Can Ukraine secure enough gas for the winter? A scenario analysis

- September update -

Georg Zachmann

Berlin/Kyiv, September 2014

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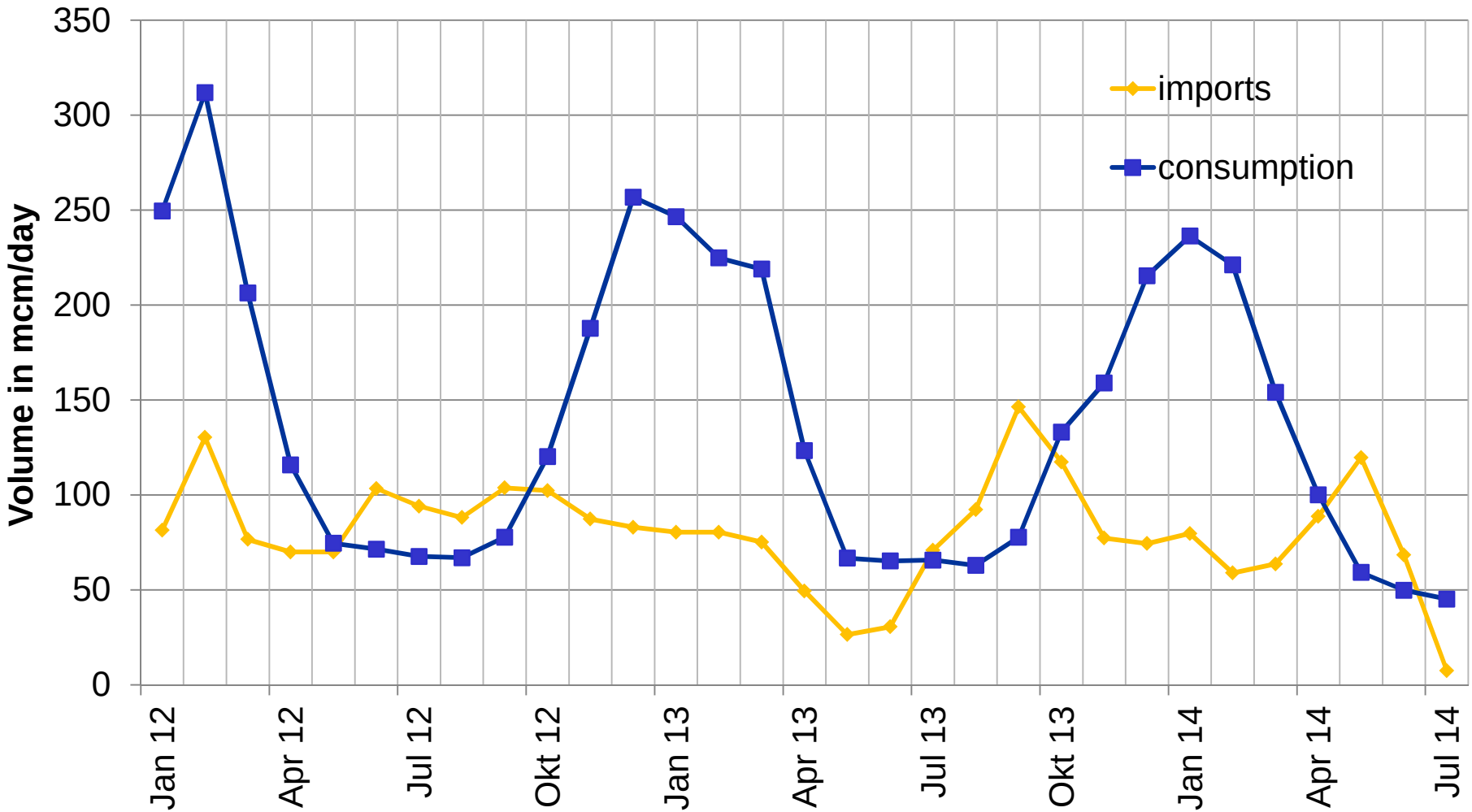
Key messages

- Whether Ukraine will be able to get over the winter depends on gas consumption and amount of reverse flows
- Demand has to be at least 20% below 2013 values and some imports from Slovakia are crucial
- Otherwise, Ukraine will have to re-start imports from Russia in the second half of January 2015 in order to avoid a short-fall at the end of the winter
- An interruption in gas transits would reduce the ability and willingness of the western neighbours to provide reverse flows and is thus not in the interest of Ukraine

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Stop of gas deliveries from Russia



Source: Own illustration based on Ministry of Energy and Coal

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Will Ukraine come over the winter?

- Storage volume: 16 bcm
- Imports from West 2013: 2 bcm/y
- Domestic production in 2013: 21 bcm/y
- Consumption in 2013: 50 bcm/y

-> How much more can be imported?

-> Which share of the stored volumes can be used?

-> (Can production be increase?)

-> By how much can consumption be reduced?

-> Could the gas made available when and where it is needed?

