



CEEP
Central Europe Energy Partners

REPORT



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December 2012



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3rd European Coal Days, 2012

The '3rd European Coal Days, 2012', held at the European Parliament in Brussels, from the 13th to the 15th of November, were organised by Members of the European Parliament, Dr. Christian Ehler and Bogdan Marcinkiewicz, with the support of Central Europe Energy Partners, EURACOAL, and the World Coal Association, and involved both the Goethe Institute and the European Economic and Social Committee. The conference largely focused on highlighting the value and importance of coal in the global energy-mix and finding out to what extent could coal become 'green'.

our energy-driven civilization, our way of life. He declared, that "CEEP is convinced that the



Dr. Christian Ehler, MEP

Bogdan Marcinkiewicz, MEP

1st day: Working breakfast: 'Coal Industry across Europe'

Janusz Luks, the CEO of CEEP, welcomed everyone at this CEEP-sponsored session, stating his personal opinion that the world needs to utilise all of its existing resources to sustain

use of various indigenous energy resources is the key to a sustainable development of the European energy sector." "Coal is the 'backbone' of electricity generation," he added, and supported his statement by revealing that last year's coal's share in global consumption was

To our readers and contributors,

As we distribute the fourth edition of the CEEP Report, at the end of over two fruitful years for CEEP, we feel that it is an opportune moment to not only send you "Season's Greetings", but also to "wish you a prosperous New Year". The latter wish is particularly relevant in these uncertain economic times.

We believe that the price of CO₂ will not be detrimental to further development of the EU's industries using BAT technologies, which is strongly expected to increase the EU's competitiveness, decrease unemployment and lead to greater decreases of CO₂. Commissioner Oettinger's recent remarks regarding the importance of a strong EU industrial policy to safeguard competitiveness appear to support our viewpoint. So, we feel 'the pendulum is swinging our way' with attitudes changing for the better and a deeper understanding emerging in the energy world.

May LNG terminals increase in number, interconnectors keep connecting, energy security become more secure, fossil fuels get cleaner, and renewables develop: all these will allow us a freer distribution of energy in the EU, whilst strengthening our energy security. Shale gas deposits, for instance, appearing to be present in many European countries in abundant quantities, could transform some economies, as was the case in the United States.

Wishing you all a successful and sustainable future,

Pawel Olechnowicz, Chairman of the Board of Directors
December 2012

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3rd European Coal Days, 2012

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at its highest since 1970. In light of such figures, he bemoaned the fact that public awareness of the role of coal in modern economies is virtually non-existent, whilst policy-makers fail to strike a balance between promoting the fuel and mitigating its polluting effects.

The next speakers were the two ‘Coal Days’ organising MEPs, Dr. Ehler and Bogdan Marcinkiewicz, who three years ago, decided to start crucial discussions about the role of coal in Europe and its promotion within the European Parliament. The latter stressed that coal reserves are huge, whilst its availability and price stability ensure that coal’s input is still increasing. He further quoted estimates from the International Energy Agency, which show that by 2050, coal will be the primary source of energy for the world, and its share in the global energy-mix will not fall below 50%.

Dr. Ehler emphasised the need to return to economic basics, and reject ‘the world of energy symbolism’. He perceived the EU’s energy-mix as being “ecological, not economic,” and was saddened that it does not seem to recognise that low prices of electricity are crucial for industry and the EU’s economic recovery, because coal is behind those factors. He duly called for coal to be very much part of the European energy market.

The keynote speech was presented by Dr. Joachim Witzel, board member of Matrai Eromu ZRT, who spoke about Hungary’s ties with coal. He illustrated the point that coal is a cornerstone of energy supply in his country, with lignite and coal making up about 80% of the country’s solid fuel reserves. A new coal-fired power plant planned by Matrai had recently fallen victim to the uncertainties connected with the EU emis-



Panel discussion: Bogdan Marcinkiewicz – MEP, Gina Downes – Eskom, Irfan Ali – TharPak Consortium, Samuele Furfari – European Commission, Milton Catelin – World Coal Association, Nikki Williams – Australian Coal Association, Rober Kozłowski – Jastrzębska Spółka Węglowa



Filip Grzegorzczuk – Proxy of the Board, Acting Director for Energy Development of Kompania Węglowa S.A.



