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**GAZPROM AND SLOVAKIA: ANNIVERSARIES OF COOPERATION
IN ENERGY SECTOR**

(50th anniversary of the Druzhba oil pipeline, Bratislava, September 18, 2012)

**Mr. Chairman,
Dear colleagues and friends,**

I am glad we have gathered here to celebrate several significant events at once. Exactly 50 years ago, the Druzhba oil pipeline started operating, 45 years ago, the first gas arrived from the then Soviet Union in what was then Czechoslovakia, and 40 years ago, the gas transportation system of today's "EU-Stream" began operating. I warmly congratulate oil and gas companies on these anniversaries and achievements.

Our cooperation over these years has been an example of how economically sound commercial relations can flourish in spite of political turmoil. Then – 45 years ago – economic rationality and not political motivation was behind the intention of constructing gas pipelines to supply Europe (including Slovakia) with the necessary energy resources. That is what has allowed long-term investment projects to fully justify themselves. This is also essential today. I am convinced that today, search for mutually beneficial and commercially viable solutions to existing realities is the right path that will help maximize benefits for all parties.

For us, Slovakia is an important partner in the gas business. Although consumption is relatively small, your country is the largest transit country for Russian gas after Ukraine. In November 2008, new contracts were signed for the supply of up to 6.5 billion cubic meters of gas to Slovakia, and for transit of up to 50 billion cubic meters per year through its territory. These contracts are valid for 20 years. Last year, we delivered 5.89 billion cubic meters of "blue fuel" to Slovakia, and transported 47.38 billion cubic meters of Russian gas through Slovak territory. Surely, everyone here is concerned about the future of gas contracts after the commissioning of the Nord Stream and South Stream gas pipelines. May I assure you that all commitments under these contracts shall be met. Commitments on gas transit through Slovakia are secured by the "ship-or-pay" condition. Therefore, you can be assured that your country will not be left without transit fees.

During the transit crisis in Ukraine in early 2009, all the market players learnt their difficult lessons. The most frustrating for us was that Slovakia – the second-largest transit country that fully met all its contractual obligations – found itself in a difficult situation. The conclusion to all of us is that completely relying on a single and not always reliable transit country is dangerous. It is in order to avoid the risk of the energy security of Europe and Slovakia being dependent on Ukraine’s gas transportation system that we are building the Nord Stream and South Stream, and developing storage facilities. Looking ahead to 2015, we intend to bring the total storage capacity of underground gas storage facilities in European countries to 5 billion cubic meters of natural gas. As for new gas pipelines, first of all, they are designed to meet Europe’s growing need for imported gas – and in the long-term, the needs will grow since Europe’s own oil production decreases, while energy consumption is growing steadily. However, besides meeting the growing needs for gas, the new pipelines are designed to add flexibility and reliability to the entire gas supply system. Therefore, we can only welcome the measures taken after the 2009 transit crisis by European countries – construction of bridge pipelines, creation of reverse facilities, anything that increases the flexibility of the gas transportation system and the stability of its operation during emergencies.

At the same time, no one can abolish the fundamental “physical” bases of the gas business. A pipe is constructed in order for it to operate and transport gas. Therefore, construction of additional gas pipelines has another side: no one would invest in the laying of an empty pipe. We are talking about long-term complex projects with low profitability, in which no one is interested, except the supplier companies themselves who transport gas through the pipe. The economic interests of all parties converge here. It is the supplier – and not an external manager or an independent operator – that is more than others interested in the stability and reliability of the pipe.

Let me go the length of digressing into the recent past. Five years ago, we celebrated the 40th anniversary of the beginning of gas deliveries to Czechoslovakia. More recently, in the context of the history of our relations, we summed up decades of our cooperation. Nevertheless, the European gas market has changed since then! On the agenda are now issues, which, in 2007, would have been unthinkable. The global financial crisis started in 2008, which led many market players to review their projects. After the tragic events at the nuclear power plants in Fukushima, some EU countries reviewed their plans on nuclear power and changed their energy mix guidelines. The Third EU Energy Package came into force and began to be implemented in national laws. The Nord Stream gas pipeline was successfully launched, and its first line is already delivering gas directly to Western Europe, while the second line will be commissioned in October. Finally, shale gas is actively being discussed.

Certainly, all these events cannot but be reflected not only on the state of European markets, but also on the long-term objectives and priorities of players in

these markets. We see objective changes in the market, and are ready to work with them. At the same time, however, we are convinced that there are things and principles that should remain unchanged regardless of the price changes or the emergence of new gas sources. We are talking about the principles of free competition, non-discrimination, and compliance with legislative regulations.

I will not be surprising if I say that it is not easy now to operate in Europe's gas market. However, we are convinced that common sense and economic rationality will help find the right solutions for years ahead. Our Slovakian partners share our view. Changes in the contracts that we negotiate with our customers, including those in Slovakia are evidence to this. We take account of the changes taking place in recent years in the European gas market and the market situation, which is being formed against the incessant crisis. When both parties are ready to make concessions to each other, it will be possible to find a compromise acceptable to all. We are glad that we were able to reach mutually acceptable solutions that meet the long-term interests of both our Slovak partners and Gazprom.

Dear colleagues and friends,

For the past almost half-century of our cooperation, we have been able to achieve a lot together. We have much to be proud of, and there is reason to look to the future with confidence. Over these decades, you did not only create a reliable transportation and supply system in the oil and gas industry, but also a sustainable economic model for operation. I congratulate you on these remarkable events. I wish you new successes and achievements, as well as new anniversaries!

Thank you!