OŚRODEK STUDIÓW WSCHODNICH IM. MARKA KARPIA
Centre for Eastern Studies

Gazprom's expansion in EU co-operation or domination?

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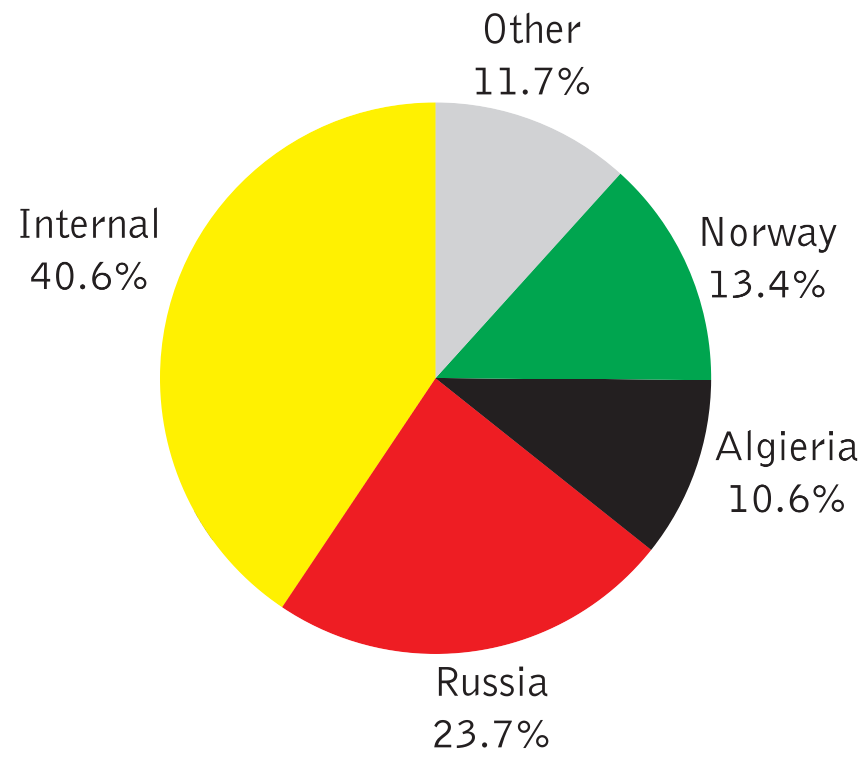
Gazprom's expansion in EU

- EU gas needs and import structure
- Gazprom's expansion in the EU:
  - Russian gas supplies to EU
  - Gazprom in EU gas infrastructure: state of being and plans
  - Gazprom on EU final gas market, intermediaries
  - Gazprom in EU non-gas sectors
- Case study of Gazprom's strong engagement in EU: Baltic States
- Case study of strong resistance to Gazprom investment plans: Poland
- Conclusions

EU25 gas sources

- EU domestic production satisfies about 40% of internal demand
- Main external sources of gas in EU were in 2006: Russia (40% of imports), Norway and Algeria (together another 40%)
- Other CIS producer's share in EU gas imports was negligible