Jerzy Buzek – Former President of the European Parliament

sions trading scheme, and Dr. Witzel was concerned about the urgent need for investments on the one hand, and a lack of a reliable EU energy-policy framework on the other.

WCA/EURACOAL Workshop: ‘Does a prosperous world economy need coal?’

A wide range of international speakers positively addressed this issue, from their own experiences, and the first one, Samuel Furfari, from the European Commission, asserted: “the EU needs coal, but with CCS technologies”. He went on to claim that “coal can be green.” Dr. Nikki Williams, CEO of the Australian Coal Association, also agreed with the call for investment in new technologies for cleaner coal, especially when coal provides Australia with 54% of its electricity generation. Gina Downes from Eskom Holdings, South Africa, showed how coal had helped alleviate energy poverty in her country, with over 4 million households being electrified between 1991 and 2011. Irfan Ali, of TharPak Consortium, Pakistan, stated that his country had no background history of coal mining, yet Pakistan’s estimated coal reserves are at the level of 172 billion tons of coal at the moment! The final speaker, Robert Kozłowski, from Jastrzębska Spółka Węglowa S.A. focused on how Poland and Australia had rapidly modernised their mining energy-saving systems.

International Round Table on Coal: ‘Clean Coal Technologies’.

During an interesting panel discussion, Bogdan Janicki, CEEP’s Senior Advisor, emphasised that we need financial foundations to develop new technologies, and pointed out that CCS was not yet commercially viable. So, much work needed to be done, especially as progress on CCS development had been slow. He

3rd European Coal Days, 2012

>>> CONTINUATION from p.2

expects support from banks for financing new coal-power plants with an efficiency of at least 45%. He underlined that a low allowances price within the ETS scheme, would be helpful for new state-of-the-art technologies, which will lead to a decrease of CO₂, rather than an increase in the price of allowances which is detrimental to new urgently-needed investments in the EU.

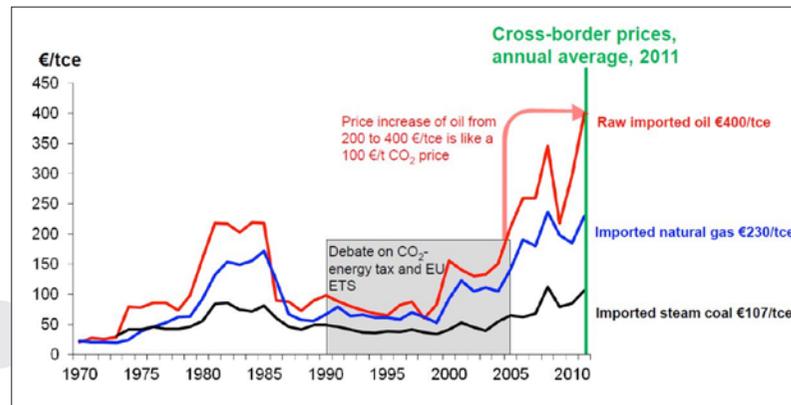
Yoshiko Sakanashi, Executive Vice-President, Electric Power Development Company (JPower) felt that now was the time for coal to be re-valued in Japan, and was firmly in favour of CCS technologies.

High-level dialogue: 'The social and regional dimensions of coal in Europe'.

The many less-obvious advantages of coal were discussed in this session, and Ricardo Gonzalez Mantero indicated how coal had helped revitalise other sectors of industry and reduced unemployment in Spain. Other speakers argued that the EU's current policy caused dependency on energy imports, whilst Kazimierz Grajcarek, Chairman of the Secretariat of Mining and Energy, NSZZ Solidarność (National Committee of "Solidarity") maintained that "decarbonisation was destroying the Polish economy."

Dinner Debate hosted by the European Energy Forum on Coal: 'the global picture'.

Professor Jerzy Buzek, MEP, chaired this particular event, where Dr. Johannes Lambertz claimed that total world coal production reached a record level of 7,678 Mt in 2011, whilst 41% of global electricity in 2010 was generated in coal-fired power stations. All the speakers, therefore, agreed that coal is the 'central pillar in the global energy-mix'.



