Katarína Sárvári

Russian Influence-Seeking by Way of Natural Gas Supplies in the Visegrad Countries from 1990 to 2015 Katarína Sárvári
Russian Influence-Seeking by Way of Natural Gas Supplies in the Visegrad Countries from 1990 to 2015

Doctoral Dissertation

Katarína Sárvári

Budapest, 2023
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<tbody>
<tr>
<td>ACER</td>
<td>Agency for Cooperation of Energy Regulators</td>
</tr>
<tr>
<td>ANO 2011</td>
<td>Yes 2011 Party</td>
</tr>
<tr>
<td>AWS</td>
<td>Solidarity Electoral Action</td>
</tr>
<tr>
<td>BACI</td>
<td>Bidirectional Austrian-Czech Interconnection</td>
</tr>
<tr>
<td>BBWR</td>
<td>Nonpartisan Bloc for Support of Reforms</td>
</tr>
<tr>
<td>BCM</td>
<td>Billion Cubic Meters of Natural Gas</td>
</tr>
<tr>
<td>BIS</td>
<td>Security Information Service</td>
</tr>
<tr>
<td>BRUA</td>
<td>Bulgaria-Romania-Hungary-Austria Pipeline</td>
</tr>
<tr>
<td>CEE</td>
<td>Central and East European Countries</td>
</tr>
<tr>
<td>CENTRUM</td>
<td>Centre Democratic Accord</td>
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<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CIS</td>
<td>Commonwealth of Independent States</td>
</tr>
<tr>
<td>CMEA</td>
<td>Council for Mutual Economic Assistance</td>
</tr>
<tr>
<td>CNG</td>
<td>Compressed Natural Gas</td>
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<tr>
<td>COVID-19</td>
<td>Coronavirus Disease 2019</td>
</tr>
<tr>
<td>CPI</td>
<td>Poland-Czech Republic Interconnection</td>
</tr>
<tr>
<td>CPP</td>
<td>Convention People’s Party</td>
</tr>
<tr>
<td>CSCE</td>
<td>Conference on Security and Cooperation in Europe</td>
</tr>
<tr>
<td>CSFB</td>
<td>Credit Suisse First Boston</td>
</tr>
<tr>
<td>CZ</td>
<td>Czech Republic</td>
</tr>
<tr>
<td>ČEZ</td>
<td>České Energetické Závody - Czech Energy Company</td>
</tr>
<tr>
<td>ČSL</td>
<td>Czechoslovak People’s Party</td>
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<tr>
<td>ČPP</td>
<td>Český plynárenský podnik - Czech Gas Company</td>
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<tr>
<td>ČSS</td>
<td>Czechoslovak Socialist Party</td>
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<tr>
<td>ČSSD</td>
<td>Czech Social Democratic Party</td>
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<tr>
<td>DEU</td>
<td>Democratic Union</td>
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<tr>
<td>DEÚS</td>
<td>Democratic Union of Slovakia</td>
</tr>
<tr>
<td>DK</td>
<td>Democratic Coalition</td>
</tr>
<tr>
<td>EBERD</td>
<td>European Bank of Reconstruction and Development</td>
</tr>
<tr>
<td>EC</td>
<td>European Commission</td>
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<tr>
<td>Abbreviation</td>
<td>Full Name</td>
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<tr>
<td>ECR</td>
<td>European Conservatives and Reformists Group</td>
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<tr>
<td>EFSF</td>
<td>European Financial Stability Facility</td>
</tr>
<tr>
<td>EIB</td>
<td>European Investment Bank</td>
</tr>
<tr>
<td>EPH</td>
<td>Energetický a Průmyslový Holding - Energy and Industrial Holding</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FGSZ</td>
<td>Földgázzállító - Natural Gas Transmission</td>
</tr>
<tr>
<td>FIDESZ</td>
<td>Alliance of Young Democrats</td>
</tr>
<tr>
<td>FKGP</td>
<td>Independent Smallholders’ Party</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GFU</td>
<td>Committee for Natural Gas</td>
</tr>
<tr>
<td>GIE</td>
<td>Gas Infrastructure Europe</td>
</tr>
<tr>
<td>GIPL</td>
<td>Gas Interconnection Poland-Lithuania</td>
</tr>
<tr>
<td>G7</td>
<td>Group of Seven</td>
</tr>
<tr>
<td>G-24</td>
<td>Intergovernmental Group of Twenty Four</td>
</tr>
<tr>
<td>HAG</td>
<td>Hungaria-Austria-Gasleitung Pipeline</td>
</tr>
<tr>
<td>HSD</td>
<td>Movement for Autonomous Democracy</td>
</tr>
<tr>
<td>HU</td>
<td>Hungary</td>
</tr>
<tr>
<td>HUAT</td>
<td>Hungary-Austria Pipeline</td>
</tr>
<tr>
<td>HUSKAT</td>
<td>Hungary-Slovakia-Austria Pipeline</td>
</tr>
<tr>
<td>HZDS</td>
<td>Movement for a Democratic Slovakia</td>
</tr>
<tr>
<td>IEA</td>
<td>International Energy Agency</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>INEA</td>
<td>Innovation Network Executive Agency</td>
</tr>
<tr>
<td>IPC</td>
<td>Intergovernmental Commission on Economic Cooperation</td>
</tr>
<tr>
<td>KDH</td>
<td>Christian Democratic Movement</td>
</tr>
<tr>
<td>KDNP</td>
<td>Christian Democratic People’s Party</td>
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<tr>
<td>KDS</td>
<td>Christian Democratic Party</td>
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<tr>
<td>KDU</td>
<td>Christian and Democratic Union</td>
</tr>
<tr>
<td>KLD</td>
<td>Liberal Democratic Congress</td>
</tr>
<tr>
<td>KPN</td>
<td>Confederation for Independent Poland</td>
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<tr>
<td>KSČ</td>
<td>Czechoslovak Communist Party</td>
</tr>
<tr>
<td>Acronym</td>
<td>Description</td>
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</tr>
<tr>
<td>KSČM</td>
<td>Communist Party of Bohemia and Moravia</td>
</tr>
<tr>
<td>KSS</td>
<td>Communist Party of Slovakia</td>
</tr>
<tr>
<td>KWMN</td>
<td>German Minority Electoral Committee</td>
</tr>
<tr>
<td>LBL</td>
<td>Left Block</td>
</tr>
<tr>
<td>LiD</td>
<td>Left and Democrats</td>
</tr>
<tr>
<td>LMP</td>
<td>Politics Can Be Different</td>
</tr>
<tr>
<td>LNG</td>
<td>Liquefied Natural Gas</td>
</tr>
<tr>
<td>LPR</td>
<td>League of Polish Families</td>
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<tr>
<td>LSU</td>
<td>Liberal-Social Union</td>
</tr>
<tr>
<td>ĽS-HZDS</td>
<td>People’s Party-Movement for a Democratic Slovakia</td>
</tr>
<tr>
<td>ĽSNS</td>
<td>Kočleba-People’s Party Our Slovakia</td>
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<tr>
<td>MDF</td>
<td>Hungarian Democratic Forum</td>
</tr>
<tr>
<td>MFB</td>
<td>Hungarian Development Bank</td>
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<td>MIÉP</td>
<td>Hungarian Justice and Life Party</td>
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<td>MKDH-ESWS</td>
<td>Coexistence and the Magyar Christian Democratic Party</td>
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<td>MKDM</td>
<td>Hungarian Coalition</td>
</tr>
<tr>
<td>MKM-EGY</td>
<td>Hungarian Christian Democratic Movement-Coexistence</td>
</tr>
<tr>
<td>MMCM</td>
<td>Million Cubic Meters of Natural Gas</td>
</tr>
<tr>
<td>MN</td>
<td>German Minority Electoral Committee</td>
</tr>
<tr>
<td>MND</td>
<td>Moravské Naftové Doly - Moravian Oil Mines</td>
</tr>
<tr>
<td>MOL</td>
<td>Hungarian Oil Company</td>
</tr>
<tr>
<td>MOST-HÍD</td>
<td>Bridge</td>
</tr>
<tr>
<td>MSZP</td>
<td>Hungarian Socialist Party</td>
</tr>
<tr>
<td>MVM</td>
<td>Hungarian Electrical Works</td>
</tr>
<tr>
<td>NATO</td>
<td>North Atlantic Treaty Organization</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-governmental Organization</td>
</tr>
<tr>
<td>NLK</td>
<td>New Liberal Club</td>
</tr>
<tr>
<td>NOVA</td>
<td>New Party</td>
</tr>
<tr>
<td>ODA</td>
<td>Civic Democratic Alliance</td>
</tr>
<tr>
<td>ODS</td>
<td>Civic Democratic Party</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
</tr>
<tr>
<td>OĽaNO</td>
<td>Ordinary People and Independent Personalities</td>
</tr>
</tbody>
</table>
OMV        Austrian Mineral Oil Administration Stock Company  
PCI        Projects of Common Interest  
PGNiG      Polskie Górnictwo Naftowe i Gazownictwo - Polish Oil and Gas Company  
PIRATES    Czech Pirate Party  
PL         Peasant Accord  
PL         Poland  
PM         Prime Minister  
PO         Civic Platform  
PPPP       Polish Friends of Beer  
PSL        Peasant Party Programmatic Alliance  
RDS        Democratic-Social Movement  
ROHUAT     Romania-Hungary-Austria Pipeline  
ROHU       Romania-Hungary Pipeline  
ROP        Movement for Reconstruction of Poland  
RP         Palikot’s Movement  
RSČ        Republican Party of Czechoslovakia  
SaS        Freedom and Solidarity  
SD         Democratic Party  
SDKÚ       Slovak Democratic and Christian Union  
SDL        Party of the Democratic Left  
SDLĽ       Party of Democratic Left  
SEP        Slovenský Energetický Podnik - Slovak Energy Company  
SPP        Slovenský Plynárenský Podnik – Slovak Gas Company  
SEED       Support for East Europe Democracy  
SLD        Democratic Left Alliance  
SMER-SD    Direction-Slovak Social Democracy  
SMK        Party of the Hungarian Coalition  
SMS        Party for Moravia and Silesia  
SNS        Slovak National Party  
SOP        Party of Civic Understanding  
SPR        Association for the Republic
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>SR</td>
<td>Slovak Republic</td>
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<tr>
<td>SRP</td>
<td>Self-Defence of the Republic of Poland</td>
</tr>
<tr>
<td>STAN</td>
<td>Mayors and Independents</td>
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<tr>
<td>STORK II.</td>
<td>Poland-Czech Republic Interconnection II.</td>
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<tr>
<td>SZ</td>
<td>Green Party</td>
</tr>
<tr>
<td>SZDSZ</td>
<td>Alliance of Free Democrats</td>
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<tr>
<td>TAP</td>
<td>Trans Adriatic Pipeline</td>
</tr>
<tr>
<td>TOP 09</td>
<td>Tradice-Odpovědnost-Prospetita 09 - Tradition-Responsibility-Prospetity 09</td>
</tr>
<tr>
<td>TV</td>
<td>Television</td>
</tr>
<tr>
<td>UAE</td>
<td>United Arab Emirates</td>
</tr>
<tr>
<td>UD</td>
<td>Democratic Union</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UN ECE</td>
<td>United Nations Economic Commission for Europe Energy Working Group</td>
</tr>
<tr>
<td>UP</td>
<td>Labour Union</td>
</tr>
<tr>
<td>UPR</td>
<td>Union of Political Realism</td>
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<tr>
<td>US</td>
<td>Freedom Union</td>
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<tr>
<td>U.S.</td>
<td>United States</td>
</tr>
<tr>
<td>UW</td>
<td>Freedom Union</td>
</tr>
<tr>
<td>ÚRSO</td>
<td>Úrad pre Reguláciu Sieťových Odvetví - Regulatory Office for Network Industries</td>
</tr>
<tr>
<td>VNG</td>
<td>Verbundnetz Gas Agbo - Network Gas Agbo</td>
</tr>
<tr>
<td>VUPEK</td>
<td>Research Institute of the Fuel and Power Complex</td>
</tr>
<tr>
<td>V4</td>
<td>Visegrad Four</td>
</tr>
<tr>
<td>WAK</td>
<td>Catholic Election Action</td>
</tr>
<tr>
<td>ZRS</td>
<td>Union of the Workers of Slovakia</td>
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</table>
Acknowledgement

