CEEP Central Europe Energy Partners REPORT

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No 1 (5), January 2013

CEEP in 2012

2012 was a good year. Central Europe Energy Partners, AISBL, (CEEP), acquired new members, whilst the Association's voice was getting more and more audible during the European debate. The year began impressively with the functional opening of CEEP's branch office in the German capital, Berlin, and then by presentation of Ernst & Young's commissioned report in Prague, with the support of its member - New World Resources (NWR). Autumn ushered in the CEEP Report, with monthly issues discussing topical subjects within the energy sector. A highlight of CEEP's 2012's activities was the adoption of the 'Budapest Memorandum' during the '29+1' Energy Summit in October. CEEP's strong profile rose again in November, as MEPs Ehler and Marcinkiewicz, together with CEEP, the WCA (World Coal Association) and Euracoal, organised the biggest coal event of the year in Belgium - the '3rd European Coal Days'- which took place at the European Parliament in Brussels. An exhaustive year ended with CEEP's drafting of a position on the European Investment Bank's Consultation Paper.

Reviewing the year, Paweł Olechnowicz, CEEP's Chairman of the Board of Directors, emphasised the Association's philosophy: "All actions taken by us in the past year were focused on an unequivocal position that CEEP directionally accepts the aims and objectives of EU climate and energy policy. However, the policy achieving these objectives, especially in terms of CO_2 emissions, should be modified, taking into account the economic balance and social costs, and the period of their achievement significantly extended". Janusz Luks, CEEP's CEO, added: "We believe that if industry is to remain strong and competitive in Europe, it makes sense to enable EU countries to use the cheapest and most readily available indigenous energy sources, with a simultaneous steady reduction in CO_2 emissions".

"Energy Summit 29+1", Budapest, Hungary, 11th-12th of October, 2012

Prague presentations

At the end of April 2012, in the capital city of the Czech Republic, CEEP organised and hosted a Conference titled: 'The Energy sector in Central Europe – Challenges, Opportunities and Pitfalls'. The most important element of this event was the presentation of a study commissioned by CEEP and prepared by Ernst & Young titled

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CEEP in 2012

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'Analysis of Central Europe's Energy Sector' (otherwise known as 'The Prague Report'), which comprehensively covered the main points suggested in the Conference's title.

"It was a milestone event, with presented data, analyses, and opinions of independent experts opening a new chapter in our activities", Janusz Luks reflected recently. "Someone may very well ask why this report was so important? The answer is simple - this document not only in a general sense, but also in some detail, shows our region of Europe, with particular emphasis on the energy sector in Central, Eastern and Southern Europe. This study examines the region's strengths and weaknesses, and depicts a highly accurate picture", he added.

The report was well-received by the Conference's participants, and also by the industry's experts and journalists. It has loudly said what was previously discussed unofficially. The challenges posed by the 'Energy Roadmap 2050' for the Central European region are daunting, and ask for too much. They will divide Europe and consolidate traditional divisions of rich and poor, merely serving to reinforce inequalities.

CEEP representatives declared and emphasised repeatedly that "the building of energy security has become a major European energy and climate policy objective." Energy security and energy demand, implies a responsible approach to the usage of energy resources by Member-States in the European Union. CEEP has noted its position that attempts to reduce the 20% agreed level by 2020 of CO_2 emissions by a further 10%, will decrease economic competitiveness across the EU, and will make it more dependent on external sources of energy.

The report was then presented in specially organised conferences in Katowice (Poland), Vilnius (Lithuania), Berlin (Germany), and Budapest (Hungary), and was delivered to key players in the energy sector within EU institutions and state administrations. It was received with enormous interest and was well-covered by the international media.

Central Europe Energy Partners: expanding and stronger

In the last year, CEEP's membership expanded, with six new entities joining, representing all areas of energy sector activity.

On the 1st of January, 2012, Central Europe Energy Partners welcomed two new members to its ranks – PSE Operator S.A. from Poland and TRANSPETROL a.s. from Slovakia. PSE Operator S.A. is a national transmission systems operator with activities focused on electricity supply, which is based on a transmission network and is in line with guidelines and clear rules, ensuring equal treatment of parties and due respect for the environment. Transpetrol a.s. – is the only operator of the crude oil pipeline transportation system in the Slovak Republic, and is one of the strategic enterprises in the Slovak economy. The company mirrors the stability of the country in its financial results, such as turnover, profit, and its number of employees.