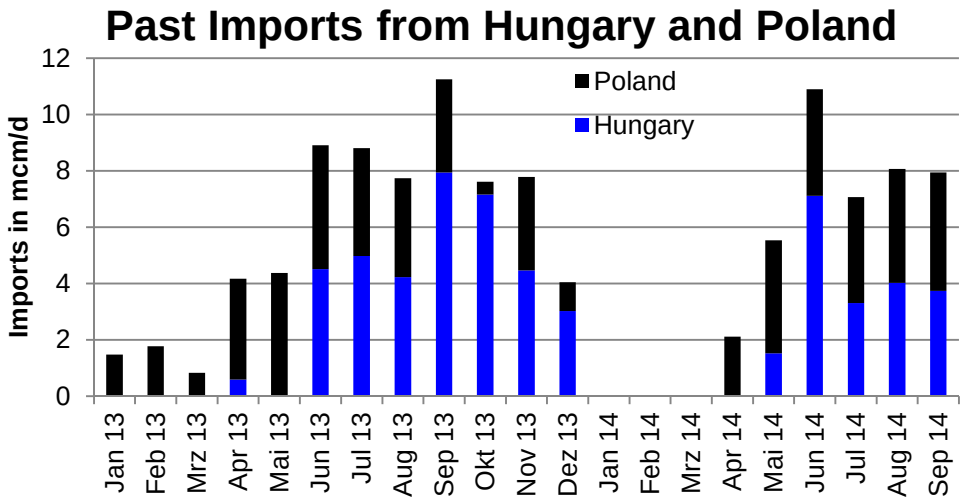
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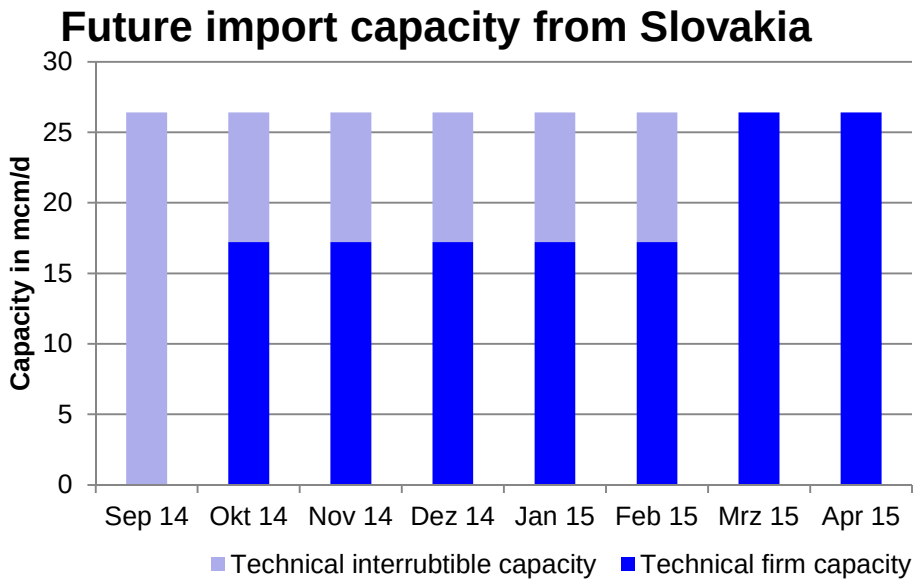
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How much more can be imported?

- At best
  - HU: 8 mcm/d
  - PL: 4 mcm/d
  - SK: 26 mcm/d

  => 38 mcm/d [~14 bcm/y]