I would like to thank my supervisor Péter Marton for his dedicated support and guidance. Péter continuously encouraged me and was always willing and enthusiastic to assist in any way he could throughout the research process. Thanks also to my husband Balázs and daughters Emily and Chloé for their patience and for all the support they have shown me through this research.
Introduction

This dissertation seeks to analyse and understand the nature of relations between Russia and Visegrad countries through the prism of natural gas supplies over the past three decades. The region’s close ties to Russia developed in the past and stayed to some extent even after the political transition. Even though the creation of the Visegrad Group in 1991 targeted the integration of the Euro-Atlantic institutions was successful, the seat in the Western institutions has not meant the loss of Russian influence in the Visegrad region. The dissertation works with the idea, that the Visegrad region is an intermediate geopolitical “corridor” between the West and Russia, not only in terms of geography but also, in security, economics, and culture. The region became a strategic area and its geopolitical and geostrategic importance is increasing. In the post-transition era, Russia has adopted the Visegrad countries’ soft power concept, understanding, that the economic, socio-cultural, and institutional instruments are more capable in the present-day world than military power or direct political and economic pressure. The dissertation tracks the framework of the global structure in which the Visegrad region and its natural gas supplies are explained. The bipolar world collapsed in 1989/1991. It was followed by the ideas of a unipolar world until 2001, when a shift toward the new structure happened. Another milestone occurred in 2004 when all four Visegrad countries joined the EU. After a great recession caused by the world financial crisis in 2008. The final indicator happened with the 2015 agreement on the Nord Stream 2 project, which radically shuffled the cards in the gas supply game.

