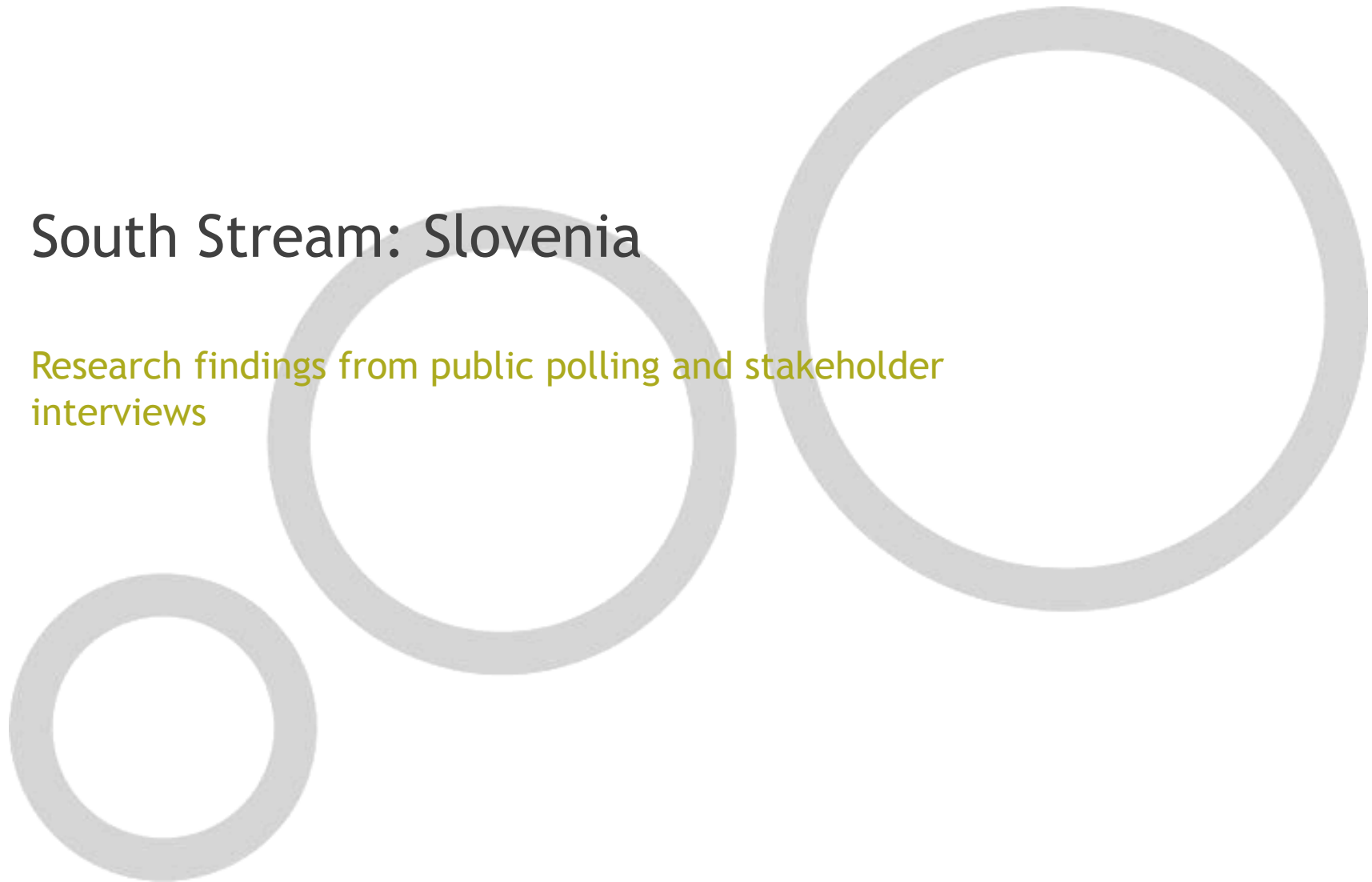


South Stream: Slovenia

Research findings from public polling and stakeholder interviews



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Background

- The South Stream pipeline will bring significant volumes of Russian gas to Italy, transported across Bulgaria, Serbia, Hungary and Slovenia.
 - There will also be outlets to Macedonia, Croatia and Serbia.
- Once completed, the pipeline will diversify European energy supplies and ensure steady gas supplies.
- South Stream is a partnership between Gazprom, ENI, EDF, and Wintershall, as well as a number of NOCs, businesses and financial partners.

Objectives

- Natural Gas Europe commissioned WorldThinks to conduct research to understand views of the pipeline in Bulgaria, Hungary, Italy, Serbia and Slovenia.
- In each country, the research aimed to understand:
 - levels of support for the pipeline;
 - perceptions of its advantages and disadvantages;
 - attitudes towards the main companies involved; and
 - any differences in opinion between stakeholders and members of the general public.
- These slides present the findings of the research in Slovenia.
 - Where figures do not add up to 100%, this is a result of rounding.

Methodology

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- Online survey
- Fieldwork: 2nd - 8th July 2013
- 500 respondents
 - Margin of error within sample size = $\pm 4.38\%$

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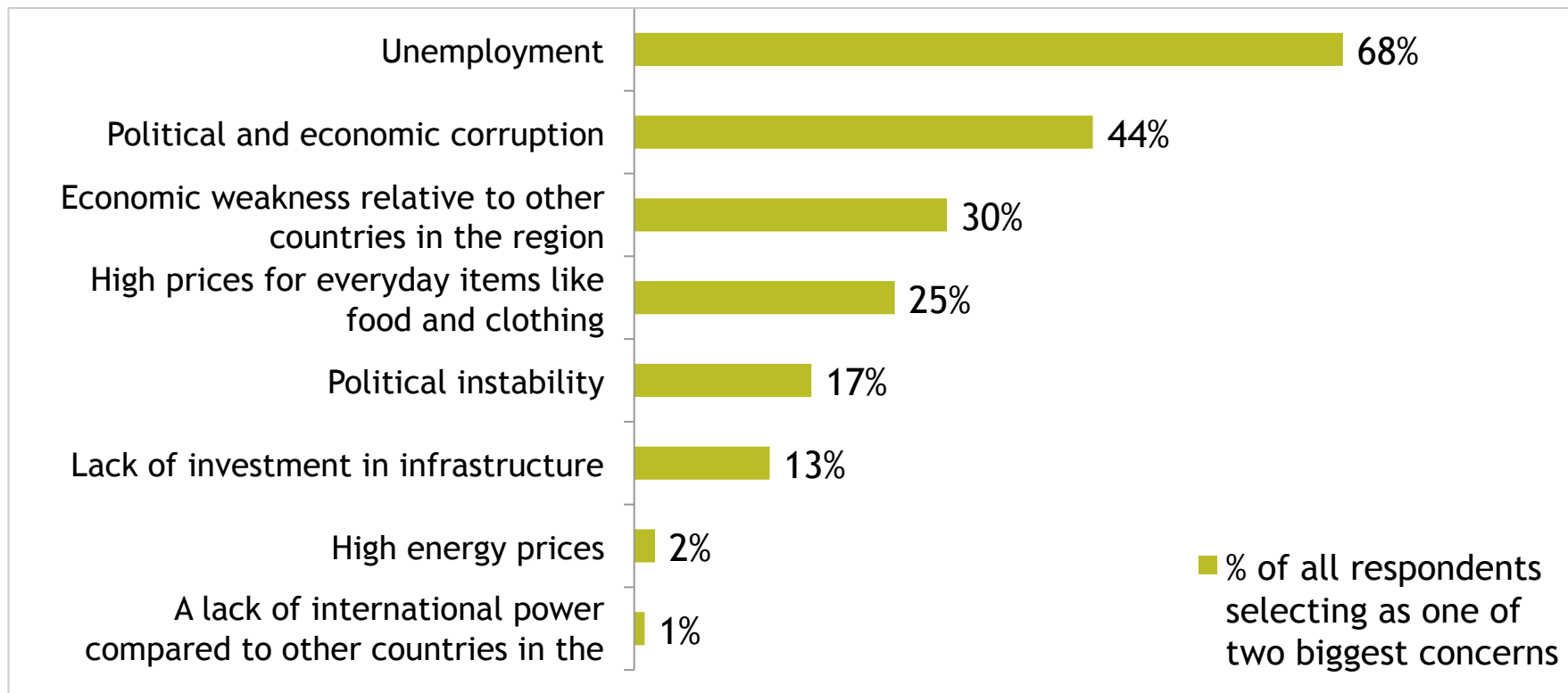
- 11 interviews
- Telephone or face-to-face
- 30-45 minutes each
- Conducted in Slovenian by local research agency
- Mixture of stakeholder groups:
 - 2 Academics
 - 4 Business/Investors
 - 3 Politicians
 - 1 Environmental NGO
 - 1 Think tank



