

5 CONCLUSION TO THE RESULTS OF THE STUDY AND FINAL RECOMMENDATIONS

The presented study assesses the impacts of the anticipated construction of gas transit infrastructure that has a direct influence on the Czech Republic and the V4 region. On the basis of extensive data, SWOT analyses, use of the MEOS model developed for the purposes of this study, and multi-criteria assessment of particular infrastructure scenarios, the authors present outcomes and recommendations, on the basis of which the Czech Republic and the respective actors, or other V4 countries, should be able to choose corresponding policies and measures to either support a given project (in the case of a preferred scenario) or to adapt to its consequences (in the case of a non-preferred scenario). Let us remember that particular scenarios include the following infrastructure projects: Nord Stream, Nabucco, South Stream, the Adria and Swinoujscie LNG terminals and their interconnections.

This part dealing with infrastructure is then extended by including the EU dimension. Infrastructure scenarios are analysed on the basis of EU involvement and Member States support for them. To increase the usability of the study, the context is broadened by means of an overall outline of EU energy policy, its changes after the Treaty of Lisbon, and its future development. For the purposes of everyday diplomatic practice, the text is completed by an analysis of the ability of the Czech Republic to defend its energy interests at EU level.

It is important to stress that the presented study is not a manual offering one chosen ideal way forward, the step-by-step following of which would lead to the maximum provision of energy security of the Czech Republic and, at the same, to its interests being pushed through at EU level. The authors consider such an attempt to be misleading and potentially risky due to the ever-changing political and economic situation in Europe.

Instead of the above, the study offers a detailed description of the playing area (the infrastructure situation in Central Europe and mechanisms behind the functioning of EU energy policy), assesses

particular elements that create and form this area (changes in the transit network, new activities in the EU) and shows the results that would stem from one or other action (the outcomes of modelling the scenarios, an analysis of the European dimension of energy policy). On this basis, relevant actors (representatives of the MFA, Ministry of Industry and Trade, etc.) may identify particular priorities for the Czech Republic and credibly prepare ways for them to be pushed through. The study also offers a number of recommendations that could help this decision-making (see below).

The research team presented several basic questions in the introduction. These questions enabled the team to divide the analysed topic into logically complete areas. They were:

- How can particular (actual or proposed) gas pipelines and storage facilities (or their combinations) influence the economically rational distribution of gas flows within the Czech (and other V4 countries') distribution and transit network(s)? What influence can these facilities or projects have on the very nature of the flows? Which transit or storage facilities or projects are in these countries' interests?
- How can a given facility or project be supported at the European Union level?
- Subsequently, how can this research be incorporated into the development of European energy policy? Which step should be recommended to the Czech Republic in order for it to maximize its (energy) supply, especially in regard to the changes proposed by the Treaty of Lisbon?

The answers to these questions are concluded in the following two chapters.

5.1 SCENARIOS. THEIR IMPACT ON THE CZECH REPUBLIC (V4) AND THEIR ABILITY TO BE PUSHED THROUGH WITHIN THE EU

The outcomes of the analysis of infrastructure allow complex assessment of the future development of Central European transit and supply. The simulation of the economically rational utilization of the transport network shows the transport routes which will offer the

highest margins to the producers and at the same time the biggest room to manoeuvre in order to negotiate price contracts with off-takers. The seller's margin is the most flexible part of the contract, as production and transport costs usually cannot be negotiated.

The comparison of real and simulated flows for 2008 (the reference scenario) shows that this economic rationality is a key aspect and the basis for the final form of real flows. Simulated volumes are between 66% and 93% of those that are in fact transited, which shows that the share of economic matters in the decision concerning the form of flows in the network is at least two thirds. The remaining 7 to 34% are determined by negotiating positions (the ability of the off-taker to make the supplier lower his margin) and political motives (the supplier's decision to follow other than economic goals in the process of selecting a transit route). Of course, some variations that might have emerged during the modelling need to be taken into account.