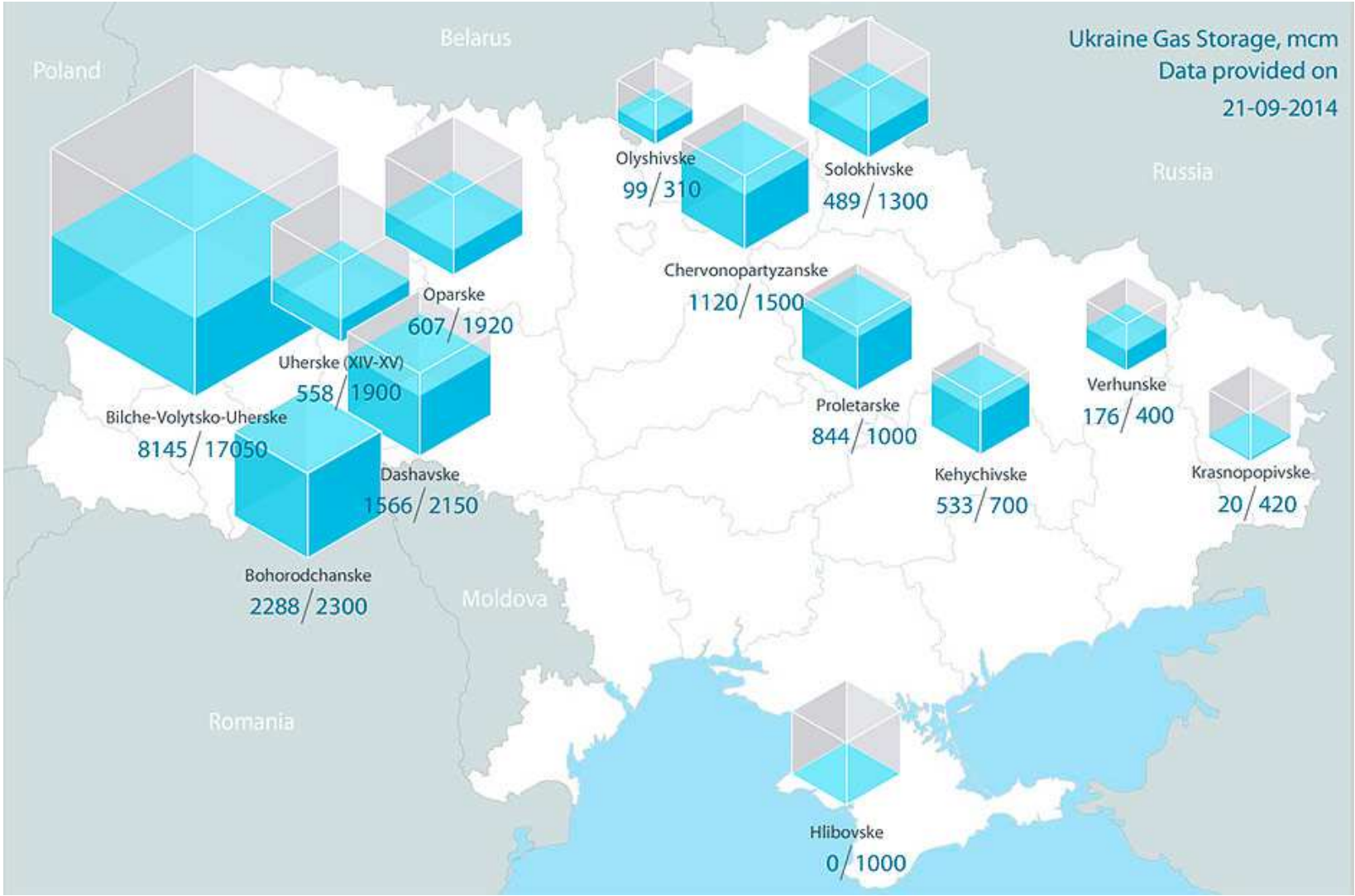




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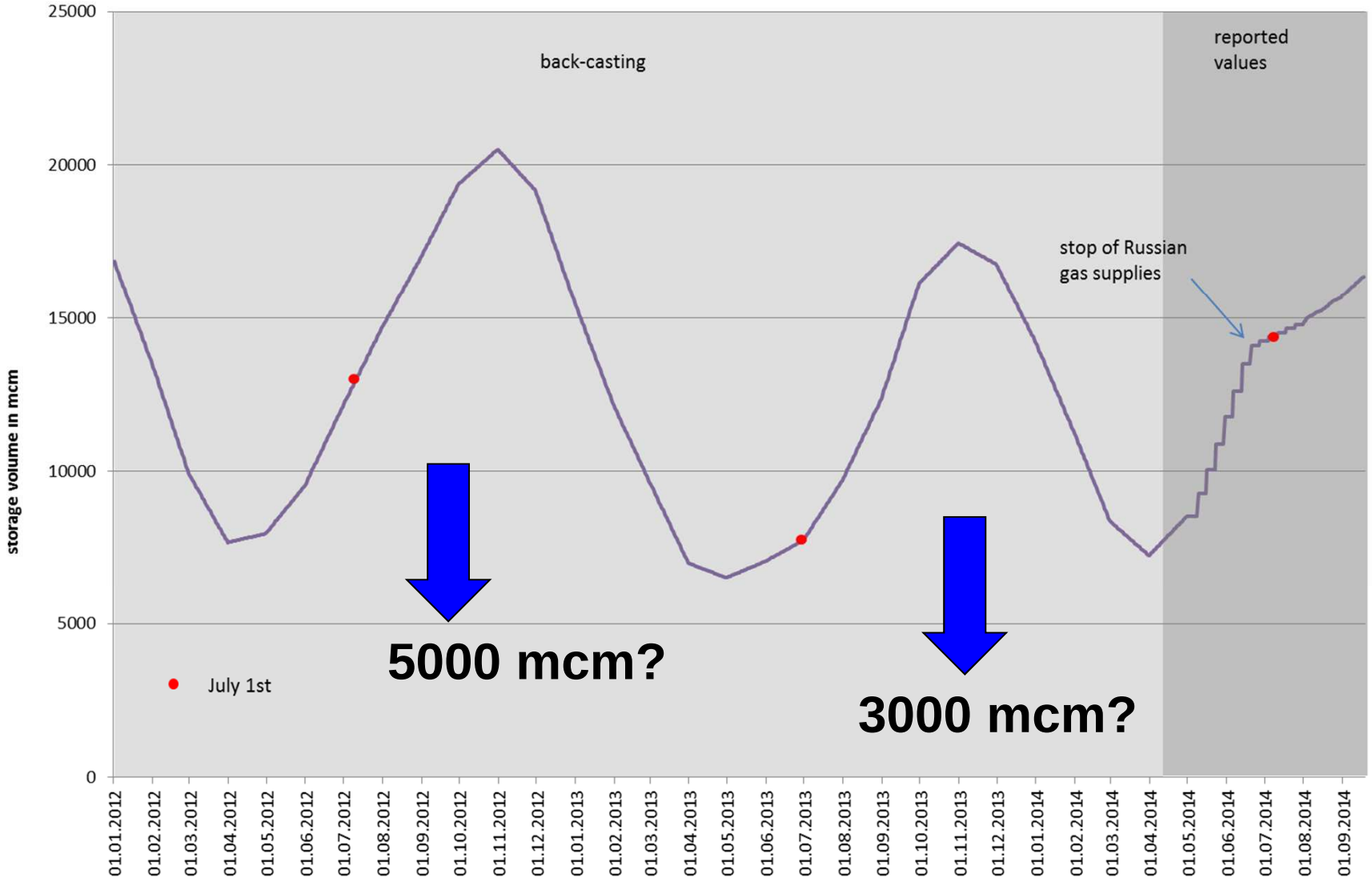
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How much gas is accumulated in the storages?



Source: http://naftogaz-europe.com/article/en/yio9p90

Which share of the stored volumes can be used?