Background hopes and fears for Slovenia

Slovenians are most concerned about economic and political issues

- Lack of investment in infrastructure, energy prices and international power are not big concerns for most of the public.



Q.1 Which two of these are your biggest concerns for Slovenia at the moment? Please select 2 from the list below. [Base = All respondents (500)]

Higher levels of employment and economic stability are the most common hopes for Slovenia

- Achieving energy independence and developing Slovenia's role in European politics are less of a priority.



Q.2 Which two of these are your biggest hopes for Slovenia at the moment? Please select 2 from the list below. [Base = All respondents (500)]



Views on energy challenges and Slovenian energy policy

The main energy challenge identified by stakeholders is for Slovenia to be self-sufficient

- Stakeholders felt that Slovenia should aim to import less energy and to exploit its own energy resources more effectively, including through the development of renewable sources of energy.
- There was some concern that energy prices in Slovenia are high relative to other countries.
- Other concerns included inefficient use of energy and need for up-to-date technology.
- There was relatively little concern about security of supply, or about environmental issues.

“The biggest challenge for Slovenia is the exploitation of domestic sources of energy. By this I mean domestic oil, hydro-electric energy, wind, sun and biomass.”

Stakeholder

“In Slovenia we have slightly higher prices of many energy forms. That is because of the energy mix we have, where renewable energy sources play a relatively minor part.”

Stakeholder

National energy policy is seen as incoherent, and there are calls for a greater focus on renewables

- Most stakeholders felt that Slovenia lacks a coherent, long-term energy strategy.
 - Lobbies and interest groups were seen to have too much influence over policy making.
- A number of stakeholders felt that policies should focus more on the development of renewable sources of energy.
 - There were also calls for a greater focus on energy efficiency measures.
- There was some criticism of Slovenia's system of energy subsidies, which were described by different stakeholders as incorrectly applied, too short-term, and too rigid.
- TEŠ6 was also criticised by a number of stakeholders.

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“There isn’t a totally coherent energy policy. We don’t have a long-term vision for energy policy. For several years we have been trying to develop energy laws, and they have still not been accepted by Parliament, mainly because of the work of the different lobbies.”

Stakeholder

“Slovenia is not courageous enough in the introduction of renewable energy sources, we’re too slow.”

Stakeholder



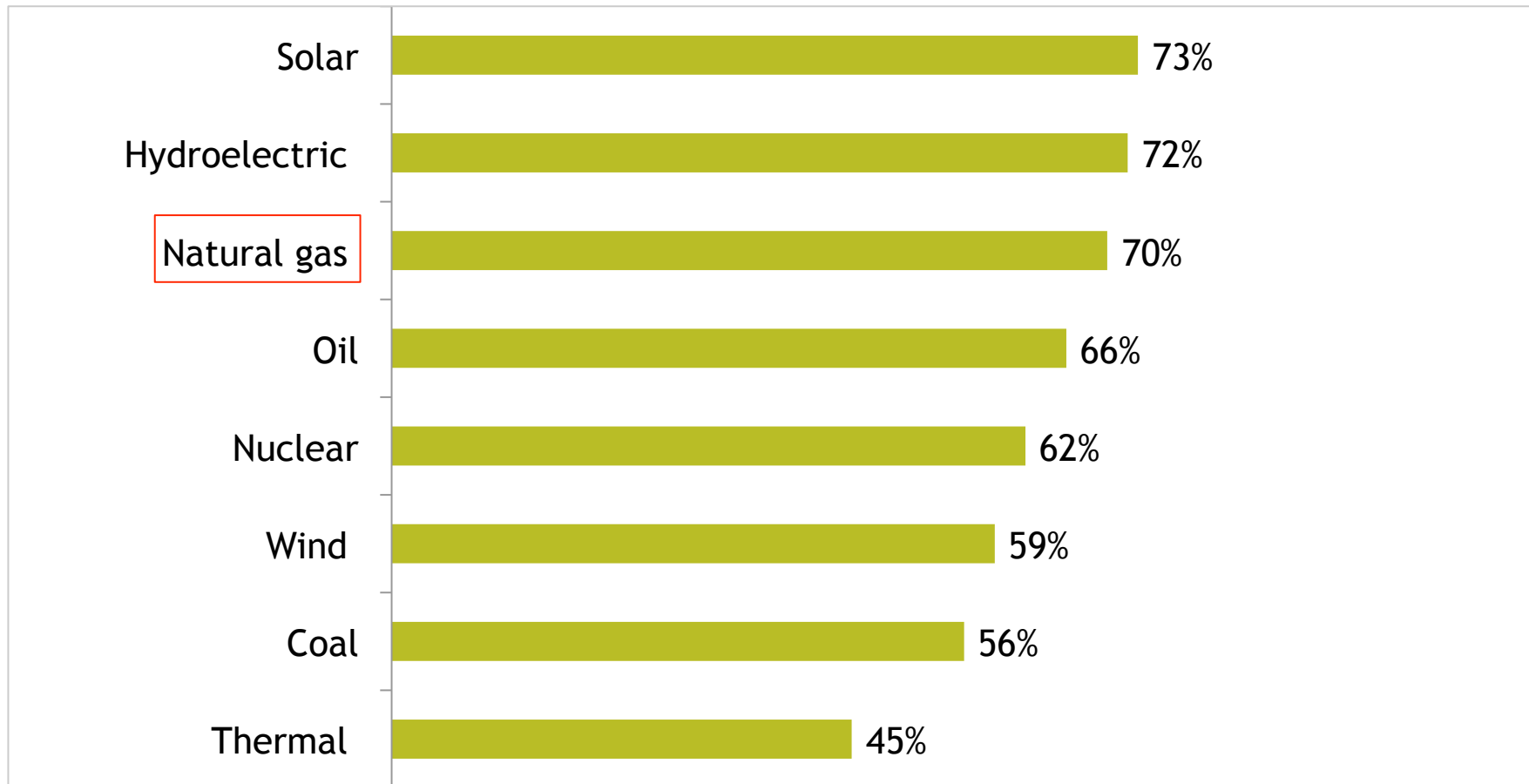
Attitudes to energy sources and new energy developments