On the basis of the results of the simulation and with limited accuracy, we can determine how flows in the networks would look in 2020, in which regions the biggest deviations can be expected, and, within a more general interpretation, the political reasons for these deviations as well.

Furthermore, in combination with the indexes, the modelled flows allow for quantifiable and thus reasonably objective comparison of the contribution of particular infrastructure projects and defined scenarios from four important perspectives that together cover the topic of energy security: diversification (the Hirschman-Herfindahl index), substitutability in the case of disruption, reliability and price. Using data from the SWOT analysis, final conclusions can then be drawn for each country of the Visegrad Four as well as for the V4 as a whole. These conclusions at the same time constitute the main contribution of this chapter. They identify:

- The most suitable combination of future transit infrastructure (the preferred scenario);
- A qualified estimate of the impacts of other variants that would require adaptation on the part of the Czech Republic (and other V4 countries).

5.1.1 Evaluation of the Scenarios: Economically Rational Gas Flows Through the V4 (In 2020)

As for the evaluation of the scenarios themselves, they do not differ significantly in terms of transit flows with respect to the Czech Republic. The presence of Nord Stream in each of them means the redirection of transit flows from the Lanžhot – Waidhaus route to the Gazelle (HSK – Waidhaus) gas pipeline instead. The volume remains constant. Also, supplies to the Czech Republic could undergo changes after the Nord Stream-OPAL system is put into operation, due to the economically rational variant of providing supplies to the Czech Republic through this very system and HSK. In practice, this possibility is, however, rather unlikely. Further explanation of this point will be given below.

Poland is in essentially the same position. The loss of transit volumes through Yamal, which is sometimes being anticipated, is rather unlikely due to its considerably lower costs.³⁷⁸ Poland will thus focus on counter-balancing the current Russian advantage provided by the construction of Nord Stream and by the fact that it does not necessarily need Yamal anymore. To achieve this, any scenario will do, as long as it provides Poland with a similar advantage (LNG) or at least weakens the Russian position in the region (Nabucco).

The situation is different in the case of Slovakia. Particular scenarios significantly modify the volume of gas transited through Slovak territory. The revenues paid by Eustream to the state therefore change accordingly. Economic interest could therefore make Slovakia prefer the scenarios in which the biggest cannibal of Slovak transit route – the Nabucco pipeline – does not appear. On the other hand, reverse flow on the Slovakia – Austria route, which has just been completed, as well as possible completion of the Slovakia – Hungary interconnection, the need for security with respect to supplies, and limited opportunities to further its own interests may force Slovakia to employ an adaptive rather than confrontational strategy. Nowadays, Slovakia is a firm proponent of Nabucco indeed.

³⁷⁸ Yamal is 7 eur per tcm less expensive than Nord Stream and almost 20 eur per tcm cheaper than Transgas (transport to the German borders).

Having ambitions to play the role of a regional hub, the Baumgarten of the Balkans, Hungary will probably welcome a maximalist solution, that is the Scenario 5 (Nord Stream, Nabucco, South Stream), best combined with Scenario 6 (LNG). Exemption from TPA and price factors could nevertheless limit Hungarian interest in South Stream.

5.1.2 Evaluation of Scenarios: Indexes

The preference for LNG and the North-South Gas Corridor brings maximum diversification, substitutability, reliability, and, assuming the price level from 2010, also the lowest price. This scenario employs most sources and also contributes most to the change of linear character of the flows in the region. Support from all V4 countries for this scenario can be expected. Poland, otherwise having a rather reserved attitude towards the building of interconnections, would gain access to two spot markets (LNG and CEGH Baumgarten) without having to change the character of its domestic market too much. The impacts for the Czech Republic are similar. The Corridor would provide Hungary with opportunities to further support market integration and the expansion of MOL. Through Lanžhot, Slovakia would gain access to Polish LNG and, via Baumgarten, it would also gain access to resources coming through Hungary and some day maybe also from Africa through Italy.

