

Gas industry in Poland in 2005

Introduction

Poland produces about 32 % of its natural gas needs; the remaining approximately 60 % being imported mainly from Russia (via Belarus and Ukraine) 8 % from Norway and Germany.

The Polish Oil and Gas Company – POGC, carry out all core activities in this sector except transmission services. Moreover there are many small companies operating on the Polish gas market. In 2005 there was 104 licenses approved for supply of gas and 2 for transmission and 92 distribution services in the gas sector, 20 licenses approved for supply gas from abroad.

1. Implementation of EU gas legislation.

Transmission system operator has been separated from natural monopoly company and since 1st of July 2004 is working as independent company. Now it is state ownership 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 are introduced into Polish law.

2. Restructuring and privatisation of POGC

Restructuring and Privatisation Program for the Polish Oil and Gas Company providing specific solutions to be applied in particular parts of that sector. A minority block of shares in POGC was sold in September 2005 by way of public offering to financial investors on the Warsaw Stock Exchange. The income from the Emission will be intended for investment

projects in 2005 and the next years but means from the emission will be capitalized up to 2007.

Implementation of the Program aimed its efficient restructuring and providing optimum conditions for the development of the industry, growth of natural gas production from Polish sources.

The priorities of the program included:

1. Ensuring energy security of the country also by diversification of natural gas sources including proposal of investment in LNG terminal at the Polish seaside.
2. Co-operation south – north in Wysehrad Group Organisation.

3. Gas consumption.

Gas consumption in Poland is slowly growing. In 2005 natural gas sales on Polish market achieved 13.7 billions m³, almost 0,5 billion m³ more than in 2004. Polish natural gas production achieved in 2005 amount 4.5 billions m³ (32 % of Polish consumption). The growth of Polish natural gas production of approximately 0,5 bcm in 2006 is expected.

4. Projects for the gas infrastructure

First line of Yamal – Europe grid is fully finished. It's transmission possibilities through Poland of 32,6 bcm per year.

5. Diversifying natural gas supplies to Poland

In the gas sector, the Polish Government new Resolution of January 3rd this year, pointed out the LNG terminal at the Polish seaside as a way to solve the problem of diversifying supply sources. We are thinking about continue collaboration with Norway. Today we can consider additional possibility to buy Norwegian LNG.

The terminal LNG on the north part of Poland is compatible with plans of developing gas market in this area. Some pipelines can be a part of the projects connected with the northern

Poland grid as well as projects of building gas storage systems in northern Poland. This investment is important because of increasing of gas receivers market (the needs of households and industrial and power station located in northern Poland) and possibility of connecting with local gas system.

It is essential that gas installation LNG can be the element of diversification strategy of gas supply to Poland and Baltic countries and with other projects (gas transmission system, inter-connectors and storages) and can ensure energy security of the countries and enable them economical development.