Graph title: Coal as the cheapest source of energy.
 Source: EURACOAL, Statistik der Kohlenwirtschaft
 Data: partially provisional (position: 03/2012)

3rd Day: Working breakfast event hosted by Salvador Garriga Polledo (MEP):

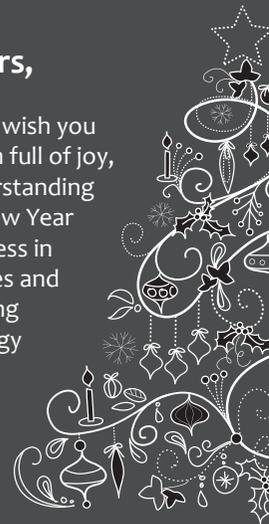
This session was notable for Dr. George Milojčić's outlining of a three-phase modernisation strategy for clean coal, which included the following features: reducing emissions, modernisation of existing plants, construction of new 'state-of-the-art power plants, development of high-efficiency power stations, and new technologies for CO₂ capture and storage. It was a typically professional and positive dynamic on which to close the memorable 3-day event.

Please visit a link: www.ceep.be/www/Gallery/10/pages.html where you can find pictures from the event

To our readers and contributors,

We feel privileged to wish you Merry Festive Season full of joy, warm feelings, understanding and love. May the New Year bring you every success in your professional lives and bring closer the lasting and sustainable energy security for Europe.

Tadeusz Jacewicz
 Editor-in-Chief
 December 2012



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CENTRAL EUROPE ENERGY
 PARTNERS, AISBL
 ROND POINT SCHUMAN 6
 (BOX 5)
 ETTERBEEK (B-1040 BRUSSELS)
 BELGIUM
 BRUSSELS@CEEP.BE
 TEL: +32 22 34 6368
 FAX: +32 22 34 7911

4th Annual Baltic Energy Summit



Panel discussion

The 4th Annual Baltic Energy Summit in Tallinn on November the 14th and 15th, of which CEEP was a media partner, invited professionals from Estonia, Finland, Latvia, Lithuania, Norway, the Netherlands, the United Kingdom, Switzerland, the United States and Russia to share their views, not only on their own national energy policies, but to focus on inter-regional projects, with their evaluated aspects and reachable results in the upcoming years. Market dynamics, prices for energy resources and investments in infrastruc-

ture, demand that regional Energy leaders need to be flexible in terms of co-operation.

The discussions basically covered natural gas, electricity generation and supply, renewables and the role of nuclear power. The international natural gas market, with strong competition driven by innovations, has an impact on the level of prices. The Baltic States have started to compete on their incentives and implementations of a number of LNG import terminals. However, the project owners

a meeting of Energy sector leaders from the Region

have to pay attention to the fact that prices will depend on the costs of the projects and traditional supply by the hubs. Experts underlined, that mid-way supply could be a project related to the Polish hub, with a link to the other European interconnectors.

Speakers underlined the importance of BE-MIP as a roadmap for interconnecting Baltic markets with the Nordic countries and the EU, but it comes with the specific requirement that the regional market should reach competitive and liberalised markets. Yet, what is more important is that fast integration with European markets will expose the Baltic region to economic challenges.

The panellists from various institutions agreed that the main drivers of energy policy should be – security of supply, self-reliance, competitiveness, and common European targets by 2020, along with a reduction in greenhouse emissions.

Statement
by the Chairman of the Board of Directors, CEEP, on the occasion of the European Parliament's vote on shale gas which took place on the 21st of November 2012



Paweł Olechnowicz, Chairman of the Board of Directors

I warmly welcome the European Parliament's full support for the exploitation of shale gas. It clearly shows that the Parliament shares the view that the exploitation of shale gas in the EU would be a fundamental step towards ensuring our future sustainable energy production and consumption, without substantially increasing our energy dependency. I also fully agree with Parliament's view that environmental and health concerns will have to be taken seriously and companies will carry a high responsibility for the well-being of our societies and the forces of nature. CEEP stands ready to continue its dialogue, both with the Commission and with the European Parliament, about the best way forward to promote the responsible extraction of shale gas.

The EIB ready to promote energy investments



Dear Members,

We need to bring to your attention the important news that the European Investment Bank (EIB) is launching a public consultation, as part of the review of its energy sector lending policy.

The EIB works closely with other EU institutions to implement EU policy. As the largest multilateral borrower and lender by volume, it provides finance and expertise for sound and sustainable investment projects which contribute to furthering EU policy objectives.

In 2011, the European Investment Bank lent 8.6 billion euros in support of the investments in the energy sector in European Union Member States and EFTA, with less than 1 billion for the EU-11 Central European countries. The total sum of the loans for the MSs and EFTA so far, has reached over 54 billion euros, of which only 10 billion has been used for the EU-11 countries.