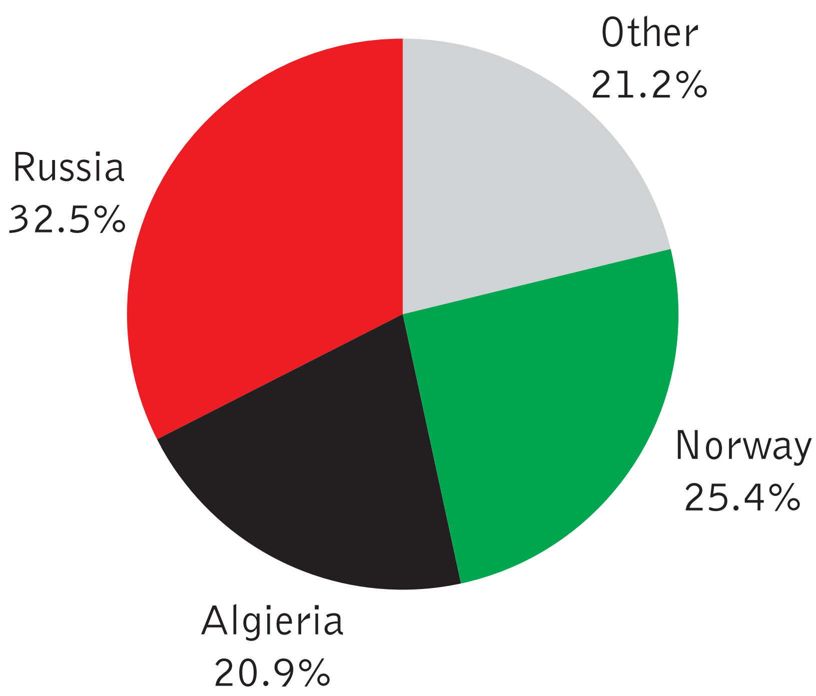


Data: IEA, Natural Gas Information 2007, for 2006

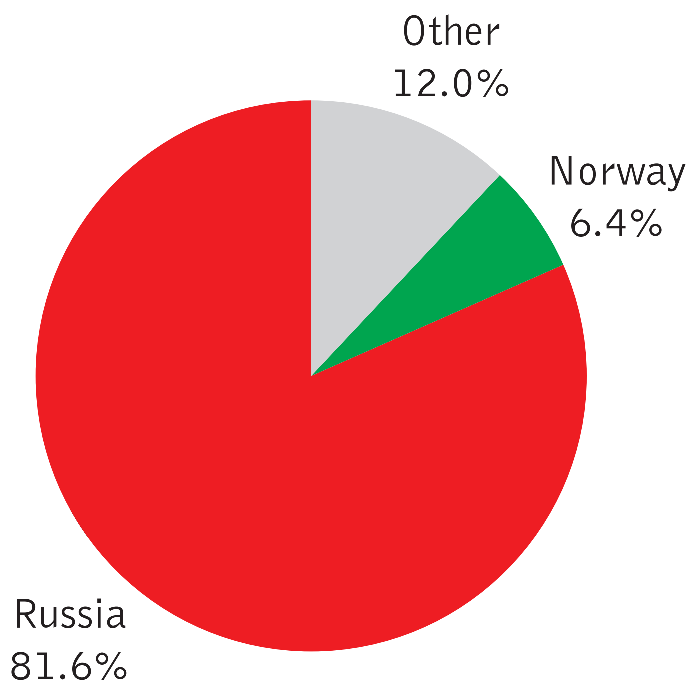
EU15 vs EU10 gas imports

- EU15 accounts for almost 90% of EU25 gas consumption, EU10 – 10%
- EU25 imports 303,6 bcm: 85% of that goes to EU 15, 15% to EU10