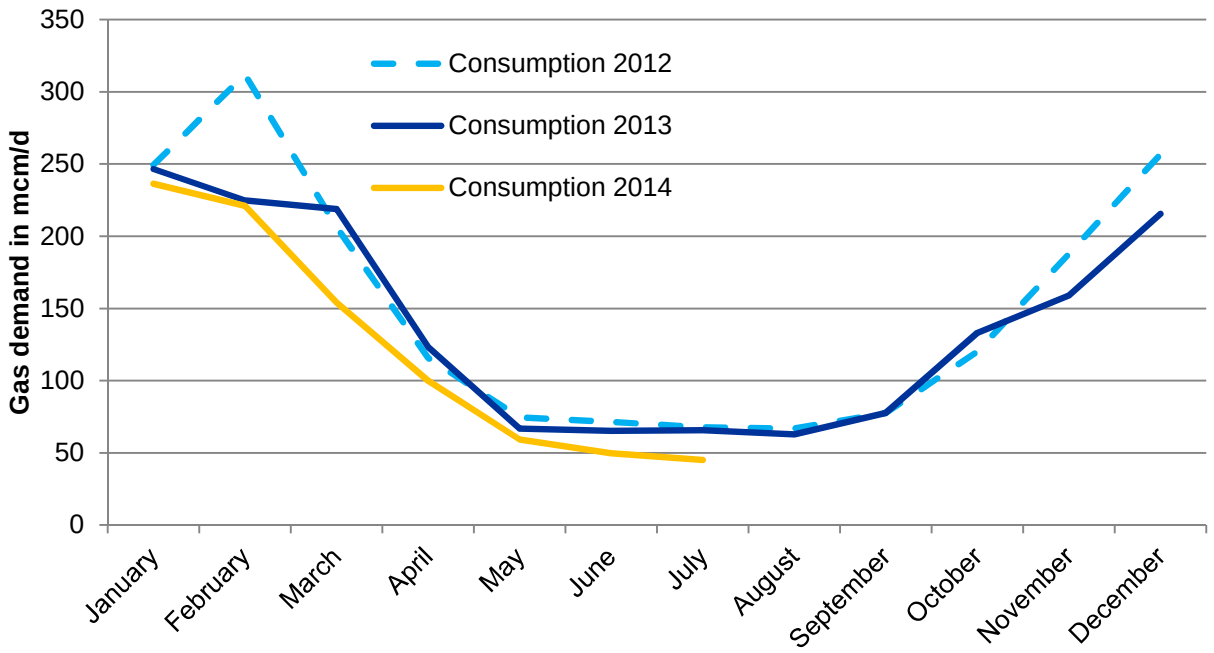


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By how much can consumption be reduced?

- First months of 2014: warm weather
- Mid-2014: reduction of industrial output
- Since mid-2014: some rationing



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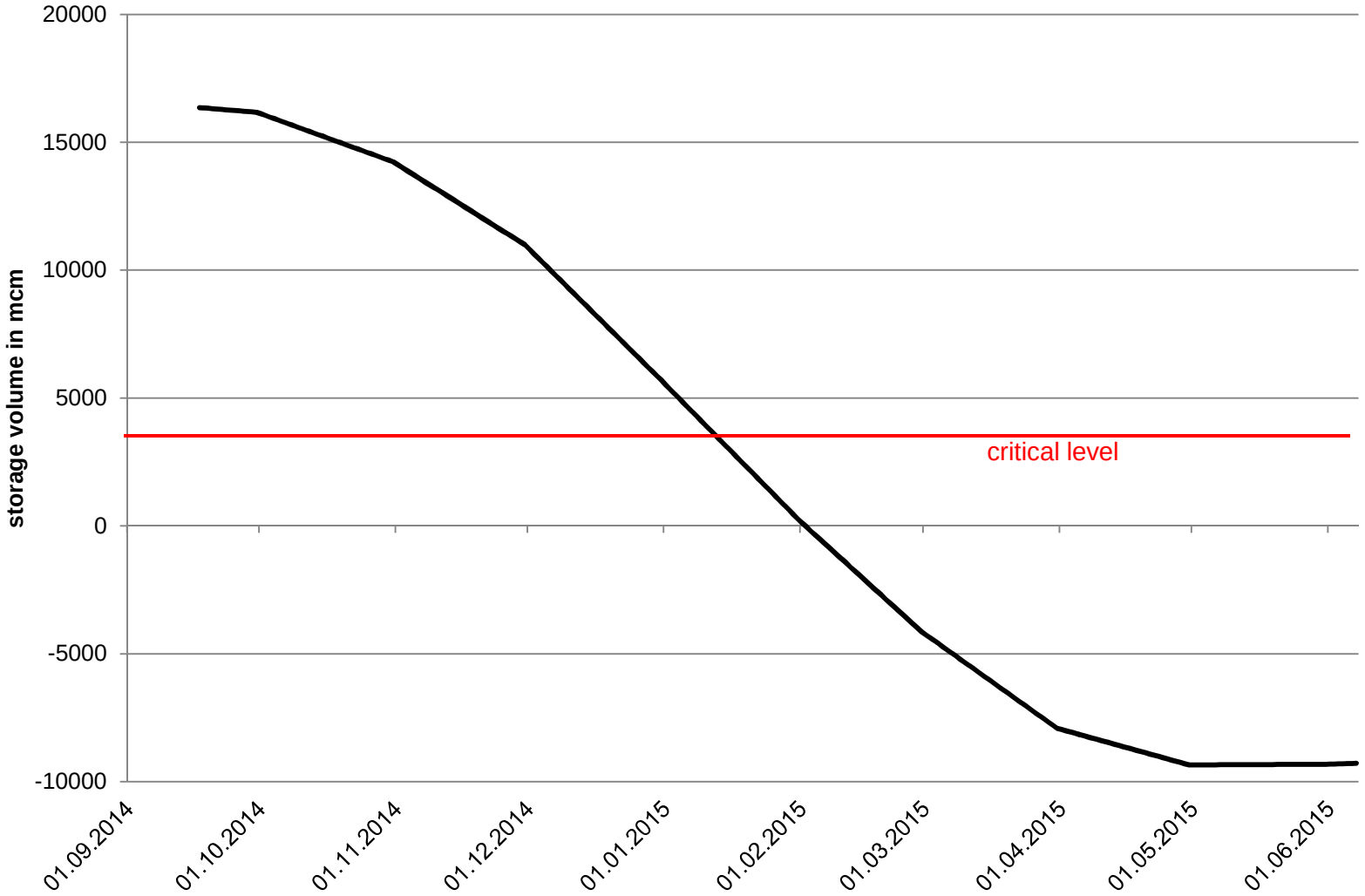
Scenarios