In June 2012, the photovoltaics company, SI Power SA, whose shareholders and partners are global leaders in the photovoltaic industry, joined CEEP. The company deals with comprehensive project management, document preparation, and the construction of 'top-of-the-range' solar power plants all across the globe, as well as manufacturing components for solar power plants. On SI Power S.A.'s initiative, a modern implementation-production centre of solar energy will be built in Poland.

In July 2012, a Hungarian electricity company, Mátrai Erzomu, joined CEEP. The second largest producer of electricity in Hungary, it provides the domestic market with about 13% of electricity.

In August, the PETROLEUM-GAS UNIVERSITY OF PLOIEŞTI became a member of CEEP. A unique school, it has for 155 years been related to the formation and development of mining and the refining industry in Europe.

Polskie Górnictwo Naftowe i Gazownictwo SA (PGNiG SA – Polish Oil and Gas Company) - One of the largest and oldest companies in Poland, became the eighteenth member of CEEP's association in September. PGNiG SA is the leader of the Polish gas market. Its history dates back to the 19th century, a period of large-scale beginnings for Polish and world oil industries. PGNiG SA for many years has, in fact, been engaged in dialogue related to reducing negative climate changes.

CEEP today represents 18 organisations from 6 Central European EU Member States, whose annual turnover (based on 2012 figures) exceeds the level of 32 billion EUR, whilst the number of employees passes the 250,000 mark. We assume that in the near future, CEEP will be even more representative of the region, and its importance in relations with EU institutions will rise further.

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CEEP in 2012

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Energy Summit '29 + 1' Conference: - The Budapest Memorandum

In mid-October, on CEEP's initiative, the Energy Summit '29+1' took place. It was the first meeting of its unique type in the history of the energy sector in Central Europe, where '29' stands for the number of CEOs and Members of Boards of Directors of leading energy sector companies from Central Europe, and '1' stands for the EU's Commissioner for Energy, Mr. G. Oettinger, who was in a 'hotseat' facing tough questions. The event was entirely devoted to issues related to the challenges for Central European countries as posed by the 'Energy Roadmap 2050'. As a result of the discussions, a Memorandum was accepted by a majority of the participants as a guideline for CEEP activities, until the next '29+1' Conference planned for Vilnius in the autumn of 2013.

"The Conference was the best proof that Central Europe is not only able to speak with one voice, but also that we should, and can, work together. The meeting was a truly extraordinary experience and exceeded our wildest expectations", declared Mr. Olechnowicz. Most significantly, it was possible to conduct a frank and open dialogue between representatives of the Central European energy sector and Mr. Günther Oettinger, the EU's Commissioner for Energy. It was also an opportunity for participants to meet and talk over common issues or concerns regarding energy policy in the region.

The Energy Sector in Central Europe – Challenges, Opportunities and Pitfalls', Prague, Czech Republic, April 23rd, 2012

CEEP's Future Vision:

"CEEP participates in work related to the potential possibilities of using shale gas and oil shale. We discuss fossil fuels, nuclear and renewable energy. To meet the expectations of CEEP members in 2013, our association wants to pay more attention to the possibilities of using all sources of energy in the national energy-mixes of all countries in Central Europe", stressed Mr. Olechnowicz.

He did, however, emphasise that coal cannot be denounced, as it will help the EU in its drive for competitiveness, due to its cheaper power. Employing new BAT technologies will enable us to reduce CO_2 emissions substantially, as we replace old power plants with new ones and create new jobs, whilst at the same time, realistically adhering to the environmental regulations. As a result, "we (CEEP) will do our best to strengthen the energy security of the EU", he promised.

Marcin Bodio
Director
Planning&Research Co-ordination
Central Europe Energy Partners AISBL

2013 - TOUGH BUT STABLE

Year 2013 looks tough but stable, according to a number of macroeconomic and financial forecasts. There are many unsolved issues but also a feeling that crisis may slow down. Some signs look even optimistic, particularly in the energy sector, which may be stabilizing on the reasonable solutions basis. In our editorial policy we will support this process in any way we can.

All the best in 2013!
CEEP Report Team

CEEP REPORT
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THE MARKET OF HARD COAL

Jerzy Podsiadło,
Chairman and Chief Executive Officer of WĘGLOKOKS S.A.

Current and future evaluation from a polish perspective

By Jerzy Podsiadło

In 2011, the world's production of hard coal reached the level of 6.9 billion tonnes, and in comparison to the previous year, increased by 240 million tonnes. In the same year, coal output in the EU-countries amounted to 130 million tonnes. It was a drop by 3 million tonnes, as a consequence of a further fall in coal production in Germany, the United Kingdom and Spain.

In Poland, the biggest producer of coal in the European Union, the 2011 total hard coal output amounted to 75.7 million tonnes – a drop by 0.5 million tonnes from the previous year. According to the data for the period from January to September 2012, production of coal in Poland reached 58.3 million tonnes and grew by more than 2 million tonnes in comparison with the same period in 2011.

While in 2010, the world economy seemed to be recovering from the crisis, which resulted in a dynamic rise of coal turnover, demand declined in 2011. The international hard coal trade totalled 1,042 million tonnes – a drop of 1.0%, compared to 2010. As the seaborne trade grew, a significant drop of cross-border deliveries was observed. In Poland, growing demand for coal on the domestic market led to a decrease in coal exports. In 2011, Polish exports of coal dropped by more than 4 million tonnes, reaching 6.1 million tonnes. According to current estimates, total hard coal exports from Poland will exceed 6 million tonnes in 2012.

The international coal trade data from 2009 until 2011 is shown in the following chart:

For the time being, the estimated data on imports of coal into the European Union in 2012 is not yet available. Based on the figures for 2011, the European Union imported 198 million tonnes, 16 Mt more than in 2010. At the same time, 15 million tonnes of coal were imported into Poland. In 2012, however, a visible downward trend can be observed. According to statistics for 9 months, 7.2 million tonnes were imported - a fall by 4.1 million tonnes compared to the first three quarters of 2011. In the whole year of 2012, the imports of hard coal by Poland will probably not exceed 10 million tonnes, so the result will be considerably lower than in 2011.

Reviewing the situation of the world coal market in 2012, it can be stated that the year was 'a buyer's market'. The main factors contributing to the decrease of coal prices on the European market were a high level of stocks, a general weakening of demand for coal in the EU Member States, and the increasing use of renewables.

Both a decline in demand for coal and falling prices, particularly in the first half of 2012, was also observed in the Asia-Pacific Region. This was caused mainly by low demand for imported coal in China. The symptoms of weakening demand could be also observed on the market of coking coal. The biggest steel producer in the world – China, has limited its production, and consequently its imports of coking coal. Similar symptoms appeared in other major steel producing regions, i.e. in Europe and Brazil.

Although the current situation on the coal market has been marked by oversupply, there are some indicating factors announcing the in-

World coal trade	2009	2010	2011	Change 2010/2011	
	Mt	Mt	Mt	Mt	%
Seaborne Trade	859	963	978	+15	+1,6
Cross-Border Trade	57	90	64	-26	-28,9
TOTAL	916	1053	1042	-11	-1,0

Source: VDKI

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THE MARKET OF HARD COAL

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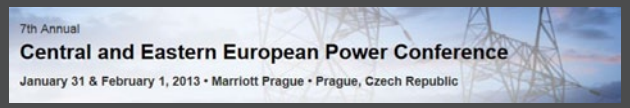
crease of demand for coal in the years to come. Long-term forecasts predict that the position of coal as an energy source will remain strong. According to the predictions of the International Energy Agency, the global demand for primary energy until the year 2035 should grow by one third, with coal remaining the second-largest fuel for electricity generation. Long-term forecasts of increasing demand for coal apply, above all, to the Asian market, and in particular, to China and India. Their economies are set to grow much faster than in Europe and the USA. Furthermore, it can be expected that in Asia, coal will remain the basis for energy generation, by contrast with the energy sector in Europe and the USA, where the drive to diversify their energy sources is strong. The World Resources Institute estimates that power companies across nearly 60 countries have proposed building 1,200 coal plants, with a total capacity of 1,400 GW.

In Europe, there are also signs of a gradually growing share of coal in power generation. Already in the second half of 2012, a growth in coal-fired energy generation has been reported in the United Kingdom, Spain, France and Italy. In Britain coal has been a more advantageous choice than the relatively expensive natural gas. According to forecasts in 2012, the total use of coal there is set to grow by 23%, whilst the imports of steam coal may reach 30 million tonnes. In 2011, they amounted to 26.3 million tonnes.

