



# Central & Eastern Europe Energy News Review

The Alliance to Save Energy promotes energy efficiency worldwide to achieve a healthier economy, a cleaner environment and energy security

## EU Environment Ministers Call for Greener Constitution

May 6 - EU Environment ministers insisted on the inclusion in the Constitutional Treaty of sustainable development as one of the central objectives of the Union during their informal Summit on 2-3 May.

Environment ministers of the 15 EU Member States and the 10 new Members met for an informal two-day Council in Greece on 2-3 May. They criticized the draft Constitutional Treaty drawn up by the Convention for failing to integrate any reference to sustainable development as one of the central objectives of the European Union. They also expressed their disappointment over the disappearance of the "integration principle" (Art. 6 of the existing EC Treaty), which obliges the Union to integrate environmental protection requirements into all of its policies.

The ministers proposed a redrafting of Article 3 to include sustainable development goals and the reinsertion of the integration principle into the new Article 8 as discussed by the Convention. Environment Commissioner Margot Wallström also presented a draft Additional Protocol on sustainable development, which recalls the EU's objectives on sustainable development.

The environment ministers reiterated in Athens the criticism voiced end of February by eight leading environmental NGOs (the "Green G-8"). The green organizations had warned that leaving out sustainable development and the environment would rob the new Constitution of any citizen's support.

(Source: [www.euractiv.com](http://www.euractiv.com))

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## Bulgaria

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### **Bulgaria Offers Turkey Infrastructure Projects in Bid to Renew Power Supply**

April 29 - Bulgaria will offer two alternative infrastructure projects with the involvement of Turkish companies during the upcoming talks in Ankara over the renewal of power supplies from Bulgaria, Energy Minister Kovachev told journalists on Tuesday.

Under the ten-year deal that Bulgaria and Turkey signed in 1998 the Bulgarian side is to hire Turkish contractors for Gorna Arda cascade and Maritsa highway in the section Orizovo - Kapitan Andreevo.

The two projects are in a deadlock and the Energy Ministry will offer alternatives so that the long-term agreement is renewed, Minister Kovachev said.

Late on April 21 Turkish Electricity Trade and Contracting Inc. TETAS notified the Bulgarian Electricity Transmission Company that it stops the power import from Bulgaria.

TETAS quoted its motives from April 11, when Turkey warned for the first time that it would stop the supply of electricity from Bulgaria.

TETAS claims that the Bulgarian side has failed to meet its commitments regarding the implementation of two infrastructure projects. (Source: [www.novinite.com](http://www.novinite.com))

### **Bulgaria Wants Common Oil Transit Prices with Turkey**

April 24 - "We will hold negotiations with Turkey on a common pricing policy concerning the Bourgas-Alexandroupolis oil pipeline and the fees for transit of oil through the Bosphorus", minister of regional development and public works Valentin Tserovski said on return from Moscow yesterday.

Turkey is one of the countries with which Bulgarian must have an agreement on the transportation of crude, because there are five alternative projects in the region, LUKoil Bulgaria's CEO Valentin Zlatev said. According to minister Tserovski, Bourgas-Alexandroupolis should not be viewed as a competitive project to the Bosphorus, but also as kind of insurance. Oil companies lose millions of dollars if the Bosphorus is closed for three or four days, Tserovski said.

The minister confessed that the exit of oil to the Black Sea is limited by Russia's oil transit system and it is unwise to think that Moscow will make considerable investments only because Bulgarian wants the pipeline. The project is very difficult from the viewpoint of return; I think this is not understood well in Bulgaria, Valentin Zlatev commented. According to him, the initial investment will be returned in 15 years at least. The total value of the project is €81 million; each of the three countries has to provide one-third of the amount. (Source: [Pari Daily](http://Pari Daily))

### **Greece, Macedonia, Italy, Serbia Willing to Import Bulgarian Electricity**

April 25 - ITALY, Greece, Serbia and Macedonia are seriously interested in importing Bulgarian electricity, a knowledgeable source told the PARI daily. He said that Greece and Macedonia had asked the National Electric Company (NEC) to increase power supplies. NEC spokeswoman Hristina Stoyanova explained it was too early to increase the export

quantities to neighboring countries because it was just a couple of days that Bulgaria had not been supplying electricity to Turkey.

The Balkan region continues to experience considerable deficit, State Energy Regulation Commission chairman Konstantin Shushulov said. The Asian part of Turkey is still short of electricity; Greece's own production suffices in spring only. Albania's power balance depends on how full the dams are and even Italy is showing a serious interest in importing electricity from Bulgaria. Power shortage in Serbia and Macedonia is also considerable and NEC is currently building a 400-kilovolt-power line to Skopje, which will be extended with a 220-kilovolt line to Albania.

The dividend paid to the state budget from the annual profit NEC makes from the export of electricity to Turkey is at least 60%, Shushulov explained, refuting allegations that the termination of power supplies to Ankara will have serious consequences for NEC. According to Shushulov, NEC gains some BGN 5-10 million (€2.5-5 million) a year from that export.

Huge investments will have to be made in connection with Bulgaria's preparation for joining the European electricity and gas market in 2007, Shushulov said. The European Union (EU) has high requirements: power production has to meet the conditions for environmental protection and energy efficiency. Therefore the projects for rehabilitation of the first three units of the Varna thermal power plant (TPP) and the Boo Do TPP have to be implemented shortly. The Varna TPP will be reconstructed to run on sulphur-free import coal. Desulphurising facilities will be installed in all other TPPs.

