



Shaping the future.

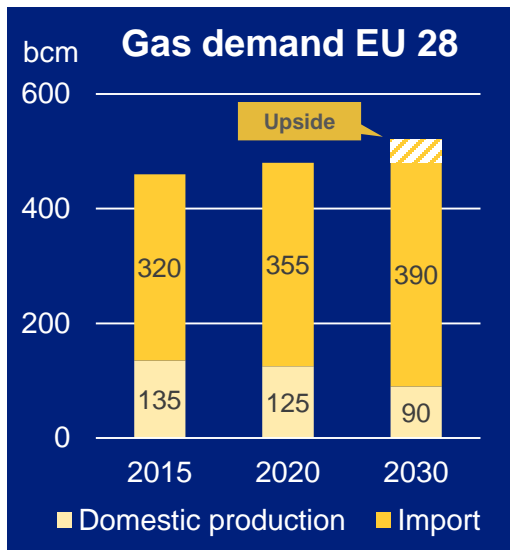
# The importance of Russian Gas for the EU internal market.

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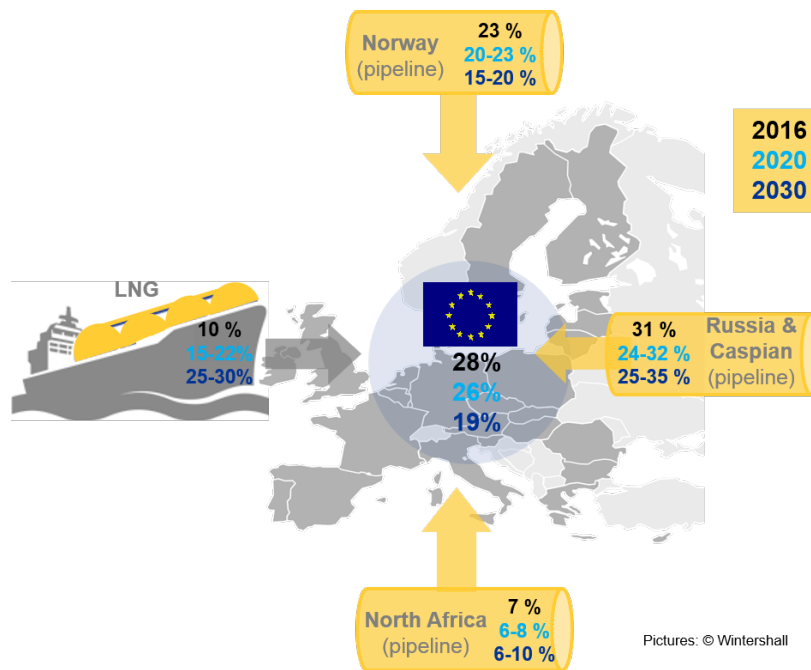
Vienna, Austria – May 26, 2017

# The importance of Russian Gas for the EU internal market

## Decreasing domestic production in EU



**Increasing import need**



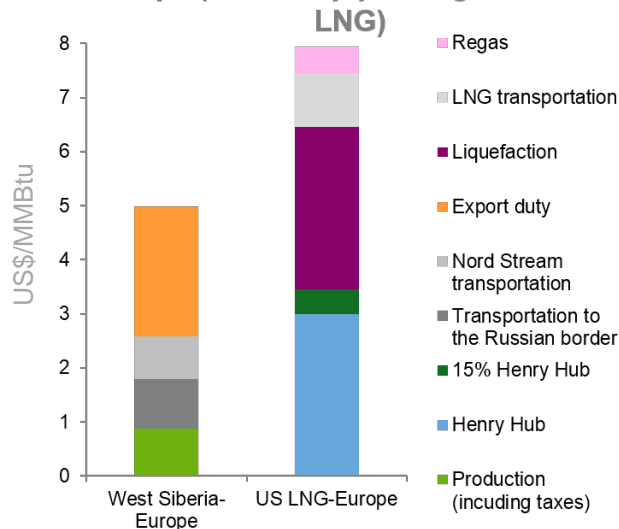
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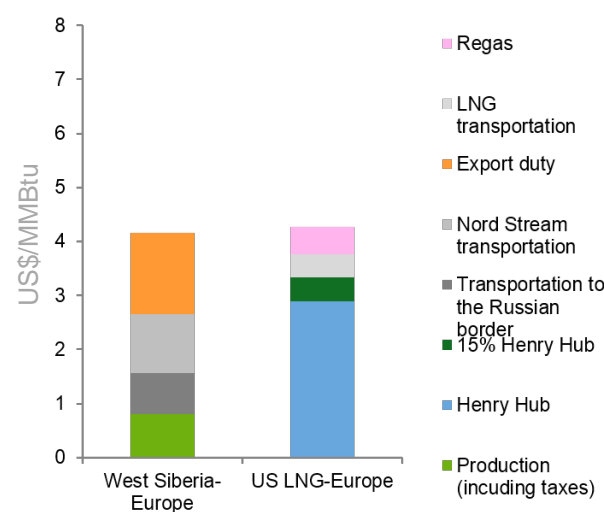
# The importance of Russian Gas for the EU internal market