	0% demand reduction	20% demand reduction
Only limited reverse flows from HU & PL (8 mcm/d)	Scenario 1	Scenario 4
100% from HU and PL and 50% of interruptible capacity from SK (25.3 mcm/d - 38.3 mcm/d)	Scenario 2	Scenario 5
100% from HU, PL and SK (38.3 mcm/d)	Scenario 3	Scenario 6

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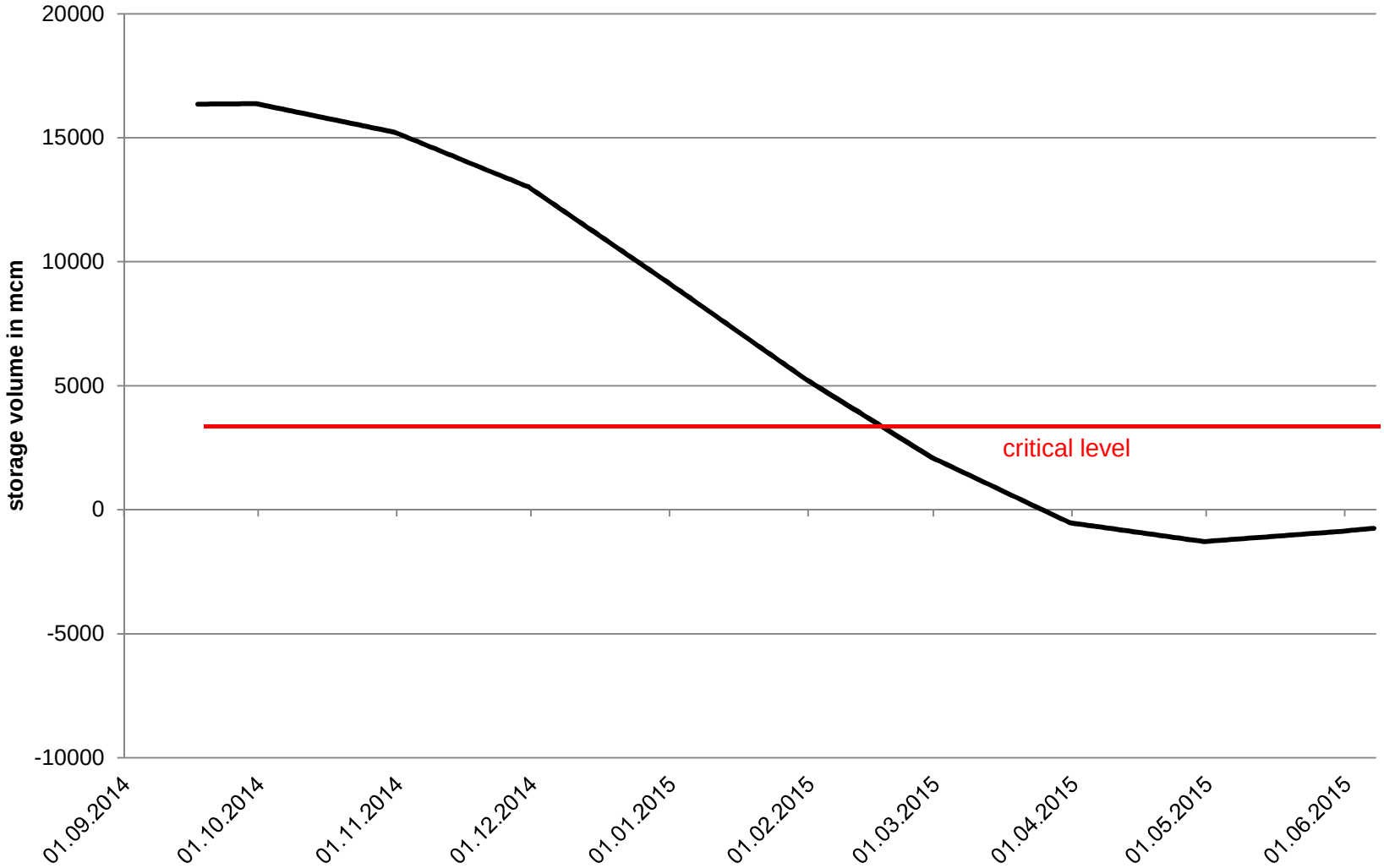
Scenario 1: No change compared to 2013



