. Exporters and consumer of energy stand on the two sides of a barricade. We need a new compromising mechanism of oil supply. As long as it is not changed, I can see no opportunities for the common energy policy.

For obvious reasons, unconventional energy has great future. Currently, 16% of global demand for energy is supplied by nuclear power plants and the figure is still rising. One may identify four factors, which support the efficiency of investments in nuclear energy:

1. The demand for energy is still growing worldwide, while traditional energy resources are shrinking rapidly.
2. Nuclear energy generates less pollution for the natural environment.

3. It is more efficient in terms of economy through maintenance of continuous supplies.

4. As far as politics are concerned, nuclear energy allows states to become independent of foreign supplies.

An additional advantage of nuclear energy is relatively equal distribution of uranium ore deposits and its fairly easy mining. Unconventional energy obtained from wind or thermal sources should go hand in hand with nuclear energy. World is going to need more and more energy in the future. Unlike wind, which is not always blowing, atoms work 24/7/365, which ensures continuity of supplies. At the beginning, it was assumed that reactors may work for 20-25 years. At present, the reactors may operate from 40 up to 60 years. A good example of correlated cooperation of unconventional energy

## Report Presentation: The Annual Energy Outlook 2008 prepared by the Energy Information Administration (EIA)

and nuclear energy is Sweden, where during spring thaws, more water is being gathered. As a result, the nuclear energy production is diminished and the water flow through turbines is increased.

Many countries lack political will for future solutions and new nuclear technologies. The fundamental issue for the development of atomic energy is to create legal grounds. Obviously, each state may follow its own energy priorities. I hope you will make the best choices for your countries.

“Types of energy used in Europe basically include oil and gas; the share of nuclear energy is 15%, coal - 18%, alternative energy sources such as wind or solar power - 6%”, reminded Igor Lobovskiy, Director of the Global Energy International Prize Foundation (Russia).

In his opinion, energy strategies of many countries mean departure from carbon-based energy and incline towards mixed types of energy. We need serious research in the field of energy, especially in the area of renewable energy. In 2002, Russia established the International Global Award in the Area of Energy to bring to light all valuable developments. The project of an experimental thermonuclear reactor ITER was recognized in 2006. The Project on hydrogen energy in Island developed by Thorsteinn Ingi Sigfusson was rewarded in 2007. This year the reward was given to E.Volkov (Russia) and C. Bowman (Canada) for „know-how” on artificial oil. Thus, a tendency to reward for achievements in the field of non-standard energy sources allows us to formulate an opinion on the existence of a global tendency for research development in this area.

Andor Nagy, Deputy Chairman of the Environmental Committee of the Parliament of



## Nodari Simonia

Director of the Centre for Energy Studies, Institute of World Economy and International Relations, RAS, Russia

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## Jerzy Brniak

President of BP Polska, Poland

Nuclear energy will become more widely approved as soon as states introduce greenhouse gas reduction legislation.

Hungary, believes that climate changes may be interpreted as political changes, since they are strongly interdependent. We should not import alternative energy sources, but instead we should develop our own renewable energy sources.

Renewable energy constitutes 5% of the entire energy potential in Hungary. By 2020, the figure should grow up to 13%. The question is what should be its source – fuel or food products. Bio-fuel sector plays a crucial role in agricultural production. It must be remembered that alternative energy sources are for free. It is technology, which is expensive. Collaboration among Poland, Romania and Hungary is indispensable for the achievement of the optimal energy development.

Russia has a great renewable energy potential and specific possibility for its practical use. Technical potential is a factor, which may be



### **Andor Nagy**

Deputy Chairman of the Environmental Committee, Parliament of Hungary

We should not import alternative energy sources, but instead we should develop our own renewable energy sources. Renewable energy constitutes 5% of the entire energy potential in Hungary. By 2020, the figure should grow up.



### **Dusko Corak**

Director of the Institute for Nuclear Technology, Croatia

The first crisis was caused by diversification, the second was related to Russia, what about the next? The next crisis may definitely be caused by polluted atmosphere. The energy must become clean. I would also like to underline that there is one very specific system – it is the electric system. It is very crucial – its price, unlike the price of oil, is very stable. Let us not forget that we will need more and more energy and this demand may be satisfied only by nuclear energy.



