



# BULLETIN

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## Czech Republic, Slovakia and Hungary's Position on Energy Security

by Rafał Morawiec

*Energy security issues play a vital role in Polish foreign policy and are to be included on the list of Poland's priorities for its EU presidency, but the implementation of this plan will depend on the extent to which Poland can garner support from other EU member states for those priorities. Collaboration with the V4 states could be vital for the achievement of Poland's EU policy objectives. Recent parliamentary elections in Hungary, the Czech Republic and Slovakia present an opportunity to look at how energy security is viewed in those countries, with particular emphasis on safeguarding the security of energy carrier supplies.*

**Current Situation.** A characteristic feature of the energy mix of the Czech Republic, Slovakia and Hungary is its high level of dependency upon Russian raw materials, which are flowing along a single transmission route. Slovakia, which imports 98% of its natural gas, 99% of crude oil and 100% of nuclear fuel from Russia, has the highest level of dependency on Russian raw materials. At the same time, the percentage of imported raw materials in its national energy mix is 90%. Hungary's level of dependency is slightly lower, with the figures for Hungary at 80%, 99%, 100% and 61% respectively. Compared to Slovakia and Hungary, the Czech Republic, which imports 75% of its natural gas, 71% of crude oil and approximately 50% of nuclear fuel from Russia, is in a much better position, and with its own coal and uranium ore reserves, the percentage of imported raw materials in its energy mix is just over 40%.

Slovakia is also in the worst position with respect to the diversification of transmission routes. Oil and gas (from Russia) flow in solely via pipelines running from Russia through Ukraine. Hungary is in a similar situation, but only with respect to gas. In Hungary's case, oil can also be supplied along the Adria pipeline running from the Croatian terminal in Omišalj. The Czech Republic is in the best situation, as it has alternative transmission routes for both oil and gas, although the routes running from the West are of limited capacity, which stands at 30% and 24% of the country's annual needs in the case of oil and gas respectively.

Dependency on supplies from Russia and a low level of diversification of transmission routes (or—as in the case of Slovakia—no diversification at all) constitute serious energy security challenges, as confirmed by the recent Russia-Ukraine gas dispute (at the beginning of 2009). Its consequences were particularly painful for Slovakia and Hungary, resulting in an evolution of the two countries' position on the diversification of energy raw materials and supply routes (visible in particular in the approach of the Hungarian government), although differences persist in those countries over both the perception of threats and the preventive measures proposed.

**Positions.** In the Czech Republic the question of diversification of sources and supply routes is seen in a manner similar to Poland's approach to the issue. Subsequent governments in power in the Czech Republic since 2006 as well as most experts point to reducing dependency on Russia while creating mechanisms in the EU to curb the risk that Russia might use energy raw materials as a foreign policy tool as the key to safeguarding energy security. The Czech authorities want to reduce the share of Russian gas in their energy mix to 50%. This will help to increase LNG imports, but the necessary infrastructure has to be expanded first. This has led the Czech Republic to become an active supporter of projects aimed at enhanced cooperation on energy issues in Central Europe and in the Balkans, also through the construction of new LNG transmission grids and terminals. This cooperation is also intended to reduce dependency upon Russian energy supplies and diversify

supply routes. The Czech authorities are aware that in the foreseeable future Russia will remain their main supplier, but they are determined to introduce safeguards against a situation that arose during the Russia-Ukraine gas dispute. For this reason they also support the Nord Stream project, seeing it mainly as an alternative to transmission routes across Ukraine. A segment of the Opal gas pipeline, through which gas sent from Russia along the Baltic sea bed is to reach Bavaria, is to go through the Czech Republic.

For a long time the approach to relations with Russia was one of the crucial differences between Czech and Hungarian energy policies. Successive Hungarian governments concluded that energy security could be increased solely through diversification of supply routes, and did not see any need to diversify sources of supply. In practice this meant approaching Russia as a trustworthy supplier and making efforts to benefit from Russia's plans to expand onto EU markets and retain its position as a transit country. This position changed (partly) as a result of the Russian-Ukrainian gas conflict. Until then the Hungarian government had shown little enthusiasm for plans to build the Nabucco gas pipeline designed to provide the EU with gas from the Caspian Sea region and the Middle East. In light of the gas crisis, Hungary revised its policy and turned to firm support for the project, but did not abandon backing for plans to build the South Stream gas pipeline, which Russian has been pressing for. Viktor Orban's government formed after the parliamentary elections held last April has announced that the current energy policy in relations with Russia would be revised, which in practice could mean a shift of emphasis in favor of the position adopted by the Czech Republic.

For Slovakia, which is the most limited among the V4 countries in its capacity for diversification of raw energy sources and supply routes, the key issue is security of supplies from Russia. A major factor affecting Slovakia's stance is the fact that the country is not only a recipient but also an exceptionally important transit country, through which approximately 80% of gas imported from Russia is sent to EU users. It is in Slovakia's interest to preserve this situation, which means that Ukraine's key role in transit of those raw materials should also be maintained. Consequently, Slovakia is against the creation of alternative transmission grids bypassing its territory. In practice, this means acceptance of dependency upon Russia, but at the same time support for a close partnership between the EU and that country in energy matters in order to safeguard a (relative) security of supplies.

**Conclusions for Poland.** On the issue of the security of energy raw materials, the Czech Republic's position is the closest to Poland's, with the approach of the two countries coinciding on such fundamental issues as the effect of the diversification of energy supplies on energy security. Significant differences persist, however, in the approach to the Nord Stream project, which the Czechs wish to join (indirectly).

Following a long period of major differences in the policies of Poland and Hungary on energy security issues, the two countries' positions are now moving closer together and, consequently, prospects are emerging for closer cooperation in this area. The Hungarian presidency of the EU, which will directly precede Poland's presidency, will be key in this respect. Its priorities are likely to include also energy security issues, which are to be a priority during Poland's presidency. The high level of Hungary's dependency on supplies from Russia will not, however, be conducive to the process of bringing about closer cooperation between Poland and Hungary.

Slovakia's position converges with Poland's interest in preserving Ukraine major role in the transit of Russian raw materials and support for the EU's close cooperation with that country on energy issues. Poland should encourage the Slovakian authorities to take part in joint energy projects conducted within the V4 group.