Public attitudes to energy sources

Public attitudes to energy developments

Stakeholder attitudes toward natural gas

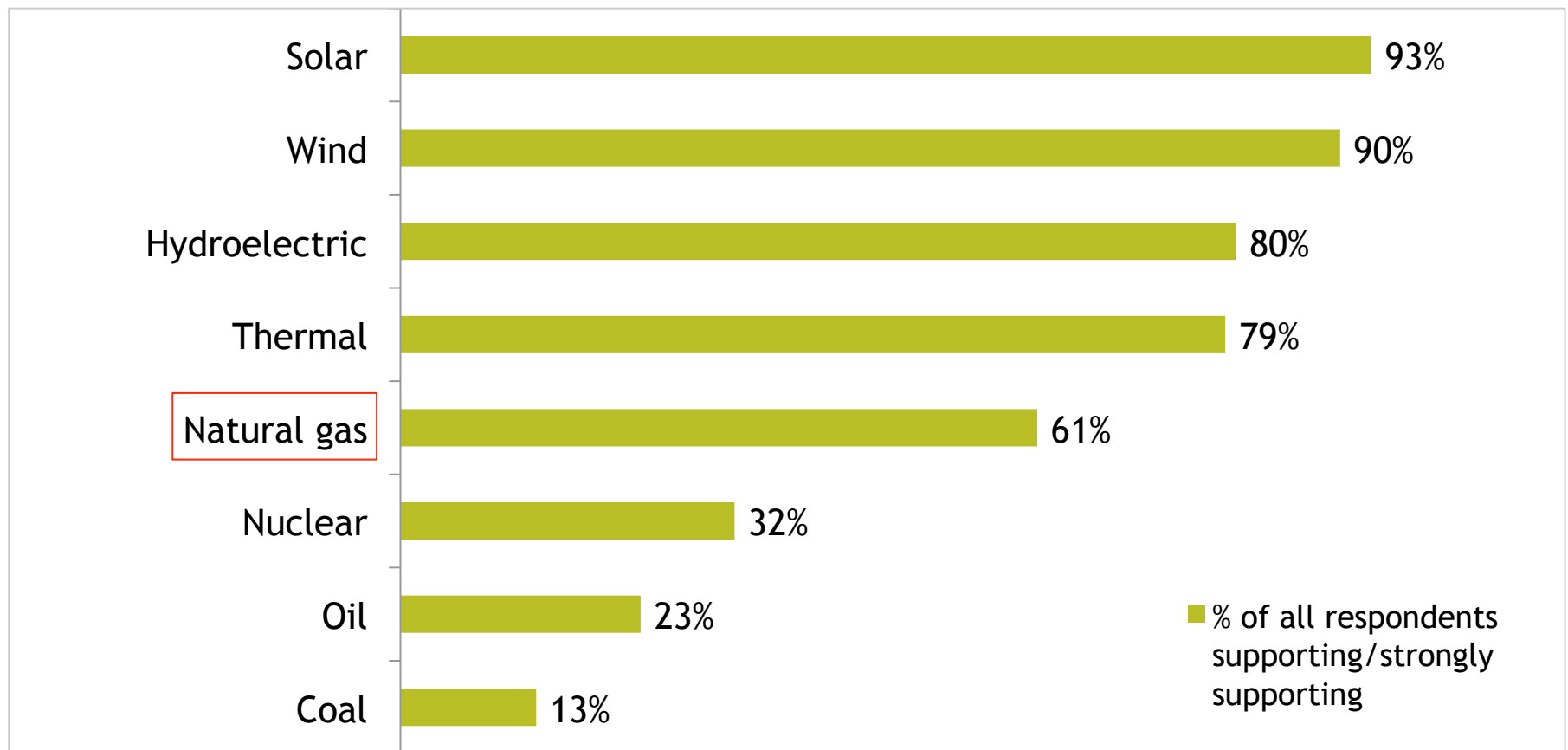
Knowledge of energy sources varies, but 70% say they know something about natural gas



Q3. Thinking about the range of potential sources of energy for providing Slovenia's gas and electricity, how much would you say you know about each of the following? [Base = All respondents (500)]

Renewable energy sources receive the most support but natural gas is the most popular fossil fuel

- Only 8% are opposed to natural gas as a source of energy in Slovenia.



Q4. And, based on what you know now, how much do you support or oppose each of the following as a source of energy in Slovenia. [Base = All respondents (500)]

Stakeholders believe gas has an important part to play in Slovenia's energy mix

Pros

Gas is an important transition fuel
It is cleaner than other fossil fuels

The infrastructure for transporting gas already exists

Cons

It is relatively expensive
It cannot be sourced domestically, meaning that Slovenia risks being dependent on other countries
International tensions could jeopardise supplies
Gas can pose a safety risk

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“I believe until Slovenia reaches the point where most of its energy needs can be met by domestic renewable sources, gas is the most suitable alternative energy source. It is cleanest fossil fuel, it has no additional substances and low emissions.”