## LNG vs. Russian pipeline gas

Long run marginal supply costs to Europe (Russian pipeline gas and US LNG)



Short run marginal costs to Europe (Russian pipeline gas and US LNG)



If transportation costs are considered as sunk, Russia even more cost-competitive

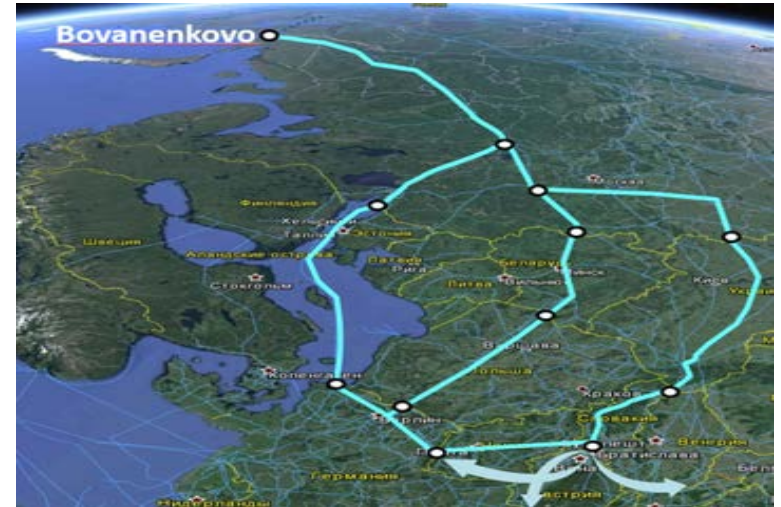
# The importance of Russian Gas for the EU internal market

## Advantages of Russian Gas



Russian gas is highly available and competitive

- Vast reserves
- Low production costs
- Pipeline distance



# The importance of Russian Gas for the EU internal market

## Controversial new pipeline project



### European Commission (Šefčovič) March 2017

“The Commission has stated publicly on several occasions that the Nord Stream 2 project is not in line with the policy objective of the Energy Union as it will not give access to a new supply source,…”



### Bundesnetzagentur (Homann) March 2017

“As you will know, the German federal government believes that offshore-connections from third states to the EU do not fall under the Third Energy Market package, which includes unbundling rules.”



