

The 4th Ukrainian Gas Forum 11th-12th October 2018, Kyiv

The main theme: «Eastern European Energy hub as the guarantee of energy security of the countries in region»

The Concept

The security of supply and affordability of energy are the prerequisites to retain and develop the industrial activity and, in general, for the proper level of energy security of the country.

Russia's plans to build energy supply lines directly to western/central European gas markets («Nord streams», «Turkstream») bypassing the transit countries, such as Poland, Ukraine, Slovakia and further downstream – the Czech Republic, only deepens the gap between Western European developed countries and Eastern European states, putting their energy security at risk.

Taking into account all above-mentioned, a concerted effort to achieve an appropriate level of energy security by Hungary, Romania, Poland, Ukraine, Slovakia and Czech Republic is the guarantee for a stable development in these countries.

The most efficient measure to achieve such a goal is to establish an East European Energy Hub (E3H) that would unite energy markets (particularly natural gas market and electricity market) of the participating countries.

The establishment of such hub (the (E3H) covering combined consumption base of 50 bln. cubic meters of gas (2017), will provide an opportunity:

- to create a competitive single trading zone for East European countries;
- to ensure the inflow of huge volumes of energy resources due to the attractiveness of this zone (with its considerable trading volumes);
- to ensure the high quality of services and economically justified prices for energy resources;
- to guarantee the integration of energy infrastructure of countries-members of the hub;
- to harmonize regulations and procedures, i.e. to create a common regulatory framework for the established trading zone.

The idea of creating an East European Energy trade zone (E3H) has ripened long ago. Make no mistake, much needs to change before it can become a reality. In general, there is a need for coordinated work of the regulatory authorities in the hub's zone, in order to reconcile the operating procedures of the respective gas and electricity networks. In addition, unified customs rules will also be needed to ensure the unimpeded transmission gas and electricity, and the storage of gas.

One proposition for establishing the hub is to establish it in the city of Uzhhorod, near the nodal point for gas transit flows and large underground gas storage facilities; it would benefit from the status of an international free trade zone with its own regulatory framework and establishment of market operators - joint-stock companies (separate for gas and electricity) with an equal participation in the capital for all partner countries of the hub.

Surely, for this proposal to become a reality, the gas transmission system operator needs to be unbundled and the appropriate legislative and other conditions for increasing the confidence of foreign gas traders in the work on this hub should be created, including the adoption of the relevant separate law of Ukraine.

It's also important to note huge perspective deposits of natural gas in Ukraine (more than 1 trln. cubic meters, which can provide the resource base for Eastern Europe in further).

The main basic framework for the establishment of such a hub, the identification of interested parties, and a phased programme for the establishment of such a hub will be reviewed and discussed at the Fourth Ukrainian Gas Forum.