The strongest aspect of this scenario, aside from the impressive results of the comparison of indexes, is mainly the fact that it is subject to decision-making competences of V4 countries (except for the construction of LNG Adria). The V4 themselves cannot further construct and fill Nabucco with gas, but they can construct LNG in Poland and particular interstate interconnections so that the V4 can profit from the largest portfolio of sources and help each other on the practical level, for example in supplying border regions as it is with the case of Poland and the Czech Republic.

By contrast, the rather small volumes that may be brought to the energetically hungry regions of Central Europe and the Western Balkans are the biggest flaws of the scenario. Nabucco could help to offset this shortcoming. The combination of the diversification potential of

the North-South Gas Corridor and the volumes that may be brought to the system by Nabucco seem to be an ideal variant for Central European countries.

General Findings and Recommendations

One of the key outcomes of the interpretation of the SWOT analyses, the MEOS model, and multiple-criteria assessment of the scenarios is the presentation of an alternative understanding of the political and economic motives behind Russian *pipeline policy* as well as an alternative explanation of some of the deep-rooted foundations of the Czech energy discourse, i.e. a degree of demythicization mainly of relations with the Russian Federation. All this can be illustrated in the following example:

The new large Russian Nord Stream pipeline bypasses Ukraine. According to the conventional perception, this is for political reasons and because of the desire to end the complicated *modus vivendi* of repeated disputes over commodity price, on the one hand, and the price of transit, on the other. Nevertheless, Nord Stream can as well be considered to be a primarily economically motivated project that allows the maximization of Russian profit via a complicated mechanism.

How Is This Happening?

Myth: Russian gas is cheap

Russia bears the same or even higher production costs in comparison to both Norway and the Netherlands – the difference is even more noticeable in comparison to Middle Eastern competitors. This situation will become even more intense in the future due to Russian production moving from the NPT area northward to the Yamal area and to the Barents Sea. Long distances from production areas to end markets account for the biggest difference in the margins of Russian and Norwegian producers. In fact, the export of large volumes is the only comparative advantage for Russia.

Big distances that separate production areas from end markets and therefore cause increases in the price of transit and lower the seller's

margin are the shortcomings of Russian gas in comparison to supplies from Norway and the Netherlands.³⁷⁹ A lower margin then means less room for price negotiation and, in the end, lower competitiveness. Price negotiation that is key for suppliers' revenues is largely influenced by whether the offtaker has access to alternative supplies, as often these are associated with lower costs and therefore more flexible margins in the European context due to shorter transport distances. If access to alternative supplies is absent, the Russian negotiating position is much stronger and end prices are higher. In the Central European region, the prices indeed vary: the average import price of Russian gas is 305 euro per thousand cubic meters in Germany, 314 €/tcm in the Czech Republic, 316 €/tcm in Slovakia and 325 €/tcm is being paid by Hungary, which neither has an access to cheaper alternative supplies, nor is a significant transit country for Russian gas.³⁸⁰ The topic of diversification, which is so popular with Central European countries, therefore also has a significant economic aspect aside from the security one.

Myth: Nord Stream is primarily a politically-motivated gas pipeline ("new Molotov-Ribbentrop Pact")

In fact, Nord Stream is cheaper than the Transgas system by almost 15 €/tcm. Aside from decreasing Russian export dependence on Ukrainian transit, the incentive for its construction may therefore also be of an economic nature. South Stream is, however, a different case – it is definitely the most expensive planned gas pipeline in Europe. The pipeline attempts to compete with Nabucco, to increase market share in Western Europe, and to preserve the linear nature of transit. It is economically irrational in the short term; however, it means a better market position and higher profits in the long term.

³⁷⁹ Transport from the region of Western Siberia on the Russian border costs 26 out of the total 127 eur needed for the production and transport of 1000 cubic meters of gas to the Czech – German border. Just for comparison, the costs of production and transport to the Czech – German border are 97 eur per tcm in the case of Norwegian gas. Given the anticipated relocation of Russian production from the NPT area to the Yamal peninsula, where the extraction costs are higher, this trend will probably become even more intense.

