

# **South Stream's Role in the Hungarian Energy Policy**

„The South Stream: Evolution of a Pipeline”  
18 November 2013, Budapest, Hungary

*András Deák, Associate Fellow  
Hungarian Institute of International Affairs*

## Three potential benefits from South Stream

(1) Improves HU supply security (SoS) situation.

(2) Profitable investment, increases corporate profits.

(3) May increase contractual/supply diversity.

Positive net impact, but South Stream will not change the basic patterns of HU gas sectoral landscape.

**Double SoS dependence on RU and UA:**  
**N-1 principle shall be differentiated**

- \_\_\_(1) Total RU supply cut – Apocalypse, full response is not a policy option.
- (2) UA supply cut (whatever reason) –  
„Hold out three days longer than Ukraine.”
- (3) Managable without South Stream: in 2009 successful response primarily due to domestic storage, but relatively high costs.

**South Stream enhances N-1 rule in HU and significantly decreases the costs of SoS policies.**

## Impact on HU sector compared to other transit countries

- (1) Unlike other SEE countries, HU market is mature, high consumption.
- (2) In some respects it decreases the utilization of the existing system (UA entry, SR-BiG transit).

The relative significance of South Stream for the transit countries' gas sectors					
	Entry capacity/2010 consumption (BCM)		Distance (100KM)	Relative size	On HU parity (HU='1')
<b>BULGARIA</b>	63/2,55=	24,71	5,38	132,94	<b>20,08</b>
<b>SERBIA</b>	40,5/2,06=	19,66	4,22	82,96	<b>12,53</b>
<b>HUNGARY</b>	30/10,38=	2,89	2,29	6,62	<b>1,00</b>
<b>SLOVENIA</b>	23,5/0,96=	24,48	2,66	65,12	<b>9,84</b>

# Odd-one-out: Which national section does not provide synergies with the existing network?

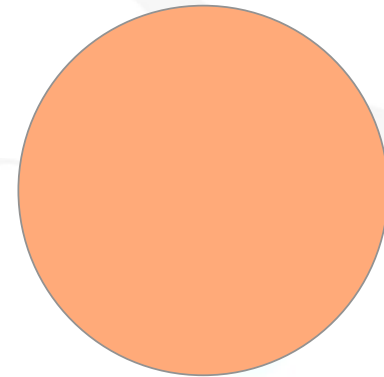
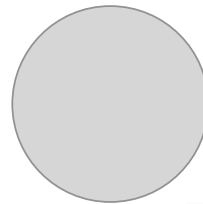


## HU impact compared to other issues of bilateral relevance

South Stream  
HU section

New Paks VVER Bloc

RU gas export revenue  
from a 10-year HU contract



Cca. 600 Mio EUR

Cca. 5000 Mio EUR

Cca. 18000 Mio EUR

**Regulation benchmarks and HU interests:**  
**optimizing corporate risk management and social welfare**

No TPA, full RU access.

Nord Stream, NEL-OPAL:  
Significant exemption and  
some auctioning.

Full TPA.

TAP-pipe: full exemption  
for the 1st stage but virtual  
swap and etc.

UA-SK border and Baumgarten:  
Existing environment for CEE, RU-RU  
contractual diversity. Azeri supplies?

Project investment risks minimized.

Diversification, social welfare maximized.

**THANK YOU FOR YOUR ATTENTION!**