In connection with EU's requirements for increasing power production from renewable energy sources, a 10-megawatt facility will be build near Pazardzhik, which will run on biogas, Shushulov said. Six wind-power generators with a total capacity of 9 MW are expected to start operating near Kazichene. Small co-generating modules (up to 10 MW) utilizing the energy of geothermal waters are also planned to be opened, Shushulov added. (Source: [Pari Daily](http://Pari Daily))

### **Italy's Enel Acquires 50% of Bulgarian Power Project**

April 29 - Italian company "Enel" insists on acquiring 50% of the project for Maritsa East 1 thermal power plant, Energy Minister Milko Kovachev announced. The rest of the shares will be possessed by US energy company AES.

The condition under which the Italian company will participate in the project for Maritsa East 1 is the withdrawing of the minority shareholder 3C (12%).

An 88% stake in the power project is owned by the US energy company AES that also holds 88% of the 3C shares.

According to Minister Kovachev Enel will acquire 3C shares no later than May 15.

The Italian company has also insisted on renewing the power-building license as well as on changes in the governmental letter for political support. (Source: [www.novinite.com](http://www.novinite.com))

### **Bulgarian Government Accused of Indifference to Pollution from Romania**

May 4 - A day after Bulgarian Environment Minister Dolores Arsenova announced that the Romanian chemical plant in the city of Turnu Magurele has suspended its operations, locals from the town of Nikopol, expressed concerns over the solution to the

environmental problem in their town and raised an alarm over the indifference of the government.

Bulgarian town Nikopol situated on river Danube has been gassed several times over the last days by the Romanian plant in the city of Turnu Magurele on the other bank of the river.

In the opinion of local experts the production process in the plant cannot be brought up to the set norms due to its outdated technologies.

There is no official data about the increase in deceases caused by the gassing over Nikopol, Valeri Zhelyazkov, doctor at the local hospital told the Bulgarian National Radio. He underlined more and more children in the region are being afflicted with pneumonia and asthma. The pollution forces many young families to leave the town and settle in another area.

It is only the media that is interested in the problem. The government does not seem to care and has done nothing so far to solve the problem, Zhelyazkov said.

(Source: [www.novinite.com](http://www.novinite.com))

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## Croatia

### Croatia Momentarily Short of Natural Gas

Zagreb, May 5 - Croatia's sole natural gas reservoir at Okoli, having 500-million cubic meter capacity, is quite empty following the high consume over the winter.

According to a statement of INA's CEO Tomislav Dragicevic, its refilling will take time, so they are considering to decrease gas deliveries to the ones not having regularly paid or lacking valid contracts.

(Source: [www.bluebull.com](http://www.bluebull.com))

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#### ALSO IN THE CROATIAN NEWS

##### US UNBLOCKS FORMER YUGOSLAV NATIONAL BANK FUNDS

Zagreb, May 6 - The United States decided to unblock the \$225 million funds held here by the former National Bank of Yugoslavia, out of which Croatia is entitled to US\$56 million.

Croatia was the sole of the five successors of former Yugoslavia, which asked the US not to unblock the funds, grounded the decision on not real figures belief.

(Source: [www.bluebull.com](http://www.bluebull.com))

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## Czech

### RWE Gas to Transfer its Slovak Nafta Stake to Transgas

Prague, April 28 - Germany's RWE Gas is planning to transfer its 40% stake in the Slovak gas storage company Nafta to its Czech subsidiary Transgas, RWE announced.

In related news, RWE Gas also confirmed its interest in the residual 3% stake in Transgas recently put up for sale by the National Property Fund (FNM). RWE Gas bought 97% of Transgas along with majority stakes in eight regional gas distribution companies last year for CZK 130 billion (€4.08 billion).

Transgas operates a major transit pipeline for the transport of Russian natural gas to Western Europe, as well as meeting almost 100% of domestic gas demand (Source: [www.bluebull.com](http://www.bluebull.com))

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#### ALSO IN THE CZECH NEWS

##### CZECHS INVITED TO PARTICIPATE IN IRAQ PEACEKEEPING

May 2 - Czech Defense Minister Jaroslav Tvrdik said on 30 April that his country has been invited to send peacekeepers to Iraq under British command, adding that participation depends on government and parliamentary approval, CTK reported. The Czech contingent could comprise 700 troops in all, Tvrdik said, including military police, weapons-detection specialists, or special forces. British Defense Secretary said during a visit to the Czech capital the same day that his country would welcome Czech participation, according to CTK. Tvrdik said the deployment of additional forces would require the withdrawal from Kuwait of a Czech anti-nuclear, -biological, and -chemical unit serving under Operation Enduring Freedom. A Czech military field hospital is also serving in Iraq.

(Source: [www.rferl.org](http://www.rferl.org))

### Czechs Bring Temelin Nuclear Plant to Full Power

May 5 - Both units of the Temelin nuclear-power plant in Southern Bohemia were brought up to full power on May 3, marking the first time the controversial \$3 billion plant has operated at full capacity. Protestors, particularly from neighboring Austria, continue to oppose the 2 1/2-year-old plant's operation. A Soviet-designed plant with Western upgrades, the plant will run at full power for a trial period aimed at securing permission to operate commercially.

(Source: [www.rferl.org](http://www.rferl.org))

### Unipetrol Back in Profits after First Quarter

Prague, May 6 - The Czech petrochemical holding Unipetrol showed a consolidated profit of CZK 467 million (€4.7 million) in the first quarter of 2003, compared to a loss of CZK 196 million (€2 million) in the same period last year, Unipetrol said on Tuesday.

Unipetrol's consolidated revenues showed a slight decline from CZK 16.65 billion in the first quarter of 2002 to CZK 16.5 billion (€18.7 million) this year. Figures are not fully comparable in yr/yr terms, as the firm switched to a different accounting method this year. Unipetrol attributes the better results primarily to a higher refinery margin. On the other hand, higher oil prices lowered the sales margin for petrochemical products.