³⁸⁰ International Energy Agency: *Natural Gas Information 2009*, c.d. Data as of 2008.

Nord Stream enters the arena with following: (1) In comparison to Ukrainian transit, it offers lower transit costs by almost 15 €/tcm for gas transport to Germany;³⁸¹ (2) the OPAL and NEL gas pipelines transport Russian gas further to the West and therefore strengthen the Russian share in the regions dominated by European and Norwegian resources; and finally (3), it preserves the existing linear character of transit infrastructure (direct and minimally interconnected massive transport routes) and lowers the willingness of Central European countries to construct interconnectors which would change the structure of regional transit from a number of lines to a network that would, in the end, lead to better access to alternative supplies and thus to weakening of the Russian negotiating position and decreasing margins for Russian suppliers.

Myth: Russian gas is a political instrument

Even though Russia has substantial experience in initiating controlled disruptions of supplies, this kind of political pressure would be counter-productive in a situation in which Central European countries are able to construct their own diversification alternatives. Russia generates significant profits in the Central European region due to the as yet not fully developed resource alternatives in this area.

Russia is interested in increasing its market share in western markets, keeping Central and Eastern European countries away from larger volumes of alternative supplies, and maintaining the linear character of Central European transit. All these strengthen the Russian position in the process of long-term contract negotiation, which may be led separately with each offtaker.

The nature of these interests is economic: short-term uneconomic behavior (Blue Stream) allows Russia, in the long run, to attain profits that are disproportional in relation to its competitiveness. Russia thus also gains political influence over the offtakers, but it represents a by-product rather than a primary goal of transit settings.

³⁸¹ The costs of transporting one tcm from Western Siberia to the HSK station on the Czech-German border are 56.5 eur for Transgas as opposed to 42 eur in the case of the Nord Stream – OPAL system.

Nord Stream therefore represents Russian efforts to reach more distant markets, maintain the Russian share in the markets along the way, and preserve the linear structure of Central European transit. All this enables Russia to receive further high margins and to generate maximum profits.

Myth: Transit of large volumes means certainty of supply

The example of the gas crisis of January 2009 undermines this assumption. Despite massive transit, Slovakia was completely cut off from gas supplies for thirteen days. Even if this would be true, new gas pipeline projects lead to a decrease in the transit volumes along the route from Ukraine to Slovakia and the Czech Republic.

From the V4 perspective, an adaptational position is more rational than a confrontational one: new projects cannot be prevented and a loss in transit profits is inevitable; therefore, an appropriate approach would be to use them for the enhancement of V4's own energy security – the Gazelle pipeline or Slovak-Hungarian interconnection being good examples.

This interpretation also gives some meaning to construction of the South Stream gas pipeline. Aside from the high investment costs (the estimates oscillate between 15 and 25 billion euro), South Stream is by far the most expensive transport route of Russian gas to Central and Western Europe: with estimated 106 euro/tcm it is almost three times as expensive as Ukrainian or Belarussian transit. From the short-term perspective, which is also used by the MEOS model, South Stream does not make sense in terms of economics. What, however, is not visible is the role of South Stream as an instrument allowing Russia to utilize its biggest asset: massive volumes. If Russia succeeds in reaching more distant markets thanks to South Stream and in strengthening its position in existing markets, it will easily accept even minimal margins. This margin would sooner or later be compensated by higher prices on the Central European market, which would be available to Russia thanks to South Stream.

Empirical evidence seems to support this thesis. At the end of the 1990s, predictions concerning Turkish demand indicated the need for a new supply route. Despite more expensive gas and more expensive

transit, the Russian project of Blue Stream³⁸² succeeded in eliminating the Trans-Caspian gas pipeline from the competition. The Trans-Caspian gas pipeline was supposed to bring Turkmen gas to Turkey and was supported by the United States. Blue Stream nowadays operates at 60% of its capacity and represents by far the most expensive gas on the Turkish market.