Russia has not applied the zero-sum strategy, rather its geopolitical goal is to become a moral great power, ready to cooperate and rely on the West. Therefore, the natural gas supplies of the Visegrad countries are a common problem in the West as well. Russia’s attitude toward foreign policy is basically accommodationist (Tsygankov 2013). Before starting to analyse what changes took place in the last three decades of Russian foreign policy, it is important to look closer at priorities in Russian foreign policy since the collapse of the Soviet Union. The existing literature on Russia’s foreign policy can be separated into three main groups. The first group concentrates on security (Kassianova 2001;
Larsson (2006), power (Orbán 2008; Smith 2016; Svarin 2016), and sovereignty (Deyermond 2016; Kotkin 2016; Light 2015; Laruelle 2016) in the world order. The second group explains the role of civilisation, values, and identity in Russia’s official foreign policy discourse (Hopf 1999; Kassianova 2001; Koldunova 2015; Zevelev 2016). The last group focuses on economics (Kudrin and Gurvich 2015; Lo 2015), modernization (David and Romanova 2015; Freire and Simão 2015; Smith 2016; Tsygankov 2013), and building stronger ties with immediate neighbours (Light 2015; Lukyanov 2016; Kuchins and Zevelev 2012).

The Russian vision continued to involve elements of great power thinking (Svarin 2016). The protection of Russia’s economic and military capability is a required condition for its survival. Although Russia does target the achievement of the unrealistic goal of counterbalancing American power, economic modernization continues to be driven by a wish to maintain Russia’s great power status. Putin’s goal is to be recognized by the West as a leader of great power, not only the leader of a market democracy. Even if some scholars (Duncan 2005; Lukyanov 2016; Tsygankov 2016) claim, that Russia has no goal in questioning the current sovereignty of the newly independent countries of Eurasia, and rather it relies on informal diplomatic influences and soft power, the events after 2014 show the opposite. Before 2014 Russia had no target for the development of non-Russian states unless it involved new economic opportunities for Russian business. The country under Putin continued to cooperate with the West, especially in comparison with Primakov’s leadership (Ambrosio and Vandrovec 2013). This cooperation included wide-ranging coordination of intelligence activities, and search for common energy projects.

During the three terms of President Putin and his administration as PM many important changes in Russian foreign policy happened. Some scholars argued that even during Medvedev’s presidency, it was Vladimir Putin who led Russia (Pavlovsky 2016; Neef and Schepp 2011; Bidder 2011). Russia under Putin’s leadership targets to get rid of “imperial ambitions” (Donaldson and Nogee 2002: 341). He said that “Russia can only survive and develop within the existing borders if it stays as a great power” (Putin 2003). From this statement, the conclusion can be made, that maintaining Russia to be a great power is not
a goal, but rather a crucial condition for more progressive engagement with the international community. According to Ahrari (2011), there are three elements of Putin’s strategy - state concentration, cooperation with the West, and projection of influence in the former Soviet region.

For the Kremlin, foreign policy has never been only about seeking power or modernization (Freire and Simão 2015), rather, the ability to adapt to always-changing world circumstances and to be recognized by a significant number of countries. With its relationships with the West, Russia constantly puts efforts into developing a strategic vision, which includes the idea of threats, foreign policy objectives, and the resources for achieving those objectives. Putin created his own understanding of the great power in foreign policy. Right after he became the President for the first time, he admitted that he was careful about the U.S. policies and intentions, and his first strategy was following Primakov’s statist philosophy of multipolarity and great power balancing (Tsygankov 2013). However, soon he changed his vision, though the idea to revive Russia’s economic and military capacities as a great power and to play an active role in the international environment continued. Fundamentally different is Putin’s understanding of the “threat” as a tool, which Russia should use to achieve revival (Robinson 2017). The U.S. is no longer representing the main threat, rather fears of stagnating economic development, motivate Russia to be successful in the geo-economic rather than military area.

To substantiate his vision, Putin warned of the danger that Russia could turn into a third-world country. In this regard, two main dangers were formulated in Russia; the first, economic turn into a third-world country and the second, terrorist activities playing an important role after September 11 (Medvedev 2004). Like many Western countries, Russia saw terrorism as a threat to modern international relations. Russian assistance of Western efforts to eliminate international terrorism was therefore not tactical (Medvedev 2004). The new happening in domestic and international areas allowed Putin to strengthen his position and manifest his concept of security threats. Moreover, it corresponded with views of the new mixed social coalition, which helped the President in mobilizing elite support for his vision.
The Russian response to the threats was formulated by three major elements - state consolidation, cooperation with the West, and strengthened influence in the former Soviet region (Ahrari 2011). Building a dominant, not dependent Russia, with active control of social resources and the main social players. Enhancing state power to find its place in the global economy and “fighting for our place under the economic sun” (Putin 2003). Another important item was to engage Western leaders in joint economic and security cooperation. To propose such interests that would be consistent with strategic commitments to Western values, such as international law, freedom rights, and the market economy. In the period between 2000 and 2003, Kremlin raised a new open-minded agenda than a previous obsession with NATO expansion or the missile defence system. Two areas became extremely important - counter-terrorism and energy cooperation. While focusing on the new strategy, and dealing with domestic critics, Putin started to develop a new approach to the former Soviet region - “pragmatic modernization” (Tsygankov 2010). The new vision of the region resulted in a more open, multi-level politico-economic space, designed by the Kremlin, but built with the tight participation of the Russian private sector. However, the Russian foreign policy strategy under Putin kept being an empire-building strategy even if it was not that obvious. In the first decade of the new millennium, Russia showed itself as a pragmatic state, with no desire or capacity to become a Soviet successor. Its rational policy targeted the creation of better security and economic competition in the world market. Russia acted according to its available resources and the international context without an ambition to counterbalance the West, but rather to cooperate with the West. Admitting, that Russia under Putin’s leadership is not ready to make concessions to the West, as it was during the Gorbachev era, but is seriously committed to cooperating with the West in projects of mutual significance.