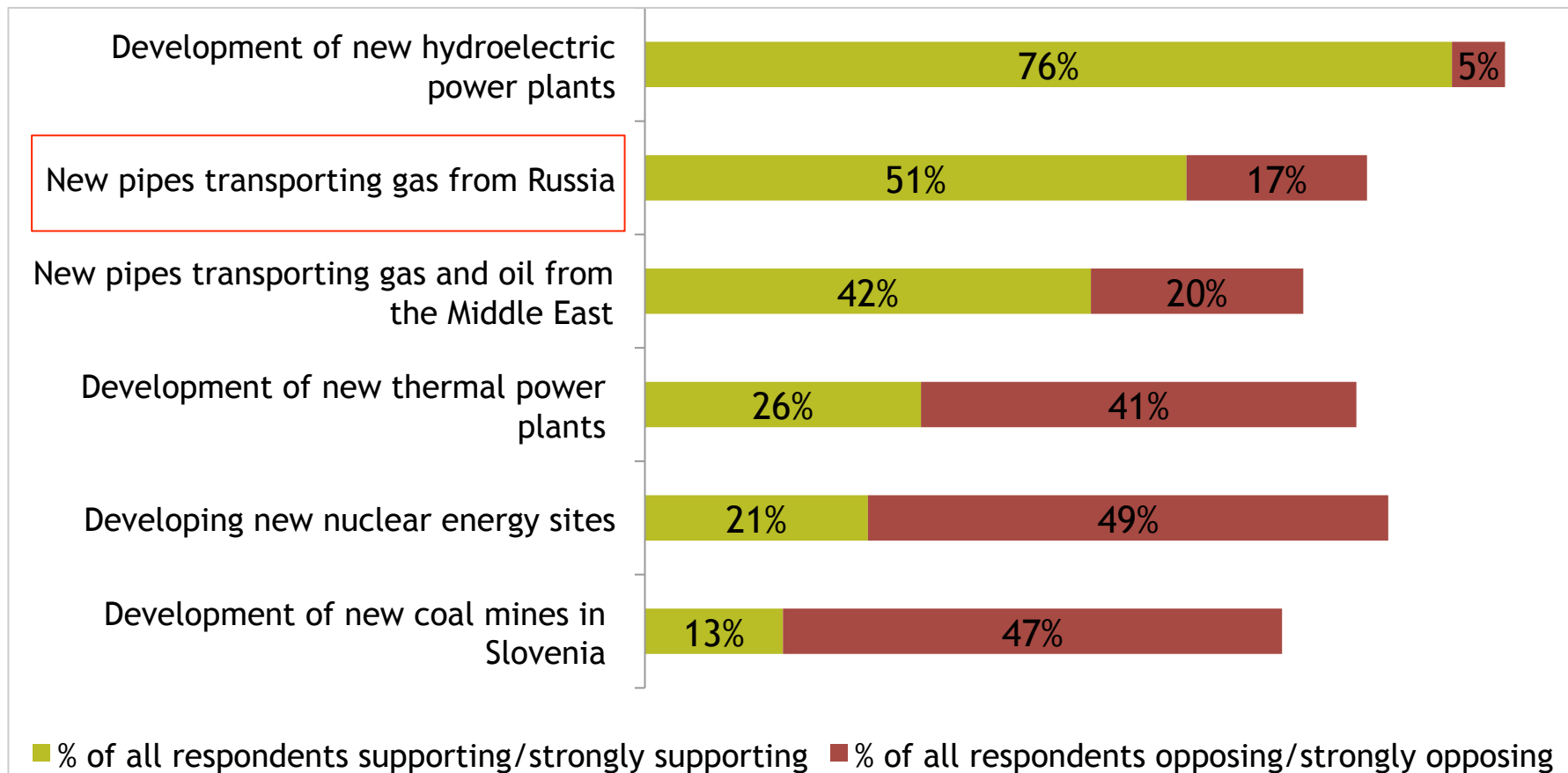
Stakeholder

“Since we don’t have our own sources of gas, we need to import it...There are concerns in relation to this, mainly the risk of dependency on foreign suppliers and the potential dangers connected with usage, such as high pressure containers.”

Stakeholder

New gas pipelines from Russia are a relatively popular energy development

- Only 17% of Slovenians are opposed to new pipelines from Russia.



Q5. How far do you support or oppose the following energy developments in Slovenia? [Base = All respondents (500)]



Attitudes to South Stream

Awareness and support

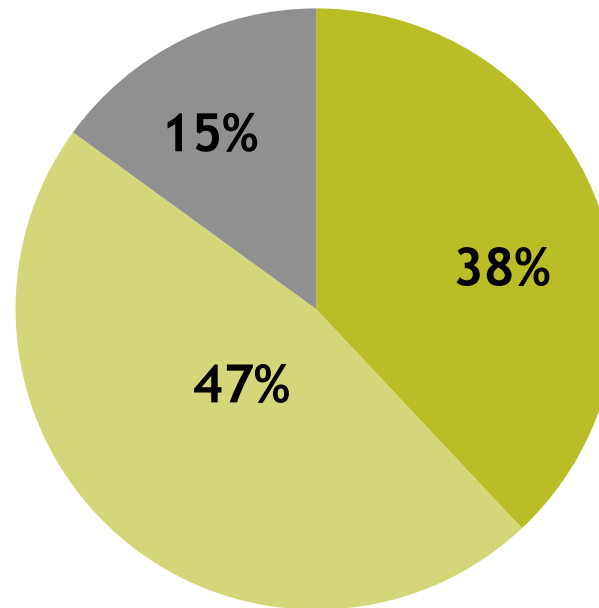
Assessment of potential advantages and disadvantages

Attitudes to organisations involved

Public awareness of South Stream is very high

- The most common source of information about South Stream is the news (97%), followed by word-of-mouth (25%); 8% heard about the issue on the South Stream website or in an advertisement.

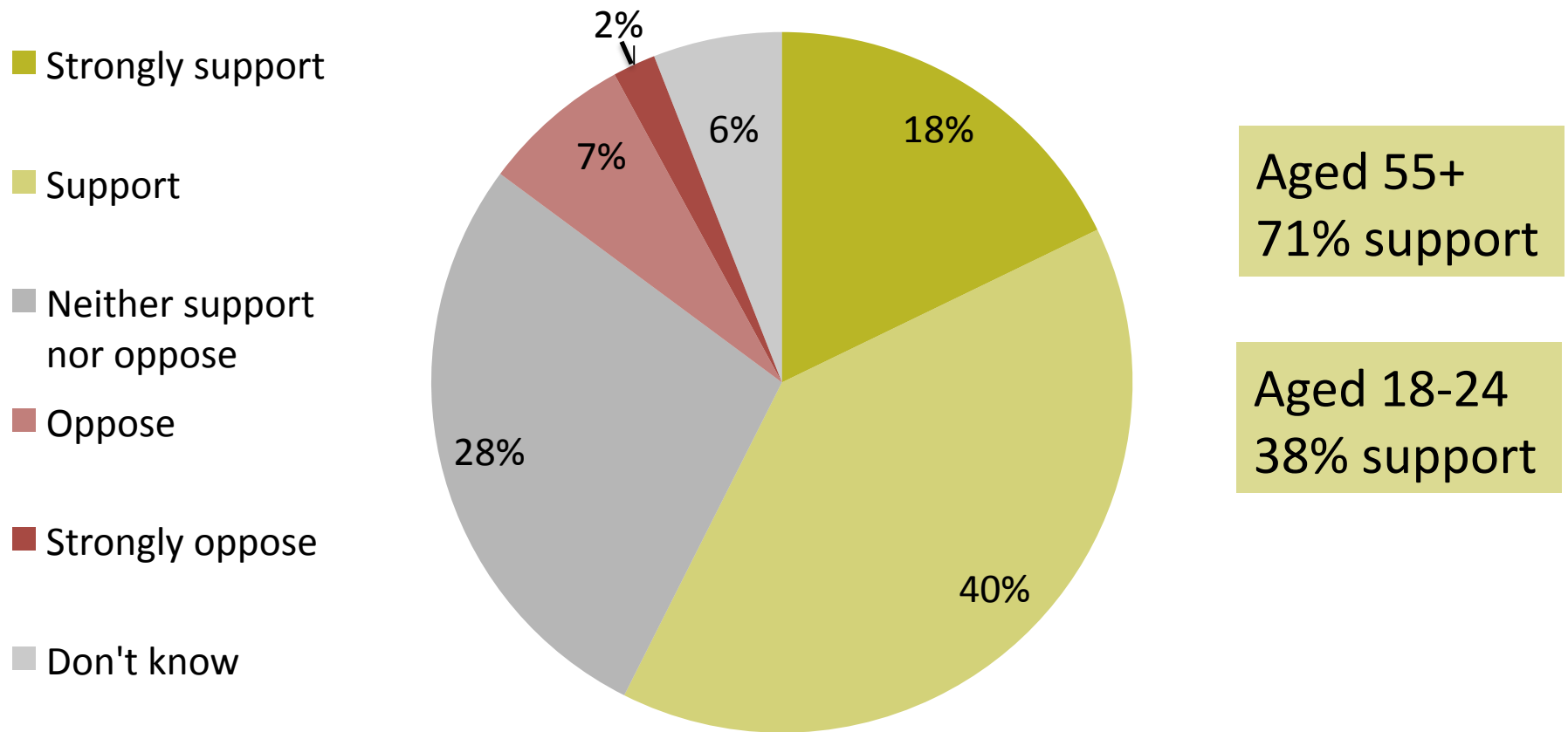
- Yes - I know a lot about South Stream
- Yes - I know a little about South Stream
- No - I haven't heard anything about South Stream