At the same time, it would nevertheless be a mistake to one-sidedly demonise Russia. Even though decreasing domestic production and Dutch exports will be more or less covered by the anticipated increase in Norwegian production by 2020, in the following decade more room will be available for Russian supplies on the Western European market. Interpretation of the above situation as aggressive efforts by Russia to eliminate other suppliers by using dumping to compete in Western markets would be incomplete and wrong. It is obvious that, in the future, the EU will need larger gas volumes than today. It is nevertheless in the EU's interests to fill this shortfall in supplies by taking advantage of competition among Russian, Middle Eastern, North African and LNG sources.

If we accept the above interpretation of the situation, the character of supplies to the Czech Republic would presumably not change in spite of the economically rational allocation of gas for the Czech Republic to the Nord Stream–OPAL system and Russian gas supplies to the Czech Republic would presumably continue to be covered by Ukrainian transit. New routes would be used to strengthen the Russian market share in Western European markets, where they would be more able to compete with the Ukrainian route (at least in the case of Nord Stream), while the traditional route will be used for the purposes of gas transit to the Central and Eastern European region where Russia is able to achieve relatively high margins. The marginalization of Slovak gas transit will probably therefore not be as great as assumed by the MEOS model for certain scenarios.

³⁸² Due to the difficulties of constructing an undersea pipeline, the project was nicknamed Blue Dream.

Myth: Energy security equals security of supplies

From the Czech perspective, January 2009 showed that this idea was no longer correct. More attention to the pricing aspects of energy security is therefore needed: an emphasis on resource diversification that would exert pressure on price at the expense of the diversification of routes, which basically means the security of supplies. This has already been practically accomplished by the Czech Republic (interconnections with Austria and Poland are probably only a few years away).

If we proceed from the definition of energy security as stable supplies for acceptable prices and if we consider the current structure of supplies to the Czech Republic, we will come to the inevitable conclusion that the threat of physical disruption to gas flows is not the most serious threat for the Czech Republic thanks to the variability of the supplies. The gas crisis from January 2009, when it was not necessary to limit consumption in any way in spite of 13 days of complete disruption to the main transit route, provides sufficient empirical proof of this thesis. Pressure on price should therefore be the main topic with respect to energy security in the Czech Republic's gas sector. From the perspective of "price security", limited access to alternative supplies and the subsequent weak negotiating position of the Czech Republic towards Russia is the biggest threat.

Our recommendations:

If we accept the partial assumption that in the Central European context the reliability of supplies is derived from the variability of transport routes and that low prices are derived from the variability of sources, the Czech Republic should consider the following two points:

- (1) An understanding of the security of supply as the dominant aspect of Czech energy security in the gas sector:
 - A preference for the variability of sources, which brings the possibility of choice and competition among suppliers;
 - Interconnection with spot markets – Baumgarten, LNG Poland;

- Exerting pressure on the flexibility of long-term contracts and on also on the flexibility of the take or pay clause; on the other hand, acceptance of the importance of long-term contracts for the investment cycle;
- State support for the construction of critical infrastructure in the case of failure of economic stimuli (for example, LNG Adria or Hungary – Slovakia interconnection).

(2) Support for infrastructure (and measures) that contribute most to the transformation of the linear character of transit to the network character:

- LNG terminals in Poland and Croatia as real source alternatives;
- Nabucco as a provider of quantitatively significant volumes complementing the importance of LNG;
- The North-South Gas Corridor as a key project of breaching the linear nature of transit.
- Institutional integration of the markets (such as the NETS project) as a stimulus for the entry of new traders, limitation of the influence of domestic monopolists, and support for the construction of new transit infrastructure.