One would assume, that cooperation with the U.S. is strategically important, but U.S. imports only around 5 per cent annually of the energy resources from Russia. On the other hand, cooperation with Europe is more sizeable, due to Russia’s vast energy exports to Europe, which is around 60 per cent annually (Eurostdat 2019). After the successful business deal with British
Petroleum in 2003, Russia’s economic cooperation with Europe started to grow exponentially. Russian commitment to Western values proved its pragmatic thinking with big flexibility in engaging the West and was accurate in not overplaying its opposition on traditional issues, such as NATO, and the influence in the Balkans. Rather than insisting on Russia’s membership in NATO, Kremlin’s strategy with the West shifted towards security relations on the common basis of counter-terrorism (Medvedev 2004). Moreover, Russian leaders continue to ensure the West that Russia’s oil and gas is a reliable alternative to Middle Eastern energy, at least until the Ukrainian intervention in February 2022. However, in those issues where Russia felt that Western countries were infringing upon Russia’s interests, Kremlin favoured keeping its distance from Western countries. For example, Russia continued to be unfaithful and rejected European plans for joint peacekeeping missions in former Soviet countries such as Moldova. It also closed the OSCE mission in Chechnya and has not allowed the activities of the U.S. Peace Corps volunteers. All the above-mentioned showed, that Russia keeps differentiating its Western partners.

The fact that the Visegrad region will continue to depend on fossil fuel imports in the future shapes the region’s need to protect itself from disruptions of supplies. This is quite easy for most fuels. For example, oil can easily be transported and traded across the world, because it is a globally traded commodity. Any country is not dependent on a single source of supply, and the purpose of the oil sector is, to some extent, limited by transit infrastructure and the structural dependency of users. The nuclear fuel suppliers belong to a specific, highly diversified, and strictly regulated sector that is quite reduced in terms of the number of actors that can take part in it. In the former Communist region, nuclear energy was established with the help of the Soviet Union and power plants in this region inherited Russian technologies. The fact is that the nuclear sector affects many more related industrial subsectors, usually, the country that decided to use a certain supplier is most probably to stay with this supplier for decades. Moreover, the Euratom Supply Agency cares about the stable supply of uranium. However, natural gas is a more problematic fuel. Gas import infrastructure (pipelines, LNG terminals) is more expensive and the new
pipelines take decades to build. They also need the cooperation of all countries whose territories the route is passing through, which is often difficult to reach. These factors affect gas producers and importers and their position on the market, as well as long-term gas supply contracts. It is difficult for the Visegrad countries to find alternative countries to Russia that can export cheap natural gas in large amounts. For example, oil in comparison with gas is available worldwide and this makes gas much more securitized. Also, political instability in North Africa and the Middle East limits the group of potential suppliers. The International Energy Agency (IEA) expects high levels of dependence on Russian gas to continue until at least 2040 (Zeniewski 2019). Above mentioned facts are reasons why this dissertation scope focuses primarily on natural gas supplies from all other fossil fuels.

The dissertation is relevant and important for three main reasons, there has been a need for research on this topic, and it undertakes undertheorized International Relations theoretical views to influence international relations, and energy security, as well as it also deals with urgent and topical issues. In the Visegrad region, there has been a lack of research into the domestic attitudes of governments towards their reliance on Russian energy policy and their economic analyses with the lack of an international relations approach. The importance of this research can be seen from the lack of literature in this area.

While the vast amount of literature would reflect there already exists a strong theoretical underpinning to the subject, the opposite is in fact true. Some authors such as Yergin (2006) do undertake a geopolitical viewpoint, however, these are fully descriptive and do not present a tendency into what variables one needs to look at in order to analyse and understand energy security in foreign policy. From the wider perspective, we know little about the behaviour of energy-dependent importing countries worldwide, mainly the way domestic conditions and elite observation affect their responses to sectoral dependency. The analytical framework introduced here could be of benefit when applied to other cases within this understudied group of countries and other countries in transition from the former Soviet sphere of influence.
Already observed differences in natural gas supplies between identical Visegrad countries are the cause of the puzzle that leads this research. In search of the explanation of why there have been such clear differences between otherwise similar countries, a deeper historical investigation of how policy choices were made in the context of power transition is needed. At the time when officials, formerly in positions of power, and newly empowered actors faced a new reality together with new opportunities of having access to material resources and information, many of them chose new options to support rise of their influence and power.

Following the fact, that the Visegrad countries differ from each other in terms of energy, the puzzling question is: Why do some Visegrad countries under comparable conditions make different choices in natural gas prioritization and supply source diversification? There are two possible reasons for this motivation: security and price. After the transition, the Visegrad countries had more important security issues to deal with, and natural gas supplies were not a priority. For example, the dissolution of Czechoslovakia, the financial crisis in Russia, and the war in Yugoslavia and Kosovo kept gas prices low and supplies were not under visible threat. The first warning sign was raised during the 2006 natural gas supply crisis, and after the second one in 2009 when the gas crisis happened again and had a serious effect on the Visegrad countries. This was a big switch in the decision-making of Visegrad leaders as they turned towards a strong securitization and speed up gas diversification. Considering the fact that the Visegrad countries pay higher prices for Russian natural gas than Western countries, the Visegrad leaders should put more effort into joint cooperation to negotiate fair gas prices. However, currently this is not the case due to many reasons, which prevent this from happening.

In the literature, energy security has been introduced as an absolute aim that all countries alike strive to maximize, otherwise, it causes a reduction in their welfare or sovereignty. As the current developments in Europe show, similar countries are differently ready to face uncertain energy security situations. What can explain differences in the level of natural gas prioritization
and diversification? The most common explanation of differences in the prioritization of natural gas is based on fundamentals, expecting that economically wealthy countries will ascribe lower priority to gas supplies than countries with smaller domestic resources. Nevertheless, this fundamental explanation does not provide an answer to why we observed such striking differences in gas prioritization and diversification among relatively similar countries in the Visegrad region. To control the effects of external conditions, and isolate the effects of fundamentals, I look at the four, in terms of gas supplies, structurally the most similar cases. Russian influence in these four Visegrad countries primarily aimed at dominating strategic sectors of their economy, which is the natural gas supplies. This justifies the selection of gas supplies in this dissertation.

