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Slovakia and Hungary on gas supplies to Ukraine

Jakub Groszkowski, Andrzej Sadecki

The largest Slovak gas recipient, the state-owned *Slovenský plynárenský priemysel* (SPP) has been receiving less and less gas from Russia for a month now. In recent days, the reduction has amounted to about 50%; in September SPP was receiving 15% less gas on average. Gazprom has blamed the supply reduction on technical problems and the procedures for filling the storage tanks. The Slovak Prime Minister Robert Fico considers these explanations to be unreliable, while reassuring the public that the reduction of supplies from Russia does not threaten individual customers. SPP is preparing for possible further problems with deliveries, ensuring that it has access to alternative supplies from Austria and the German market (via the Czech Republic). In this way, SPP is ready to meet 30% of daily gas consumption. In addition, the SPP's storage tanks are almost full. Due to additional expenses incurred in connection with the reduction of supplies from Russia, Slovakia is seeking compensation from the EC.

The Slovak government has announced that it will not cease sending gas through its territory to Ukraine. Hungary, however, did opt for such a step on 25 September. After this decision the supply of Russian gas to Hungary via Ukraine increased by about a third. According to the Hungarian gas transmission system operator FGSZ, the suspension of gas shipments to Ukraine was a result of an increased demand for Russian gas. Prime Minister Viktor Orbán said that Hungary expressed its solidarity with Ukraine, but not at the expense of its own energy security.

Commentary

- By restricting supplies to Slovakia, Russia has reduced the amount of gas available on the EU market, and contributes to the increase in gas prices on European markets. This makes it difficult for Ukraine to acquire gas on Western markets at a competitive price, with respect to the fee proposed by Gazprom in its long-term contract. Gas customers in Central Europe are further victims of the Kremlin's policy, as they will be forced to buy usually more expensive gas on the spot market.
- Although Slovakia has criticised the sanctions against Russia, and opposes the deployment of additional NATO forces on its territory, it still cannot count on the favour of the Kremlin, as it could not during the gas crisis of 2009; especially as gas from Western Europe (up to 10 bcm per year) has been passing through Slovakia to Ukraine since September. The Slovaks are avoiding direct conflict with Gazprom (e.g. at the Court of Arbitration), but they have called for support from the European Commission, which

insisted that Slovakia launched reverse flows to Ukraine. Now from the Slovak perspective maintaining them is intended to help Slovakia obtain compensation for its increased expenses on the gas spot markets, and to ensure stable supplies from the West if the gas crisis should worsen.

- Although in recent months Ukraine has imported gas from Hungary at below the available capacity, in winter the role of reverse flows could increase. The transmission was closed three days after Gazprom chairman Aleksei Miller met Prime Minister Orbán in Budapest. Hungarians have explained this decision by the need to increase supplies from Russia to fill up their storage facilities for the winter. As a result of previous neglect, by late September they were only 62% full. However, against an annual consumption of around 9.3 bcm (which in part is covered by supplies from Austria), even these reserves (3.8 bcm) would cover Hungary's needs for several months, irrespective of whether deliveries via Ukraine are suspended.

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