Generally, in European countries, one can observe a change in attitude towards coal-fired power generation. Coal has started again to be perceived as an energy fuel of high-supply security, while the costs of its usage are much lower than in the case of renewables. At present, there are more than a dozen investment projects to build conventional utilities, among others in Germany, France and United Kingdom. In 2009, in the energy sector of the European Union, a total of 19,000 MW of new capacity was installed, of which 750 MW were coal-fired units. According to some analysts, this situation is supposed to change. Within ten years, the capacity of newly-installed coal-fired units will grow to 7,500 MW. Construction of these new coal-fired utilities will result in a significant reduction of CO_2 emissions, due to the fact that parallel to them being built, the capacities of old coal-fired units will be systematically shut down.

Thus, the increasing use of coal does not imply rising emissions of CO_2. Independently of the modernisation process, intensified research and development work on new combustion technologies are in progress, with the aim of reducing to the minimum, its harmful effects on the environment. The European Union allocates enormous financial means for researching, developing and implementing CCS technologies. New clean combustion technologies may support and considerably promote coal as a safe fuel for power generation in many countries. The measures which have been already undertaken, confirm continuing interest in coal by European Union countries.



We have great pleasure in informing you that CEEP is a Supporting Partner for the 7th Annual Central and Eastern European Power Conference, which is taking place in Prague, from the 31st January to the 1st February, 2013.
The 7th Annual Central and Eastern European Power Conference is the region's longest-running and best attended forum for representatives of CEE power providers, power plant developers, regulators, traders, financiers and market analysts. The participants in 2013 will convene in the Czech capital to discuss how to continue the development of sustainable power generation in Central and Eastern Europe.

Questions to be answered at next year's conference include...

- What are the strategic generation ambitions of major regional utilities such as CEZ, MVM, Elering and Slovenské elektrárne in 2013 and beyond?
- How are renewable incentives and support schemes affecting wholesale prices and new building projects in the region?
- What can be learnt from Chinese-financed power generation projects most notably in the Balkans?
- NPP Temelín update - What is the future of the new nuclear units in the Czech Republic?

CEEP MEMBERS WILL RECEIVE A 25% DISCOUNT ON THE REGISTRATION FEE FOR THIS EVENT.

We are pleased to announce that CEEP will be a media partner for the 4th Annual Adam Smith Ukrainian Energy Forum (UEF-13), which will take place from the 25th to the 28th of February 2013, at the Hotel Intercontinental in Kyiv. UEF-13 is the meeting-place for the Ukrainian and international energy communities – 300 attendees from over 20 countries annually.
The official programme can be viewed at: **www.UkrainianEnergy.com**

UEF-13 is honoured that both the Ministry of Energy & Coal and the Ministry of Ecology and Natural Resources are once more actively and officially supporting the forum and will be joined by the leadership of a number of state agencies and companies, including: NAK Naftogaz, State Geological Service, Verkhovna Rada, Chornomornaftogaz, State Agency for Energy Efficiency, State National Projects Agency and Ukrgazdobycha.

CEEP MEMBERS WILL RECEIVE A 15% DISCOUNT ON THE REGISTRATION FEE FOR THIS EVENT.

Position of Central Europe Energy Partners Concerning The European Investment Bank's Consultation Paper

December 30, 2012

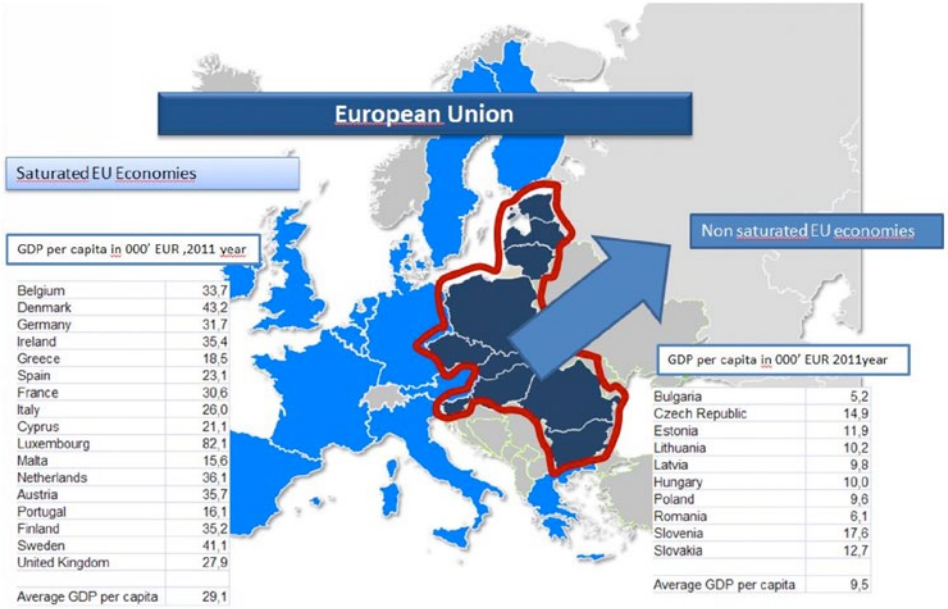
1. Central Europe Energy Partners (CEEP), welcomes the initiative of the European Investment Bank, and its readiness to consult publically on the review of its lending policy for the next few years, bearing in mind the profound changes in the EU economy.