Research Questions and Research Objective

The research uses the lens of contribution analysis of tracing processes to argue that the given independent variables - geographical proximity, existing pipeline infrastructure, ruling elites’ relations with Russia, and the EU requirements on the stance of Visegrad countries - might matter in shaping the dependent variable - more of a resistance to influence and a more active seeking of alternative suppliers.

First Hypothesis: Geographical Proximity

The geographical proximity in this context is not simply understood as sharing or not sharing a land or maritime border, but it is divided into 3 categories: (1) sharing a border with Russia’s core territory, (2) sharing a border with any Russian territory and having one tier of countries between self and the core Russian territory, (3) having two tiers of countries between self and the core Russian territory (where the core is Russia without Kaliningrad, and Kaliningrad is considered as Russia’s non-core territory).

The Visegrad countries with geographical proximity in the first category, sharing a land or maritime border with Russia’s core territory, resulting in
greater threat perception, than Visegrad countries which have one and two tiers between self and the core Russian territory. The countries in the first category are more resistant to influence and are more actively searching for the alternate suppliers. For these countries that share borders with Russia, the perception of a Russian threat is ubiquitous, with new fervour added to it by a series of events, from Russian intervention in Georgia (2008), to the Smolensk Air Crash in 2010 and the Crimean Annexation in 2014. Such countries have foreign policies focusing to improve cooperation among states that share a similar perception. In contrast, countries in the second and third category, which does not share a border with Russia’s core territory tend to choose less pragmatic relations with Russia. However, in these countries, we see an explicit break in Western responses to Russia.

Second Hypothesis: Existing Pipeline Infrastructure

The Visegrad countries with already existing pipeline infrastructure result in the less active seeking of alternate suppliers, due to the convenience of the existing link. Monopolization of the market by Russia as the primary supplier indicates that long-term contracts tend to be less favourably priced, resulting in higher energy costs. The mix of energy types used by states in the Visegrad region is supposed to be less variable than in Western Europe, meaning that any disruption to their primary energy type could be problematic. This is especially so when it is recognised that the region’s import infrastructure is dominated by static pipelines built during the Soviet era and that integration with Western European infrastructure is limited. Without appropriate alternative energy access or sufficient gas storage, any problem with the pipelines can cost serious effects on import-dependent countries.

Third Hypothesis: Ruling Elites’ Relations with Russia

Ruling elites of Visegrad countries with closer relations to Russia are less likely to diversify gas supply, as this would mean promoting policies that go against Russia and Russia’s elites’ interests. I assume that a higher number of visits and signed long-term contracts with Gazprom occurred during
governments closer to the left political spectrum than during governments closer to the right political spectrum. While import-dependent Visegrad countries under left-wing governments seek to cooperate with the already dominant supplier (Gazprom) and keep prices lower is their strategic priority, the right-wing governments are less likely to prioritise natural gas such as new contracts and infrastructure initiatives undertaken with non-Russian suppliers.

*Fourth Hypothesis: the EU Requirements on the Stance of Visegrad Countries*

The impact of the EU requirements in the Energy Security Strategy announced in 2014 shaped Visegrad countries to speed up the process of diversification of natural gas and enabled these countries to be less dependent on Russia. When Western Europe securitises Russian energy and its dependency on it, Visegrad countries followed these cues to reduce their respective dependency on Russia. There are many steps that Visegrad countries took since 2014. For example: establishing interconnectors and reverse flows, were affected by such events as the establishment of the EU Energy Security Strategy in 2014, the 2014 Ukraine crisis which escalated to the annexation of Crimea and war in Donbas, as well as launching the Energy Union by EC in 2015, and Germany’s Nord Stream 2 decision in 2015 to suspend its regulatory approval in the wake of the Minsk agreements.

*Research Questions*

In this research I study why Visegrad countries under comparable international conditions prioritize natural gas differently. RQ1: Why at certain periods do the Visegrad countries seem determined to diversify away from Russian natural gas supplies while at other times not, and what explains the type of variation and its timing? RQ2: Is the interest of Russia to gain power in these countries similar to all four Visegrad countries or country-specific? RQ3: What is the country-level policy strategy of the Visegrad countries against an increased Russian influence?
By answering these questions this dissertation contributes to the broader research field on variations of domestic responses to comparable international conditions. I aim to understand the factors of prioritizing natural gas, and their facilitating and preventing conditions. As I observe in the CEE countries in transition, policies enhancing energy security are prioritized when three aspects correspond and interact: 1) when the perception of threat is high and concentrated among supporters of ruling parties which can plausibly be connected to the energy security; 2) when former elites who can draw on personal links with the perceived source of threat, and thus can dampen the effects of threat, are removed from power; 3) and when present industrial interests are deconcentrated and face obstacles in promoting their interests (Nosko 2013).

Energy import-dependent countries have high energy security when their transit routes and suppliers are diversified. The import market is deconcentrated, and its resource mix is diversified with domestic consumers spread over several different sectors, with stable prices at levels comparable to other countries in a similar position. The explanation which I provide applies especially to countries in transition facing a clear misunderstanding between their political and economic allies.

Structure of the Dissertation and Overview of Chapters

This dissertation starts with the introduction, the main part is split across five chapters and it ends with the conclusion. The introduction aids to outline the main arguments, their rationale and the line of investigation. A big part of the introduction explains the last three decades of Russian foreign policy discourse. Furthermore, the introduction presents the puzzle of the research and makes clear the processes and hypotheses that will be identified and tested in each case study chapter separately.

The first chapter, after the introduction, briefly reviews the literature which helps identify the research gap. It also explores the theoretical base of this thesis in the literature on domestic structure and party politics. A
methodology is also part of the first chapter, employing process tracing, while definitions are set and the data used in this analysis is presented. This chapter also includes an exploration of the four case studies, justifying why they were selected and why they are prime candidates for analysis. Furthermore, it explains the contribution of this dissertation to the existing theoretical discussion in the literature and substantive theory development.

Chapters two, three, four and five provide analyses dedicated to each of the case studies: the Czech Republic, Slovakia, Hungary and Poland. Every chapter starts with an introduction to the foreign policy of the particular country, followed by presentation of the market structure and historical overview, clarifying the development of gas contracts between the given time frame of 1990-2015. These chapters develop a picture of each national gas market and the major changes that brought about the negotiation of gas supply deals either with the dominant supplier or with new players. Every chapter concludes with a review of the process tracing used and a discussion of the data collected on natural gas contracts and how this data fits into the broader picture. It tests the four hypotheses based on the model given in the introduction. The first hypothesis assumes that the Visegrad countries with geographical proximity - sharing land or maritime border with Russia’s core territory resulting in greater threat perception - are more resistant to influence and more actively search for alternative gas suppliers. The second hypothesis assumes that the Visegrad countries with already existing pipeline infrastructure result in less active seeking of alternative suppliers due to the convenience of the existing link. The third hypothesis argues that the ruling elites of Visegrad countries with closer relations to Russia are less likely to diversify gas supply as this would mean promoting policies that go against Russia and Russia’s elites’ interests. The fourth and the last hypothesis assumes that the EU requirements shaped the Visegrad countries’ position and influence their dependency on Russia.

