POLAND SCRAMBLES TO WEAN ITSELF OFF RUSSIAN GAS

- 11.01.2019

OilPrice (10 January 2019)

By Tim Daiss

Poland is continuing to make a pivot away from its decades-long natural gas supplier - Russia. In a statement on Wednesday, Polish state-controlled oil and gas company PGNIG said that its share of gas imports from Russia fell to 66.8 percent in 2018 from 70.4 percent the previous year, while it imported around 9.04 bcm for the end of 2018, a drop of 6.4 percent year-on-year. The company imported around 13.53 bcm worth of gas to Poland, while domestic production totaled some 3.8 bcm.

Polands liquefied natural gas (LNG) imports also increased in 2018 from the previous year, the company said. LNG imports from Qatar, Norway and the U.S. in 2018 increased by nearly 1 bcm (58.2 percent) and reached over 2.71 bcm (after regasification), compared to 2017, when around 1.72 bcm of LNG was imported after regasification. Polands LNG imports last year represented 20 percent of the countrys total gas imports compared to just 8.4 percent in 2016.

Frenzied push away from Russian gas

There are a number of takeaways from PGNIGs disclosure from yesterday. The biggest story behind the numbers is Polands frenzied push to wean itself off of geopolitically charged Russian gas that its been buying since 1944. Russian state-run gas giant Gazprom provides about two-thirds of Polands natural gas annually. However, in 2016 Poland completed its first LNG terminal, while last year it inked several deals to bring in more U.S.-sourced LNG, much to the delight of the Trump Administration that has been promulgating U.S. gas as a way for EU members to offset both Russian gas monopoly as well as provide more long-term off-take agreements for American energy companies.

PGNIG signed a deal in June with U.S.-based Venture Global LNG to provide up to 2 million tons of LNG per year, the equivalent of 2.7 bcm of natural gas, a PGNIG statement said. A value for the deal was not provided. The contract will come into full force in 2022 when Poland's current agreement with Gazprom for an annual 10 bcm of gas expires. Poland signed the new deal with Venture Global LNG just one day after PGNIG filed a complaint with the EUs top court against a deal by the European Commission to settle an antitrust case against Gazprom. The deal allowed Gazprom to avoid billions of dollars in fines after Poland claimed the company had abused its dominant position as a gas provider in their region. Related: Darkening Outlook For Global

Economy Threatens Crude

PGNIG also signed a long-term deal with U.S. LNG heavyweight Cheniere Energy in November. Per terms of the deal, PGNIG will receive a total of 0.52 million tonnes of LNG from 2019-2022 and 29 million tonnes from 2023-2042, to be delivered to an LNG terminal in the Baltic Sea. PGNIG Chief Executive Piotr Wozniak told a press conference at the time the price is much lower than the one we have in the contract with Gazprom. He reiterated that the price Poland will pay for U.S. gas is 20-30 percent lower than for Russian supply. Poland is also planning to build a natural gas pipeline to Norway via the Baltic Sea and Denmark to allow it to receive up to 10 bcm of gas annually from deposits under the North Sea.

Though Poland is trying to diversify away from Russian gas, other EU members have been slow to follow, which at times has set President Trump on edge, particularly last year when he chastised Germany for pushing through with the controversial Nordstream 2 gas pipeline. The $11 billion gas pipeline will stretch some 759 miles (1,222 km), running on the bed of the Baltic Sea from Russian gas fields to Germany, bypassing existing land routes over Ukraine, Poland and Belarus. It would double the existing Nord Stream pipelines current annual capacity of 55 bcm and is expected to become operational by the end of next year.

The U.S, for its part, dating back to the administration of George W. Bush as well as the Obama Administration, maintains that the pipeline is a threat to European security. Trump ratcheted that criticism up a notch by stating that not only does the pipeline threaten European security, but that the U.S. is largely supporting that security both in terms of troops and funding. Related: U.S. Oil Shipments To Asia Set To Rise Soon

In a televised meeting with reporters and NATO Secretary-General Jens Stoltenberg before a NATO summit in Brussels last year, Trump said it was very inappropriate that the U.S. was paying for European defense against Russia while Germany, the biggest European economy, was supporting gas deals with Moscow. Since then, Germany has indicated that it wanted to buy more LNG from the U.S., with plans to build three LNG receiving terminals. Germany also remains firm in its support for the Nord Stream 2 pipeline.

Polish resistance remains firm

Poland has also been adamant in its resistance to the Nordstream 2 pipeline. In October, Polish President Andrzej Duda said at a joint press conference with German President Frank-Walter Steinmeier in Berlin that Nordstream 2 He added that the pipeline hinders the energy security of central and eastern European countries. "We are surprised that the EU Commission has not clearly expressed itself in a negative fashion," he said.

Kaynak/Source: