

## Slovak Gas Market in the Year 2005 and Trends of Development

According to the preliminary estimates of the Ministry of Finance, Slovenský plynárenský priemysel, a.s. – as the second-largest European gas transport company – gives an account of the past year at a success rate similar to 2004, when the company had shown net profit in excess of 500 million EUR. In its position as one of the most-profitable companies in the Slovak economy and largest contributor to the national budget, SPP remained one of the economic pillars of the country that, in 2005, reported top-growth GDP values (exceeding 5.5 %) in the framework of the European Union, substantial drop of unemployment, growing real wages and highest rating (A-) among the Visegrád Four states.

The structure of the company's ownership remained unchanged, with 51 % owned by the Fund of National Property, 24.5% by EON Ruhrgas, and 24.5% by Gas de France. Gazprom waived its 2005 option to purchase more than 16 % of SPP's stock.

The country's gasification rate, stabilized after the mass gasification of the nineties, remained at 76 %; notwithstanding, Slovakia rates second in Europe in this parameter.

The globally growing energy prices were substantially reflected - similarly to other European gas companies – also in SPP, a.s. SPP increased the price of gas to households twice, in January 2005 by approximately 12 % and in October by approx. 20 %. The price for small-commercial customers was increased only once, by approx. 17 %, which however led to a more substantial price increase on 1.1.2006. The gas prices applicable to large buyers have been increasing continuously, on a monthly basis.

Total sales of natural gas dropped in the year 2005 by approximately 0.2 billion m<sup>3</sup> to 6.3 billion m<sup>3</sup>. Households, as well as some industrial clients started switching, for price reasons, to other competitive fuels.

In the field of legislation the Energy Act, the Network Industries Regulation Act and the Thermal Power Act represent the three energy legislation pillars. The SR National Council passed all three laws in October 2004, with effective dates 1 January 2005. Other legislation of gas-industry relevance, passed in 2005, include the Government Decree establishing the gas market functioning rules (March 2005), the Act on the energy management of buildings (November 2005), the Decree of the Office for Regulation of Network Industries on the gas industry (June 2005), the Regulation policy of July 2005, and the Rules of operation of the transport network operator and the distribution network operator (SPP, a. s.) of November 2005. In addition, the energy policy of the state was approved in January 2006.

SPP, in the framework of efforts to fulfil European legislation in the field of liberalization of the gas market, conducts preparations for the unbundling of distribution and transit activities from the parent company, expected for the 2<sup>nd</sup> half of 2006.

Unless the global energy market shows markedly unfavourable price developments, gas sales are expected to stabilize at a moderate growth to 6.8 billion m<sup>3</sup> in 2010, and to 7.1 billion m<sup>3</sup> in the year 2030.