EU15 external gas import sources



EU10 external gas import sources



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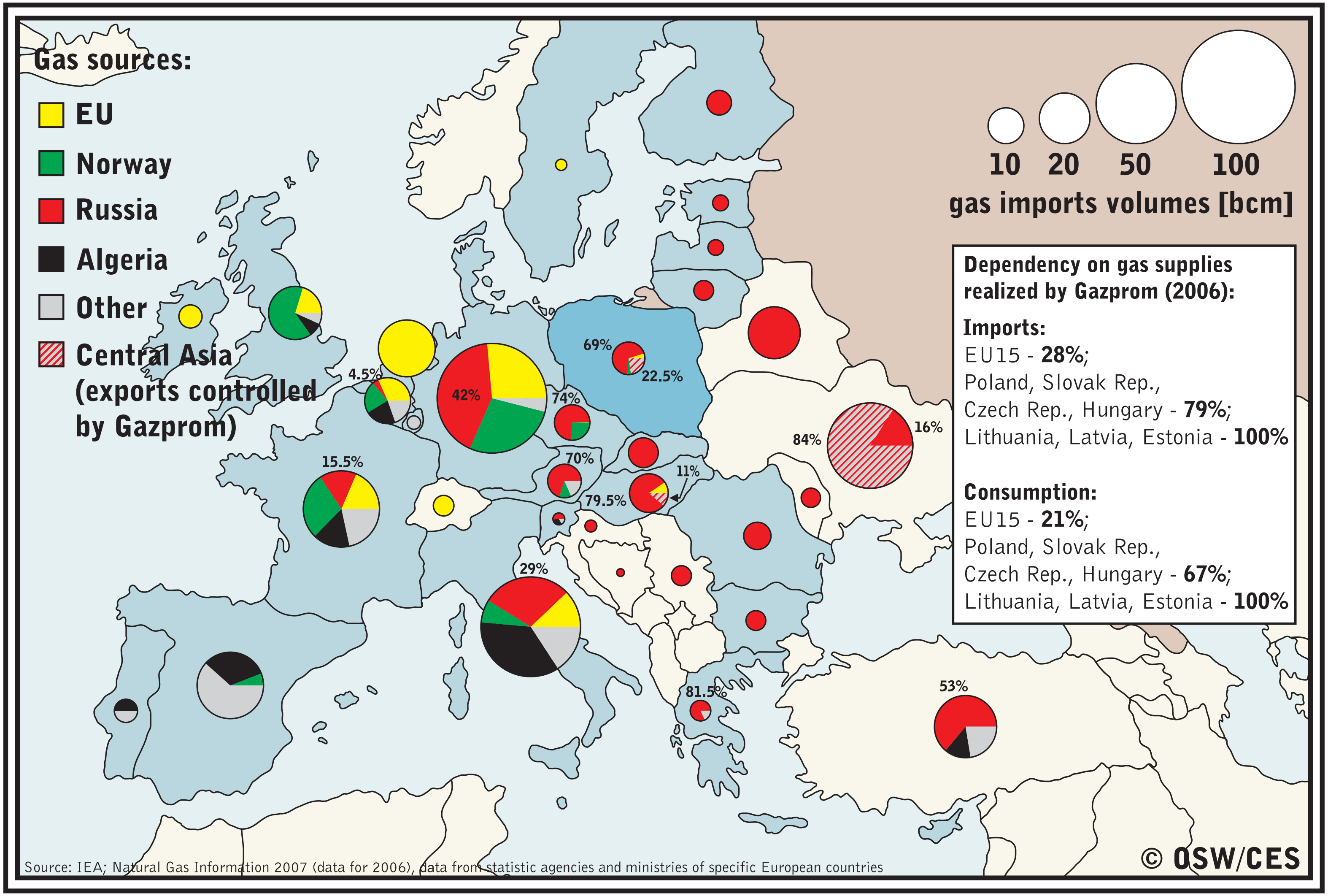
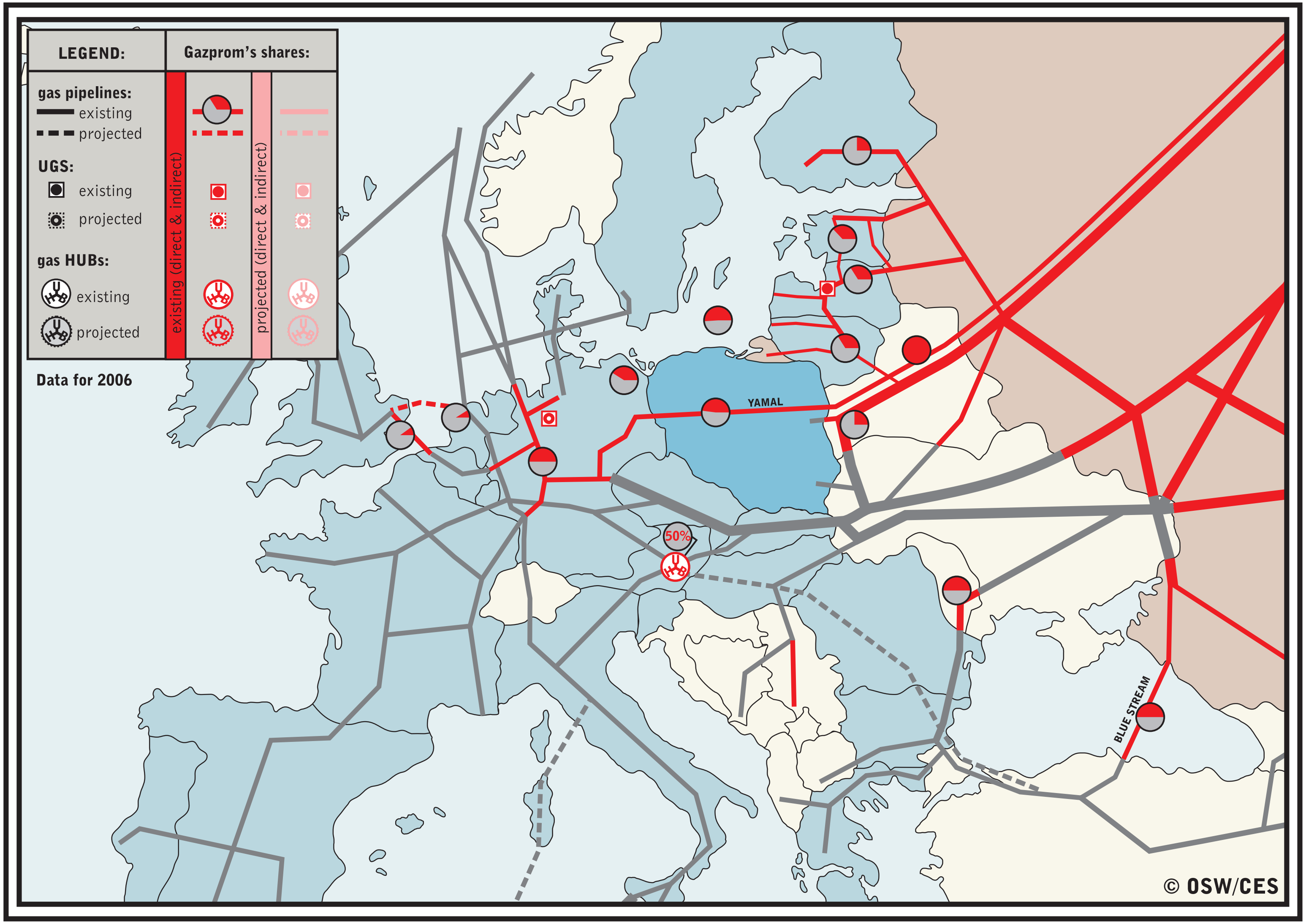
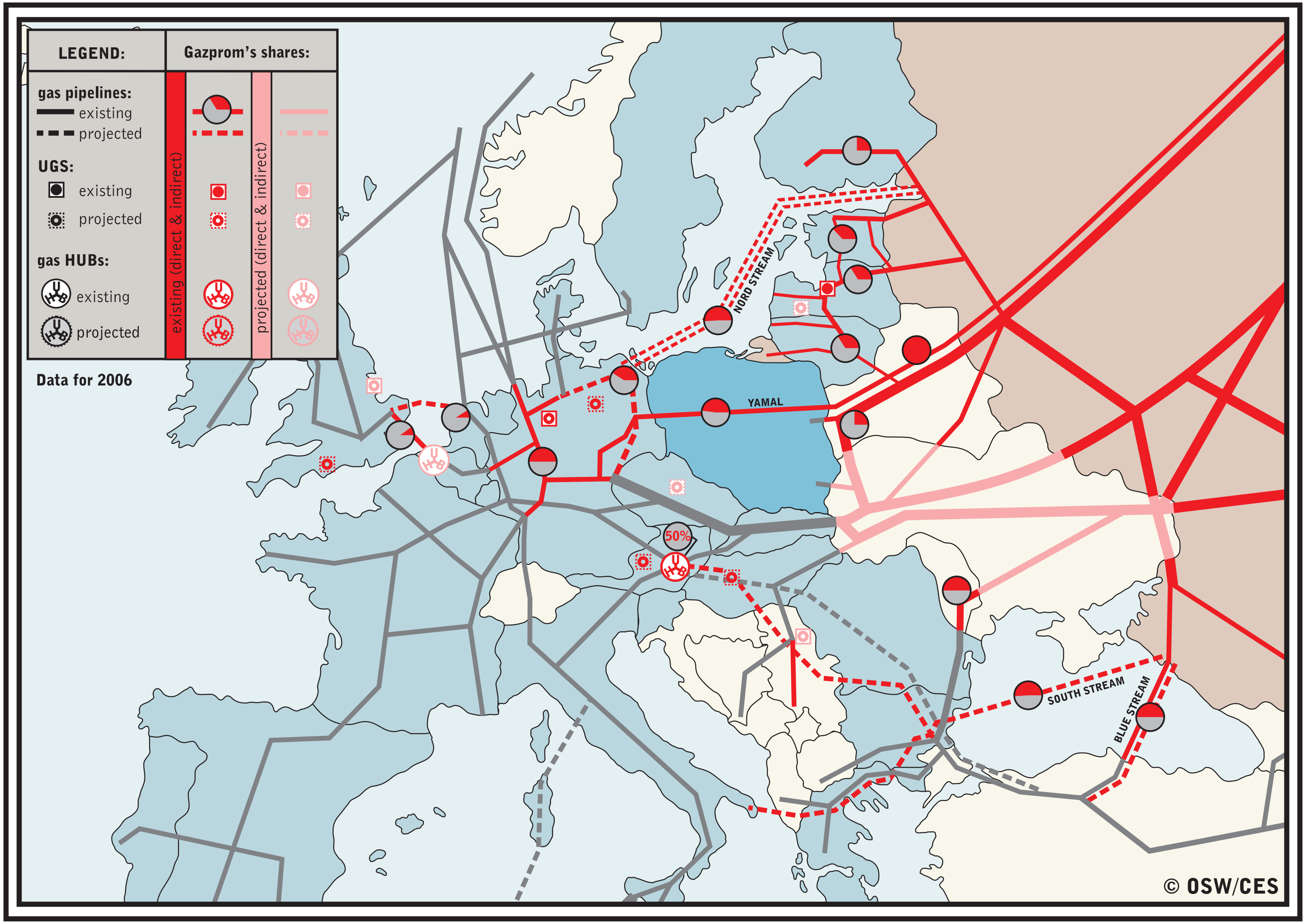
Gazprom as a supplier