85% know about South Stream

Q6. Prior to today, were you aware of South Stream? [Base = All respondents (500)]

57% of Slovenians support the South Stream pipeline project and only 9% are opposed



Q8. Overall, how supportive do you feel about the South Stream pipeline project in Slovenia? [Base = All respondents (500)]

Most stakeholders support the construction of South Stream

Reasons for support

The building phase will boost Slovenia's economy

Slovenia will benefit from transmission fees

Some think it will lead to cheaper gas

South Stream will increase security of supply

Reasons for opposition

The pipeline will increase Russian influence in Slovenia

Problems in other South Stream countries could prevent construction

There will be opposition from local communities to the pipeline

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“Slovenia will mainly be a transit country. So we will benefit in the building phase and later we will have some income from managing and maintaining the pipeline and transition fees. It will increase safety of supplies for Slovenia and for Europe. It will also be good because it could be a factor in reducing gas prices.

Stakeholder

“If usage of Russian gas increases, there is the danger of us becoming dependent on them. We need to have additional sources of gas in case problems arise.”

Stakeholder

Stakeholders believe that the most convincing benefits are economic

- Some stakeholders thought that Slovenia's economy will benefit from the pipeline.
 - The building phase will benefit the economy, and Slovenia will subsequently benefit from maintenance and transition fees.
 - Some felt that the pipeline will lead to reduced gas prices, but this was challenged by others.
- Most thought it will increase Slovenia's energy security, by making it less dependent on the Ukraine.
- Stakeholders did not expect South Stream to increase Slovenia's negotiating power.

There are some concerns about increasing Russian influence and local resistance to the pipeline

- Some stakeholders expressed concern that South Stream will increase Slovenia's dependency on Russia.
 - But others felt that a dependency on foreign powers is an inevitable consequence of the modern economy, and that it would not be in Russia's interest to exploit this.
- A small number were concerned that local communities will object to the construction of the pipeline in their area.
 - But most were confident that this could be managed by effective communications.
- All stakeholders believed that the health and safety concerns were unjustified and that the pipeline would be safe.
- No stakeholders had environmental concerns in relation to the pipeline.

Many stakeholders feel that the terms of the final contracts will be crucial

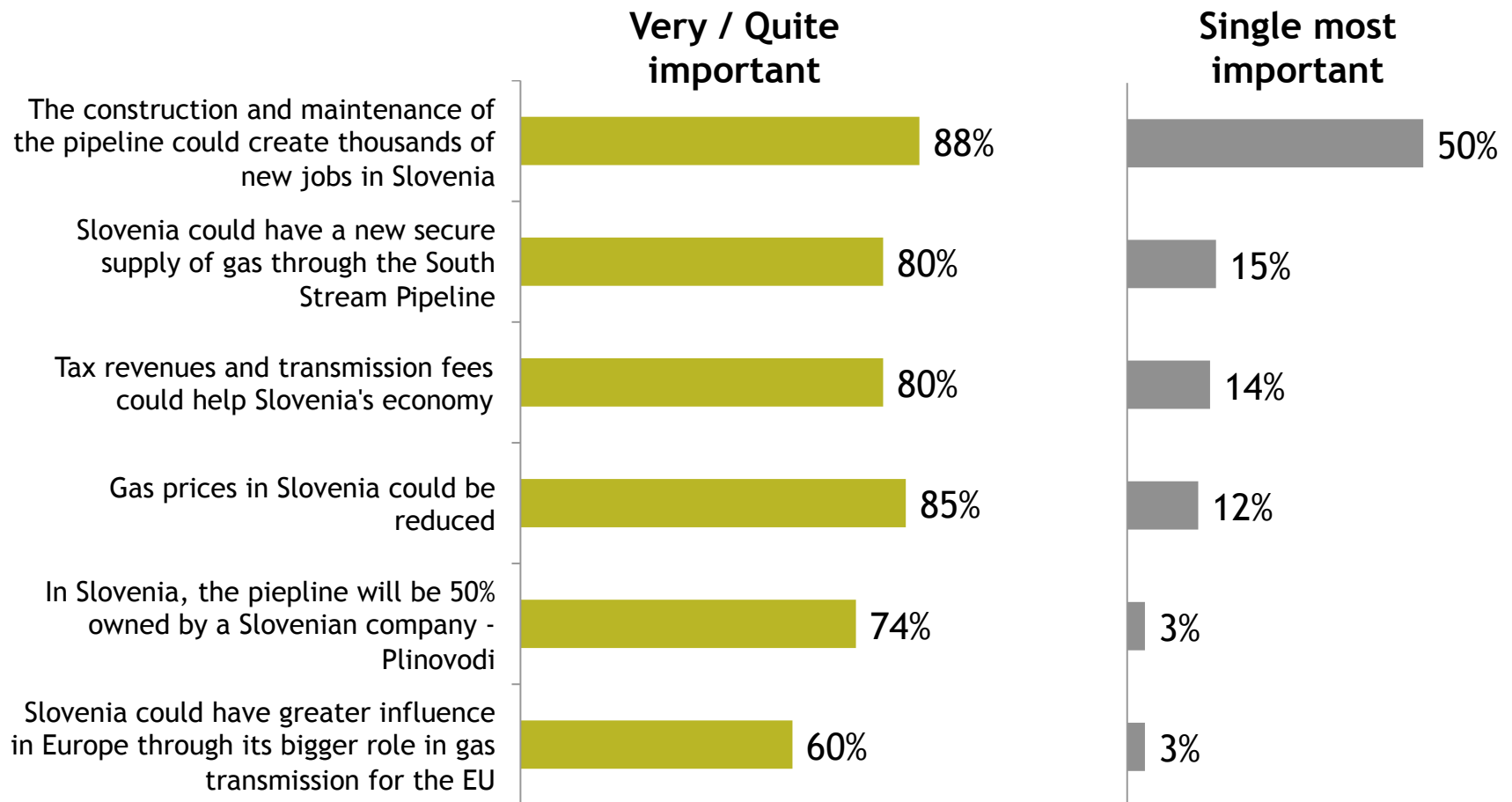
- To realise the potential benefits of the pipeline, Slovenia will need to negotiate favourable terms.
- Some called for openness about the negotiations and the final terms.

