



SERBIAN GAS SECTOR IN 2009

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Background

- Serbia produces approx. 8% of its gas needs and relies on Russian supplies to cover the bulk of domestic demand
- High import dependence

- One route of import gas from Russia via Ukraine and Hungary
- Based on a long-term agreement, daily capacity amounts to 10 million m³
- High and growing seasonal swing in gas demand

Balance Figures in 2009

- Serbian gas production 0,193 bcm/year
- Natural gas import 1,565 bcm/year
- Total 1,758 bcm/year
- With regard to the Annual plan of Market Demand, about 67% of gas import has been realized

Available gas quantities to be produced from the UGS B. Dvor and injected to the transmission system amount around 0,5 million m³/day



- Realized scope of natural gas transit to BIH was about 0,236 bcm
- Total consumption in 2009, considering also the gas crisis in January, amounted to approximately 1,5 bcm

Gas Crisis

At the beginning of 2009, Serbia was hit by three external shocks:

- Extended period of cold weather
- Disruption of natural gas supply from the Russian Federation and
- Financial crisis

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The main crisis period occurred the public holidays (Orthodox Christmas and New Year's Day)

Legal Background to the Crisis

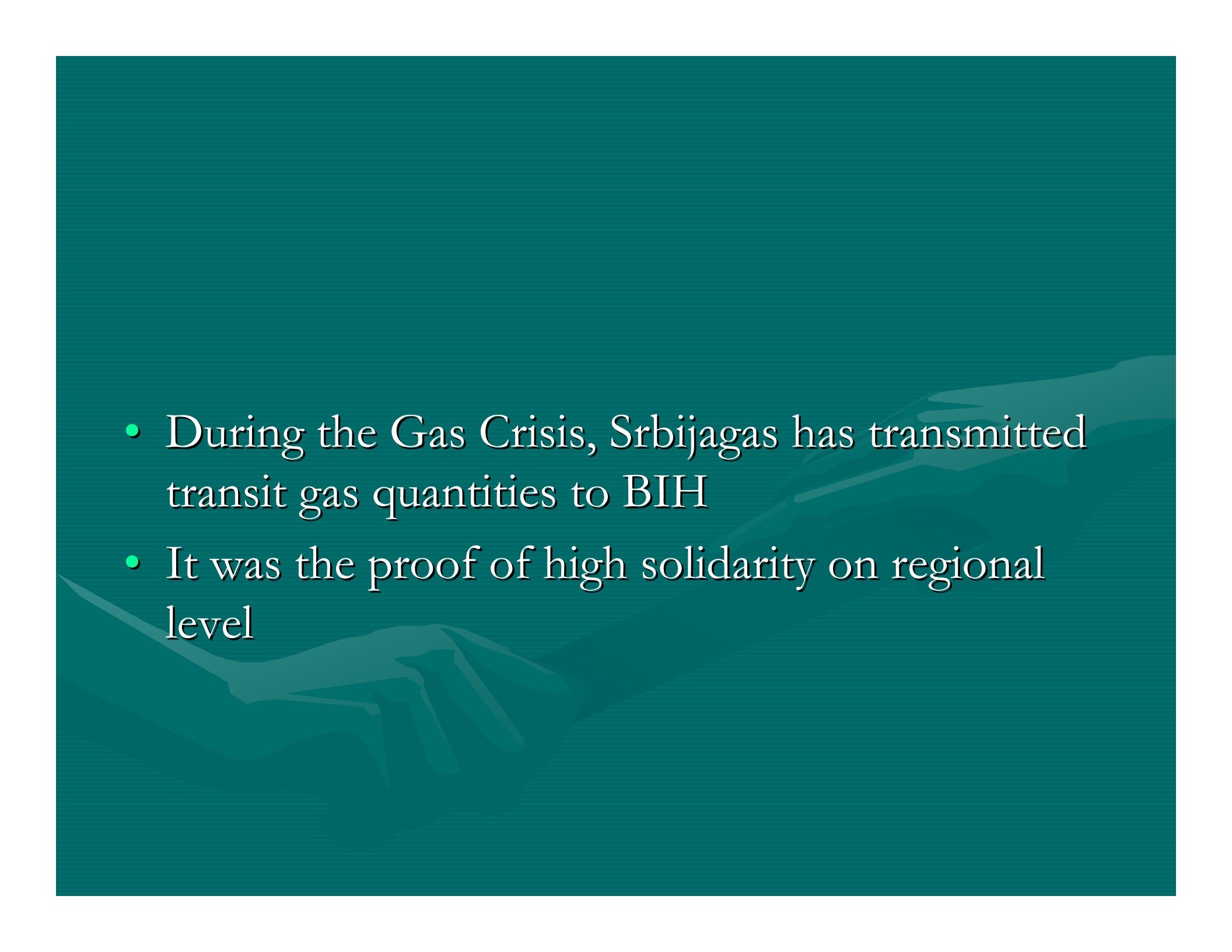
- SEE countries, including Serbia are signatories of the Energy Community Treaty with the EU
- This legal position has facilitated their participation in the EU Gas Coordination Group and
- Allowed some assistance from the EU member countries in the event of supply crisis

Following the meeting of the EU Gas Coordination Group held on January 9, Serbian Government and Srbijagas have arranged emergency import of 4,7 million m³ per day from:

- MOL (total import of 24 million m³) and
- EON (total import of 29,3 million m³)

During the Gas Crisis, with the:

- Domestic production of 0,5 million m³/day
- Gas production from the UGS B. Dvor of 0,5 million m³/day and
- Emergency imports of 4,7 million m³ per day
- A quantity of 5,7 million m³/day was available for Serbia and BIH

