

Gas industry in Poland in 2004

Introduction

Poland produces about 32 % of its natural gas needs, the remaining 68 % being imported mainly from Russia (via Belarus and Ukraine). In addition there are large quantities of coal-bed methane in many hard coal mines, to date not fully utilized.

The Polish Oil and Gas Company – POGC, carry out all core activities in this sector. Moreover there are many smaller companies operating on the Polish gas market. In 2004 there was 63 licenses approved for supply of gas and 58 for transmission, distribution in the gas sector, 16 licenses approved for supply gas from abroad.

Year 2004 was very important for the Polish gas industry. The following events should be noted:

1. Implementation of EU gas legislation.

In 2004 Poland became a member of the European Union. As, in 2003, the European Parliament adopted a new directive (Directive 2003/55/EC) concerning common rules for the international market in natural gas, which introduced deadline for separation of transmission and distribution operators, ensuring their legal, organisational and decision making independence. Poland had to align the regulations of the energy law with the applicable EU regulations.

Transmission system operator has been separated from natural monopoly company and since 1st of July 2004 is working as independent company. According to present amendment of energy law act, discussed in Polish Parliament, since 1st of July 2007 Distribution Systems Operators will function as independent companies. The regulations of Directive 2003/55/WE will be fully introduce into Polish law with adoption of Energy Law Act by Polish Parliament which is expected soon.

2. Restructuring and privatisation of POGC

Restructuring and Privatisation Program for the Polish Oil and Gas Company[POGC-PGNiG] providing specific solutions to be applied in particular parts of that sector. A minority block of shares in POGC was made available in 2005 by way of public offering to financial investors on the Warsaw Stock Exchange and/or foreign capital markets through share offering and/or capital expansion, implementing the first stage of its privatisation program.

The solutions adopted in the Government Program envisage that State control is being retained by 100 % ownership of the strategic part of the sector infrastructure (transmission network).

Implementation of the Program aimed, most of all, at establishment of an effective sector structure enabling its efficient restructuring and providing optimum conditions for the development of the industry, as well as establishment within structure of entities which would be strong economically and self-finance.

The priorities of the program included:

1. Ensuring energy security of the country defined as technical and economic capacity to guarantee continuous gas supplies to recipients at economically justified prices.
2. Creating environment for stable and sustained economic growth to improve the competitive position of the Polish gas sector.

3. Gas consumption.

Gas consumption in Poland is growing from 2003. In 2004 natural gas sales on Polish market achieved 13.4 billions m³, almost 1 billion m³ more than in 2003. Polish natural gas production achieved in 2004 amount 4.3 billions m³ (32 % of polish consumption). Next year we expect additional growth of consumption of approximately 1 bcm.

4. Projects for the gas infrastructure

The Polish government submitted to the European Commission a motion concerning feasibility study for “The Yamal Europe Pipeline and Amber Project”

For Central Europe, Baltic States and for Poland it is vital, that project of a new infrastructure should be included on the list of “Quick start projects” in the framework of “Initiative for growth” The project advancement, its economic impact and technical flexibility make it eligible to be implemented. Second role of these projects is to enriched growth of regions at the Baltic See including Kaliningrad Area. Officials of European Commission on 12 November 2004 have present his positive opinion of POGC applying for co-financing of feasibility study for Yamal II/Amber gas pipeline project.

The Yamal-Europe two-line supply system is of crucial importance to ensure continuous, undisrupted gas supplies to Europe. Connecting this system to, for instance, Polish and Latvian storage facilities considerably increases security.

The investment project may be implemented in stages and adapted to the growing demand for gas in the EU States. The realisation of this project is an important element of the economic development of the Western European countries. It is assessed that increased gas supplies to the central part of Germany and also west and north is economic and rational due to the possibility of their use thanks to making use of reserve capacity of gas lines in this region.

There are two proposals of new interconnections in Poland. First will connect Polish and German Gas systems through north border, close to Berlin. The second will connect Republic of Poland and Tchech Republic in Silesia border town Cieszyn and Ostrava. Through this second interconnection Polish gas system important for Baltic States will be connected to south European system in the future.

5. Diversifying natural gas supplies to Poland

In the gas sector, there still remains the problem of diversifying supply sources and the new Polish Energy Policy confirm the forecast, to amount in 2005 to 15-16 bcm.

6. Environmental aspects in the energy sector.

In accordance with the Act of 27 April 2001, on the Environmental Protection Law, the cost of pollution of the environment is borne by party which has caused the pollution. Besides, the cost of preventing pollution is borne by the potential polluter. Poland maintains an environmental monitoring system, which is the major source of information on the environmental status.

In the area of rationalising energy utilisation, it is necessary to continue economic and fiscal stimulations of the market and to conduct supporting activities (information, education, research and development).

Comparative analyses performed in national science and research centres indicate that the state regulation in force for stationary energy sources are compliant with relevant EU standards in terms of SO₂ and NO_x emission levels. To further promote energy from renewable sources, a system of “green certificate” trading is to be implemented to facilitate trade in such energy regardless of the generation place. An obligation will be introduced to meet standards, which specify sulphur content in motor fuels, in accordance with relevant regulations of the European Union. The Kyoto Protocol obliging Poland to reduce the emission of greenhouse gases, including CO₂, six per cent in the years 2008-2012 as compared with 1988 emission will fulfil levels. There are opportunities to further reduce emission levels of greenhouse gases; however, they may prove to be too expensive and therefore harmful to the competitiveness of the Polish economy.