The Bank is currently in the process of reviewing its Energy Sector Lending Policy in the light of market and EU policy developments, and is seeking the views of external stakeholders to provide input for this review. The EIB Energy Sector Lending Policy recognises the potential positive effect that investments in fossil fuel

power plants will generate when state-of-the-art technologies are applied.

Due to the facts stated above, it is extremely important for the EU-11 energy sector to express its opinions and statements on these issues. CEEP, as a regional association, is in a good position to send a powerful, written contribution. Therefore, we would like to kindly ask you to prepare your perspectives on these issues and send them to us by the 20th of December, 2012, so that we can compile a common stance for CEEP to take. CEEP's contribution will be sent to the EIB before the 31st December, 2012, and will be published on the EIB's website.

Furthermore, we can inform you that the public consultation meeting took place on the 7th of December in Brussels. This meeting was open to all interested stakeholders and offered the opportunity for an exchange of views directly with the EIB's staff about the Bank's energy sector lending policy and the key issues at stake within the review.

Please familiarise yourself with the necessary details on the website below:

<http://www.eib.org/about/partners/cso/consultations/item/public-consultation-on-eibs-energy-lending-policy.htm>

THE FUTURE OF CARBON CAPTURE AND STORAGE AND PARTIAL RE-USE IN HUNGARY



Gyorgy Falus

Ph.D. in geology; expert in energy management Geological and Geophysical Institute of Hungary (MFGI)

Deputy-head of the Department of Data Processing Hungarian representative for EU CCS projects: EU GeoCapacity, CO₂NET EAST, CGS Europe, CO₂Stop Leader of national CCS assessment and private financed R&D projects National representative of CCS EII

By Gyorgy Falus

Hard hit by climate extremes, mitigation actions, and adaptation to the rapidly-shifting environment is an ‘all too familiar’ Hungarian tale. Sustainability, however, is only one of the factors in the realisation of national energy strategy, as it has to establish a brittle balance between security of energy supplies and remaining competitive, in a highly-challenging economic atmosphere.

The current situation of Carbon Capture and Storage and partial re-use (CCSR) is not satisfactory anywhere in Europe, even if coal is ‘here to stay’, as more and more energy experts’ studies show. The declining demand for electricity, along with the continued agony of low carbon prices result in struggling CCSR development. Final investment decisions are delayed or cancelled, whilst European demonstration actions (i.e. NER300) fail to deliver the required number of projects essential for commercialisation of

the CCSR technology by 2025. Undoubtedly, this seriously threatens the EU’s ambitious 2050 emissions reduction targets. There is increasing pressure on Brussels to strongly back further research and development in CCSR, so as not to lose the EU’s leading role in technology development and implementation. At the same time, the US, Australia and China progress steadily forward and Europe risks moving from technology provider to technology importer.

Coal is practically the only energy source that is available, in excess, to meet domestic demands. All other energy sources are complemented by imports in Hungary, resulting in an over 60% import dependency on primary fuels. Therefore, environmentally-sustainable use of coal cannot simply be disregarded. Furthermore, for several regions blighted by unacceptably-high rates of unemployment, the re-opening of coal mines and the revival of related industry is seen as the ‘only way out’. Connected to CCSR technologies, these

facilities would enable Hungary to fulfill its climate mitigation goals, whilst, at the same time, it would improve its energy security conditions and ease social tensions. However, all this comes at an unknown cost, unfortunately.

The geological storage of carbon dioxide, the bottleneck of CCSR technologies - many say, has a unique, almost 50 year-long history, bolstered by a still-existing team of experienced experts and companies in Hungary. Recent assessments indicate that there is the potential to safely store and later, partially re-use over 50 times the amount of CO₂ emitted annually from large point sources. This potential, when amalgamated with sustainable biomass-based energy sources, brings negative carbon emissions closer than ever to reality. Fortunately, the Government is open to the idea of exploiting Hungary’s promising potential and facilitating pilot CCSR projects, which could contribute to commercialisation of the technology worldwide.

SHALE GAS DEBATE

Competitiveness : the most important assumption of the Gallois report

By Witold Nieć

Louis Gallois, French General Commissioner for Investment, wants to rebuild France's strong position. He wants to act quickly and decisively. Amongst a package of actions presented in a memorandum, published in early November, there are about twenty action proposals – which government and administration should take up - in order to improve the competitiveness of French industry. It is within these actions that the return to research on techniques of shale gas extraction can be found.

