

National Report

Currently when discussing the European market situation with natural gas, the questions are focused on security, reliability and quality of natural gas supply in particular. All EU activities aimed at drawing up legislation standards for developing a liberalised and secure single European natural gas market follow the above-mentioned target. The global consumption development prognosis says about sharp increase in consumption linked with a growing production volume of electro-energy (natural gas power stations, combined production). The development indicates a significant increase of dependence on import of this product by the countries with missing or insufficient own natural gas resources.

Slovakia belongs to the countries with insufficient own resources and its import amounts to 97% of consumption of the country. Imports are realised by the Slovenský plynárenský priemysel, a.s., a vertically integrated company with its capital share in the Nafta a.s., Gbely and Pozagas a.s., Malacky, the Slovak storage system operators.

Originally, the company Pozagas a.s. was emerged to build, operate and commercialise the storage capacities of the underground natural gas storage facility, with construction completing in 1997. The storage is being operated in strict compliance with Slovak and EU laws and regulations that apply in all relevant areas. The technical and technological equipment meets the most challenging safety criteria consistent with European standards. The modern technology of centres, international metering station, direct link between the storage system and the international gas grid, technological, geological and field versatility of the storage and its flexibility are good prerequisites to ensuring excellent reliability and competitiveness of the storage facility complex in the central European region. The core business of the company comprises the construction and operation of underground storage facilities, including ancillary and supporting services pertaining to injection and withdrawal of gas. The company offers:

- Storage capacity to be allocate as one of the following:
 - fixed storage capacity or
 - interruptible storage capacity
- Individual services in form of available injection performance and/or available withdrawal performance on fixed base
- Individual services in form of available (not-yet-nominated) injection performance and/or available withdrawal performance on interruptible bas
- Services of gas pressure and quality balancing.

The company is concentrated on customer needs and the quality and scope of service with particular emphasis on the timeliness, flexibility and reliability of daily gas supply.

The activities of the Nafta a.s. company are mainly focused on exploration, mineral exploitation and activities performed using mining methods and operation of underground storage facilities. Slovakia has its historical position in the field of natural gas industry. The first natural gas production on the industrial scale began in this area in 1914. More than 70% of the total oil production in Czechoslovakia came in 1918 – 1938 from Gbely. The company Nafta a.s. was created by splitting the Oil and Gas Industry Group into two independent state-owned enterprises – Slovenský plynárenský priemysel (SPP) and Nafta Gbely. The existing structure of Nafta a.s. going at present through the process of transformation consists of three divisions:

- exploration and production
- underground gas storage
- services.

In connection with the underground gas storage activities, the company continues with its programme for revamping and modernisation of the storage complex. Under the conditions of the new energy legislation harmonized with EU regulations, the stage of providing services related to the underground gas storage is realised in compliance with the new legislation.

The aim of the company will focus on keeping its position as an efficient and reliable long-term provider of gas storage services for its trade partners in future. Decline in natural gas production in recent years brought an orientation movement with respect to exploitation of the underground gas facilities by focusing mainly on natural gas storage in Slovakia. This change has created a reliable background for solving hard tasks resulting from irregular natural gas supply and demand within a whole year. The underground gas storage facilities enable regulation of the natural gas distribution in accordance with the customer needs independently of the current gas line capacity, possible operation failure, season consumption swings etc.

The underground gas storage facilities have been built and projected in the former hydrocarbon fields in sedimentary rocks of neogen cumulated baden, sarmat and panon strata. The total underground gas storage capacities for the needs of Slovakia represent amount to 2.1 cbm. They are ensured by Nafta a.s. and Pozagas a.s., respectively owned by SPP, a.s.

Since 1.1.2005 the Slovak natural gas industry has been subject to legislation harmonised with the EU regulations. The Act on Regulation Nr. 276/2001 Coll. was amended in 2004 and came into force together with the new Act on Energy No. 656/2004. The process of harmonisation has continued by passing the generally binding rules in secondary legislation: RONI (Regulatory Office for Network Industries) elaborated the rules for gas market operation later issued in the form of the Ordinance of the Government No. 123/2005. The Ordinance made the base for elaborating the operation orders of individual operators in transit, distribution and storage of natural gas. Upon their approval by the RONI each operator published the respective order on his website. The Operation Order related to the gas storage facilities sets the conditions for access and use of the storage facility. The secondary legislation documents are supplemented by technical conditions applicable for services offered by individual operators. In case of SSO they set the technical provisions for access and connection to the storage facility.

Price regulation does not lie within the RONI authority in the field of granting services by the storage system operators. Its task, in compliance with the above mentioned legislation of the Slovak Republic for network industries, covers

- ensuring and monitoring of non-discriminatory and transparent performance and access to storage facilities
- monitoring of the SSO rights and duties
- monitoring if publishing of sufficient operating information on websites by respective SSOs for customers is met
- monitoring of quality standards of services provided by SSOs including complementary services
- the exercise of surveillance of the compliance of legislative rules in general and in case of violation the right of the RONI to impose on an operator fines in compliance with the law.

The RONI takes part in solving issues concerning the SSO activities in cross-border partnership, quality standards and other current issues connecting to liberalisation of the single European natural gas market.

Natural gas is quite realistically said to be an energy medium of the third millennium. The future perspectives of the Slovak natural gas industry will be developed within this reality as well.

Based on this fact, the Slovak natural gas industry has realistic opportunities together with other partners to create in the region of Central Europe a central-European gas centre and enter the closer integration with the European gas industry system. The good geological conditions for natural gas storage in the regions of the south-west Slovakia, south-east region of the Czech Republic as well as the region of Niederösterreich are also a good base for such future. Building the sufficient capacity of underground storage facilities belongs to the basic prerequisites for realisation of the project.

In the course of its historical development, gas industry has gone through many periods of building, development, massive expansion and competition towards electric power and undergone even oil expansion. Main parts of European pipeline system were constructed in 1970 – 1980. Entering the new era, the European gas industry market is nowadays well-developed and the gas network constructed. There is still a certain space for further development, however, the probability is that the expansion pace will slow down comparing to the past. The new era is the era of gas-against-gas competition. The European gas market opening also means harder incentives coming from the European Commission into the process. The aim is to ensure gas supplies for all the customers at good prices, at any time and place in Europe. Enlargement of existing projects (Blue Stream, Jamal) and new pipelines projects should support these aims:

A/ Baltic Sea pipeline – starting from 2015

B/ Nabucco – total capacity 25 billions cbm, in operation from 2020.

The underground gas storage facilities have their non-substitutable position in realisation of gas industry activities, quality and continuity and security of supplies, being an important part of the European strategic gas industry policy.