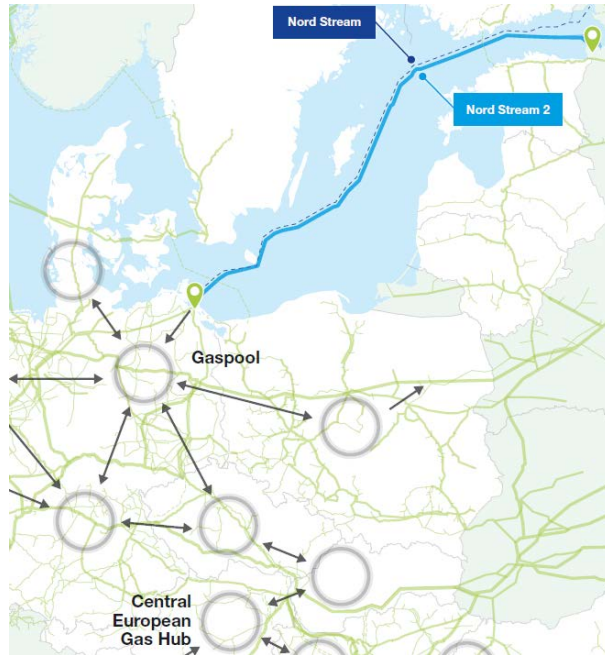
### Poland (Szydło) February 2017

“It is not acceptable for Poland to implement Nord Stream 2.”



# The importance of Russian Gas for the EU internal market

## New pipeline: Nord Stream 2



- Direct connection link between vast gas reserves and the consumption market Europe
- Pipeline to strengthen the energy partnership between Russia and Europe
- Economic, efficient and secure: shortest route possible
- Triggers the onshore / downstream completion of the EU's internal market on TEP basis.
- Enhancing the liquidity of Central European gas hubs

## Annual capacity auction 2017

- At new Lubmin II network point (landfall Nord Stream 2 in Germany), transport capacities of up to 55bcm (approx. 73 GW) p.a. were purchased over the long term:  
Natural gas received from Nord Stream 2 should be made available to the European market via fully regulated EUGAL and existing infrastructures directly connected to EUGAL.
- No request from Polish shippers for West → East transportation / grid expansion to Poland (available capacities are only used 50%).



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## New onshore pipeline: EUGAL



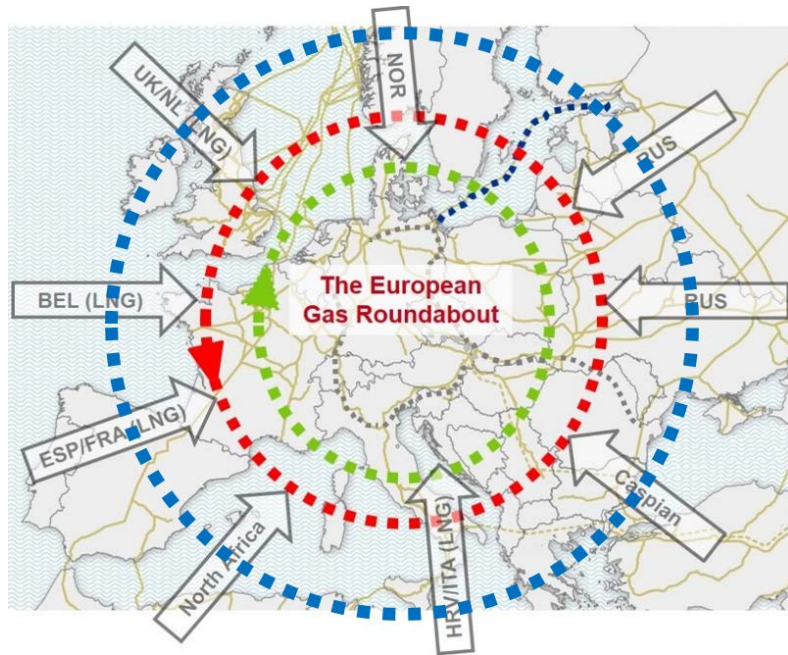
- 2 parallel strings in Germany from the Baltic Sea to the Czech Republic
- Max. transport capacity 51bcm p.a.
- GASCADE contributes experience from the construction of the OPAL pipeline, which started operating in 2011
- EUGAL is to run in the existing OPAL pipeline corridors for large parts, so GASCADE can minimize its impact on people, nature and environment
- Commissioning at the end of 2019





# The importance of Russian Gas for the EU internal market

## EU to benefit from new infrastructure



- New infrastructure like LNG and Nord Stream 2 for additional volumes to close import gap
- Intensifying competition between different sources and costs throughout Europe
- Fostering other projects to secure gas supply for South and Central Europe

**Completing the European internal gas market**