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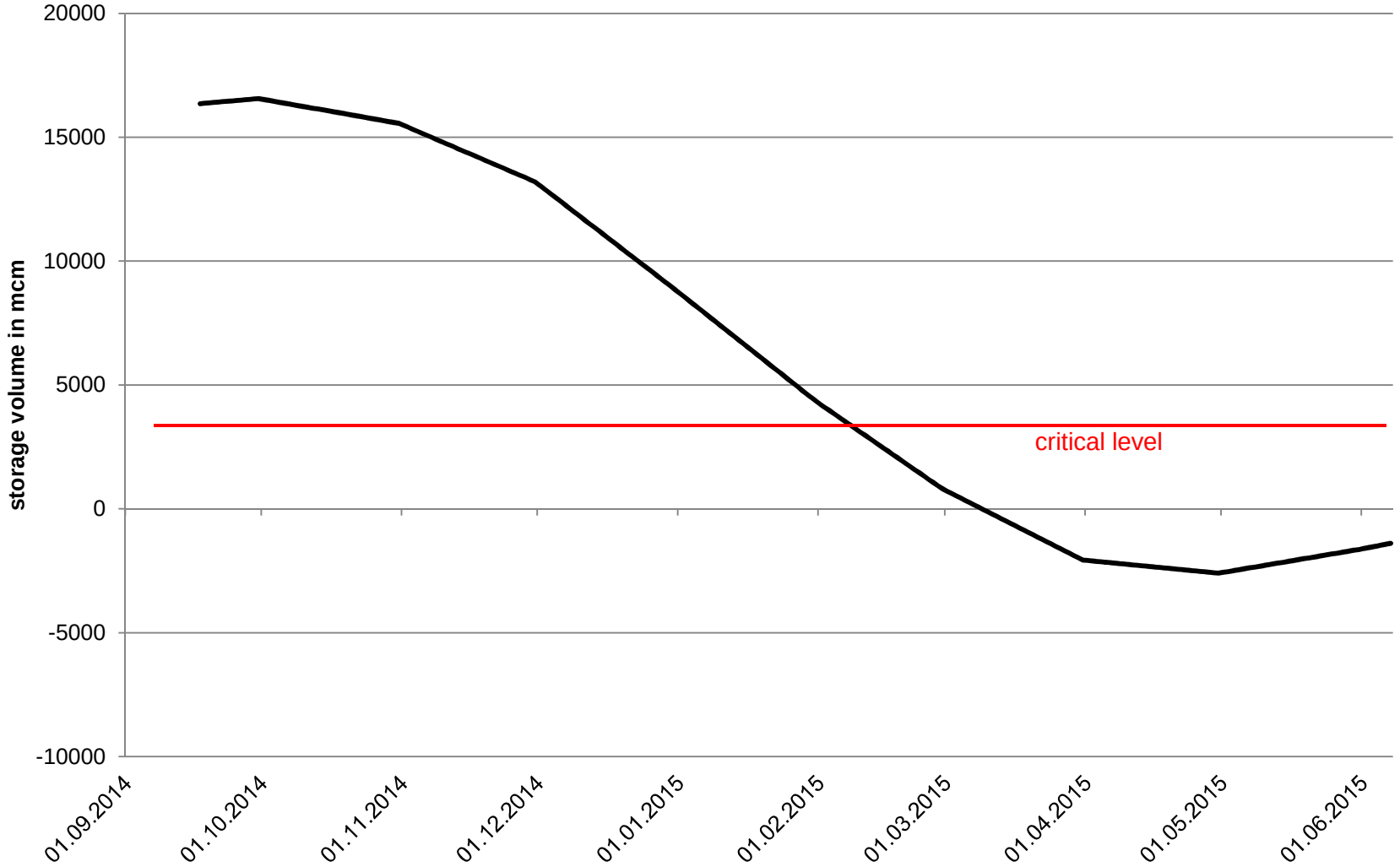
Scenario 4: 20% demand reduction + 8 mcm/d from HU&PL



