



CASPIAN REGION HAS SIGNIFICANT POTENTIAL WHICH MUST BE USED

PETR NECAS, PRIME MINISTER OF THE CZECH REPUBLIC



Caspian Energy (CE): Your Excellency, was 2012 a successful year for the EU and the Czech Republic? Which events would you choose to emphasise?

Petr Necas, Prime Minister of the Czech Republic: I think that with caution we might assess this year on a generally positive note. In spite of what was objectively a difficult economic position within the European Union, especially in the Eurozone - which determines economic conditions for the Czech Republic - the government is successfully continuing in its reform efforts to consolidate the public finances and reduce the national budget deficit. Next year we have set ourselves the demanding target of reducing the national budget deficit to under 3% of GDP. This year a number of macroeconomic indicators have stayed at a relatively satisfactory level, with the level of unemployment as one example. The confidence of foreign investors that the Czech government's policies are the right ones is illustrated by

the favourable interest rates applied to Czech national bond issues, better than those for a number of countries in western Europe. That our reforms, which in addition to fiscal responsibility are also focused on strengthening economic growth, are the right ones is also confirmed to a great extent by the European Commission and Council in their assessment of the Czech Republic National Reform Programme for 2012.

CE: What is your assessment of the larger EU countries' efforts to bring the Eurozone out of its crisis? What is your assessment in current conditions of the operation of the European Stabilisation Fund?

Petr Necas: Since the beginning of the crisis the European Union has taken a number of steps aimed at consolidating the fiscal and economic policies of Eurozone and Union member states. Many of the measures adopted and planned also demonstrate their efforts to complete economic and monetary union. The effect of these consolidation measures will be seen in the economy in the medium term. The new European Stability Mechanism and its predecessors are without doubt playing an important part in the short term in solving the problems that member states are having with financing public expenditure. But I consider the only long-term solution to the present position to be fiscal consolidation and the implementation of structural reforms leading to improved competitiveness, securing sustainable economic growth and employment.

CE: The Czech Republic is located at the centre of Europe. What suc-

cess has the Czech Republic had with the project to combine EU gas and energy systems into a single system in the Czech Republic?

Petr Necas: Thanks to its location at the heart of Europe the Czech Republic represents an important connecting point in the development of the EU single internal market, something which includes the market for energy. Our long-term priority is to improve the common European energy market, with the aim of reinforcing energy supplies and greater customer comfort. This is a complex matter, where our progress so far indicates both positive achievements, but also things to be done in the future. One of the positive outcomes of our efforts to date is the strengthening of the region's energy security through improved capacity for reverse flow and natural gas storage. Of the challenges to which the Czech Republic and other countries in the region are seeking effective solutions, one might mention in particular the risk of circular flows associated with the development of renewable energy sources in neighbouring countries, which leads to a destabilisation of the transmission system in the Czech Republic. This leads to an increase in electricity transmission costs.

CE: What does energy security mean for the Czech Republic? Which countries are the main gas suppliers and how have the problems of diversification been dealt with?

Petr Necas: For the Czech Republic energy security is one of the priorities of the State Energy Policy. At present, gas is supplied to our liberalised domestic market by several independent sources (Russia and



Prime Minister Petr Nečas has received President of Azerbaijan Republic Ilham Aliyev

Norway in particular), while the safety standards of our technical infrastructure are very high indeed, the highest in the European Union.

CE: What part is played today by the Caspian region in safeguarding

the energy security of EU countries?

Petr Nečas: From the Czech Republic's perspective the Caspian region currently plays a smaller part than it might in the future. New possibilities can be seen especially in natural gas supplies, where

the Caspian region has significant potential which must be used. Nevertheless at present it is above all a lack of delivery infrastructure which prevents the Caspian region from obtaining a larger share of the European market. In the future it is



Prime Minister Petr Nečas has received US Secretary of State Hillary Clinton



Prime minister Petr Nečas hosted a formal Summit of prime ministers of the Visegrad Group countries in Prague

completion of the Southern Corridor which could help with this. The position is noticeably better for crude oil deliveries.

CE: *Is the Czech Republic planning to join in the distribution of Caspian energy sources as part of TANAP and the Trans-Caspian gas pipeline?*

Petr Nečas: In general, the Czech Republic supports diversification of gas supplies to EU countries, including diversification of the relevant delivery routes. In view of the fact that this area was fully privatised in 2002, such support can only take place at the political level, and not on the basis of a specific business plan for a state-owned company.

CE: *Is the Czech Republic planning a connection to Nabucco, the flagship trans-European project of the European Commission?*

Petr Nečas: The Czech Republic has for a long time supported diversification of sources and transport routes to reduce the vulnerability of the country to any outage of a particular source or delivery route. In this context for natural gas we support the

completion of the Southern Energy Corridor, of which the Nabucco gas pipeline forms a part.

CE: *In the EU today new gas pipelines are being built against a backdrop of reduced EU consumption. How justified are the Nord Stream, South Stream, Nabucco and many other projects?*

Petr Nečas: Many variables have an impact on the implementation of new delivery routes. The current downturn in natural gas consumption in the EU is only part of the story, and must be understood in its wider context. The European Union is today contending with the effects of an economic crisis which naturally depresses industrial output and therefore energy con-



Prime Minister Petr Nečas met NATO Secretary General Anders Fogh Rasmussen.



Residence of Government of Czech Republic, Garden of Straka Academy, Prague Malá Strana

sumption. At the same time we are in the final stage of constructing a common market in energy, and we must also include EU climate policy in the overall picture. The goal is to reduce energy imports, improve energy efficiency and reduce emissions of greenhouse gases. Whether it is essential to build new gas pipelines in order to achieve this goal is a question which should be answered above all by

the market, while of course keeping in mind aspects of energy security. If your question relates to an assessment of specific projects, one can say that those which lead to diversification of sources and not just transport routes are the ones which make the greatest sense.

CE: What is the impact of unfavourable atmospheric (climatic)

conditions on the Czech Republic's energy policy?

Petr Nečas: The location of the Czech Republic and its climate have an impact on the energy requirements of our buildings. Climatic conditions, in particularly natural disasters, can damage energy infrastructure, which is sized for relatively large extremes in weather conditions, so in the Czech Republic the impact of crisis situations is to a large extent eliminated. Climatic conditions, or meteorological ones to be more precise, affect the production of energy from renewable sources, which then cause unpredictable changes in the operation of the generation and distribution systems. Currently this may be considered the greatest difficulty.

CE: What is your view of future developments in alternative energy in the Czech Republic?

Petr Nečas: Until 2020 the development of renewable energy sources is stated in the Czech Republic National Energy Action Plan. After 2020 development is outlined in the update of the State Energy Policy.



Prime Minister Petr Nečas attended the Bratislava meeting of prime ministers of countries belonging to the Friends of Cohesion

Thank you for the interview