Gazprom's major investments in gas infrastructure in Europe – existing



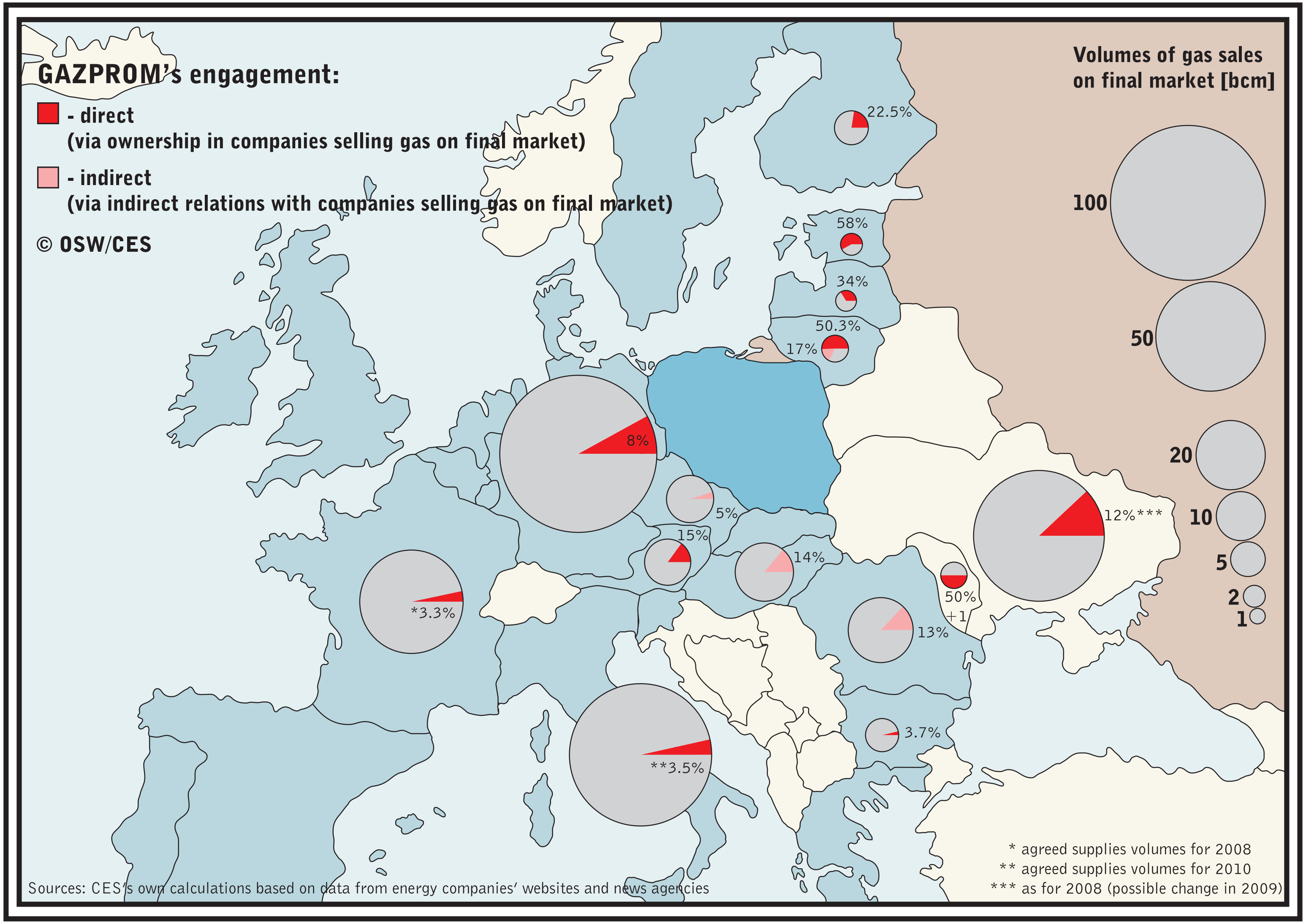
Gazprom's major investments in gas infrastructure in Europe, existing and planned