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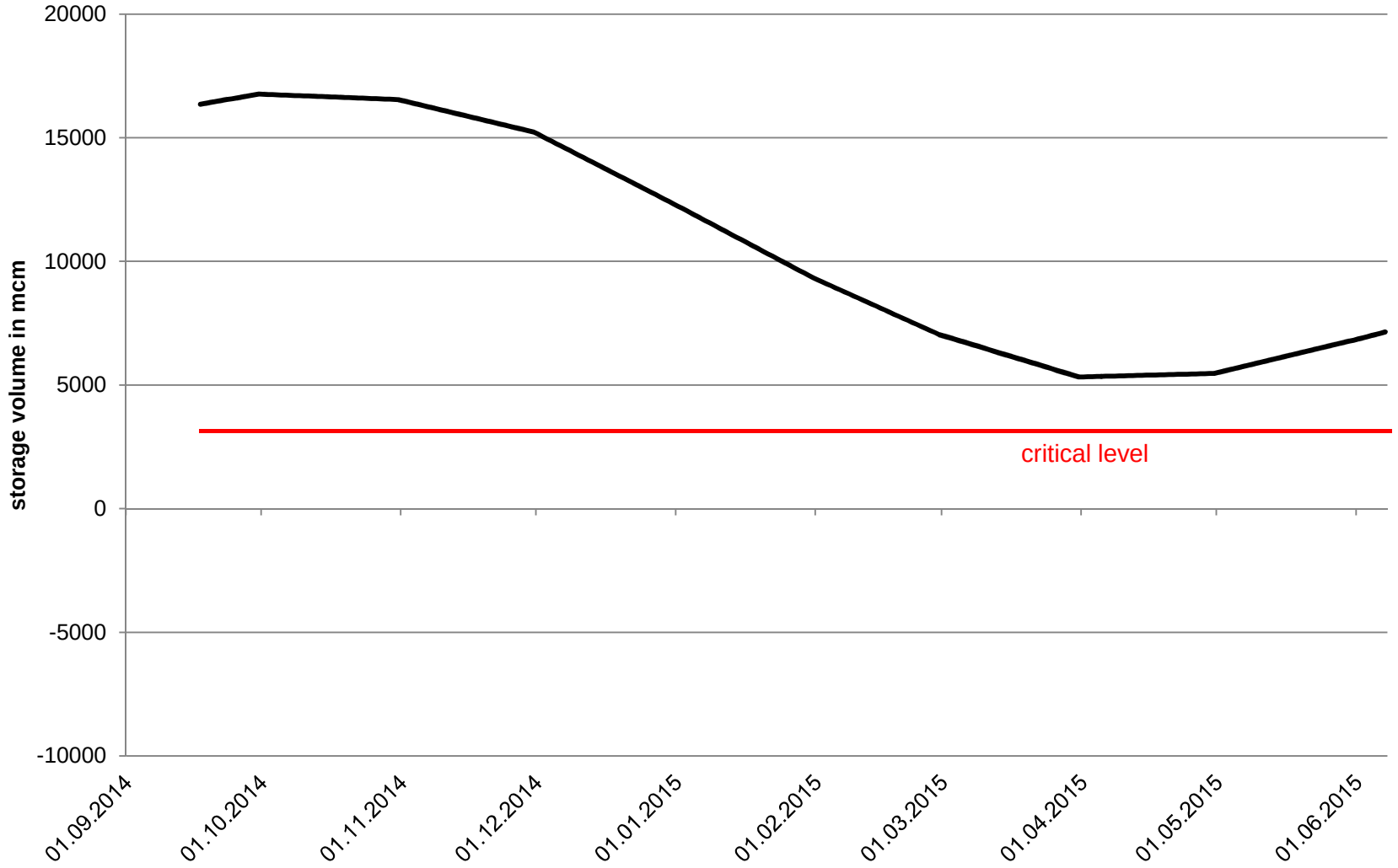
Scenario 3: Full revers flows, but no demand reduction



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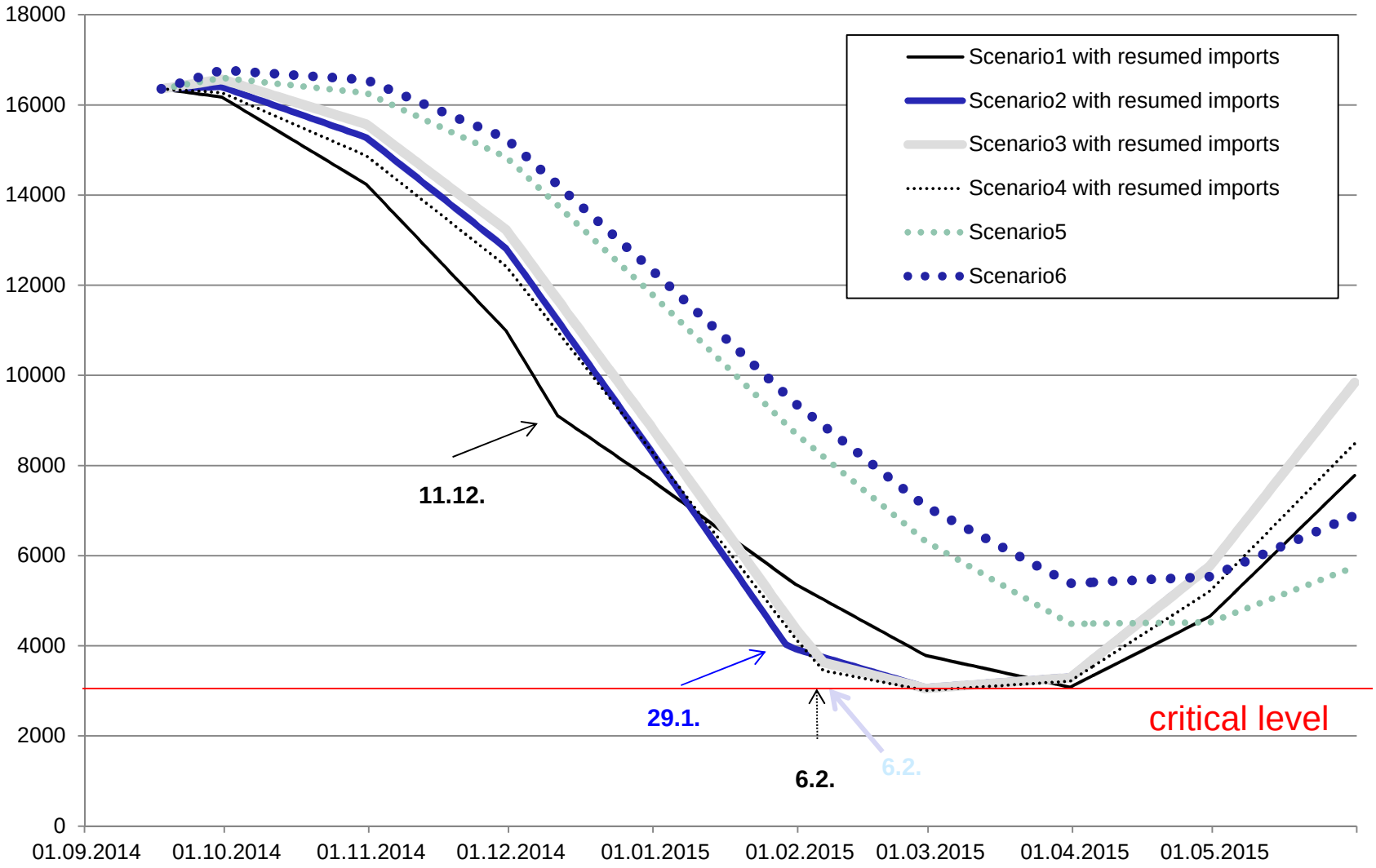
Scenario 6: Full reverse flows & 20% demand reduction