The state controls 63% of Unipetrol and plans to sell the stake this year or in early 2004. It will be the second attempt to sell the firm.

(Source: [www.bluebull.com](http://www.bluebull.com))

### CEZ Assumes Control of Regional Distributor VCE

Prague, May 8 - The Czech power utility CEZ has removed Germany's E.ON representative from supervisory board of regional power distributor Vychodoceska energetika (VCE) on Wednesday.

CEZ, which controls just over 50% of VCE, made the changes during an extraordinary general meeting. CEZ pushed through the dismissal of the only representative of VCE's other key owner E.ON (42 %). The three other members removed from the board were representatives of the state-owned National Property Fund (FNM).

E.ON described the removal of its member from VCE's board as "a violent breach of the rules common in market economies". Earlier this week, CEZ similarly sacked E.ON's representative from the supervisory board of the North Moravian power distributor SME. (Source: [www.bluebull.com](http://www.bluebull.com))

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## Greece

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### Greece States Plan for Financial Reconstruction of the Balkans is on Schedule

April 25 - In an interview on 23 April, Deputy Foreign Minister Andreas Loverdos said his country's Plan for Financial Reconstruction of the Balkans is proceeding as scheduled. Loverdos told MPA news agency there is no reason for concern and that the €50 million program will be completed by 2006 as expected. The plan aims to promote Balkan economies and encourage regional development, told MPA.

(Source: [www.seeurope.net](http://www.seeurope.net))

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## Hungary

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### Transelektro and Urban to Set Up Thermal Power Plant in Russia

Budapest, April 24 - Transelektro and Urban, two Hungarian constructing firms, will set up a thermal power plant in Astrakhan, Russia. According to Astrakhanenergo General Director Mikhail Stolyarov, the plant would have a total capacity of 80 megawatts. Overall investment of the project is some \$72 million, 75% of which is provided by the Hungarian side.

Transelektro signed a contract of intent with the Russian company Unified Energy Systems and with local authorities at the beginning of April about the construction. A feasibility study of the construction is scheduled to be ready in August and construction works are to kick off in the same month. The total duration of the works is expected to be some 18 months.

Mr. Stolyarov commented that the Transelektro, Astrakhanenergo and the UES management of the respective investment departments are currently dealing with organizational issues concerning the project. After the implementation the plant is expected to make it possible for the region to avoid energy shortages, which currently occurs in about 15% to 20% of the winter months. (Source: [www.bluebull.com](http://www.bluebull.com))

### MOL Sells its Ddgaz Stake for €9.07m

Budapest - Mol Rt, the Hungarian Oil and Gas Company, has agreed to sell its 16.78% stake in the gas distributor Ddgaz Rt to a consortium of Ruhrgas Energie Beteiligungs AG and RWE-Gas AG, Mol announced on Friday. The consortium will pay HUF 2.25 billion (€9.07 million) for the stake, which had book value of HUF 1.8 billion on Dec. 31, 2002.

Payment will be due after the Ddgaz board approves the deal. Mol said the sale is another step in its strategy of selling off non-core businesses. The two German companies already hold 82.76% of Ddgaz, and the state holds a golden share in the company. (Source: [www.bluebull.com](http://www.bluebull.com))

### Transelektro to Supply Water Heating Equipment for Ukraine

Budapest, May 2 - Transelektro, the water heating equipment maker, has signed a contract worth about €12.13 million. According to the agreement, Transelektro will supply industrial water heaters to Kiev, the capital of Ukraine. These will include two steam boilers, capable of heating about 25-tons of steam per hour and two hot water boilers, along with pipes and other fittings.

Transelektro has been selected in an open tender. The company expects net revenue of €20.4-24.5 billion for the total year of 2003, up from €19.8 million in 2002.

(Source: [www.bluebull.com](http://www.bluebull.com))

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## Moldova

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### Saliut to Participate in Upgrading of Four Moldavian Thermo Power Stations

Chisinau, May 6 - The Moscow Machine-building Industrial Enterprise "Saliut" will participate in the upgrading of four Moldavian Thermo Power Stations, INTERLIC News agency reports. According the Saliut Director Yury Eliseev, the matter is of increasing the generating capacity of the Moldavian Thermo Power Stations owing to the installation of new power units.

The Saliut plans to install on two 20 megawatt power units on TPS-1 the and a 60 megawatt power unit on TPS-2, three 20 megawatt power units on the TPS-Nord in Belti and one 20 megawatt power unit in Orhei.

Yury Eliseev has noted that the cost of the installation of 1 megawatt will constitute from \$300 to 370 thousand. . Thus, only the installation of two 20 MW power units TPS-1 will cost about \$12-15 million.

Yury Eliseev has also underlined that the gas turbine engines for the Moldavian Thermo Power Stations will be manufactured on the spot, since 4 enterprises – the Stock Corporations "Topaz", "Electromasina (Chisinau), "Aspa (Orhei), Pribor (Bender) enter the Saliut Group of Companies. The Stock Corporation "Forjacom" (Chisinau) is going to join them in the nearest time.

(Source: [www.interlic.md](http://www.interlic.md))

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## Poland

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### Fuel Sector Agency Proposes New Privatization Method for Gdansk Refinery

Warsaw, April 24 – Poland's fuel sector privatization agency Nafta Polska has proposed to terminate the privatization process of the Gdansk Refinery (RG).

According to unofficial information, the proposal submitted to the Treasury Ministry outlines the most probable consequences of selling RG to the consortium of PKN Orlen and U.K-based Rotch Energy. Nafta believes that the purchase would lead to a total takeover of RG by PKN Orlen. In such an event Rotch would enter the structure of PKN at the expense of the Treasury's stake.