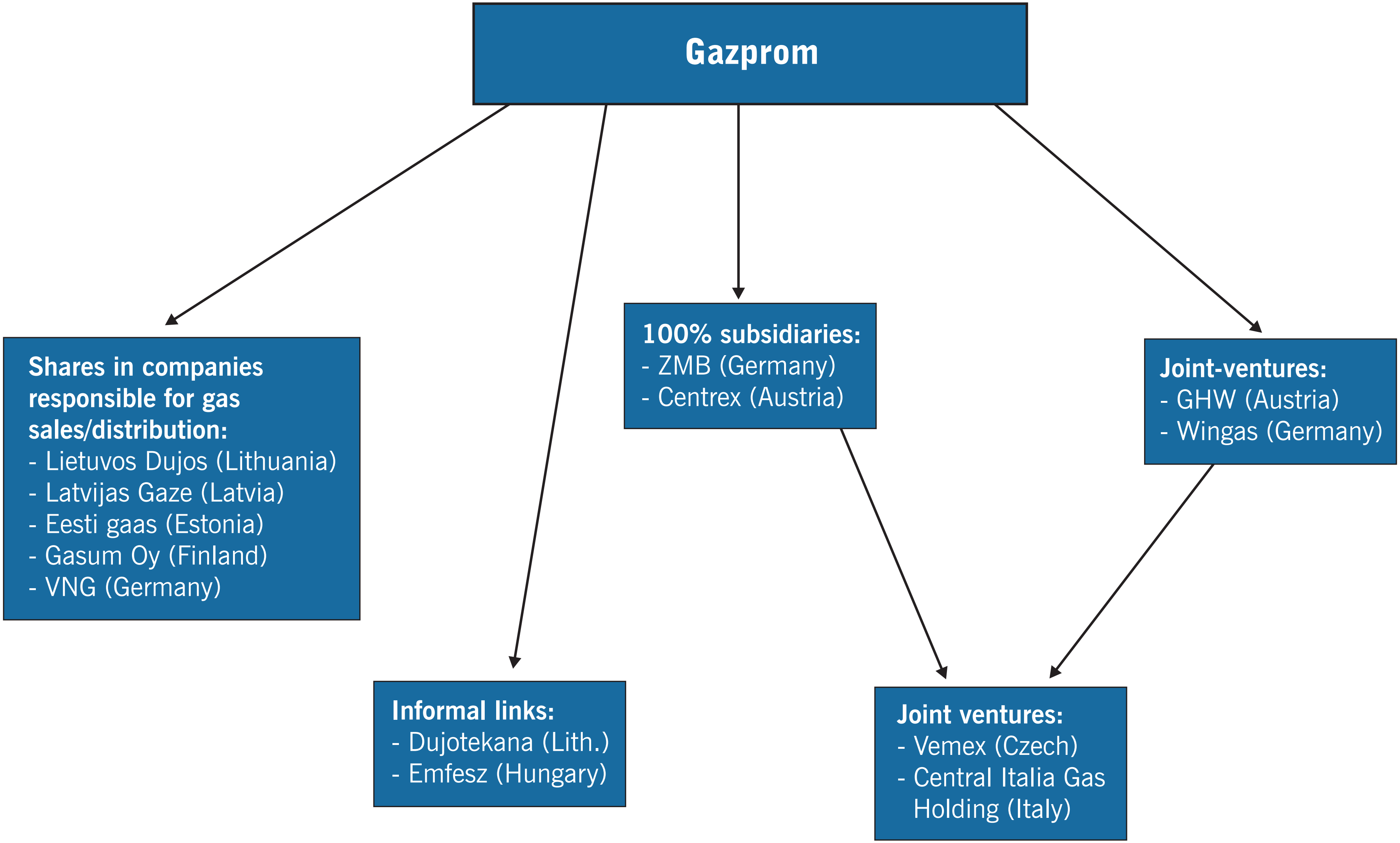
Gazprom's investments objectives

- to diversify the routes for gas exports to the EU
- to decrease dependency on current transit countries in Eastern and Central Europe
- to strengthen control over gas export systems to EU
- to maintain liquidity on the EU market (interconnectors, hubs and storage facilities)
- to impede implementation of competing pipeline projects (Nabucco)
- to counter the possible negative effects of liberalization of EU gas sector