5.2 THE DIMENSION OF THE EUROPEAN UNION AND ITS ENERGY POLICY

The Treaty of Lisbon

- Creation of the Title XXI Energy and its inclusion in shared competences codifies the existing status.
- There is no communitarianization of energy – the energy mix and the use of domestic energy resources and fiscal instruments remain in the hands of individual states.
- The Solidarity Clause is of a purely formal nature.
- The new chapter is of mainly declaratory nature; it emphasizes the importance of energy in the EU.
- Only practice will show how flexibly the Title XXI Energy will be used.

In the part dealing with the European Union, we have been attempting to answer the question of the extent to which European energy policy, which can be currently viewed as one of the most important areas of interest of the EU altogether, has changed in relation to the approval of the Treaty of Lisbon.

The answer is as follows. The Treaty of Lisbon legally anchored the status quo, in which Title XXI Energy introduces a separate policy and includes it in the shared competence. The Treaty nevertheless also leaves key questions of the energy mix, usage of own resources and fiscal instruments fully in the hands of national states. The clause dealing with the mechanism of solidarity in the case of (a mainly energy-related) crisis is by contrast vague to the extent that one cannot expect its practical use unless it is elaborated in more detail.

On the other hand, an increase in activities in the area related to energy is obvious in the EU, be it in the external dimension, in the area of a common energy market or in the energy-environmental area. We state here that European energy policy will influence the energy sectors of national states with growing intensity. These states should therefore devote corresponding attention to the EU level. In the case of the Czech Republic, this means the need to substantially strengthen the European dimension of the energy sector.

This is also related to the need to reassess the energy priorities and interests of the Czech Republic and to complement them at the EU level, i.e. to determine how one or other priority can ideally be addressed in the EU and which stance should be adopted by the Czech Republic in the related questions.

This EU level strategy should be regularly updated through cooperation between the Ministry of Industry and Trade, the Ministry of the Environment, and the Office of the Government and by means of consultations with companies, think tanks and NGOs.

Czech Energy Priorities in the EU

The domestic sphere is at the center of attention, while most of the agenda is being dealt with beyond Czech borders.

Our recommendations

Particular priorities and interests defined in the SEP should be very detailed in their EU dimension. They should also define how a given priority or problem can be dealt with in the EU in an ideal situation and which stance the Czech Republic should maintain in the related questions.

The EU level should be regularly updated by the Ministry of Industry and Trade, the Ministry of the Environment, the Ministry of Foreign Affairs, and the Office of the Government of the Czech Republic. Non-governmental bodies should be consulted during the process.

From the perspective of efficiency of interest representation, we then recommend more detailed analysis of the existing system from both the formal side, i.e. with regard to the distribution of competences and organization of work, and from the perspective of the real efficiency of this structure's operation, typically using comparison with comparable countries.

SUMMARY

Gas crises in 2006 and 2009 significantly highlighted the question of the security of natural gas supplies, mainly from the Russian Federation. This topic is especially important and relevant for Central European countries because of their significant dependence on this supplier, due to substantial changes related to newly constructed gas infrastructure in the region, or in relation to the development of the energy sector at the EU level.

Nord Stream, South Stream, Nabucco, the projects of liquefied natural gas (LNG) supplies or the North-South Gas Corridor – all these planned or under construction infrastructure projects are significantly transforming the existing logic of natural gas supplies to V4 countries, i.e. to the Czech Republic, Poland, Hungary and Slovakia. At the same time, swift changes are taking place at the European Union level as well. EU energy policy is being reshaped by documents such as the Treaty of Lisbon or by the goals included in the strategies such as Energy 2020 or the European Commission Report “Energy infrastructure priorities for 2020 and beyond”. It is therefore key for the Czech Republic to know answers to some of the essential strategic questions that may influence the direction of the domestic energy sector for many years to come.

First of all, how can the above-mentioned infrastructure projects or their combinations alter the economically rational distribution of gas flows in terms of supplies and transit to the Czech Republic or other V4 countries? Which one of the proposed variants is therefore in these countries' interests and how can it be furthered at the European Union level? And last but not least, which energy interests should be followed by the Czech Republic in this context within the V4 region and at the EU level?