## Antonio de Almeida

Chairman of the Supervisory Board of Electricidade de Portugal

On the one hand, the EU countries want to endorse their ethical values; nevertheless, on the other hand, the energy resources – oil and gas – are located mostly in politically unstable states which sometimes pursue unacceptable policies, not to mention the fact that they increase oil and gas prices, when they wish to do so. In effect, European energy policy has become extremely complex. It is exceptionally difficult to develop a unanimous policy, since each state attempts to solve its problems on its own. In addition, Member States are dependent on North African pipelines, whereas other on Russian or Azerbaijani pipelines.

achieved by means of the existing technologies, and which is estimated at the level of 15 million tons per year as oil equivalent. On the other hand, the economic potential of alternative types of energy in Russia is at the level of 250 up to 300 million tons, of which 33% corresponds to geothermal energy, 21-22 % to small water power plants and biomass each, 16% - low-potential heat, 3.5% - wind power and 1% - solar energy. "At present Russia focuses on development of small water power plants and bio-fuel production", noticed Igor Prokofyev, Deputy Director of the Russian Institute for Strategic Studies, Russia.

Jozsef Palinkas, President Hungarian Academy of Sciences, (Hungary) noticed that society is afraid of nuclear energy and this fear determines human attitudes. "It is of utmost significance that politicians and experts on nuclear energy speak about the issue in an unambiguous manner in order to show the general public the significance of a new industry (which goes back to 1950s).

In general, there are 435 nuclear power plants in the world generating 16% of global energy. The topical issue is the security of nuclear energy. During years of operation of nuclear reactors, two dramatic accidents occurred. One of them happened in Chernobyl.



**Martin Roman** Chairman of the Board, CEZ (Czech Power Company), Czech Republic



**Tibor Navracsics** Head of the Parliamentary Group of Fidesz, Hungary

The life of a nuclear reactor is 30-40 years. The issue of waste disposal still remains as well. As far as Hungary is concerned, more than 1/3 of energy production in the country comes from nuclear power plants. Hungarian Institute of Nuclear Research would like to provide clear answers to the best of its knowledge and present explicit and true information on nuclear energy industry as well as to educate the society about key facts regarding this branch as in our opinion society is afraid of nuclear energy.”



**Tomasz Zadroga**

President of the PGE (Polska Grupa Energetyczna), Poland

While Sweden is required to reduce 1 kg of CO<sub>2</sub> per each 1 kW of the energy used, Poland is obliged to more than 9. As a result, taking into consideration the costs of production and licences, an average energy consumer in our country has to double the amount to achieve this goal.

“Another issue we would like to stress is the fact that renewable energy and nuclear energy should be developed in harmony, not separately. Obviously, the nuclear energy industry entails some risk, while all concerns should be appropriately explained. Nevertheless, first and foremost, we should explicate the concept of nuclear risk.”, said Palinkas.

Karoly Gerse pointed out three major elements in favour of nuclear energy. Firstly, it is the cheapest energy. Secondly, it does not pollute the environment. It is important to clean up the atmosphere and not to pollute it. Thirdly, nuclear energy is very stable.

“CO<sub>2</sub> reduction is another crucial aspect. EU is going to grant 28 billion euros to reduce CO<sub>2</sub>. It shall be articulated that the nuclear energy is the most environmentally friendly. Furthermore, the costs of its utilization are far lower. Slovak government strongly supports research in the area of nuclear energy”, said Vladivoj Řezník, Engineering Manager of the Slovenske Elektrarne (Czech Republic).

## Igor Lobovskiy

Director of the Global Energy International Prize Foundation, Russia

Energy strategies of many countries mean departure from carbon-based energy and incline towards mixed types of energy. We need serious research in the field of energy, especially in the area of renewable energy.



