

Report on the Development of the Gas Industry in the Czech Republic in 2007

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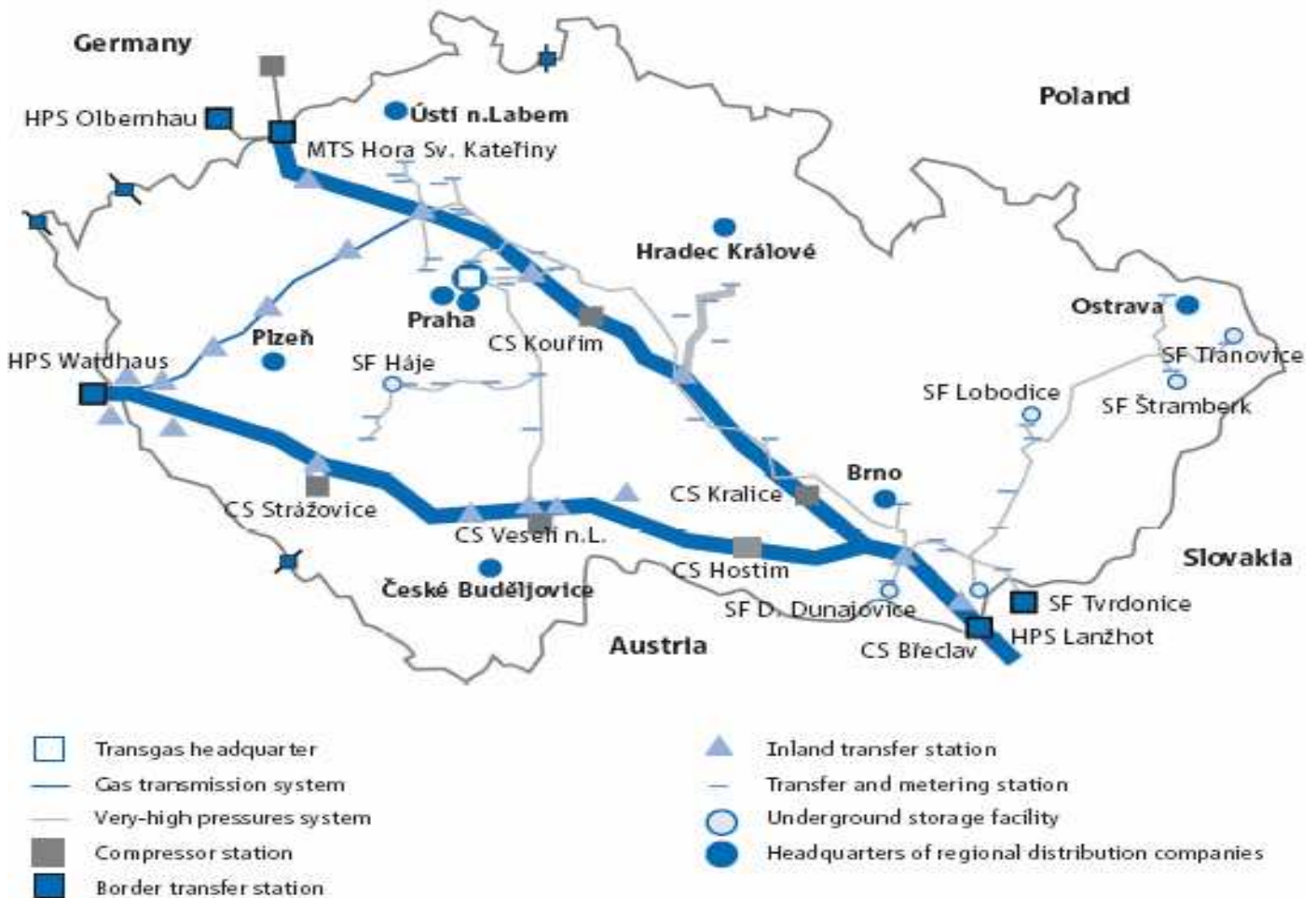


Figure No.1 Gas Transit System in the Czech Republic

1. Gas consumption in the Czech Republic

Gas consumption in the Czech Republic is almost totally dependent on import from the Russian Federation and Norway. The share of natural gas in the total consumption of primary energy sources in the Czech Republic reached its peak in 2001, see Figure No. 2, and since that, it remains stable fluctuating only according to outdoor temperature changes.

