

Slovakia's actions in preparation for the expiry of the Ukrainian-Russian transit agreement

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On 4 and 17 December, Slovakia's Minister of Economy, Denisa Saková, travelled to St. Petersburg for talks with Gazprom's leadership. The minister was accompanied by Vojtech Ferencz, the CEO of Slovenský plynárenský priemysel (SPP), Slovakia's main gas company. The Ministry of Economy and SPP have declined to disclose the details of the meetings, stating only that the media would be informed once concrete outcomes were achieved. They described the visit as a "continuation of a series of talks with representatives of countries involved in the supply and transport of strategic resources". According to media reports citing anonymous sources within domestic gas companies and diplomatic circles, intensive preparations are underway to secure the supply of Russian gas through alternative means.

Regarding the expiry of the Russian-Ukrainian transit agreement at the end of this year, following a meeting of the EU's energy ministers on 16 December, Saková confirmed Slovakia's "desire to conclude discussions on the continuation of gas transit through Ukraine by the end of the year". SPP, for its part, has confirmed that Vojtech Ferencz and Gazprom Export have been holding 'regular' talks, which are set to continue until the year's end. Simultaneously, the Prime Ministers of Ukraine and Slovakia engaged in discussions, following which the Ukrainian leader reaffirmed his government's stance that the Russian-Ukrainian gas contract would not be extended. He added that, should the European Commission formally request Ukraine to facilitate the transit of any gas other than Russian, Ukraine would remain open to negotiations and the implementation of the necessary agreements "to ensure the energy security of Europe and each of its nations".

Slovakia's two main gas suppliers, SPP and ZSE (the latter benefiting from an agreement with Poland's Orlen Group), announced earlier that they were prepared to manage the expiry of the transit agreement and ensure supplies for the entire year from non-Russian sources. This is particularly significant for SPP, which supplies 64% of the country's gas consumers and also serves as the 'supplier of last resort', stepping in to provide gas to customers of smaller entities in the event of bankruptcy. According to SPP's reports, the company has already secured contracts enabling it to meet 150% of consumer demand in 2025.

Commentary

- **Slovakia remains one of the EU countries most dependent on Russia for hydrocarbon imports, although this reliance has decreased since 2022.** It reduced its dependence on

Russian gas from 85% in 2021 to 50% in 2023. Similarly, the share of Russian oil in its imports fell from 100% in 2021 to around 90% (according to Eurostat) or approximately 75% (as reported by Slovnaft and the Slovak government) in 2023. In both cases, the country's geographical proximity to Russia reduces transit costs and discourages a faster transition to non-Russian supplies. Regarding natural gas, the import process often involves additional fees for the transport and regasification of liquefied natural gas. SPP has estimated that switching from Russian gas to alternatives would increase annual delivery costs by €140 million for the company itself and €210 million for Slovakia as a whole. Based on data from the Slovak Statistical Office, this would mean an approximate 6% rise in costs. According to Reuters, SPP has also acted as an intermediary in delivering Russian gas to Austria after Gazprom ceased supplies to OMV in mid-November.

- **Low energy prices are a priority for Slovakia's leftist-nationalist coalition, which returned to power in autumn 2023 after campaigning partly on such promises.** Within the ruling camp, there appears to be a prevailing belief that occasional friendly gestures towards Russia effectively safeguard the country against supply disruptions, a punitive tactic the Kremlin has sometimes utilised against countries it regards as hostile. SPP also argues that it cannot terminate its long-term agreement with Gazprom, which is valid until 2034, "without cause". Furthermore, the government in Bratislava has criticised Germany's so-called storage fee, a charge for transiting gas through German territory, labelling it another obstacle to transitioning to alternative sources of gas. It has been estimated that covering Slovakia's entire gas demand with transit through Germany would increase the costs of purchasing gas by over €22 million, or just under 1%.
- **Russian gas could still reach Slovakia in significant quantities from 1 January under agreements with Azerbaijan.** Last spring, Prime Minister Robert Fico and Minister Denisa Saková held talks on energy issues with Azerbaijani officials; in November, SPP signed a pilot agreement with SOCAR, Azerbaijan's state-owned oil and gas company. If the agreement is deemed successful, a long-term contract may be negotiated. At the same time, Azerbaijan has recently signed agreements on gas supplies with Gazprom and a gas swap agreement with Iran. This effectively ensures that Russia's overall role in gas supplies to Slovakia will not diminish, as the 'swap' arrangement allows Slovakia to physically receive Russian gas. Furthermore, for the transit of Azerbaijani (or any other) gas to be feasible, Russia and Ukraine would have to sign a new inter-operator agreement (the current one is part of the expiring transit contract). This would require them to sit down for talks, which is highly unlikely given today's political realities.
- **Russian gas could continue to supply Slovakia from 1 January under an agreement between SPP and Gazprom that would transfer the ownership of Russian gas to the Slovak company (or another party) at the transit point on the Russian-Ukrainian border.** Local media have explored this option, citing a "Slovak diplomatic source" who explicitly mentioned such a scenario, suggesting that it was among the topics discussed during Minister Saková's visits to St. Petersburg. According to officials from Slovak gas companies, this is a beneficial option for Ukraine, which would retain substantial revenues from transit fees. However, it could pose a greater risk to the security of the transmission network, which until now has not been targeted by Russian attacks.