Gazprom's share in European final gas market



Modes of Gazprom's presence on EU internal gas market



Companies affiliated to Gazprom on EU final gas market

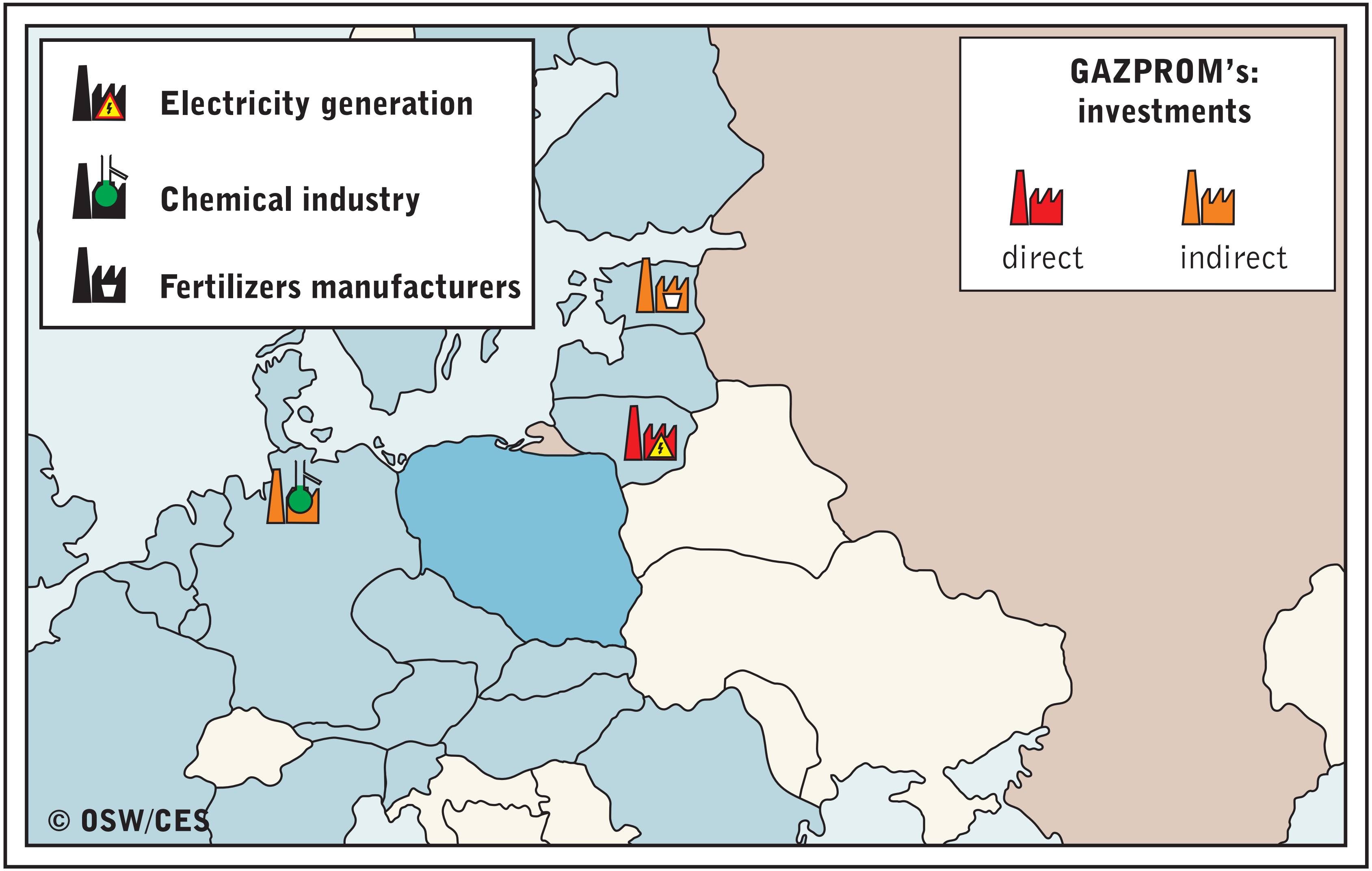
Vemex

- Ownership structure: ZMB (33%), Centrex Europe Energy&Gas (33%), EW East-West Consult (34%)
- Established in 2001, gas sales in Czech Rep. since 2006, holds a licence for gas sales in Slovakia
- Contract with Gazprom for 0,5 bcm of gas supplies in 2008-2012, projects for buying gas internally produced in Czech Rep.
- Supplies industrial users and municipalities in Czech Rep. (inter alia to Pražská plynárenská – supplier of Prague; Energetika Vitkovice and chemical company SPOLANA being among the largest gas consumers in the Czech Rep.)

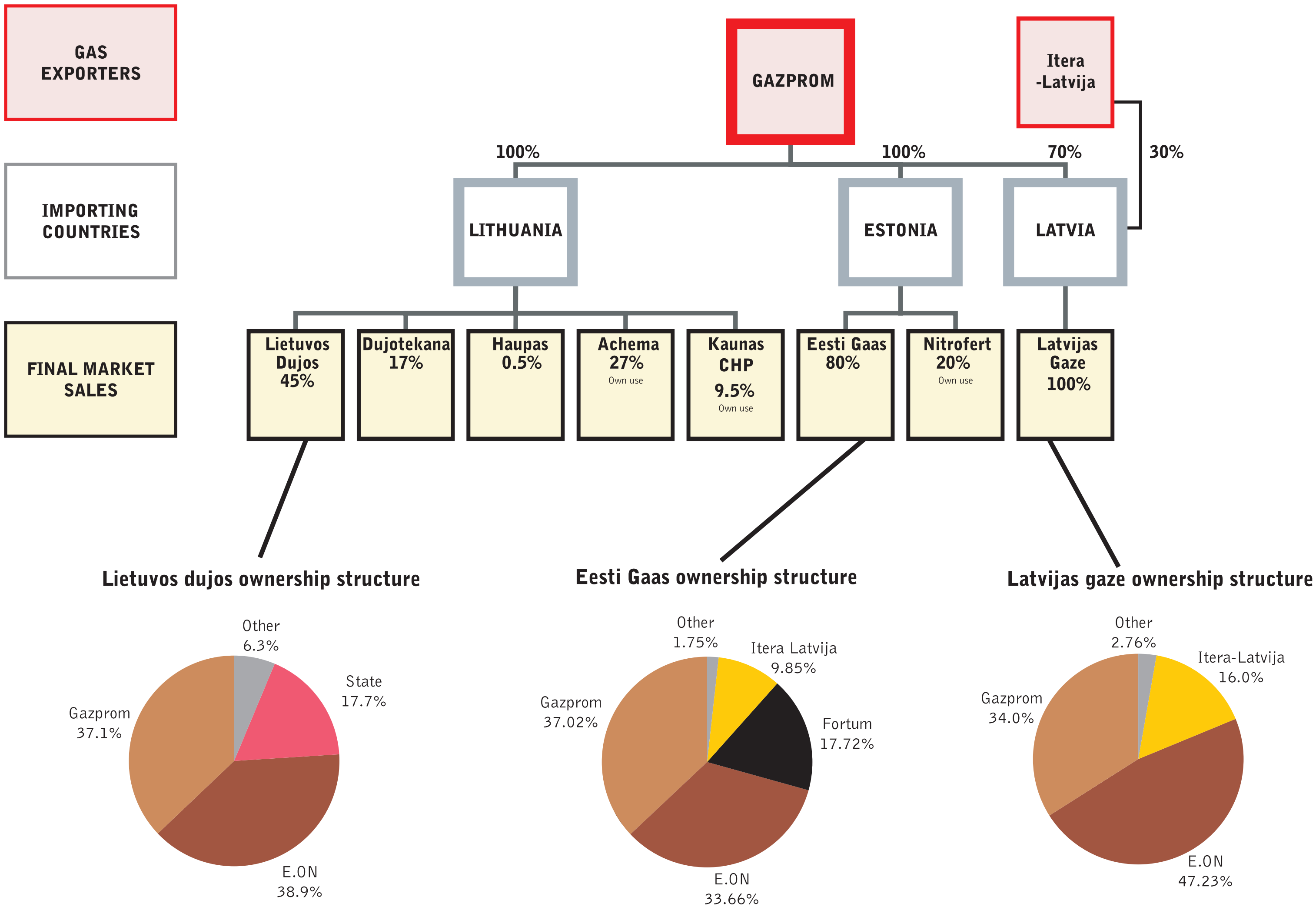
Emfesz

- Ownership structure: The Firtash Group of Companies (100%, formerly Mabofi Holding), being also inter alia co-owner of RosUkrEnergo
- Operating in Hungary since 2006, gas and electricity market
- 10 years' contract with RosUkrEnergo until 2015, yearly sales of 2-3 bcm
- Supplies industrial users and municipalities in Hungary
- Managing director – Istvan Goczi, also in the board of directors of GdF, formerly working for Sibur and EuralTransGas