The proposed solution envisages formation of the Lotos Group, which will incorporate RG, three minor refineries Jaslo, Czechowice, Glimar, and oil exploration company Petrobaltic. Privatization of Lotos would then be carried out through a public

share offering or a merger with PKN Orlen, which would strengthen the Treasury's stake in Orlen.

Treasury Minister Piotr Czyzewski said yesterday that within three weeks he would decide whether to support the proposal.

(Source: [www.bluebull.com](http://www.bluebull.com))

### **Gdansk Refinery Reports €14 Million Net Profit in Q1**

Warsaw, April 30 – Poland's second largest fuel firm Rafineria Gdanska (RG) has posted a PLN 60 million (€14 million) net profit in the first quarter of 2003 against a year-earlier loss of PLN 17.8 million (€4.14 million).

RG, controlling about 20% of the Polish fuel market, could also boast of 40% growth in sales volumes in the first quarter on a year-on-year basis. The company plans to record a net profit this year of PLN 75 million (€17.46 million), against the nearly PLN 100 million (€23.27 million) recorded the previous year.

RG is currently undergoing privatization. PKN Orlen, Poland's dominant fuel industry player, has teamed up with UK-based Rotch Energy Ltd., holder of exclusive negotiating rights for RG, to file a joint bid for the 75% of RG that Nafta Polska is selling.

(Source: [www.bluebull.com](http://www.bluebull.com))

### **Russian Lukoil expressed interest in Gdansk Refinery**

Warsaw, May 8 - Russian oil company Lukoil has yet again expressed interest in Poland's second-biggest refiner Rafineria Gdanska (RG).

"We intend to hold talks with the Polish government about the privatization of Rafineria Gdanska," Lukoil Polska director Nikolai Ivchikov said yesterday.

Lukoil, Russia's second-biggest fuel company had joined UK-based Rotch, which has held exclusive rights for RG since 2001, to prepare a bid for the 75% of RG being sold off. But Rotch parted ways with Lukoil, ostensibly sensing Polish political opposition to Russian participation in a major industrial and the headway made by PKN Orlen, Poland's dominant fuel firm, in positioning for its own bid. Rotch and Orlen filed a joint bid in December 2002 that Polish officials are still evaluating.

Lukoil accounts for 2% of world oil production and has 1% of the world's proven oil reserves. RG has about 20% of the Polish fuel market. The company is 75% owned by state agency Nafta Polska, 14.99% by RG employees, and 10.01% by the Polish State Treasury.

(Source: [www.bluebull.com](http://www.bluebull.com))

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## **Romania**

### **Petromidia Crude Refinery Backs in Black in 2003**

May 9 - Black Sea based crude oil refinery Petromidia, owned by largest Romanian private oil group Rompetrol, said it had forecasted an \$7 million profit for 2003, reversing the previous year losses of \$111.7 million, due to effects of the activity restructuring started two years ago. But it said the profit could be higher if the government renounces to its policy to keep fuels' retail prices below the international quotations, and adjusting only the excise duties for fuels in line with the European Union levels. Petromidia refined last year 3.2 million of crude oil, up from one million tons in 2001. The refinery also managed to cut its operational costs to \$25.2/ton from \$28.5/ton. The 2003 forecast also include the refining of 3.56 million tones of crude at operational costs of \$21/ton. Rompetrol's President

Dinu Patriciu said the refinery's outstanding debt of \$344 million to the state budget could be swap into shares worth 35% stake or the refinery could supply in exchange refined products to the state reserves. (Source: [www.investromania.ro](http://www.investromania.ro))

### **Shell Will Consider Participation in Petrom's Privatization**

Bucharest, May 5 - According to a statement of Mr. Marian Saniuta, president of the Romanian Agency for Foreign Investments, after meeting in Bucharest the vice-president of the international operations' division of Shell Mark Williams, as well as the head of Shell Romania Joel Maes, the Dutch company will consider its participation in the privatization of SNP Petrom, the National Oil Company, the largest Romanian company.

Shell is part of Petrom's potential investors list submitted by the company's privatization advisor - the consortium consisting in Credit Suisse First Boston and ING Barongs Ltd. - at the end of last year.

Petrom's privatization ad is to be published by June 30, while the offers can be submitted until September. According to preliminary results, for the last year, Petrom posted about U\$100 million gross profit on almost \$2.4 billion total revenues. Other companies interested in Petrom are Lukoil, British Petroleum, Chevron-Texaco and RAFO Onesti.

(Source: [www.bluebull.com](http://www.bluebull.com))

### **Petromidia Debts to Be Settled This Month**

Bucharest, May 5 - Around 35 per cent of the shares of Romania's largest refinery, Petromidia, part of the Rompetrol group, are expected to go back to the state by the end of the month, as negotiations on a debt-for-equity swap are nearing completion, BBW has learned.

"We have now entered the general control phase, and once that is finished there should be an Emergency Ordinance to convert the debts into shares," Eric Kish, CEO of Rompetrol Rafinare Complex Petromidia, told BBW.

(Source: [www.bbw.ro](http://www.bbw.ro))

### **Russia and Romania Plan Joint Gas Venture Involving Gazprom**

Bucharest, May 7 - Moscow and Bucharest hope that a joint venture with the participation of Gazprom will be instituted before the end of this year. Romanian Prime Minister Adrian Nastase spoke about the venture after his negotiations with Russian Foreign Minister Igor Ivanov.

The Russian minister said that questions of cooperation in the gas sphere were discussed during his meetings on May 6 with co-chairman of the inter-governmental commission from the Romanian side Ioan Popescu. According to the minister, the Romanian side declared its interest in expanding the Russian presence in Romania, including its interest in the participation of Russian companies in privatizing Romanian gas distribution systems. According to Igor Ivanov, Romanian entrepreneurs point out that they have established "good, business-like partner relations with Gazprom." "The only thing which the governments of our countries have to do is render all necessary assistance to this cooperation," said the minister.