Figure No. 2 - Development of natural gas consumption in the Czech Republic

Year	Outdoor temperature (°C)		Gas consumption		Year-on-year change	
	Average	Deviation	Million cm	GWh	Million cm	%
1993	9,0	1.0	6 983	72 915	+314	+ 4.7
1994	9,3	1.4	6 934	72 803	-49	- 0.7
1995	8,3	0,4	8 075	84 782	+1 141	+ 16.4
1996	6,6	- 1.2	9 306	97 714	+1 231	+15.2
1997	7,9	0.1	9 441	99 131	+135	+1.5
1998	8,5	0.7	9 390	98 591	-51	- 0.5
1999	8,7	0.9	9 427	98 982	+37	+0.4
2000	9,5	1.7	9 148	96 053	-279	-2.9
2001	8,2	0.4	9 773	102 611	+625	+ 6.8
2002	9,0	1.2	9 542	100 193	-231	- 2.4
2003	8,6	0,9	9 739	102 600	+197	+2.1
2004	8,2	0,4	9 691	102 236	-48	-0.5
2005	8,0	0,2	9 562	100 829	-129	-1.3
2006	8,5	0,8	9 269	97 806	-191	-3.1
2007	9,4	1,4	8 646	91 214	-521	-6,7

Source: Gas Balance Centre

2. Security of supply in the Czech Gas Network

Currently, approximately 30 Bcm of natural gas via territory of the Czech Republic is being transported annually by the company RWE Transgas Net Ltd. for EU countries and technical possibilities enable to raise this transportation volume by 30 % minimally. Since full liberalisation of the Czech gas market there are three different corporations supplying gas to Czech customers, as a main supplier RWE Transgas, other gas traders are VEMEX and WINGAS. To enhance security of gas supply, Czech Republic diversified its gas deliveries between Russian Federation (75 % of annual consumption), and Norway (25 % of annual consumption), which represents the first measure to increase the security of gas supply.

Second measure to maintain security of supply is represented by long term import contracts, with Norway up to 2017, and with Russian Federation until 2035.

As the consumption differs in summer and in winter, a part of the gas must be stored in underground gas storage facilities, which represents third measure to increase the security of gas supply. Current total storage capacity 2,9 bcm is equal to 30 per cent of overall annual domestic gas consumption with maximum daily withdrawal capacity 55 mcm and as of 1st October this volume is able to cover 60 days consumption of natural gas.

3. Gas Market Liberalisation

The full liberalization of the gas market was finished on 1. January 2007, when all end customers inclusive 2 700 000 households became eligible customers with freedom of a supplier choice. Since this day the legal unbundling of Distribution System Operators from Gas Traders has entered into force.

During 2007 approximately 6 400 customers took advantage of possibility to change their gas supplier.

4. Future development

Recently, RWE Transgas j.s.c., the gas trader with highest market share has signed both a new contract for delivery of natural gas into CR ensuring hereby an annual import volume of 9 Bcm and contract for transit of natural gas into further EU countries through the territory of the Czech Republic valid until 2035. The rest of gas consumption will be covered by import from Norway, whereby the diversification of sources is ensured.

RWE Gas Storage Ltd. has been main Underground Storage Facility Operator since May 2007 as a separate legal entity which has been unbundled from RWE Transgas j.s.c.

Nowadays the effort of the Czech gas industry is devoted to a construction of CNG filling stations in order to reduce oil import dependency. According to the EU transport policy the share of natural gas as an alternative fuel should amount to 8 % in 2020. Currently there are 17 CNG filling stations in operation in all regions so that you can travel with a CNG powered car through the Czech Republic without any problem and you always reach a CNG filling station. Most of the CNG filling stations are situated in big cities as the local public transport corporations are increasingly operating more and more CNG powered busses thereby reducing emissions from public transport and improving living conditions for their citizens.

Construction of further CNG filling stations is planned, so that there will be approximately 100 CNG filling stations in 2020 providing for alternative fuel to gasoline and diesel.



Figure No.3 CNG Filling stations Czech republic

The consumption of primary energy sources in the future will be focused mainly on clean energy sources such as renewable energy sources and nuclear energy, which together with natural gas will provide for more than 56 % of total consumption of primary energy sources in 2030, see Figure No. 4.

Figure No. 4 – Consumption of primary energy sources in 2030 – forecast in %

Primary energy sources	2000	2005	2030
Coal	52,4	42,5	30,5
Natural Gas	18,9	19,6	20,8
Liquid fuels	18,6	19,7	11,9
Nuclear fuel	8,9	16,5	20,9
Renewable Energy Sources	2,6	3,4	15,7

Source: State Energy Policy