“Slovenia will need to negotiate appropriate terms for the project. We do not want to be just a transit country which rents its ground for the pipeline, but we should also get a sufficient amount of gas at a favourable price.”

Stakeholder

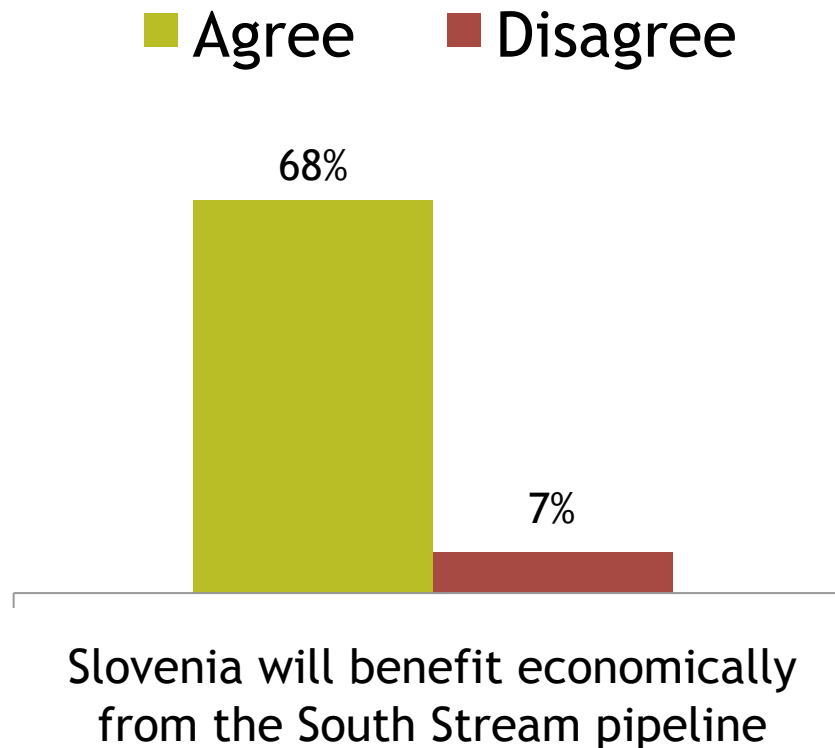
The most important potential benefit for the public is employment

- Energy security, lower gas prices and other economic benefits are also important.



Q12. Below are some potential benefits associated with the South Stream project. Please say how important each one is. // Q13. Which do you think is the most important? [Base = All respondents (500)]

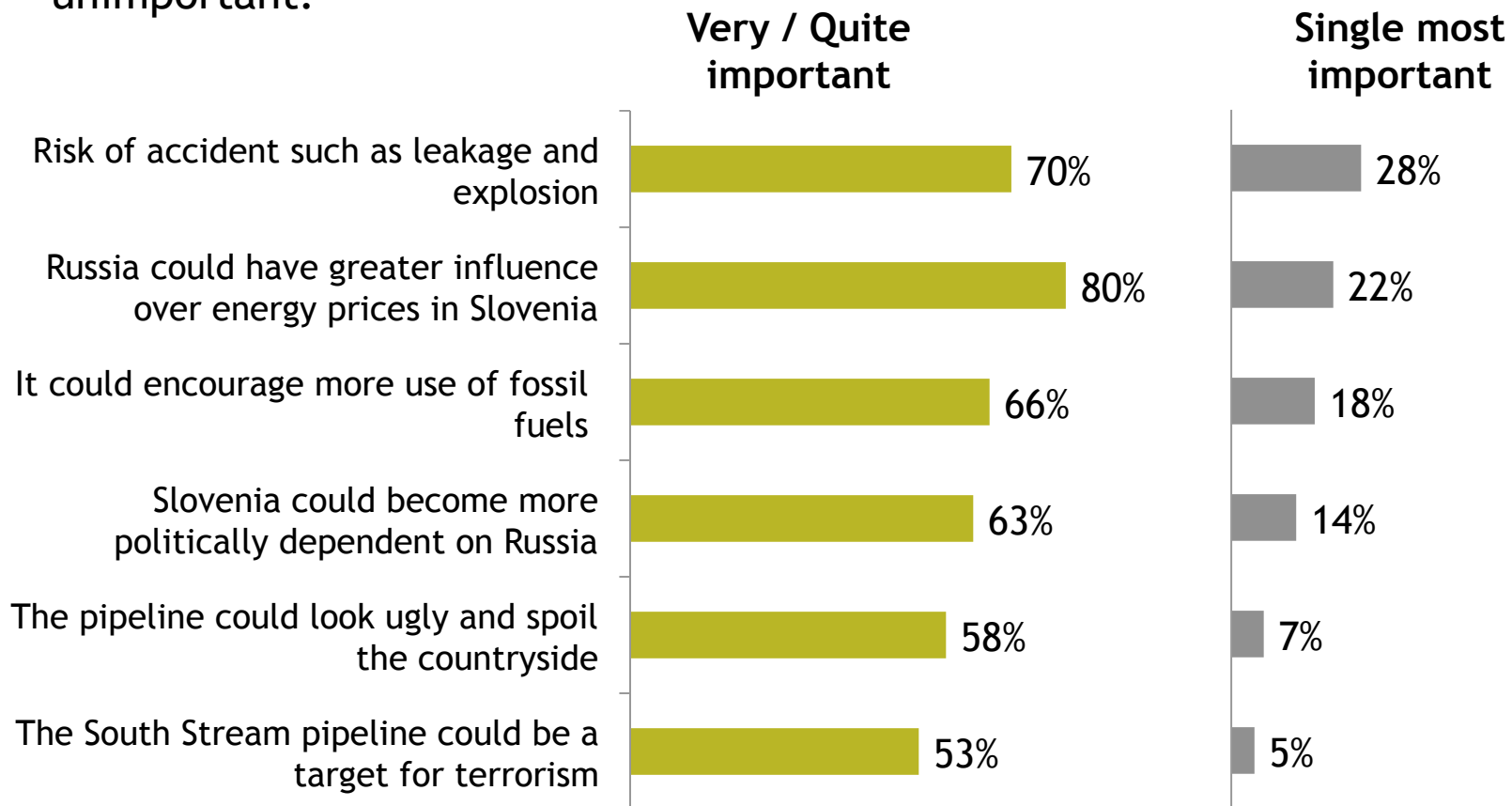
The majority believe that South Stream will lead to economic benefits for Slovenia



Q14. How far do you agree with each of the following statements? (Agree strongly, Agree, Neither agree nor disagree, Disagree, Disagree strongly, Don't know) [Base = All respondents (500)]