For his part, the Romanian prime minister noted that Bucharest "is interested in establishing direct contacts with Moscow and does not feel any need to have mediators between Moscow and Bucharest in this gas cooperation." "I am sure that

we shall be able to create a joint venture with Gazprom," said Adrian Nastase. According to him, "it is quite natural that Gazprom wants to participate in privatizing the gas distribution systems of Romania, because gas will also be supplied from Russia. We understand the desire of the Russian company to take part in the proposals for its sale."

(Source: [www.rosbaltnews.com](http://www.rosbaltnews.com))

### **Romania to Further Liberalize its Energy Market**

May 7 - Romania should further liberalize its energy market, adjust electricity and natural gas prices and totally eliminate the cross subsidies in the sector, in a move to make real steps toward European Union power sector standards, showed a study drafted by former International Monetary Fund resident in Romania Stephane Cosse. The study said the recent price hikes in the energy sector are not enough to cover long-term production costs, generating unfavorable base for investments and attracting private investors.

Speaking about the natural gas price, Cosse said in his report that, it is three times lower than in the OECD's countries, while electricity prices are two times lower than in the European Union and 20% below those in other countries from Central and Eastern Europe. Prices for household heating are half than those in the European Union. « Prices should back the opportunity for financing investments projects», Cosse said. He recommended that the electricity prices should be gradually raised toward a level, which can cover long-term costs. Natural gas tariffs should also be at a level close to the import prices, including costs of transport and distribution.

The report also recommends changes in the power sector legislation, in a way that would not allow in the future the transfer of the burden of low degree collections of outstanding bills from gas distributors to gas producers. It also said that no political interference in regulatory bodies activity is also needed.

(Source: [www.investromania.ro](http://www.investromania.ro))

### **Romania N-Plant Gets Environment License**

Bucharest, May 8 - Romania's sole nuclear plant Cernavoda has got a renewed 2-year environment license and announced it would start an ordinary annual overhaul, said the Environment Minister Petru Lificiu. "According to a protocol between the ministry and the plant, at every two years a new environmental license is issued following a review of all plant's operations," Lificiu said, adding that CANDU-technology used at Cernavoda excludes any choice of a nuclear accident. The annual overhauling works will be conducted over the next 40 days and will cost some \$9 million. The Cernavoda's sole reactor produce up to 12% of the country's electricity annual output. It had a 2002 turnover of some \$120 million.

(Source: [www.investromania.ro](http://www.investromania.ro))

### **Skoda Holding Eyes Power Plants Upgrading**

April 29 - Czech giant Skoda Holding showed interest in participating in modernization and rehabilitation of several Romanian power plants, said Gheorghe Tinca, Romania's ambassador in Czech Republic. Tinca said that Skoda interest for this project was normal as long as the company built most of Romania's power generating facilities during the communist era. He said that Romanian embassy would organize a seminar for

Czech companies to advertise for the local power sector business opportunities. Skoda also was interested in modernization of the Romanian urban transport, and cooperation with the heavy machine plant Faur may be started, reported InvestRomania.

(Source: [www.seeurope.net](http://www.seeurope.net))

### **Transelectrica to Invest \$39 Million in Energetic**

May 9 - Transelectrica is to invest this year \$39.3 million in meeting the EU standards in the National Energetic System (SEN).

The total value of the required funds for running the modernization program for SEN, a project involving several companies, is to reach for 2004 about \$450 million.

By 2002, the investment efforts of Transelectrica for SEN modernization amounted to \$90.7 million, according to a company release issued on Friday to MEDIAFAX.

#### **ALSO IN THE ROMANIAN NEWS**

#### **ROMANIA AND SERBIA TO SIGN FREE TRADE ACCORD**

May 9 - Romania and Serbia will sign a free trade accord in a move to boost bilateral economic ties; Serbia's Prime Minister Zoran Zivkovic was quoted as saying. The two countries trade worth a meager \$30 million, as the potential of exchanges has been estimated as been huge. The two countries plan to cooperate in the field of energy, gas and oil sector, road and air traffic. The first project which has been under discussions is a highway linking Romanian western town of Timisoara with Serbia's capital Belgrade. The free trade accord is expected to be signed in the next few months.

(Source: [www.investromania.ro](http://www.investromania.ro))

Termoelectrica also granted for the same purpose \$32 million funds by 2002, while Hidroelectrica invested \$14 million within the same project.

(Source: [www.seeurope.net](http://www.seeurope.net))

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## **Russia**

### **Budget Deficit Depends on Oil Price**

Moscow, April 29 - According to Deputy Prime Minister Alexei Kudrin, the 2004-2005 budget deficit of the Russian Federation will be zero if the price of crude oil will be roughly US\$20 a barrel. Meanwhile, the 2003 budget will remain balanced if the price is about US\$21.5. The minister added that the price of oil in 2004 is projected at \$22 per barrel, and for 2005 at \$22.5 a barrel. But the federal budget will be shaped under a more conservative scenario, \$20 per barrel, which is expected to make it more robust.

Mr. Kudrin stressed that if the price of crude oil is at \$20 a barrel, spending and revenues will be equal and so the budget will be balanced. If the oil price exceeds \$ 20, a surplus will form, which will be fully directed into the stabilization fund.

Earlier reports said that additional revenues from oil export duties and part of the tax on the extraction of mineral resources, arising when the oil price exceeds \$20 a barrel, will be transferred to the stabilization fund. Mr. Kudrin revealed that some 90% of the surplus depends on these two taxes. Revenues from other taxes are not so substantial.