Commissioned by the left-wing government, the memorandum 'PACTE POUR LA COMPÉTITIVITÉ DE L'INDUSTRIE FRANÇAISE' ('Pact for the competitiveness of French Industry') presents the state of French industry and the economy as 'exceptionally alarming'. This euphemism covers up the growing budget deficit, dramatically disturbed balance of trade and the decreased share of industry in GDP (gross domestic product).

Confusion over shale gas

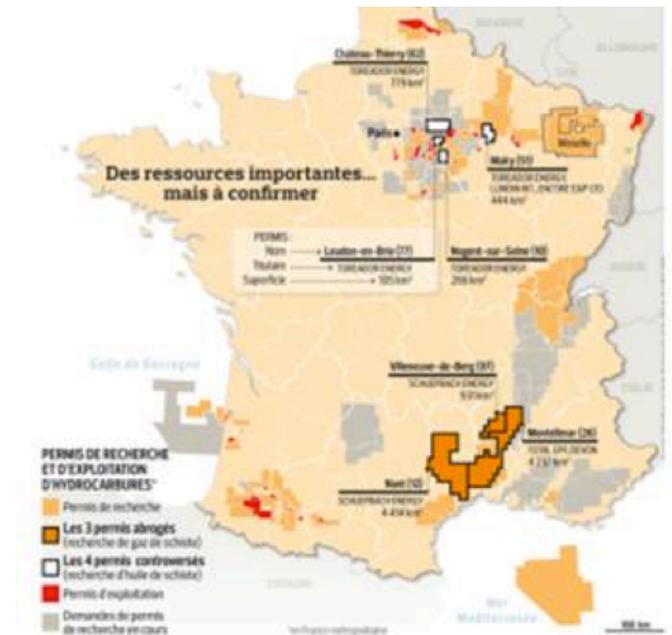
Commissioner Gallois also proposes tough economic nationalism. "Make the state's support for the actions of big companies dependent on their co-operation with suppliers and associated contractors" he writes directly. The energy aspect of the 'Pact

for the competitiveness of French Industry' report remains the most important section for us.

One of the most important postulates is the indication of an immediate resumption of shale gas extraction research. Therefore, Gallois has strongly and clearly backed up French industrialists, who continuously put pressure on the government to revoke the ban on shale gas extraction in France. According to the experts, utilised by the left-wing government, shale extraction could be a chance for the stagnating national industry, which is reflected in the report:

"We stand for continuing the research on shale gas extraction. Moreover, France could come up with Germany with an initiative and propose a solid programme for their European partners. Shale gas extraction is a hope for reindustrialisation, it has been proven in the United States (where gas is 2,5 times cheaper there than in Europe) and substantially reduces the pressure on trade balances."

This is not an 'isolated voice'. French experts have emphasised the economic benefits associated with the prospect of development of the unconventional gas sector for some time. Amaud Montebourg, the Minister of Industrial Renewal, remains a supporter of these views. Often contrary to the President, he declares that the matter of shale gas remains 'on the



table' and France has to be open to opportunities associated with its extraction on the country's territory. It should also be noted that Minister Montebourg emphasises that the extrac-

SHALE GAS DEBATE

Competitiveness : the most important assumption of the Gallois report

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tion of shale gas in the U.S. has led to an active reindustrialisation of that country, which means a lot of new workplaces, of which France is lacking.

Persistence worthy of a better cause

Louis Gallois's report met with immediate reaction from the press services of the Prime Minister of France, which upheld opposition to any research on shale gas exploitation in the country.

"This proposition has not been, and will not be accepted, and the message expressed by the President of the Republic (Francois Hollande) during the conference on environmental protection in September remains unchanged". This means that nothing will change in the next five years of the Presidency, that is until 2017.

It is worth recalling that the act adopted in June, the previous year, assumes that France must not extract shale gas and oil using the only currently available method – hydraulic fracturing. Future exploitation of this technique is not

excluded in the text, provided that it is done using environmentally-friendly methods. Based on these regulations, the previous right-wing government of France took away, in 2011, licences for shale gas extraction, which had been granted earlier (amongst others to TOTAL S.A.). In recent weeks, preceding the presentation of the 'Pact for the competitiveness of French Industry' report, favourable opinions for shale gas extraction have appeared among members of the French government. However, it is categorically opposed by 'the Greens', who form a coalition government with the socialists. The low cost of energy, in comparison with other European countries, is an asset to French industry, and an important element in maintaining businesses' margins, hence improving their ability to invest.

