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ANDREAS RAU

NET4GAS

We cannot bear all the risks alone

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For some time, the European Union has now been trying to improve the security of supplies and the single energy market in Europe. The current conflict in Ukraine has brought into the foreground the pressing nature of this issue, prompting an intensification of efforts aimed at its fulfilment.

Last May, the European Commission tabled the European Energy Security Strategy to confront this problem. An annex to this new strategic document, which aims to improve the security of energy supplies in Europe, lists 33 projects of fundamental importance for ensuring the security of electricity and gas supplies throughout Europe.

One of the projects is a plan for the construction of a large-capacity high-pressure pipeline submitted by Net4Gas together with the Polish transmission system operator GazSystem. Its objective is to build an interconnection pipeline between the Czech and Polish gas transmission networks. The interconnector will be an important component of the currently missing north-south gas transmission corridor in Central Europe, which will provide a continuous interconnection between a liquefied natural gas terminal in Swinemünde on the Polish coast of the Baltic Sea and markets in Central and South Eastern Europe.

The investment will be worth over 500 and close to 400 million euros on the Polish and Czech sides, respectively, where a certain part of these amounts will have to be invested to reinforce national transmission systems no matter whether

the project is executed or not. This project is a case in point of the challenges transmission system operators, such as Net4Gas, currently face in planning their investment ventures.

The project does not rely on any positive business case. A market survey among potential customers has not shown the existence of a sufficient demand for additional long-term cross-border transmission capacity at the present time. However, stress tests concurrently conducted by Member States and by the European Commission to analyse the effects of a potential disruption of gas supplies caused by a crisis that occurs during the winter season indicate that veritable security of supplies can only be achieved through enlargement of transit pipelines, construction of new transmission lines, and establishment of access to new sources of natural gas.

To date, Net4Gas has made sizeable investments into the planning of this venture and is prepared to make a final investment decision, as long as regulatory measures in place guarantee that the overall investment will yield commensurate return.

In other words, we are prepared to assume both the risk of executing the project and the risk stemming from the ownership and operation of the pipeline. Being the transmission system operator, we cannot, however, shoulder risks relating to the degree to which the Czech-Polish interconnection pipeline will be used. Especially not in a situation where market participants are unwilling to secure return on the investment by making long-term reservations of cross-border capacity. ■



Photo: NET4GAS

“STRESS TESTS SHOW A NEED FOR NEW TRANSMISSION PIPELINES.”

- A German executive who graduated from mechanical engineering at the Ruhr-University Bochum and from European studies at Aachen.
- His professional career began with Ruhrgas in Essen in 1997.
- Served as a representative of E.ON on the boards of directors of the Slovak companies SPP and Eustream during 2006 to 2013.
- Appointed CEO of NET4GAS in December 2013.

CZK 11 billion

Close to 400 million euros (CZK 11 billion) will be the cost of the hitherto most ambitious investment plan of NET4GAS – a new pipeline across Moravia and interconnectors to the Polish and Austrian networks. Its execution, however, is jeopardized by the firm's dispute with the Energy Regulatory Office. The two sides disagree as to what part of this amount will be paid by consumers through regulated gas transmission fees.

NET4GAS

- NET4GAS owns and operates a network of transit and backbone gas transmission pipelines in the Czech territory. Formerly owned by Transgas, NET4GAS took over Czech gas transmission assets in January 2006.
- NET4GAS transports as much as 45 billion cubic meters of gas annually; one fifth of this quantity is consumed in the Czech Republic.
- Last year's revenues were in excess of CZK 9 billion, and net earnings reached the CZK 3.1 billion mark.
- Originally a member of the RWE Group, NET4GAS was sold to a consortium of the German corporation Allianz Capital and the Canadian fund Borealis Infrastructure in August 2013.