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- During the Gas Crisis, Srbijagas has transmitted transit gas quantities to BIH
 - It was the proof of high solidarity on regional level

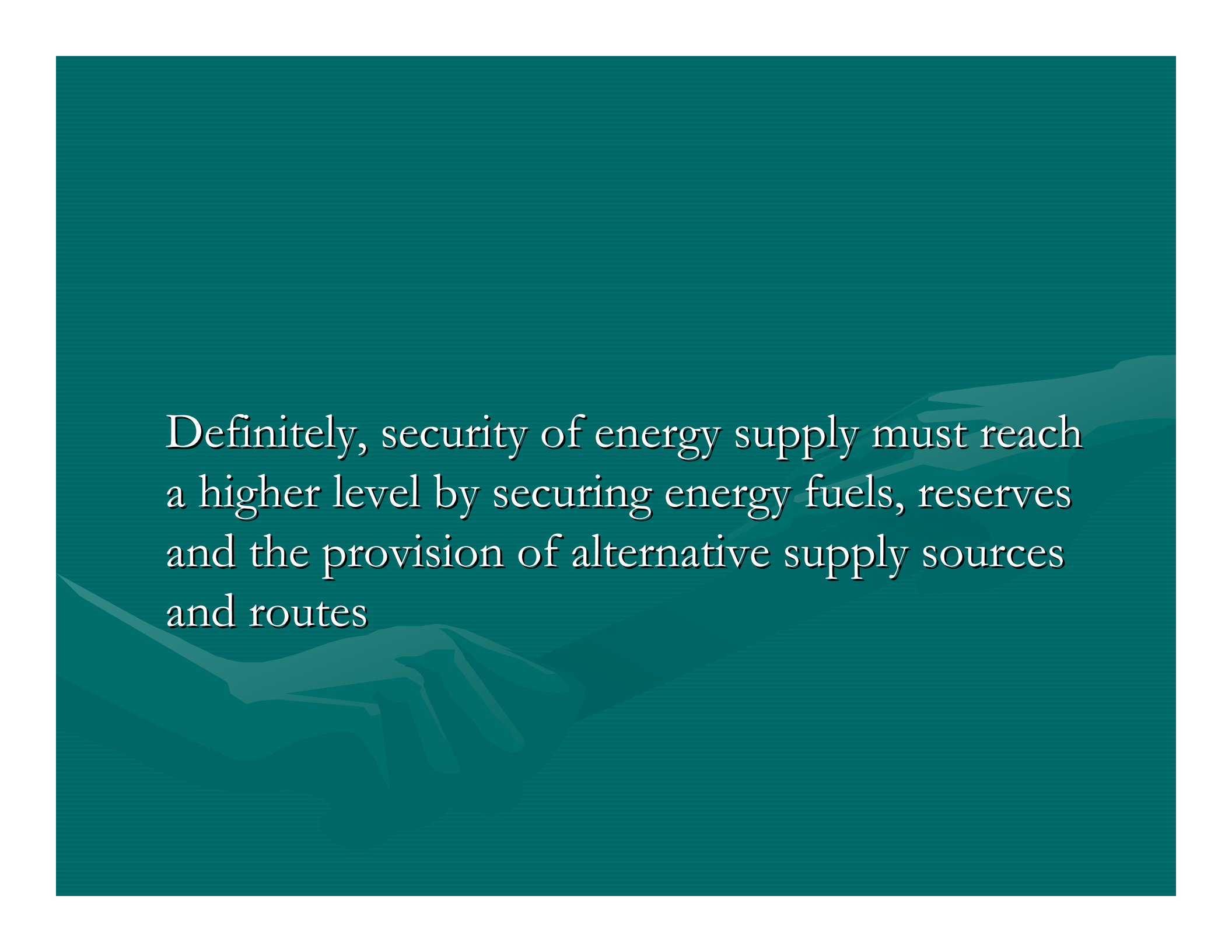
Substitution of Gas

- Most of 7000 MW installed heat capacity make boilers for district heating which use natural gas as their main fuel
- Substitution of gas with heavy oil practically enabled operational continuity of the district heating system in Serbia during the crisis, with the
- Exception of district heating companies which didn't have the possibility to switch

- It was the case with 11 district heating plants and around 50 000 households, in total
- However, available domestic gas quantities and emergency import from Hungary and Germany have provided sufficient gas for those district heating plants in a very short period of time

Security of Supply

The Ministerial Conference of the Energy Community Treaty for SEE held in December 2007 extended the scope of the Treaty to cover application of the Council Directive 2004/67/EC, concerning the measures to safeguard security of natural gas supply

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Definitely, security of energy supply must reach a higher level by securing energy fuels, reserves and the provision of alternative supply sources and routes

Long Term Measures

- Completion of two construction phases of the UGS B. Dvor and new UGS
- New supply route (South Stream, gas system diversification on the regional level etc)

Short Term Measures For the 2010

- Domestic production of 0,7 million m³/day
- Gas production from the domestic UGS B. Dvor of 1 million m³/day
- Agreement with the EON on gas reserves in Hungarian UGS 2 million m³/day
- Import from the Russia 10 million m³/day

In that way - 13,7 million m³/day would be available for market demand in Serbia and BIH for the first time

Conclusions

- Finishing the UGS B. Dvor and further gas system diversification on regional level and
- Short and long term measures,
- Would assure better security of supply on Serbian gas market as well in the region

THANK YOU FOR YOUR
ATTENTION

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