Witold Nieć,
Experienced journalist and editor specializing in the energy, chemical sectors and eastern markets

Si Power S.A. office launch in Warsaw



Si Power S.A. – a member company of Central Europe Energy Partners, AISBL (CEEP) – has just opened a new office in Warsaw, Poland.

The opening ceremony to mark the occasion was held on the 26th of November, 2012, accompanied by an exclusive conference with key speakers and important topics. Members of the Si Power Group presented the concept of 'safe investing' in Photovoltaics. Si Power S.A. offers project and building solar electric ground systems with capacity from 1MW to 500MW, on

very attractive financial terms.

Solar Photovoltaics is now, after hydro and wind power, the third most important renewable energy source in terms of globally-installed capacity.

Solar Power is becoming more and more popular. Solar energy is not competitive yet in comparison with conventional power sources, but one may observe a constant decrease in solar power production costs. The European Photovoltaic Industry Association (EPIA) has cautiously predicted that up to 2050, over 20% of all electricity will be provided by photovoltaics, which we may consider to be a very conservative figure.

All EU Member States are keen to meet targets related to the usage of renewables. Any energy source which contributes immensely to diversity of the energy-mix, and furthers efforts to acquire an increased energy security, is most certainly welcome. Photovoltaics can, therefore, be a vital cog in that wheel of diversity.

We wish Si Power S.A. all the best for the future with their business development in all Central and Eastern European countries.

STRONG CASE FOR COAL

By Péter Vojuczki



Péter Vojuczki, PhD, mining engineer

Failure of an Economic Model

Over the past 50 years in Hungary, the largest annual quantity of fuel consumption for electricity production was nearly as much as the quantity of heat produced by domestic coal mining in 1965. In the 1970s, coal processing dynamics were very innovative. Parallel to the rapid development of automation and mechanisation in underground mining, there was also a quick growth of more effective opencast mining production and re-cultivation of affected areas, including protection of the water base of the cooling natural areas. Power plants learned to use low calorific coals, and in an international perspective, the Heller-Forgó cooling tower patent was a leading-edge technology.

As a consequence of the introduction of these new methods, the 800 MW lignite-fuelled power plant came into existence, and instead of burdening the budget and relying on imports, has paid taxes and other dues, created new workplaces, increased the security of supply and generated electricity safely from domestic energy sources, at the lowest price up to the present day. The geological coal resources of the country amount to 8.5 billion tonnes, from which 4.3 billion tonnes are exploitable lignite. This amount would last for centuries, even if the country's entire electricity production was based on coal. Meanwhile, over the same time span, the country's energy consumption barely increased by one-fifth; therefore, it is indisputable that electricity production from domestic fossil energy sources would be available in a cost-effective way.

Politicians, however, had made the key energy decisions, despite warnings by the experts. After the 1970's, consumers settled on crude oil, natural gas, and nuclear power plants instead of coal. In the 1980's, nearly half of the energy production came from domestic energy resources, but today, almost 90 percent of the production relies on imports. Compared to coal-based processing, this restructuring requires

a significant amount of investment, the establishing transportation infrastructure, and new energy-producing capacities. As a result of increases in the price of imported energy resources, these have operated at low utilisation levels, have partly proved to be unnecessary, and on the level of the national economy, they have been persistently un-economic for decades. The data of the Central Statistics Office shows that the country cannot bear such consequences; the external trade deficit predominantly recurs in the main section of energy sources. The economic model basing development primarily on foreign raw material, capital, technology, and access to external markets, has essentially failed.

There is a lack of long-term internationally-verified experience regarding the political-, environmental-, technological-, financial-, and operational risks when introducing nuclear power plants and trans-continental pipelines. The comparative methodology of the global environmental risks of the entire process, including the mining, transportation, and utilisation of different energy sources, has not been clarified yet. This is one of the reasons why there is no acceptable explanation for the approach which views domestic coal as an inconvenience, - when it should be regarded as a basic resource - and thus is placed in a subordinate position or is simply 'forgotten' from hypothetical, political, energy programmes.