**Konstantin Simonov** General Director of the National Energy Security Fund, Russia

According to Dusko Corak, Director of the Institute for Nuclear Technology from Croatia, the subject matter of the debate is not easy, since the predecessors indicated the most vital aspects of nuclear energy. In 1970, we went through the first energy crisis. Then, we did not think about nuclear energy as of our future. What happened in 1990s?

Another energy crisis shifted our way of thinking. First of all, the subject of CO<sub>2</sub> emission was touched upon. The first crisis was caused by diversification, the second was related to Russia, what about the next? The next crisis may definitely be caused by polluted atmosphere. Energy must become clean. I would also like to underline that



**Gérard Cognet** Delegate for Central Europe, Atomic Energy Commission (CEA), France  
**Jozsef Palinkas** President of the Hungarian Academy of Sciences, Hungary



**Vladivoj Řezník**

Engineering Manager of the Slovenske elektrarne, Czech Republic

CO<sub>2</sub> reduction is another crucial aspect. EU is going to grant 28 billion euros to reduce CO<sub>2</sub>. It shall be articulated that the nuclear energy is the most environmentally friendly. Furthermore, the costs of its utilization are far lower. Slovak government strongly supports research in the area of nuclear energy.

**António Vidigal** Chief Executive Officer,  
EDP Inovação, Portugal



there is one very specific system – it is the electric system. It is very crucial – its price, unlike the price of oil, is very stable. Let us not forget that we will need more and more energy and this demand may be satisfied only by nuclear energy.

Report on International Energy Outlook 2008 (IEO2008) presents the assessment of the prospects for the energy market by 2030, prepared by US Energy Information Agency (EIA). According to the IEO2008 reference outlook, reflecting the scenario in which the current regulations and policies remain unchanged, the demand for energy will grow by 50% in the forecast period. Total energy consumption will grow from 462 quadrillion BTUs in 2005 up to 563 quadrillion BTUs in 2015 and 695 quadrillion BTUs in 2030. Global energy demand is growing despite high level of oil prices. It is forecasted that this trend will not change in the long term.

An example referred to in the report IEO2008, global oil prices will fall from the current high level to approximately 70 USD per barrel in 2016; and then will skyrocket up to 113 USD per barrel in 2030. In the production period encompassed by IEO2008 analysis, the level of global oil prices nearly doubled, from 63 USD per barrel in May 2007 (commencement of works specifying price assumptions) up to 134 USD per barrel in June 2008 r., (IEO2008 results are published on EIA website).

Price fluctuations made this year's forecasts a particular challenge. Increases and decreases of oil prices cause a lot of uncertainty. In 2030, the prices will fluctuate between 69 USD and 186 USD



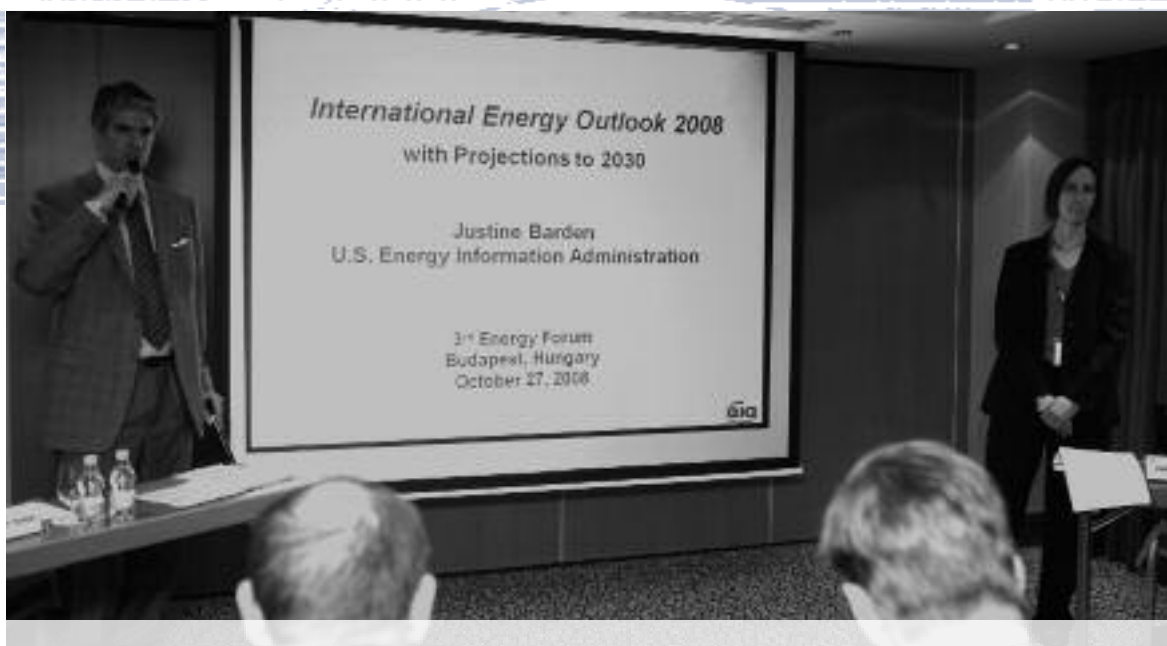
## Gala Dinner in the Hungarian Parliament