This dissertation concludes with the review of the findings, while suggesting possibilities for further research, and shortly discussing policy developments and proposals during the period following the conclusion of the period of analysis in 2015 with a special focus on post-February 2022 events.
1. Chapter: State of Field and Theoretical Contribution

1.1. State of Field

Different countries usually choose and prioritize different policies. Reasons for variation can be multiple, and there are several theories (Kenneth N. Waltz: Man, the state and war (Columbia University Press, 1959)); (James N. Rosenau: The scientific study of foreign policy (Nichols Publishing Company, 1980)); (Jack S. Levy: The causes of war and the conditions of peace (World Politics. Vol. 36(1), 1983)) that capture these either in the internal or international factors. I follow the distinction in the literature and within the nation-state further, distinguishing between the governmental and societal-level factors and their interaction in influencing the state-level response.

Within the energy security literature, a variation of policies is rarely studied, rather the field focuses on definitions of what energy security is and the actual or hoped-for convergence towards achieving it. If the variation in energy security is discussed in the literature at all, it is mostly presented as a stage of a country on its way to achieving energy security. Countries are assumed to want energy security and if they do not prioritize it, this is assumed to be because of external factors preventing them from doing so. The most common reasons for variation mentioned are 1) the extent to which a country is resource-rich or resource-poor, 2) the degree to which market forces are allowed to operate (level of liberalization), and 3) the difference in the degree to which planning is short-term or long-term (Von Hippel et al. 2011). While countries have different levels of energy security because they implemented different policy choices, this alone does not provide us with an understanding of their policy choices. I argue that the type of regulation is also a tool to prioritize energy security.

Influence on International Relations

Together with my supervisor, I argue, that the concept of influence is as important as it is ambiguous in international relations. The same applies to the notion of power. Moreover, the two concepts are inherently connected, however, one defines them, and they are even equated by many, at least in
certain contexts, even though power-as-influence should be distinguished from power-as-control (Marton and Sárvári 2020). In an overview of the concept of power and “power-as-influence” in international politics, Pustovitovskij and Kremer (2011) identify three basic approaches to understanding power, namely absolute, relational and structural concepts thereof (Marton and Sárvári 2020).

Firstly, they point to absolute or hard military power, and where it places a state relative to others in a balance of power system. This may determine who has more influence over the international system and the outcome of processes in it (Marton and Sárvári 2020). In Keohane’s terms, this is the question of “system-effectuality” (Keohane 1969). While middle and small powers may be system-ineffectual in themselves, together they may achieve collective system-effectuality, for instance in international organizations (Keohane 1969: 297). Smaller states, i.e., those with smaller power, may otherwise have to orientate towards greater powers. They are thus “policy-takers” rather than “policy-makers.” In the formulation of Thucydides (in the Melian dialogue), “the strong do what they can and the weak suffer what they must” (in: Book 5 of the History of the Peloponnesian War) (Marton and Sárvári 2020).

Due to the complexities of international interactions, where not only military power and its key resources but economic dependencies play a role, too, the concept of “relational power” thus emerged. This recognizes a large(r) set of means by which a state may “get B to do something that B would not otherwise do” (using Robert Dahl’s famous formulation [1957: 203]), including by economic means, and against a backdrop of complex interdependence were between any two parties typically a set of dependencies exists (over multiple different issues) (Marton and Sárvári 2020).

Moreover, Conley et al. argue, that if Russian political influence targets to use the weaknesses in the CEE region societies and erode liberal institutions, then Russian influence seeks to manipulate sectoral market dynamics and use governance gaps to generate unfair profits and influence national decision making (Conley et al. 2016). Further, Russia’s influence in the CEE is derived from its dominance of strategic sectors of the economy. Because the region is disproportionately reliant on Russian resources, the energy sector has been the
main channel through which Moscow’s influence is exerted in the region, but Russia’s financial networks dating back to the Soviet era have remained largely in place, as they have been allowed to freely integrate into the region’s economies and EU countries. “Over the course of the past several years (since the 2008 financial crisis), Russia has become increasingly present in the finance, media and telecommunications, transportation, arms, construction, industrial, and real estate sectors using these pre-existing financial, intelligence, and security networks in many countries” (Conley et al. 2016: 10).

1.2. Project Description

In the Literature review of this research, I identified that there was a lack of theoretical underpinning in the subject and that IR theories have not tackled energy security and mapping analysis since the economic transition. This part seeks to fill this gap and move away from a descriptive method of analysis by using the process-tracing method as the most suitable one for an analysis of energy security (Beach and Pedersen 2011).

Process tracing is a data analysis method for identifying, validating, and testing causal mechanisms within case studies (Reilly 2010). A robust technique to test theories of causality in action by examining the intervening steps. The method requires a clear theory of change with a series of steps that are predicted to take place in the process. It is well-suited to studying decision-making processes and can capture emergent processes because it traces events over time, permits the study of complex causal relationships and provides a strong basis for the inferring cause. It also helps answer questions about mechanisms, helps control researcher bias and reconciles different theoretical schools. Challenges in using this method include selecting a starting point for the tracing process, which can be contentious, and a risk of losing sight of the impact of larger social forces by paying too much attention to fine details. Extensive data requirements with potential issues of validity and reliability and an inherent clash of assumptions between the qualitative data which form the basis of the analysis and the positivist nature of the tracing process (Reilly 2010).
Process tracing theory is used to argue that the variation in the dependent variable can be explained by the independent variable. When the state is faced with external power, the state has a choice of two categories of balancing strategies: to continue with existing political defence strategies and technological practices or to engage in emulation or innovation (Reilly 2010: 734). Continuing with existing practices would mean that the state continues with the same policies that it inherited from its predecessors. “Emulation or innovation is the strategy of change voluntarily undertaken by a state in response to its strategic environment in which they seek to copy the successful practices of the dominant state in the international system” (Reilly 2010: 734).