In opposition to the ruling political perspective, based on estimates of economic efficiency and the global environmental risks of using the entire process (mining, transport, utilisation, etc.) of different energy sources, the Hungarian coal sector of the energy industry strongly advises the renewal of domestic power production through the increased usage of domestic coal resources.

Peter Vojuczki (1946), PhD, mining engineer, mining economist, geology expert, member of both of the Hungarian Academy of Sciences, and the Russian Academy of Mining Sciences.



The LNG terminal in Poland, Świnoujście

LNG: 'Playing an important role on the energy map of Central Europe'

by Peter Whiley

The LNG terminal in Poland (Świnoujście) is the first infrastructure project of its kind in the whole of Central Europe, its main objectives including diversification of gas supply sources and heightening energy security in the region. The LNG terminal is due to be operational by the second half of 2014. It plans to initially receive 5 bcm/year of natural gas per year with further possible expansion by an additional 2,5 bcm/year.

CEO of Polskie LNG Company, Rafał Wardziński, outlining the value of the recent Market Screening (the 20th November, 2012), declared that “the capital invested in the construction of the LNG Terminal shall be used most efficiently to bring the best returns in the future, offering clients a wide range of business opportunities”. He added that the Market Screening would provide information about the demand for increased regasification capacity exceeding the volume currently offered by the Świnoujście LNG Ter-

terminal, as well as the potential for commercial usage of the tanks to provide LNG storage services. Market demand for other uses, such as LNG bunkering and LNG truck cistern loading services, could also be analysed.

The European Bank for Reconstruction and Development has provided a 75-million euro, 12-year loan to Polish grid operator, Gaz-System, to begin building the terminal. Other funding will come from the European Commission, via grants, the European Investment Bank, and the company's own finances. Total cost of the project is estimated to be 660 million euros.

The terminal will receive gas from Qatar around 1 bcm/year, but much of its import capacity will be reserved for gas imported on a spot basis from elsewhere, which is expected to not only lead to cheaper prices for Polish consumers, but for other Central European consumers as well, due to expanded gas interconnectors.

BBC on Poland's Cohesion Fund

by Peter Whiley

In recent years, Poland's infrastructural development has been vastly enhanced by EU funds, with new roads and transport networks built across the country, aided by billions of euros from EU funds, known officially as cohesion or structural funds. As the economic slowdown forces Europe to 'tighten its belt', those cohesion funds could now be greatly reduced, much to Poland's disquiet.

The value of that money was expressed by Poland's Regional Development Minister, Elzbieta Bienkowska, when she declared that "around 1% of our GDP growth since 2008 is because of EU money. That's almost 300,000 jobs." She added that "we would probably have made this progress in about 20 years if we had been forced to go it alone, without the EU's development money."

Cohesion funds are not supposed to function alone. There has to be a matching investment on a national level. In Poland, the result is that GDP per capita has risen from just over 40% of the EU average when it joined the Union in 2004, to nearly 70% now. However, as Chris Morris states in his BBC article, "Poland feels strongly that there is more to be done. It is still catching up."

Morris goes on to outline the re-assuring comments made to him by the UK's Europe Minister, David Lidington, on a recent visit to Warsaw. Mr. Lidington advocates cutting the money that richer countries, like the UK itself, receive for their poorer regions. "The idea," he said, "is that we can focus a limited, controlled EU budget much more effectively on the poorer member states. That means Central and Eastern Europe where it's really needed."

As for the forthcoming negotiations on the EU's budget, the Polish government has made it clear that it will resist pressure for many cuts, especially to cohesion funds. Poland's counterpart to the UK's David Lidington, Europe Minister, Piotr Serafin, assertively stated recently that "the EU budget is an investment tool...and smart fiscal consolidation cannot be concentrated on cutting investments."

Net contributors to the budget like the UK, Sweden, and the Netherlands insist that the answer is not to spend more, but to spend more wisely. Whilst Germany will probably 'take the lead' in looking for a compromise solution in the talks, Poland really wants the status quo to be maintained. So, for most Member States, it is a nervous time ahead, with a key question being: will the other countries in the EU-15 accept Britain's perspective regarding cohesion funds being concentrated in the EU-12? We at CEEP sincerely hope so!

(Article based on a BBC article: 'Poland's continuing claim on EU investment funds', by Chris Morris, - November the 15th, 2012).