per barrel, while the corresponding liquid fuel consumption will oscillate between 122 million and 99 million barrel per day.

IEO2008 underlines the potential significance of unconventional sources of liquid fuels and other oil products. It is expected that unconventional resources (including oil sands, extra heavy oils, bio-fuel, coal-to-liquid technologies and production of synthetic petroleum based on natural gas) from OPEC countries as well as from other states will become more in the period reviewed in IEO2008. Global production based on unconventional resources, which in 2005 amounted to barely 2.5 million barrels per day is to increase up to 9.7 million a barrels per day in 2030



**António Ramos Preto** Chairman of Committee Local Government Environment and Territorial, Parliament of Portugal



**Maximilian Teleki** President of the Hungarian–American Coalition, USA

**Justine Barden** Economist of the Energy Information Administration (EIA), U.S. Department of Energy

## Igor Prokofyev

Deputy Director of the Russian Institute for Strategic Studies, Russia

Russia has a great renewable energy potential and specific possibility for its practical use.

Technical potential is the factor, which may be achieved by means of the existing technologies, and which is estimated at the level of 15 million tons per year as oil equivalent. On the other hand, the economic potential of alternative types of energy in Russia is at the level of 250 up to 300 million tons, of which 33% corresponds to geothermal energy, 21–22% to small water power plants and biomass each, 16% – low-potential heat, 3.5% – wind power and 1% – solar energy

in the reference example and up to 19.0 million barrels per day in case of high prices. Exorbitant oil prices may force many clients to turn to other fuels as soon as it is possible. For instance, a shift to other fuels as well as profits related to increase in efficiency delay the increase of the use of oil in the industrial sector. It may be expected that these trends will become even more intensive in the case of high prices stipulated in IEO2008.

Renewable energy is the fastest developing fuel in IEO2008– 2.1 % annually on average. Higher prices of fossil fuels, in particular, natural gas in electric energy sector as well as government policies and programmes supporting renewable energy allow maintaining economic competitiveness of renewables.

The use of coal as fuel is growing instantly as well. According to IEO2008 is the second most

often use source of energy, while its use is growing at the rate of 2% per annum. IEO2008 forecasts are based on regulations applicable in USA and other states as of 1 January, 2008. Potential impact of analysed and proposed legislation, regulations and standards was not taken into consideration in the forecasts. Likewise, the influence of legislation for which no implementation mechanism were disclosed, was not considered. Facing the lack of policies/legislation reducing coal consumption, it is expected that the United States, China and India will switch to coal instead of using more expensive fuels. In total, the three states represent 90% of the forecasted global growth in 2005-2030.



**Matyas Eorsi** Chairman of the European Affairs Committee, Parliament of Hungary

**Mihaly Bayer** Ambassador-at-Large for Nabucco, Hungary

## Gala Dinner in the Hungarian Parliament

Speakers: **Joanna Stempińska** Ambassador of Poland,  
**Laszlo Mandur** Deputy Speaker of The National Assembly, Hungary



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