(Source: [www.bluebull.com](http://www.bluebull.com))

## **Gazprom to Pay Out Dividends for 2002, Shares to be Traded on MICEX**

Moscow, April 28 - According to the Moscow Stock Exchange, shares of Russian gas monopolist Gazprom will be traded on the MICEX starting from May, 15. Gazprom shares will be traded on the Yekaterinburg Stock Exchange via the MICEX clearing chamber from that date.

Moreover, Gazprom's executive Mikhail Axelrod said in St. Petersburg the company will pay out dividends for 2002, at a level close to that in 2001. Gazprom paid dividends in 2001 of 44 kopecks per share with a par value of five rubles. A total of 10.512 billion rubles were paid out in dividend payments in 2001, or 14.6% of net profit. (Source: [www.bluebull.com](http://www.bluebull.com))

## **LUKoil Sells its Stake in Caspian Project to Japanese Company**

Moscow, April 29 - LUKoil Overseas, one of the Russian oil giant's subsidiaries, has sold its stake in the Azeri-Chirag-Guneshli project to the Japanese oil company Inpex for \$1.354 billion, a LUKoil official reported today. Azeri-Chirag-Guneshli is an offshore oil field in the Caspian Sea. LUKoil first announced its plans to sell its share in Azeri-Chirag-Guneshli project in late 2002. The plan became a reality after BP and the Azerbaijani State Oil Company GNKAR gave their consent to the deal. (Source: [www.rosbaltnews.com](http://www.rosbaltnews.com))

## **TNK posts higher proven oil and gas reserves**

Moscow, May 8 - According to a statement of the company, confirmed oil reserves showed a 15.4% increase of TNK, the No. 3 Russian oil company, 50% owned by UK-based British Petroleum (BP). The new data show that TNK has about 8.4 billion barrels of crude oil reserve. Moreover, not only oil reserves of TNK turned out to be higher, but auditor Miller & Lents also raised proven gas reserves to 4 billion cubic feet from 3.6 billion known before. However, sector analysts commented the reserves hike that it was mainly due to increased oil prices and the wide usage of Western production technology.

The announcement of TNK's new reserve numbers came in as its rivals YukosSibneft and LUKOIL disclosed similar hikes concerning their reserves. Yukos and Sibneft, two domestic oil and gas heavyweights, announced last month that they're planning a fusion before the end of 2003. If successful, the merged company will be the biggest oil group in Russia, and the fourth biggest of the world. It would have the highest proven oil, and the third-largest oil and gas reserves of the world (measured by oil equivalent).

TNK is now exploiting some 830,000 barrels per day (bpd) and plans to produce some 1.2 million bpd when it has finished the merger with BP's other Russian subsidiaries, planned by the middle of 2003. The British oils group agreed in February to pay \$6.75 billion for a 50% stake in the "combined" TNK.

(Source: [www.bluebull.com](http://www.bluebull.com))

## **Arkhangelsk Factory Produces First Nuclear Fuel Container**

Arkhangelsk, April 29 - The first container of processed nuclear fuel has been prepared at the Sevmashpredpriyatie. The order is financed by the US Defense Ministry as part of the joint Russian-US program 'Reducing the nuclear threat.' A special commission accepted the first container after testing.

Head of Guild No. 55 Yuri Nekrasov told Rosbalt that the factory has to complete 24 containers by the end of the year, and currently they are working on eight.' Head of Marketing Arkady Artamonov said that at the present time at Sevmashpredpriyatii the production of multiple containers has been established, and only top-ranking welders work at the site for the containers' preparation.

The nuclear energy company received a special license for the production of the containers. The containers for processed nuclear fuel are earmarked for use by atomic submarines. Some of the containers will be sent to the Far East, and some to the Zvyozdochka Company, which is engaged in the utilization of submarines. The containers are estimated to last 50 years. A special wagon was also created for their transport along the railroad. There is a great need for the containers in Russia as more than 100 submarines will utilize the processed fuel. American specialists inspect the production every two months. The next inspection by a US delegation will take place at the factory on May 12. (Source: [www.rosbaltnews.com](http://www.rosbaltnews.com))

## **ConocoPhillips and Gazprom Might Explore Large Gas Field in Russia**

Moscow, April 29 - ConocoPhillips may take part in exploring the Stockman field, Gazprom Deputy CEO Alexander Ryazanov declared at an international gas forum held in Moscow today. He said the company's participation in exploring the field could guarantee supplies of liquid gas from the Stockman field to the US.

According to Conoco specialists, the company's investments in exploring the field (the construction of a platform, facilities, tankers and a terminal) will be about \$10 billion, Mr. Ryazanov said. At first, output on the Stockman field will be about 22 billion cubic meters of gas and 12 million tons of gas condensate a year. The combined forecasted gas production is expected to be 90 billion cubic meters.

Gazprom's executive board will make a decision on whether or not Conoco will Participate By The End Of May 2003.

(Source: [www.rosbaltnews.com](http://www.rosbaltnews.com))

## **Government Commission Suggests to Lower Oil Export Duties**

Moscow, May 9 - The Russian Government has been recommended to decrease export duties from June 1. A government commission proposed that the export duty on crude oil should fall to \$26.8 per ton from \$40.3 and the duty on processed oil products to \$24.1 per ton, from \$36.3.

Meanwhile, March and April the average price of crude oil (Urals blend) was \$25.4 a barrel, or \$185.76 per ton.

(Source: [www.bluebull.com](http://www.bluebull.com))

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## **Slovakia**

### **Slovak Authorities Bust up Illegal Trade in Oil**

May 2 - Police in Slovakia have arrested 23 of 25 suspects charged in connection with a gang allegedly dealing in oil fraud and tax evasion, CTK reported on 30 April, quoting Interior Minister Vladimir Palko. The group "traded in mineral oils and motor oil, which they mixed together,

and they sold the final product as oil...thus gaining enormous profits from unpaid excises," Palko said.