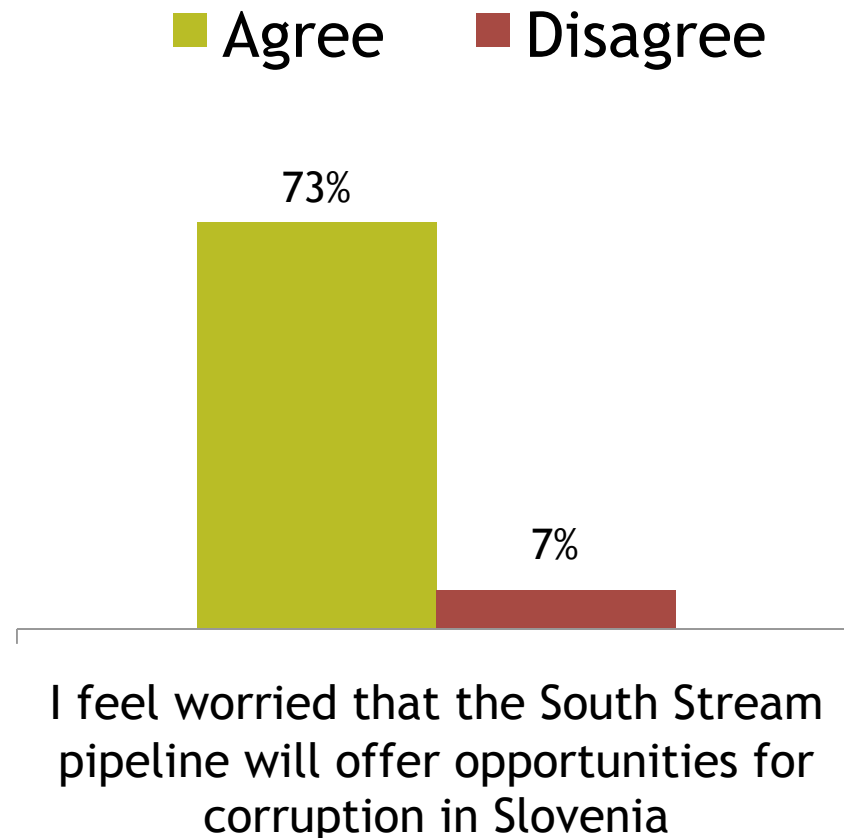
The risk of accident and increased Russian influence over energy prices seen as the most important potential disadvantages by the public

- Visual impact and risk of attracting terrorist attacks are relatively unimportant.



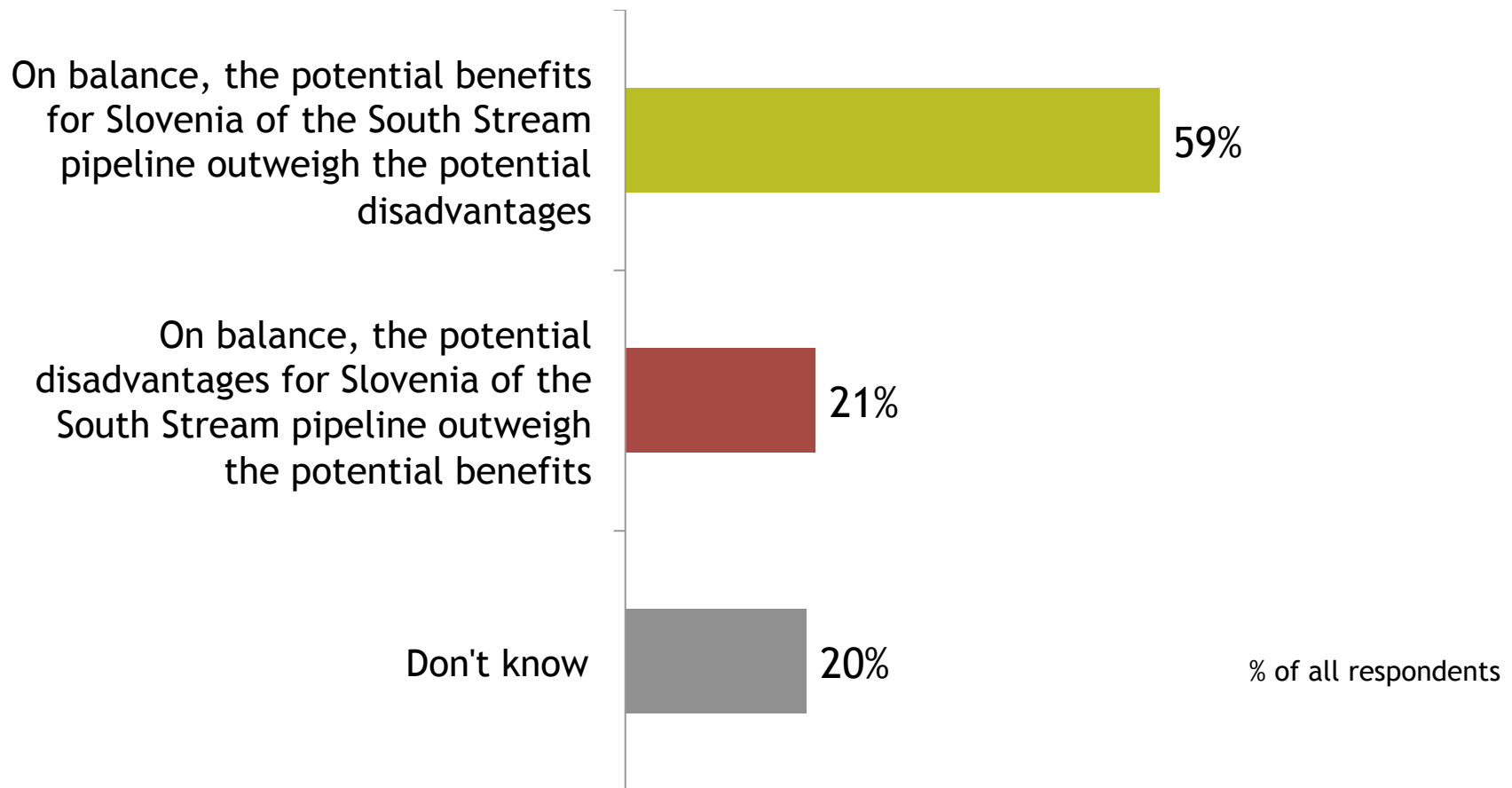
Q10. Below are some potential disadvantages associated with the South Stream project. Please say how important each one is. // Q11. Which do you think is the most important? [Base = All respondents (500)]

There is concern that South Stream will offer opportunities for corruption



Q14. How far do you agree with each of the following statements? (Agree strongly, Agree, Neither agree nor disagree, Disagree, Disagree strongly, Don't know) [Base = All respondents (500)]

