

Andris Piebalgs  
Energy Commissioner  
EU-Ukraine Energy Security  
Opening speech at the International Investment Conference  
on the Rehabilitation of Ukraine's Gas Transit Network  
Brussels, 23 March 2009

---

Reference: SPEECH/09/146 Date: 23/03/2009

HTML: [EN](#)  
PDF: [EN](#)  
DOC: [EN](#)

**SPEECH/09/146**

## **Andris Piebalgs**

Energy Commissioner

### **EU-Ukraine Energy Security**

Opening speech at the International Investment Conference  
on the Rehabilitation of Ukraine's Gas Transit Network  
**Brussels, 23 March 2009**

Ladies and gentlemen,

I am pleased that after long preparations we are now finally here today to support the modernisation of the Ukrainian gas transit system.

Ukraine is the single most important transit country for gas supplies to Europe. Around 80% of all Russian gas destined for Europe arrives through this route. The gas reaches as many as 12 EU Member States as well as Western Balkan countries and Turkey.

Let's be clear: It is in Europe's strategic interest to keep the gas coming through this route. Any other solution is economically less interesting.

Additional gas imports to Europe are needed and are expected to reach approximately plus 40-150 bcm per year by 2020 depending on different scenarios. 40 bcm if all the foreseen measures concerning energy efficiency and renewable energies are effectively implemented and 154 bcm according to the business as usual scenario.

Ukraine will consequently stay an important transit route for gas to Europe for the foreseeable future. This is the case regardless of the realisation of alternative routes. Any strategy for the diversification of routes will obviously need to take care of existing routes.

This is consistent with the recently adopted EU Energy Council Conclusions on the Second Strategic Energy Review. The EU needs to act together to deliver sustainable, secure and competitive energy. A balance must be struck between the economic viability and maturity of projects and their contribution to energy security.

The modernisation of the Ukrainian gas transit system is not only important for EU energy

security but also to the energy security as well as economic development of Ukraine itself.

To keep its current gas transit position, Ukraine must make sure it continues to be an attractive transit option. For this, modern and reliable infrastructure is of utmost importance.

I am therefore pleased with the amount of work that has been put into the development of the Master Plan on the Ukrainian gas transmission system. We will hear now about the details of this plan.

I welcome that it identifies priority projects for modernisation and reconstruction of all the main facilities of importance for the transit to Europe - both on the western and southern routes, including:

- Pipelines;
- compressor stations;
- communication systems;
- metering stations; and
- underground gas storage facilities.

Importantly, the rehabilitation and modernisation of the gas transit network will include actions to modernise the measuring and reporting of gas transit in the Ukrainian system.

Another issue worth noting is that the modernisation of the transit system should save a significant amount of the fuel gas needed for the transit of Russian gas to the EU.

It is of course for the potential investors here today to carefully examine the Master Plan to determine whether the specific projects are bankable.

It is also for the Ukrainian side to explain to these potential investors the steps that will be taken in the immediate future to implement the gas reform measures necessary to make investments into the gas transit system economically viable.

This should include:

- ensuring the independence of the Ukrainian gas transmission operator;
- giving the gas transmission operator the benefit over the income from its transmission activities and allowing it to operate on a commercial basis; and
- ensuring that tariffs for access to the network reflect actual costs, including an appropriate return on investment.

These are basic principles derived from the EU energy laws. Ukraine is already negotiating the exact timeframe for the implementation of the complete set of EU gas laws in the framework of its negotiations for accession to the Energy Community Treaty.

In this context, Ukraine's proposal is to implement the gas directive by end 2011. It is thus fundamental for Ukraine to quickly demonstrate that all efforts will be engaged to fulfil this commitment. Without a revised draft gas law in line with the EU acquis, it will be impossible to conclude the negotiations.

The conference today shows Ukraine's strong commitment to these negotiations.

Thank you.