Applying these possible balancing strategies to the energy strategies of the Visegrad countries, the continuation of existing strategies can be seen, as continuing with the status quo. This would mean that no efforts would be made to reduce their dependence on Russia. For example, emulation can be seen, as the diversification of gas supplies, while innovation can be seen, as an active pursuit of energy security in newer ways. In this case, officials make their policy choices based on their perceptions and calculations of the other’s relative power intentions. The result of this is that in the short and medium-term different state policies may not be predictable. In addition, “states have varying amounts of state power” (Lobell et al. 2009: 213), defined as the extractive capability of the government in power concerning its domestic constraints. The Visegrad countries’ geographical proximity, existing pipeline infrastructure, ruling elites’ relations with Russia and the EU requirements on the stance of Visegrad countries are seen as the independent variables, while bigger resistance to influence, a more active seeking of alternative suppliers, building reserve storage capacity, building up reserves using those capacities, interconnectors, reverse-flow optionality, etc. are in this case dependent variables.

While writing this dissertation several other methods were considered to be used, to effectively evaluate influence. For example, the General Elimination Method requires a coherent and long systematic effort to find all probable causes and explore their link to impact (Scriven 2008). Also, the Contribution Analysis starts from a theory of change and builds up evidence to demonstrate
the contribution made by the activity toward observed outcomes. It requires a robust theory of change and extensive evidence covering both the initiative under evaluation and other factors that might have influenced the outcomes and are best used where there is little or no scope for varying how the programme is implemented. It cannot offer definitive proof of attribution of impact, but it does provide reasonable confidence (Mayne 2008).

Also, the Social Network Analysis is a body of methods developed for analysing social networks and particularly the structure of relationships between actors (Davies 2009). It is a useful approach for modelling policy networks, business clusters and other networks where the interactions among actors are the focus of interest. Obtaining complete network data can be difficult, particularly as non-respondents can severely distort data, and ethical issues may arise as some respondents may not wish to reveal relationships or be named.

I also thought to use Discourse Analysis, which is the linguistic analysis of communication to investigate people’s expressed beliefs and opinions, the messages they seek to convey and the strategies they use in communicating them, in the case of critical discourse analysis, the power relationships that are revealed through the use of language (Bryman 2008). Discourse Analysis is a tool for exploring the way that issues are framed and discussed and is often used as a tool for policy analysis, for understanding the contexts that projects operate within, and as a component of the political economy analysis. However, it requires specialised skills and appears to be rarely used as a methodology for evaluating projects that aim to influence policy.

Participatory Methods, such as Developmental Evaluation, refer to long-term, partnering relationships between evaluators and those engaged in innovative initiatives and development. Evaluators become part of the project team to help provide feedback, generate learning and support strategic decisions (Patton 2006). The Spheres of Influence Approach is a strategic planning concept that can help organise planning and evaluation. An organisation or programme’s interactions with the world around it are grouped into spheres (Montague 2000).
Also, the Most Significant Change, the method has been found to be a good means of identifying unexpected changes and a good way to identify and discuss organisational values. It is participatory and requires no special skills, it encourages and builds staff capacity for analysis as well as data collection, it delivers a rich picture of what is happening, and it can be used to monitor and evaluate initiatives that do not have predefined outcomes. It is well-suited to situations that are complex with diverse and emergent outcomes particularly having to do with social change and is suitable for use in large organisations. “It works best where there is an organisational culture that supports discussion of failure and experimenting with new approaches, and where there are suitable champions and support from management” (Davies and Dart 2005: 12). This approach is not the best choice for capturing expected changes or desired messages, conducting an evaluation of a completed program, evaluating for accountability purposes, understanding the average experience of participants, or completing an evaluation quickly and cheaply (Davies and Dart 2005).

Finally, Outcome Mapping, which is a methodology for planning, monitoring, and evaluating projects that measure results by the changes in behaviour, actions and relationships of the individuals, groups or organisations that the initiative is working with and seeking to influence, is called “boundary partners” (Jones and Hearn 2009: 1). Outcome mapping is particularly appropriate for assessing research communication, policy influence and research uptake (Jones and Hearn 2009: 2), where projects are working in partnership and building capacity. The approach incorporates monitoring and evaluation at the initial planning stage of a project, engages the project team in the design of the monitoring framework and evaluation plan, and promotes self-assessment. Weaknesses and challenges include that it is time-intensive, requires considerable learning on the part of project teams, requires new mindsets such as a willingness for self-evaluation, and requires a high degree of cooperation and trust (Jones and Hearn 2009) which would be not suitable for this research.
1.3. Theoretical Discussion

In the energy security literature, the transition of energy security policies is rarely studied, rather the field focuses on definitions of what energy security is, and the valid or supposed for meeting towards achieving it. If the transition in energy security is discussed in the literature at all, it is usually introduced as a stage of a country on its way to reaching energy security. The assumption is that it is in countries’ political and economic interest to want energy security and if they do not prioritize it, this is because external factors prevent them from doing so. The most common reasons for transition mentioned are 1) the extent to which a country is energy resource-rich or energy resource-poor, 2) the degree to which market forces are allowed to operate (level of liberalization), and 3) the difference in the degree to which planning is short-term or long-term (Von Hippel et al. 2011).

The energy security literature has occurred in three waves in the past. The first wave (Vernon 1976; Deese and Nye 1981) was urged by the oil crisis in 1973-1974. The second wave (Harris 2001; Goldwyn and Kalicki 2005; Birol 2006; Müller et al. 2011; Sovacool and Mukherjee 2011) reached the end of the Cold War when the former Eastern Bloc of the Soviet Union started the transition with the foreign policy and economic transformation. These countries went through a change of relations with post-Soviet Russia and at the same time, they also realized big economic transformation and integration into Western-European political and economic structures. The third wave (Cherp and Jewell 2014; Goldthau 2014; Van de Graaf and Colgan 2017) of scholarly pieces was published following Russia’s illegal annexation of Crimea in 2014. These three waves can mean a shift from the traditional understanding of energy security to a more inclusive one, representing the changes in trade patterns. Security of energy resources has traditionally been studied concerning the ability of states to help their economies, in order to strengthen defence in case of attack (Gautam 1984).

Vernon’s study focused mainly on the interpretation and reflections of the oil crisis, given that oil at the time was the most important fuel in terms of geo-strategic considerations. The Deese and Nye (1981) report went deeper into
the issue of energy security. The authors focused on the interpretation and circumstances of the oil crisis (Vernon 1976), as well as the relationships between energy, economic growth and national security and energy as a security problem. Bohi and Toman (1993) defined energy security as the loss of economic welfare that may occur as a result of a change in the price or availability of energy. Market-centric energy security has several definitions with the main concentration on the economic issues that relate to market behaviour.

