



ENSURING ENERGY SECURITY IN CENTRAL AND EASTERN EUROPE

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In the last few years energy has become one of the most multifaceted and urgent challenges of our time. Our energy needs and consumption affect economic development, national security and the natural environment of our countries and our region. In central and eastern Europe, the most challenging energy-related issues are the lack of interconnections leading to fragmented markets, high energy prices, and high vulnerability regarding security of supply due to a lack of alternative sources and routes.

Consequently, one of the most important tasks for the region is to integrate our markets as much as possible. Essential infrastructure developments are needed especially in the natural gas sector, but also in the electricity and crude oil sectors.

Hungary inaugurated the Hungarian-Romanian natural gas interconnector in October 2010. The interconnector makes it possible to deliver up to 1.75 billion cubic metres of gas a year to Romania. Its capacity can be extended to over four billion cubic metres. Next, in December 2010, we inaugurated the Hungary-Croatia interconnector with a six billion cubic metre capacity. In January this year we signed an inter-governmental agreement with Slovakia which creates the technical prerequisites for the construction of a gas interconnector between the two countries. All the three interconnectors built and committed to by Hungary are part of the North-South energy corridor and all three were awarded limited funding from the European Recovery Plan program.

In a well-functioning energy market most of the costs of infrastructural developments would be borne by the market. However, in certain cases private investors will not foot the bill leading to market failure. Europe's so called Infrastructure Package 2020 estimates that in the wider central and eastern European region the market will not be able to provide for up to 100 billion euros of necessary infrastructural developments.

While an integrated European market is in the interests of all the 27 member states, without the necessary infrastructural developments this part of Europe will remain as fragmented as it is today. In certain cases, public sources, even European public funding, should be mobilized. The European Economic Recovery Plan has provided a good lesson to build on in recent years as it has clearly demonstrated that limited EU funding has the ability to mobilize both private capital and political support for the necessary infrastructural projects.

The Commission has recognized the chicken-and-egg dilemma inherent in infrastructure projects in the CEE region: pipeline investments are hindered because of the absence of alternative supplies to go into the new infrastructure; while, simultaneously, alternative external supply projects have slowed down because of a lack of pipeline infrastructure to deliver any new supply that might become available.

As an answer to these problems, the Commission launched - with the broad support of the Presidency and other regional states - the North-South energy corridor initiative, which aims to connect the central and eastern European countries from the Baltic to the Adriatic and the Black Sea with the necessary energy infrastructure while also eliminating other administrative legal and regulatory obstacles to the development of a well functioning regional market.

Infrastructure development not only contributes to the creation of an integrated energy market, it is also a prerequisite for the security of supply to the region.

With this in mind, one of the achievements of the February 4 European Council meeting held during the Hungarian EU presidency was the EU's commitment that beyond a call to complete the internal market by 2014 so as to allow gas and electricity to flow freely, heads of states and governments also set out a goal that no EU



member state should remain isolated from the European gas and electricity networks after 2015 or see its energy security jeopardized by a lack of appropriate connections.

Apart from the internal issues, the external dimension is also vital for the security of supply in our region. One of the pressing challenges is our high dependence on external energy sources, and Hungary fully supports projects that diversify both the route and source of our natural gas supply.

The January visit of Commission President Jose Manuel Barroso and Energy Commissioner Günther Öttinger to Baku and Ashgabat sent some encouraging signals on the long touted Nabucco project for which the next few months will be critical.

A decision by the Shah Deniz consortium about the sale of natural gas is expected soon. It will be followed by the so called open season process and, finally, an investment decision should then be made. 2011 has to be the year when a new European direction opens up for Caspian gas. It is Hungary's goal to enhance and contribute to this process both during the period of our EU presidency and beyond.

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GLOBSEC Policy Briefs provides Slovak and broader security community with policy recommendations by renowned decision- and opinion-makers throughout Euro-Atlantic community. Their aim is to foster the discussion on current international security issues and transatlantic agenda bringing upon critical assessment the topic.

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The Slovak Atlantic Commission (SAC) is an independent, non-partisan, non-governmental organization which deals with national and international security issues. Aim of the Slovak Atlantic Commission is to support constructive and active involvement of the Slovak Republic in international affairs with emphasis on cooperation in the Euro-Atlantic community, support of transatlantic cooperation and effective implementation of foreign and security policies of SR through building a net of individuals and institutions (state, non-governmental and private). The Slovak Atlantic Commission represents a community of leaders who bring ideas to power and give power to ideas.