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In case: When will Ukraine need an agreement with Russia?

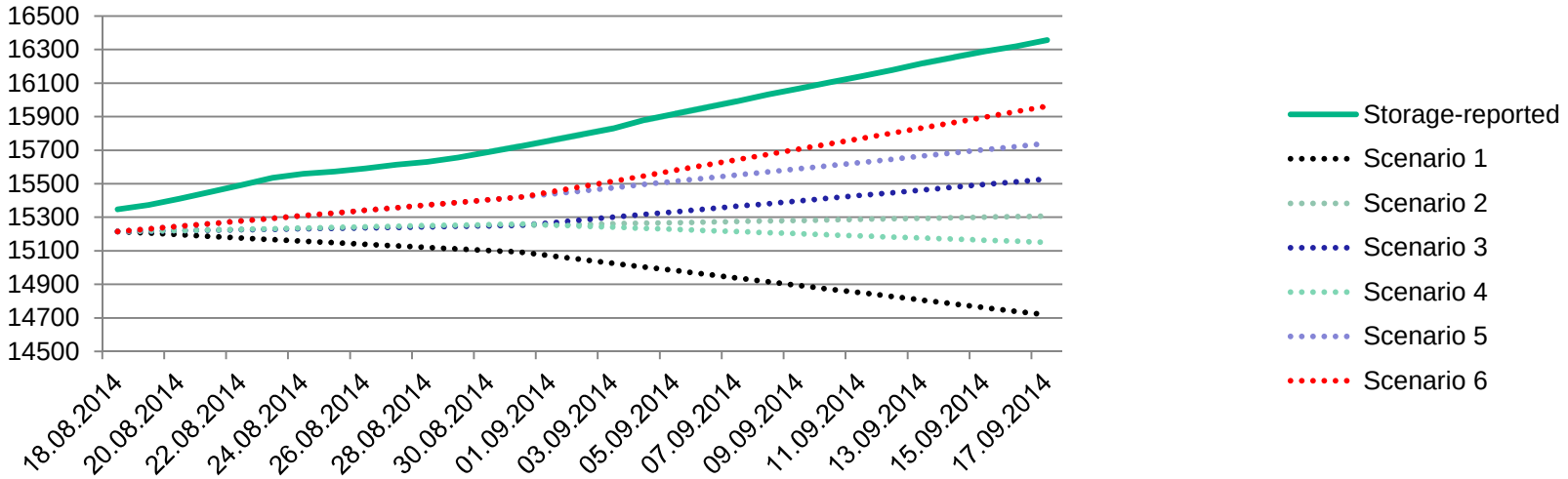


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Differences compared to August 18th

- Storage levels are reported to increase much faster than we anticipated between 17th of August and 18th of September 2014



- This is partly due to early reverse flows from Slovakia (we assume in Scenario 6 that they only start on September 1st, while they started earlier)
- Consumption data for June and July published in September suggest that demand (non-heating) is actually 24% and 31% below 2013

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Key messages

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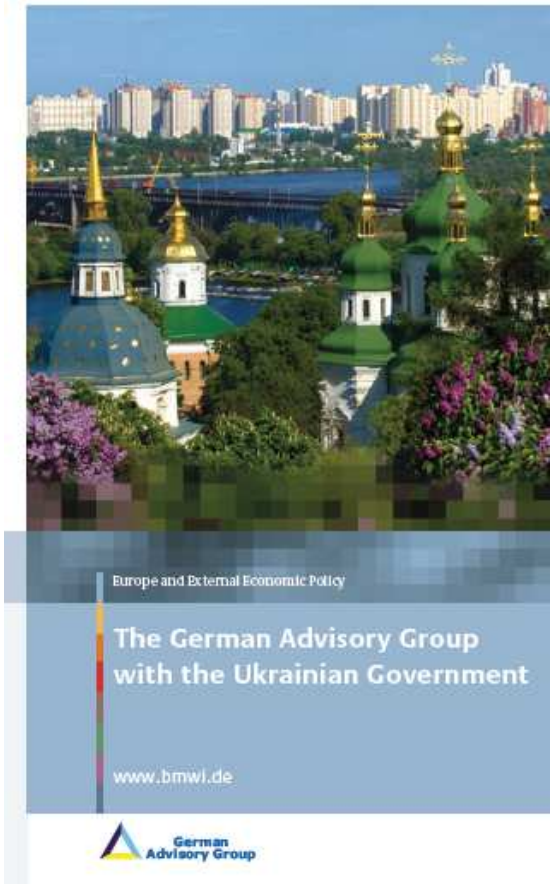
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