The scheme is estimated to have cost the state at least 250 million crowns (\$6.9 million) in tax revenues, according to CTK. A customs officer and a police officer are suspected of involvement in the illegal activities. The operation included some 1,200 police officers and the search of nearly 200 homes and commercial buildings. Sources at the Slovak Interior Ministry said the gang was also involved in recent scandals with light heating oil in neighboring Hungary and the Czech Republic. (Source: [www.rferl.org](http://www.rferl.org))

### **Power Utility CEZ Interested in Slovenske Elektrarne**

Bratislava, May 6 - According to the CEO of the Czech national power utility CEZ, this company may bid for Slovakia's national power utility Slovenske elektrarne - SE, which is to be sold by the end of the year as two pieces: the nuclear power plant and the rest. CEZ is even interested in buying the whole company, and not by pieces.

Last year, Slovenske elektrarne posted SKK 168 million net profit on SKK 43 billion sales. The company produces over 80% of Slovakia's electricity and employs about 10,000 people. It is 49% held by the Slovakian state. (Source: [www.bluebull.com](http://www.bluebull.com))

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## **Serbia and Montenegro**

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### **Dep. Min. Ruzic: Gas, Efficiency Top Priorities**

Belgrade, May 11 – “We will soon start creating a study for a gasification plan for Serbia, aiming to connect as many consumers as possible to the existing network, and we will try to find investors for the construction of a gas pipeline from Nis to Dimitrovgrad, as well as for underground gas storage,” stated Dr. Slobodan Ruzic, Deputy Minister of Energy and Mining.

The Ministry of Energy and Mining started last year the Toplification and Gasification Project in order to reduce electricity consumption. It is initial plan was to about 12,000.

*Is it possible to reduce electricity consumption by introducing gas usage?*

That is exactly what we plan to do. The gasification process is one of the most efficient ways to reduce electricity consumption. The connection of a vast number of consumers to the gas and heat pipeline is a long-term activity and it is going to remain a permanent priority. However, to introduce the systematic gas utilization within households, it is necessary to construct a network of national and regional pipelines, distribution networks and inside installations.

According to Ruzic, the electricity price is created to cover the costs of production, transmission and distribution. There is a certain influence of the price to the consumption, but the first steps towards the economic prices are the most difficult. Further on we implement other programs for consumption efficiency – gasification and toplification.

*Another interesting field is the electricity saving or the electricity efficiency.*

I'd rather speak about energy efficiency, than about energy saving. It is the fulfilling of all needs with the minimum usage, while saving is about decreasing the living standards. For example, energy efficiency is about making coffee on a smaller

oven ring, insulating windows and doors, using TA's instead of heaters...

Energy efficiency will be a very important part of our new energy strategy. That was the reason for the establishment of the Energy Efficiency Agency, with the main purpose to promote energy efficiency, through education and initiation of projects in connection with this problem.

We intend to introduce mandatory energy efficiency levels to industrial products and suggest the concept of the stimulation actions for the energy efficiency introduction.

We have already spoken with the World Bank representatives about the creation of a Fund for favorable loans for energy efficiency projects in schools, health institutions and municipal buildings. Finally, we will try to get the external debt write-off from donor countries, and that amount will be redirected to energy efficiency and ecology projects.

(Source: [www.glas-javnosti.co.yu](http://www.glas-javnosti.co.yu))

### **Mihajlov: EU to Boost Ecological Support to Balkans**

Athens, May 6- Serbian Minister of Natural Resources and Environmental Protection Andjelka Mihajlov said on May 6 at the International Conference in Athens entitled "Sustainable Development for lasting peace: Shared water, shared future, shared knowledge" that international aid intended for resolving numerous problems and promoting environmental development in the Balkans is neither sufficient nor permanent.

At the beginning of the two-day conference, organized by the World Bank and the Greek Government, Mihajlov said that Serbia and Montenegro had made progress by implementing the European Union's environmental guidelines. She added that the process should be completed by 2010, as the environmental protection system in Serbia in 2002 was 40 years behind Western Europe's.

Minister Mihajlov said that the meeting in Athens shows the importance of Southeast Europe's joining the EU, adding that Greek Foreign Minister George Papandreou has offered help both from Greece and the EU to tackle the problem of contamination of the river Ibar.

(Source: [www.serbia.sr.gov.yu](http://www.serbia.sr.gov.yu))

### **Development of Electric Energy Production**

Belgrade, April 29 - Nuclear electric power plant won't be erected in Serbia. The officials of the Electric Power Industry of Serbia (EPS) consider two possibilities for thermoelectric power plants: to continue construction of the Kolubara B thermoelectric power plant (2 x 350 MW), in which \$500 million was already invested, or to start construction of the thermoelectric power plant – Toplana - in Obrenovac (800 MW).

According to experts, the construction of the additional capacities isn't necessary; considerable savings of the electric power could be attained by reducing losses in transmission and distribution and by more rational utilization of the electric power.

According to others, Serbia needs additional 600 to 1,200 MW of production capacities, because of expected significant increase of the electric power consumption in industry by 2005.

(Source: [www.invest-in-serbia.com](http://www.invest-in-serbia.com))

### **Hungarian MOL Interested in Serbian Market**

Budapest, April 30 – Management of Hungarian Oil Company MOL will investigate the requirements for Beopetrol



privatization before taking part in the international tender for that company.

According to Gyerg Felkai, MOL Communication manager, MOL has already been interested in the Serbian market, wishing to participate with the gas station network. One of possible solutions could be to buy Beopetrol, since it has 202 gas stations around Serbia and the Kosovo territory under UN control.