2. The main challenge for the EU today, is to overcome the crisis situation with all its hazards, and avoid negative phenomena, such as shrinking investments, rising unemployment, and high energy prices, leading to a decrease in the EU's competitiveness, vis-à-vis the United States, China, India, Brazil, and to some extent, Russia.

3. We realise that although the European Investment Bank (EIB) will not solve all the above problems, it has substantial instruments to help overcome the crisis.

4. Under current economic conditions, deep differences between the economies of the EU-15 and the rest of the EU (Central European countries) still remain, despite the evident successes of cohesion policy. According to our calculations, based on Eurostat data, the average GDP per capita in Central Europe is three times lower than in the EU-15. A big challenge for the EU remains how to speed up the rate of progress of the cohesion and investment policy and allow the Central European countries to catch up with the rest of Europe.

5. The graphs below illustrate this situation:



Source: prepared by CEEP based on Eurostat

Position of Central Europe Energy Partners Concerning The European Investment Bank's Consultation Paper

December 30, 2012

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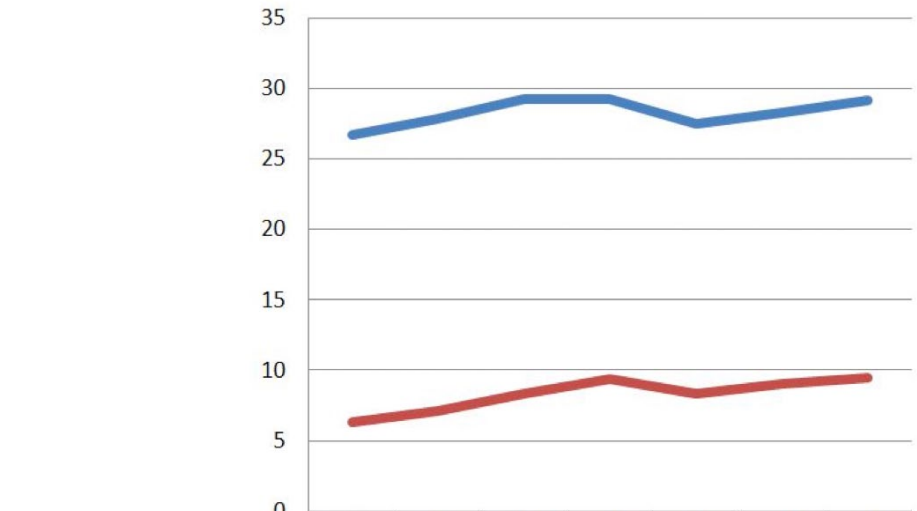
GDP per capita (000'EUR) UE27



	2005	2006	2007	2008	2009	2010	2011
saturated economies	26,7	27,8	29,2	29,2	27,5	28,3	29,1
non saturated economies	6,3	7,1	8,3	9,4	8,3	9	9,5

Source: prepared by CEEP based on Eurostat

6. CEEP expertise is mostly in the area of the Central European energy sector, and consequently, the opinions expressed below, concern mainly issues related to CE energy sector investments and project financing, within the broader context of EU energy and energy security policy.
On October the 12th, 2012, CEEP organised in Budapest, a Round Table Debate: '29+1' Energy Summit with the EU's Commissioner for Energy, Mr. Guenther Oettinger, and key energy industry leaders from Central Europe. Common opinions and concerns, raised during the debate, have been put in a form of a Memorandum, which you will find attached to this document, for your perusal. A majority of the issues discussed in Budapest could, in our opinion, be relevant to your review.

7. It is understandable that the EIB is not able to cover all investment needs of the EU; that is why some priorities should guide where money is most urgently needed for investments. It is difficult to suggest the criteria in a sequential order, because many of them should be considered as having an equal weighting. We have tried to list some of them below, bearing in mind that all investments should be economically feasible.

7.1. GDP criteria – the countries with lowest GDP per capita should have the highest priority.

7.2. The cheapest source of energy, especially indigenous, including fossil fuels (coal, peat, oil shale, gas – both conventional and unconventional) and renewables. Nuclear energy should not be excluded.

7.3. The level of CO_2 emissions decrease as a result of the investment. Europe has got the chance to modernise its coal-powered power plants, replacing the old ones with new ones. On average, we can achieve in Central Europe a decrease of more than 30% of CO_2 emissions, and get the cheapest power needed for enhancing further development. We do not understand such comments as, for example, the Centre for European Reform calling for the stopping of the EIB's carbon subsidies. Such a position doesn't seem to take into considera-

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Position of Central Europe Energy Partners Concerning The European Investment Bank's Consultation Paper

December 30, 2012

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tion tremendous technological progress. The energy efficiency of coal-powered plants has increased, on average, by 15-20%, which translates into a 30-40% decrease in CO_2 emissions. New developments, which have already been announced, indicate another possibility of a 10% CO_2 emissions decrease. The EIB support for investments into new, more efficient power plants with an efficiency for hard coal of a minimum 45%, and for lignite – 43.5%, will contribute to a further significant CO_2 emissions decrease. The successful German example, as concerns newly-commissioned lignite power plants, illustrates the above thinking.

7.4. BAT technologies – one should realise that CO_2 emissions per capita in the EU-27 is much higher than the average, for this indicator, for Central European countries. Yet, for Central European countries to catch up with the EU-15, they have to invest much more. New investments developing the country's potential can lead to more CO_2 emissions, but this is the most important way to redress the economic balance. How to solve this dilemma? According to us, if the investor proves that he is going to use BAT technologies, such investment should be supported by the EIB. Overall, we are convinced that CO_2 emissions will not increase per capita, if the CO_2 decrease policy, coupled with the investments policy, are both observed by Central European countries.

7.5. Energy Efficiency – This is a very rich opportunity to decrease energy consumption. Energy efficiency principles should be applied, not only to civil engineering and more efficient grids, but also to stimulate technological progress in the industry, as for example - point 7.3.

7.6. Energy Security – The EU is still a very big importer of energy sources, that is why the importance of indigenous sources of energy is so vital. A crucial part of this is that the EU, and especially Central European countries, are not sufficiently covered by electrical grids, gas and crude oil interconnectors, as well as storage systems. We believe that investments into those aspects of the industry should, and will be supported by the EIB.

8. CCS – As the EIB asked energy stakeholders to express their opinions, CEEP would like to underline the following: CEEP welcomes CCS technologies which are economically viable. Practically, there is no technological barrier to the capture of CO_2 for the time being. The main conceptual obstacle is where to store the captured CO_2, and who will be responsible for the management of storage sites for the next hundreds of years. To our knowledge, there is not one country in the EU which has a clear concept of how to solve the problem. It means that the above economic problems,- the problems of storage and management responsibility, - have not been solved yet. Under such circumstances, a compulsory legal EU requirement to develop new energy sector projects as "CCS – ready" may lead to many of them being dropped and/or difficult to credit. This, in turn, will run contrary to the current needs of EU economic policy and global competitiveness of the European economy.

9. CEEP's intention was to raise some key issues which we believe will be of value to the EIB. CEEP stands ready to answer any ensuing questions and looks forward to further engagement with the EIB on issues of common concern.

P-S- BUDAPEST MEMORANDUM – SEE NOVEMBER 2012 ISSUE OF CEEP REPORT

Janusz Luks
CEEP CEO

SLOVAKIA AND HUNGARY TO MODERNISE 'FRIENDSHIP 1' OIL PIPELINE

Slovakia's long-existing 'Friendship' pipeline, transporting Russian oil supplies, will get competition from a link to Adria, two years from now.