The International Institute of Political Science at Masaryk University was charged to find answers to these questions by the Ministry of Foreign Affairs of the Czech Republic. The eight-month-long study was led by experts from the analysed countries, used natural

gas flows modelling tools, and led to a number of interesting results.

The above-mentioned infrastructure projects are in various phases of planning and construction. The future development of a number of these projects, especially whether they will ever be completed, is difficult to estimate at present. The study therefore works with a reference scenario, which depicts the situation of Central European transit in the period before the financial crisis (2008), and with five other scenarios which represent the most probable combinations of Central European transit and supply in 2020. These scenarios have been compared from the perspective of cost related to natural gas supplies to end markets, using modelling of the economically most advantageous involvement of production areas with the lowest production costs as well as the lowest costs associated with transport to consumers. Comparison of the scenarios using four indexes covering the topics of diversification, substitutability, security of supply, and cost, i.e. those which essentially reflect the conventional definition of energy security from the consumers' point of view, is also a part of the evaluation.

Due to the advanced stage of construction of Nord Stream, this gas pipeline has been included in all scenarios. The remaining configuration consisted of different combinations of the large trans-regional gas pipelines Nabucco and South Stream and the regional project of the North-South Gas Corridor.

The allocation of transit, or at least its economic rationale, will undergo the biggest changes in relation to the launch of Nord Stream. East-West transit through the Czech Republic is anticipated to significantly decline; it will, however, be substituted by North-South transit in the form of the Gazelle pipeline, which will carry Russian gas from Nord Stream alongside the Polish border (OPAL gas pipeline) to the Hora Svaté Kateřiny border point. From there, the gas will flow via Gazelle across Czech territory through the Waidhaus station to Bavaria. The construction and launch of Nabucco will probably bring a fall in the share of Russian gas in Hungary, Austria and, depending on the construction of the LBL gas pipeline, also in the Czech Republic. Slovak transit would thus undergo another reduction in its quantity. Even though South Stream is contributive in terms of route diversifi-

cation and security of supply, it is at the same time the most expensive project under consideration, conditioned by an exemption from third party access. This project also represents a negative shift in resource diversification. Its contribution to the gas trade and price flexibility in the region is rather questionable.

The North-South Gas Corridor may offer the most positive aspects. The project allows the highest level of resource diversification, the greatest degree of price competition, and strengthened cooperation among Visegrad countries in the case of crises and during routine works with the gas system. Another important aspect is connection to LNG markets offering spot trading when there is a glut on the market; i.e. when LNG prices represent competition to pipeline transport prices (in 2010, this situation enforced a number of changes in long-term take or pay contracts). Last but not least, the North-South Gas Corridor could have positive impacts on the newly established Baumgarten exchange (CEGH), which has only been trading Russian gas until now and which would gain much-needed liquidity if alternative sources became involved. Unlike other big projects, the North-South Gas Corridor is almost exclusively in the hands of the V4 countries.

The situation at the European Union level is then no less interesting. In spite of repeated statements on substantial changes relating to the Treaty of Lisbon, it is obvious that this document only formally confirms the long-term existing status. Key energy-related questions, i.e. the settings of the energy mix, fiscal questions, or questions of the use of domestic resources continue to remain in the hands of national states. Similarly, due to its vague nature, the mechanism of solidarity is a rhetorical exercise rather than a real instrument which could be used in the case of a significant crisis.

Real transformations in EU energy policy therefore take place on a different level, via a number of smaller initiatives and documents. What is obvious is growing emphasis on the construction of cross-border energy infrastructure. Importance is also growing in the area of internal markets and questions related to environmental protection and the campaign against climate change, in which the authorities of the European Union persistently become stronger.

For the Czech Republic, this trend means the need to put substantial emphasis on the EU dimension in its strategic documents

and real functioning – typically so in the case of State Energy Policy, which have been avoiding the European Union dimension rather than searching for a chance to further the interests of the Czech Republic within it.

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