

GIE - SOFIA 9/6/2016

Ladies and gentlemen!

I'm very glad to greet you at this significant conference. Please let me express my gratitude to our friends from GIE who provide us every year with this unique opportunity to share our experience and views on the current position and the future of gas infrastructure and gas industry.

It is symbolic, both from professional as well as from my personal point of view that today we are meeting here in Sofia, the capital of the country most impacted by the natural gas crisis in 2009. It was my first week in the office for the President of the European Council when the deliveries of Russian gas via territory of Ukraine were interrupted on 6<sup>th</sup> January 2009, exactly on the day when Bulgarians celebrate Epiphany, or Yordanovden.

Natural gas crisis was the first very important task I had to deal with in my new office and I have to say that those long days without a single cubic meter of gas being delivered via Ukraine taught us a lot. This time made us recognise the importance of stress tests we are performing now. This time has clearly shown us the regions lacking energy infrastructure and last but not least this time has proven that the way how solidarity works in real life is limited.

From that time the EU natural gas market has made a significant progress. The energy industry landscape is changing fast and European gas sector is no exception. Presently we witness structural changes, such as considerable decrease in gas prices, decreasing trend in EU's indigenous production combined with expectations of rising share of gas in the EU's energy mix, driven namely by environmental commitments of the European policy-makers.

However, now, on the background of these changes, it seems to be appropriate to ask what steps we have taken in order to prevent the situation from the 2009 from repeating. How have we improved our gas transmission infrastructure and gas industry as such from the point of view of the energy security?

From this perspective, 2009 event pointed very clearly at Central-Eastern Europe as the most vulnerable region in the entire Europe. Lack of infrastructure in North-to-South direction, enabling the region to better diversify its natural gas portfolio has been identified as one of the key elements causing high dependence of the region on the single natural gas source, being delivered via single corridor. Nevertheless, despite the introduction of many tools for improving this situation, like European Energy Programme for Recovery or Connect Europe Facility funds, I must say that the current situation in the many CEE countries is not too far from that of 2009.

In this light, I highly appreciate and welcome the initiative of the relevant Bulgarian ministries and Bulgartransgaz, the gas transmission system operator hosting this event.

I respect their ambition to create the Bulgarian natural gas hub, which would be a very important step towards enhancing security of supply of Bulgaria and its neighbours. After its realisation, each particular part of the infrastructure creating this hub will enable Bulgaria and the Balkan region to be more diversified in supplies of natural gas. To highlight its most important parts I would mention the Greek-Bulgarian and Turkish-Bulgarian Interconnectors, enabling Bulgaria to get access to the gas from LNG terminals, or from the Caspian region, delivered via prepared projects TANAP and TAP. And last but not least also Eastring project, which may in the future serve as a backbone of the entire idea of natural gas hub in Bulgaria because of its ability to connect Balkan region with natural gas from various sources both from the East and the West.

Despite the fact that diversification of the transmission routes for natural gas is an important element of the EU priority list, every single step in order to achieve our common goal in improvement of security of supply, must be balanced and respect utmost interests of all European countries. And thus, in consideration of the future steps in development of the energy infrastructure we must avoid decisions leading to inefficient investments, having detrimental effects to the existing infrastructure. In this respect we confirm that we see some potential risks in expansion of the Nord-Stream project by adding another 2 pipelines, doubling existing capacity to 110 bcm/year, without appropriate safeguards put in place for Ukrainian transit.

Given the facts of estimated future growth of natural gas consumption and decrease in domestic production, we understand future increasing trend of share of Russian gas in the natural gas consumption of the EU member states. In this respect we also accept the Nord-Stream expansion to the extent the increased capacity will be able to cover additional demand of Germany and other countries in the Western Europe.

However, we cannot be supportive to the solution which would serve for complete by-pass of deliveries of natural gas via territory of Ukraine. This is due to the fact that such by-pass could be to the detriment of the EU energy security as such. Unless long-term gas transmission across Ukraine is secured in reasonable volumes, we could easily find ourselves in a situation where the existing 140 bcm of Ukrainian capacity is left for degradation and the addition of new 55 bcm is in this scenario clearly not an improvement, but worsening of the situation. That is why we need to seek a setup where everybody will be a winner.

Ladies and gentlemen, distinguished guests,

Although we need to deal with many difficulties, I am very happy to see some strong and positive signals for the future. I highly appreciate that the Bulgarian and the Slovak TSOs have agreed on today's signing of a Memorandum of Understanding on the cooperation in development of the mentioned Eastring project which is very important milestone in the future realisation of this important gas link between Western and South-Eastern Europe.

This project with PCI status will provide Western shippers with possibility to supply Balkan countries from European hubs and will be ready for future gas imports to Europe from well-established and also alternative sources – the Black Sea area, the Caspian region or from the Middle East.

Let me take this advantage to thank everybody from both Bulgarian and Slovak side who made this possible. I am convinced that after such steps and successful realisation of the envisaged projects, my experience from the 2009 gas dispute will become just history and we will forever manage to overcome the security of supply issues in this region.

Thank you for your attention.

Mirek Topolánek