Slovak oil refinery SLOVNAFT, Slovak oil-pipeline system operator TRANSPETROL and the international oil and gas group MOL (a majority owner of SLOVNAFT) signed on the 5th December, 2012, a Memorandum on co-operation in modernising and improving the transport capacity of the ‚Friendship 1' oil pipeline between the Slovak village of Tupa (Levice district, Nitra region) and the Hungarian town of Szazhalombatta.

The memorandum is a precondition for Slovnaft and Slovakia to provide quality alternative oil supplies through ‚Friendship 1', which will be linked to the Adria pipeline.

The ‚Friendship 1' oil pipeline between Slovakia and Hungary is getting a 60 million euros upgrade to more than double its capacity to 6 million tonnes from 2.5 million a year, which will cover all of Slovakia's needs.

Source: IEA 2012

This will significantly help to boost Slovakia's energy security and long-term sustainability. ‚Friendship 1' will ensure short- and long-term supplies from the Croatian coast.

The pipeline will also be able to provide reverse flows of oil from Slovakia to Hungary, Croatia, Bosnia and Serbia, which means that Slovakia will gain strong regional importance as a transit country.

The pipeline is 130 km long with 120 km in Hungary and 10 km in Slovakia. Work and operations on the Slovak part will be carried out by TRANSPETROL, whilst MOL will be responsible for the Hungarian section.

The parties to the memorandum agreed to co-ordinate work on the oil-pipeline system and co-operate in order to make sure that the modernised pipeline can be put into operation as soon as possible.

Gas Interconnection: The Poland – Slovakia project

Good progress is being made towards the integration of the pipeline systems of Poland and Slovakia. As one of the elements of the North-South Gas Corridor, it is intended to ensure that the required conditions for diversification and stability of gas supplies to both countries is achieved, as well as the development of a competitive gas market in the entire region. The connection of the Polish and Slovak transmission systems (a prospect after 2016) may enable Polish entities to access supplies from the so-called Southern Corridor, which is intended to supply gas from the Caspian Sea region. The project, apart from ensuring access to gas offered on the Polish market, including LNG, may, in the future, offer the Slovak market the possibility of receiving supplies of the commodity from the deposits of shale gas in Poland.

The Parties to the project are GAZ-SYSTEM – the operator of the Polish transmission system, and Eustream a.s. – the operator of the Slovak transmission system. The Polish-Slovak gas interconnector is part of the North-South Gas Corridor concept, which will connect the transmission systems of countries in Central and South Eastern Europe, constituting a key element in the process of establishing a single European gas market in Central Europe and ensuring the security of gas supplies. The assumption is for the Corridor to connect the Polish LNG Terminal in Świnoujście - (with a possible source of supply from the Norwegian Continental Shelf – the Baltic Pipe) - with the planned LNG Terminal on the Croatian island of Krk (Adria LNG), and with the potential South corridor via interconnectors between Poland, the Czech Republic, Slovakia and Hungary. Many international and domestic gas pipelines in all countries in the region, both new and existing lines, will contribute to the construction of the Corridor.

GAZ-SYSTEM S.A. and Eustream a.s. have signed the contract for a feasibility study on the conditions for implementing this gas pipeline interconnection. The winner of the tender is GAZOPROJEKT S.A, which will co-operate with the recognised consultancy firm, Ernst & Young, and the Slovak company - GasTech s.r.o. The analysis will specify the business requisites for the project, and will provide information about the general, technical, economic and environmental conditions, as well as other constraints required for its fulfillment. The study will be comprised of two analytical parts. The first one will specify the business environment for the project. The second part will cover issues related to implementation of the project, e.g. a detailed technical description, economic assumptions, cost identification, economic analysis, and evaluation of the project in the context of environmental protection and the potential time schedule for the construction. The study should be completed and ready in the first quarter of 2013.

The companies expect to obtain co-financing for the project from the European Union, within the Trans-European Energy Network (TEN-E) Programme. They have filed a joint application for co-financing of the project under the name: 'Study: Initial feasibility study of the Poland-Slovakia interconnector (business analysis and preparation of initial feasibility study).' The amount applied for is 210,000 EUR, which constitutes 50% of the total estimated costs of the project. Information received recently from the European Commission, states that the application has been classified for funding (the formal requirements were met by the application, and it obtained the required amount of points). This means, that the project will most probably receive co-financing of up to 50% of the costs incurred.