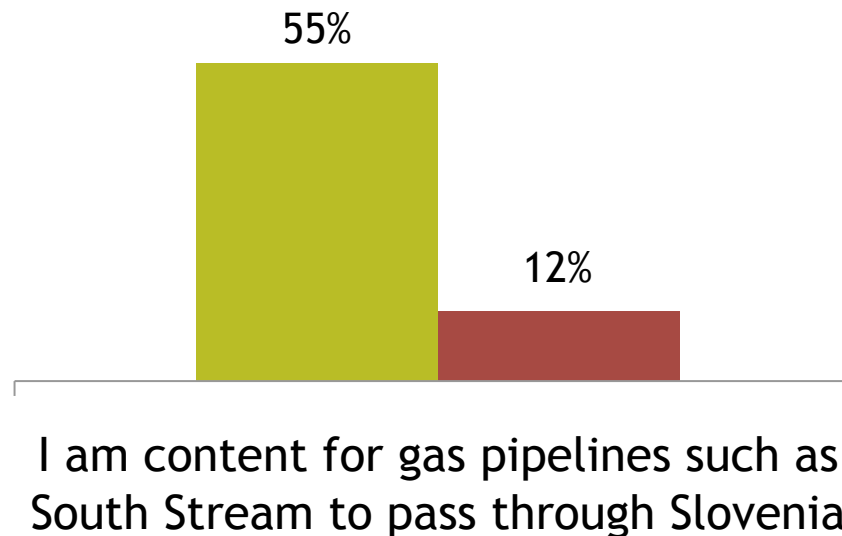
On balance, 59% believe the potential advantages of the South Stream pipeline outweigh the potential disadvantages, with 21% disagreeing



Q15. Which of the following statements comes closest to your view? [Base = All respondents (500)]

Over half are happy for gas pipelines like South Stream to pass through Slovenia

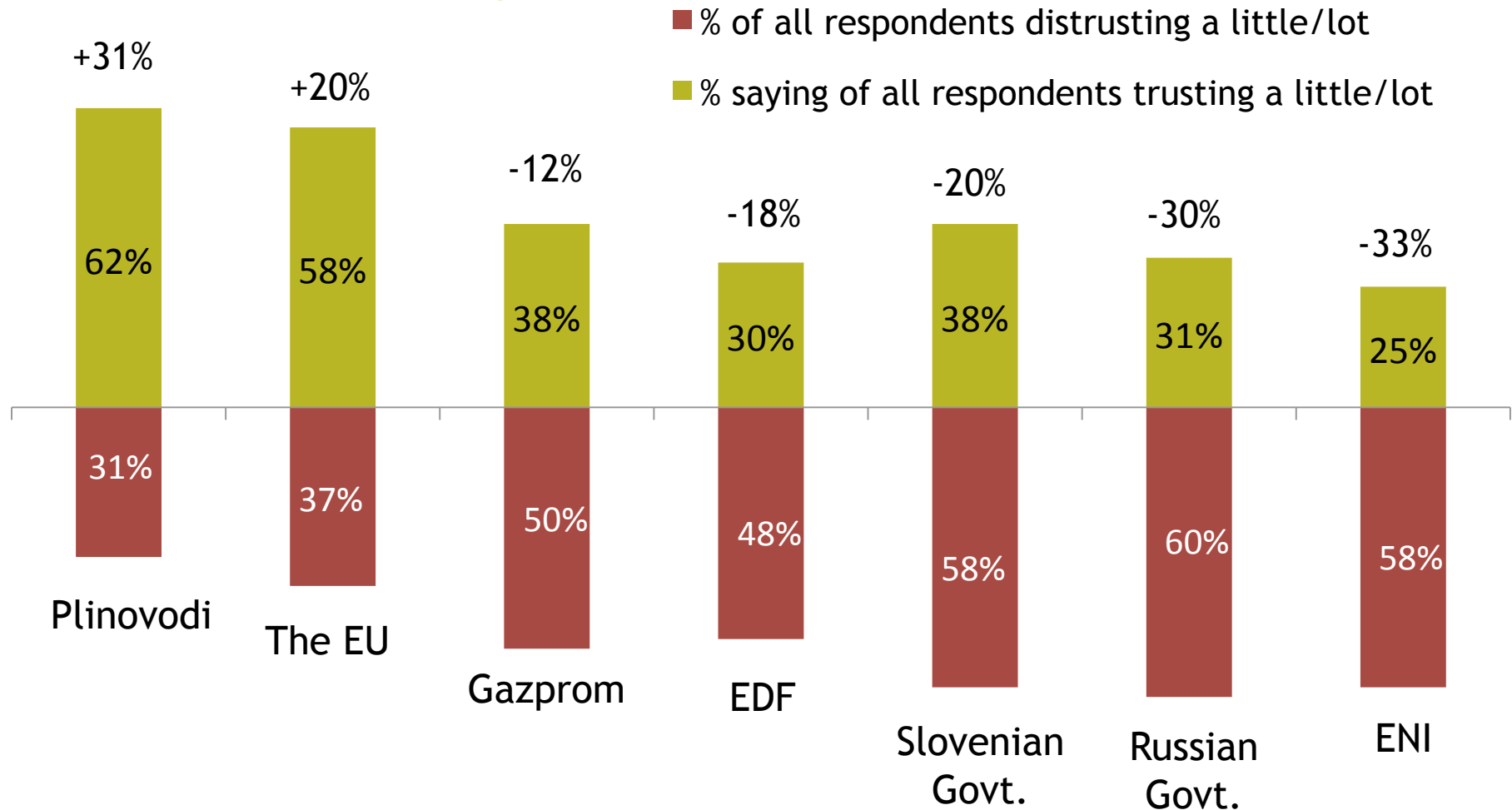
■ Agree ■ Disagree



Q14. How far do you agree with each of the following statements? (Agree strongly, Agree, Neither agree nor disagree, Disagree, Disagree strongly, Don't know) [Base = All respondents (500)]

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Of the organisations involved, Plinovodi and the European Union are the most trusted to act in the interests of Slovenia



Q9. Below are some of the companies and organisations that are involved in the South Stream Pipeline project. Please say whether you trust each to act in the interests of Slovenia. [Base = All respondents (500)]

Stakeholders are confident that the companies involved will be able to deliver the project

- Most were confident that, working together, the companies involved will succeed in delivering the project.
- Stakeholders had relatively little to say about the individual companies.
 - A small number felt that Gazprom is a ‘serious’ company, and a good partner.
 - Some stakeholders were positive about Plinovodi’s experience, which was thought to be relevant to this project.

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“These partners are certainly capable of realising the project. They are powerful companies in financial terms, and have good political connections. They are credible and competent companies.”

Stakeholder

“Plinovodi are capable of carrying out this project in Slovenia, and in accordance with Slovenian interests.”

Stakeholder



Conclusion

Conclusion

- 57% of the general public and most of the stakeholders interviewed support South Stream.
- However, concerns remain and, in order to build on existing support and win over any doubters, a number of questions need to be addressed.
 1. How can concerns about increased Russian influence be addressed?
 2. How can the public be assured of the safety of the pipeline?
 3. What can Slovenia do to ensure that the final contracts are as beneficial as possible?
 4. What is the best way to address any local opposition to the construction of the pipeline?