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Michał Paszkowski

Natural gas and crude oil markets in Central European countries in 2023

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Central European countries in 2023 were taking active steps to strengthen energy security, which was a difficult process. A key strategic objective was to reduce dependence on hydrocarbons supplies from the Russian Federation by initiating new investments and continuing those already underway. Importantly, there are still countries on the continent that cooperate with Russia in the supply of both crude oil and natural gas (in this case, sanctions have not been implemented at the European Union level).

Natural gas market. In 2023, many Central European countries continued their efforts to increase the security of natural gas supplies, due to the ongoing Russian-Ukrainian war. The measures taken can be divided into three groups.

The first – continued efforts to reduce the share of natural gas supplies from the Russian Federation. In this context, there has been both the new contracts with producers of this commodity and the expansion of the relevant import and transport capacities. Two countries played a key role in ensuring energy security. The first was the US, the world's largest exporter of LNG in 2023, which increased natural gas supplies to Europe by 7.6% compared to 2022. At the same time, imports from this direction together accounted for about 62% of all LNG supplies to Europe. The second major player was Azerbaijan, which increased its natural gas exports to Europe by 3.5% compared to 2022. Specifically, supplies from this country affected the market of countries in the south of the continent (["IEŚ Commentaries", no. 937](#)).

The second – expansion of import and transportation capacity in the region. Although no new regasification terminals were put into operation in Central European countries in 2023 (two FSRU terminals in Finland began operation in 2022), there was an increase in import capacity across Europe (new 4 terminals, but only in Western Europe: two in Germany, one in Italy and one in France). Growing import capacity will translate into increased natural gas trade in the region. However, it is crucial to ensure the safety of critical infrastructure, as highlighted, among other things, by the failure of the Balticconnector pipeline connecting Finland and Estonia in October 2023. At the same time, in Poland, the construction of the FSRU terminal in Gdansk is underway¹. In Latvia, on the other hand, the government has withdrawn support for the implementation of the Skulte LNG terminal project (["IEŚ Commentaries", no. 993](#)). The Bulgaria-Serbia interconnector was put into operation in 2023 (["IEŚ Commentaries", no. 915](#)), and work continues on the implementation of further investments to strengthen the region's energy security. These types of activities can make countries such as Bulgaria (["IEŚ Commentaries", no. 864](#)) and Croatia (["IEŚ Commentaries", no. 829](#)) play an important role on the energy map of Europe.

The third – strengthening the state's position in the energy sector, which is well illustrated by the Chechia's policy. A reorganization of the natural gas sector has taken place here: companies under state control have taken stakes in the companies responsible for transporting and storing this resource (["IEŚ Commentaries", no. 976](#)).

¹ Two FSRU-type LNG terminals were planned in Poland in the Gulf of Gdansk (6.1 bcm/year and 4.5 bcm/year), but ultimately the Open Season procedure ended without resolution for the second, smaller of the planned terminals. Such a situation is the result of the November 23, 2023 agreement between CEZ from Czechia and Hanseatic Energy Hub from Germany for the reservation of import capacity at the planned LNG terminal in Stade (["IEŚ Commentaries", no. 1021](#)).

Oil market. A characteristic feature of Central European countries is that almost all of the crude oil used in refineries is imported. Over the years, the Russian Federation has been the main supplier of crude oil, with imports taking place primarily through the Druzhba pipeline (supplies to Poland, Germany, Slovakia, Czechia, Hungary) and through seaports on the Black Sea (Bulgaria and Romania) and the Adriatic Sea (Croatia). There have been no significant changes in supply destinations in 2023 compared to 2022. Among the countries listed are those that continue to import crude oil from the Russian Federation (Czechia, Slovakia, Hungary, Bulgaria, Romania – mainly based on the derogations received for the sanctions in place, some of which expire in 2024), as well as those that have become fully independent of supplies from the East (Poland, Lithuania). Regardless of the sanctions in place, in some cases the Russian Federation remains the de facto supplier, although Kazakhstan is then indicated as the source of the crude oil (["IEŚ Commentaries", no. 1000](#)).

In Central European countries, efforts to diversify the sources and directions of crude oil supplies are being made on the basis of already existing infrastructure. The exception is Czechia, where work continues on the expansion of the TAL pipeline to increase crude oil imports to refineries in Czechia (via the IKL pipeline). In the Balkans, talks have resumed on the Burgas-Alexandropolis pipeline project in 2023 (["IEŚ Commentaries", no. 808](#)), while it is difficult to determine whether the investment initiated in 1993 (which at the time envisaged oil deliveries from Burgas in Bulgaria to Alexandropolis in Greece, bypassing the Turkish straits, and the option of carrying out deliveries in the reverse direction is currently under consideration) will be realized here.

In the context of refinery operations, there are no significant changes in 2023. Only the government in Bulgaria is taking steps to reduce the influence of the Russian Federation on the country's fuel sector (the option of nationalizing the Burgas refinery is under consideration).

Conclusions:

- Undoubtedly, strengthening the energy security of Central European countries requires further diversification of supplies and reducing the share of energy resources from the Russian Federation. In this context, numerous reorganization and investment activities are underway. The ongoing Russian-Ukrainian war is causing many countries to expand their import, transportation and storage capacities, as well as to take measures to strengthen cooperation with key natural gas exporters (the US, Azerbaijan).
- Despite the limited scale, the energy cooperation of the few Central European countries with the Russian Federation – with regard to the natural gas market – will probably continue. This is influenced by the lack of appropriate sanctions at the EU level. As a result, natural gas supplies to Hungary, Slovakia, Serbia, Croatia, Bosnia and Herzegovina and North Macedonia continue to be carried out on the basis of existing contracts (["IEŚ Commentaries", no. 1022](#)). The situation will not change until there is a change in the policies of the governments of these countries and an increased awareness of Russia's destructive influence on the continent's energy solidarity and vis-à-vis Ukraine. This is important because the funds Russia receives from energy exports continue to be the most important source of its budget revenues.
- Despite the sanctions in effect on crude oil supplies from the Russian Federation, permits are also still in place for the import of crude oil to several Central European countries by sea and through the Druzhba pipeline. Importantly, in addition to the official approval for the implementation of such supplies, sometimes there are also attempts to "circumvent" the sanctions. In this case, crude supplies from Russia are realized, but Kazakhstan is indicated as the official source (["IEŚ Commentaries", no. 753](#)).
- The diversion efforts undertaken by refineries in Central Europe are resulting in an increasing amount of crude oil being imported from Middle Eastern countries, primarily Saudi Arabia. Under such conditions, any perturbations in that region (such as the numerous attacks on ships in the Red Sea taking place in late 2023) could affect the operation of Central European facilities. However, the prospects for increasing

crude oil imports from other directions (following the example of refineries in Western Europe, where crude oil supplies from the US, Guyana and Brazil have increased) are limited, as for years refinery investments in Central Europe have been made with a view to optimizing the processing of crude oil from the Russian Federation. Under current conditions, supplies are possible primarily from Middle Eastern countries and partially from North Africa.