General Manager of MOL, Zolt Hernadi, said that they wish to continue the expansion throughout the region, with the ambition to become the second largest oil trader in Romania, to participate in INA, Croatia, and to create INA-MOL-Slovaft (Slovakia) group, which would certainly become one of the most important oil companies in Europe. (Source: [www.b92.net](http://www.b92.net))

### **Minister Udovicki: District Heating Plants Stable**

Belgrade, May 8 – “Although last winter was one of the longest and coldest in 15 years, the heating season 2002/03 was the most successful one in the last 10 years, regarding the quality of heating energy provided by the plants. There were no problems with the delivery of the energy, while the heating was working 24 h/day for more than 30 days,” stated Kori Udovicki, Serbian Minister of Energy and Mining at the press conference on May 7.

According to Udovicki, this is the result of the Ministry’s effort to consolidate district-heating plants financially, since in 2001, 32 out of 38 plants had the negative function.

“Serbian Government created stable financial basis for the heating plants last July, by liberating the prices. At the end of the year 2002, only 12 plants out of 41 had the negative balance. The positive financial results in more than 50% of heating plants are even 57 times higher,” emphasized Udovicki. “The Government provided 176 million YUD to the heating plants before the heating season started, while the suppression of the taxes on the energy sources trading allowed much better working conditions for the heating plants.” (Source: [www.danas.co.yu](http://www.danas.co.yu))

### **No Defined Concept for the Transformation of NIS**

Novi Sad, May 9 – “We have to admit that until today there is no overall concept for the reorganization of the Oil Industry of Serbia (NIS), including the revision of the working period 1990. – 2000, sharing balance of all 10 companies, transitional organization, readjustment of some parts of the system, definition of development strategy, and the dynamic of privatization, which is the main condition for the consensus between the Government, management and the syndicates,” said Djordje Buric, engineer, at the roundtable titled “The transition and reconstruction of the oil industry: interest of the industry, citizens and employees ” in organization of UGS Nezavisnost.

According to Buric, after October 5, not one change has been done within the Law on NIS, established in 1991, where 49% of the National Oil Company had to be privatized until July 1. Another “curiosity” of that Law is that Manager of NIS is to be appointed by the National Assembly, and the Managing Board by the County Government. (Source: [www.danas.co.yu](http://www.danas.co.yu))

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## **Turkey**

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### **Turkish Energy Minister Sees BTC Oil Pipeline Finished on Time**

May 7 - Energy and Natural Resources Minister Hilmi Guler said a Baku-Tbilisi-Ceyhan (BTC) oil pipeline project was proceeding successfully and would be completed on time.

International energy analysts have suggested that BP, the leader of the BTC consortium, is trying to delay the Baku-Tbilisi-Ceyhan oil pipeline because it plans to shift its interest to a pipeline from Iraq's city of Kirkuk to the Israeli port of Haifa, as western oil companies grow impatient to drill Iraq's rich oilfields in the aftermath of the U.S.-led war.

Speaking to reporters on the sidelines of an energy conference sponsored by the Japan International Cooperation Agency (JICA), Guler said the press would be briefed next week on the progress of the project, which is designed carry oil from oilfields developed by the BP-led multinational group to the Turkish Mediterranean port of Ceyhan.

Guler said Turkey has named a project manager and resolved some minor issues about taxation and appointment of staff. "There's not one single problem and the project will be finished on time," the Turkish energy minister said.

Construction of the \$2.9 billion Baku-Tbilisi-Ceyhan oil pipeline started last September. The 1,770-km oil pipeline project is led by BP and is to carry up to one million barrels per day of crude from 2005. (Source: [www.seeurope.net](http://www.seeurope.net))

### **Cut Power Supply from Bulgaria Profitable for Turkey**

May 7 - The price of electricity in Turkey has gone down by 20% due to the use of local resources of energy, Hilmi Guler, Turkey's Minister of Energy and Natural Resources, said, cited by Turkish newspaper Hurriet.

In his words there have been no hikes in electricity prices in Turkey over the last five months.

The minister points out that the suspension of electricity supply from Bulgaria is profitable for Bulgaria.

Under a deal TETAS bought from Bulgaria the energy for 1,3 cents per 1 kilowatt-hour, while the price of energy from local resources is as low as 0,5 cents.

On April 21 Turkish Electricity Trade and Contracting Inc. TETAS notified the Bulgarian Electricity Transmission Company that it stops the power import from Bulgaria.

TETAS quoted its motives from April 11, when Turkey warned for the first time that it would stop the supply of electricity from Bulgaria.

TETAS claims that the Bulgarian side has failed to meet its commitments regarding the implementation of two infrastructure projects.

Bulgaria will offer two alternative infrastructure projects with the involvement of Turkish companies during the upcoming talks in Ankara over the renewal of power supplies from Bulgaria.

Under the ten-year deal that Bulgaria and Turkey signed in 1998 the Bulgarian side is to hire Turkish contractors for Gorna Arda cascade and Maritsa highway in the section Orizovo - Kapitan Andreevo. (Source: [www.novinite.com](http://www.novinite.com))

Currency	Albanian Lek	Bulgaria Lev	Croatia Kuna	Czech Koruna	Estonia Kroon	Hungary Forint	Kazakhstan Tenge	Poland Zloty	Romania Leu	Russian Rouble	Serbia Dinar
<b>1 USD</b>	125.39	1.69	6.75	27.23	13.54	212.30	150.29	3.76	33.33	31.1	57.6
<b>1 EUR</b>	144.96	1.95	7.80	31.49	15.65	245.44	173.75	4.34	38.53	35.95	66.59

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