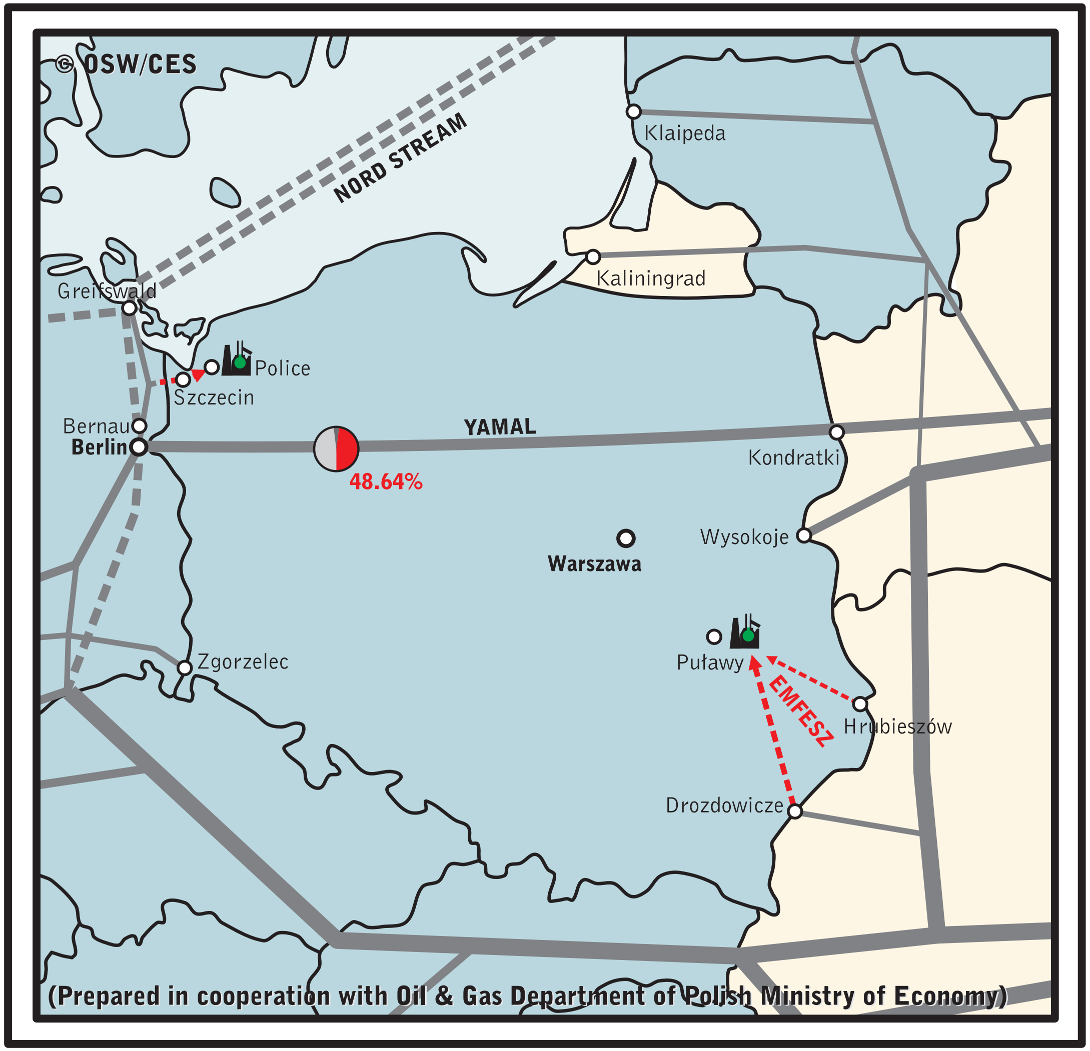
Gazprom's major investments in electric power engineering and chemical industries in Europe



Gas sector in the Baltic states – Gazprom's strong engagement



Poland – firmest resistance to Gazprom's expansion



LEGEND:

- Existing gas pipelines
- Projected gas pipelines
- Chemical industry
- 48.64% Shares controlled by Gazprom
- Possible routes of Russian gas supplies to Polish final consumers

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- So far, regardless of the implementation of the second gas liberalisation directive, none of those EU member states where Gazprom is traditionally the dominant supplier has managed to diversify their supplies significantly.

Thank you for your attention

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