Summarizing the literature on energy security in the first wave can be understood as a desire to have foreign policy formed together with energy policy into a valid strategy of energy security and responding to “three basic threats: the physical disruption of oil supplies, economic and political damage from rapid increases in oil prices, and the foreign policy consequences of energy vulnerability” (Deese and Nye 1981: 391). Later such understanding of the first wave was known as “hard security” (Pollock 2012: ix). In the second wave, we recognize two movements of literature. The first attempts to maintain the intellectual rigour of the energy security concept by sustaining the narrow understanding of energy as a hard security issue and the second wider approach attempts to include all those aspects which are prioritized by governments, under the frame of energy security.

The second wave of energy security literature reached after the dissolution of the Soviet Union and after the new order had been made. In some regards, it has been a repetition of history, as Visegrad countries were shielded from the effects of the energy crisis in the seventies as they received undisturbed amounts of energy at below-world market prices (Goldman 2003). Two American researchers Goldwyn and Kalicki (2005) notice the complexity that energy security trade-offs, especially domestically, present: “the trade-offs between energy security and national security, energy and the environment and energy and economic security are hard - and the politics of change is formidable” (Goldwyn and Kalicki 2005: 6). They also analyse the structure of challenges to energy security policies in the U.S. The definition of energy security that the authors proposed is the “provision of affordable, reliable, diverse and ample supplies of oil and gas - to the United States, its allies, and
its partners - and adequate infrastructure to deliver these supplies to market.” (Goldwyn and Kalicki 2005: 9) The extended approach to energy security origins with division into different reactions to the globalization of energy trade. Also, Harris (2001) mentioned, that interconnection in energy development, supply, and use, throughout the world, is based on the traditional energy policy concepts directed towards national autonomy and control.

According to Müller et al. (2011), Energy security emphasises three main aspects: energy availability, energy affordability and sustainability of energy supply. However, Sovacool and Mukherjee (2011), extended it to four dimensions of energy security that relate to the availability, accessibility, affordability and acceptability of energy. Elsewhere Sovacool and Mukherjee offered different five dimensions of availability, affordability, technology development and efficiency, environmental and social sustainability, and regulation and governance (Sovacool and Mukherjee 2011). The International Energy Agency - IEA (2010) defines energy security as “the uninterrupted availability of energy sources at an affordable price.”

The third wave of energy security literature after the Ukrainian crisis in 2014 is engaging with the energy implications of the crisis (Goldthau and Boersma 2014; Siddi 2016; Van de Graaf and Colgan 2017; Stulberg 2017). From this point states use to haunt their energy and geopolitical interests a broad span of tools: soft power, diplomatic bargaining, political and economic pressure and force. Van de Graaf and Colgan (2017) question the feasibility of Russia using energy as a weapon, but argue that “the EU sanctions against Russia securitize the energy sector.” Geopolitical and security aspects played an important role in thinking about European energy security after 2014.

Cherp and Jewell (2014) present “The concept of energy security” which provides an understanding that energy security can be widely explained as the low vulnerability of “vital energy systems,” which contain energy resources, and technologies for their transformation and transportation, as well as energy-consuming complexes designed to find a solution to social problems or secure the operation of strategic processes. Vital energy systems can be placed at the level of individual territories or industries. Samples of vital energy systems
contain the fuel supply for defence, transport, medical, and telecommunications infrastructure, and the energy supply of isolated territories based on renewable energy sources.

The definition that I chose to understand energy security in the context of countries of the Visegrad region coping with energy import dependency recognizes the limitations and context specificity. In the context of Visegrad countries, I refer to the work of the first wave of energy security literature and stay within Nosko’s narrow definition of energy “security as sensitivity to energy import dependence” (Nosko 2013: 25). This sensitivity is viewed through five aspects: “the level, type and structure of transit diversification, supplier diversification, and import market concentration, energy mix and finally energy prices” (Nosko 2013: 26).

Overall there has been a lack of in-depth research into the different responses of Visegrad countries to their dependency on Russian gas with much of the literature being policy papers with little academic rigour. These policy papers tend to be written by think tank experts and concentrate on how Visegrad countries should pursue their interests in energy sectors at the EU level. In addition, few studies do a cross-country analysis and aim to gauge the diversity of responses that have occurred among the Central European countries. In her book, Anita Orbán (2008) focuses on why Russia through its energy companies succeeded in moving into Central Europe at certain times but not others. However, the book while providing an excellent critique of Russian foreign policy does not deal with Central European responses. It focuses only on Russian downstream purchases of Hungarian, Polish and Slovak energy companies. In addition, the Czech Republic is not part of the analysis.

The few real exceptions that have gauged the diversity of responses is Ryan Miller’s brief target towards the American government. In his analysis, he identifies four reasons for Russian influence in the energy sector in the Visegrad region. These reasons are Russia’s policies with each country in the region separately, the EU approach, when it comes to the energy sector, regional unity and last, understanding of the concept of energy security (Miller 2008).
Furthermore, Mišík and Oravcová’s (2021) exploration of the political and economic reasons behind the differing energy policies across CEE.

There are two opposing views in the existing literature on whether there is a Russian foreign policy strategy toward the Visegrad region. The first view, one that is held by most of the academic and foreign policy establishment (Marušiak 2015; Ráč 2014; Duleba 2016) is that there is no strategic approach toward the region. Andás Ráč interpreted this as a Russian failure to elaborate a new strategy toward the region, while Visegrad leaders preferred to limit the influence of Russia. They would rather see a weak, but stable Russia-something which quickly turned out to be impossible. The opposing view (Bugajski 2004; Nygren 2008; Black 2009; Kupchinsky 2009) counters that Russia has a well-formulated strategic vision for the region and is adopting a policy of new imperialism (Bugajski 2004). In his analysis, Bugajski (2004) summarizes six points of Russia’s strategy toward the Visegrad region, to achieve supremacy over foreign policy orientation and security policy, to increase economic benefits and monopolistic competition, to limit the scope of Western Institutional enlargement and to reconstruct a larger sphere of influence, to weaken transatlantic relations and most considerable for this research to increase Visegrad countries’ dependence on the Russian economy.

Stephan Black (2009) adopts a similar view, according to him Russia’s goals are to use the energy weapon to rebuild Russia economically and militarily while also using it to hollow out European membership in NATO and EU, in a way, that these organizations are unable of extending security while Russia has its own self-appointed sphere of influence, which can be used for support of developments throughout Europe and with the U.S. Nygren (2008) shows, that Vladimir Putin since coming to power has tried to rebuild Moscow’s lost empire, first and foremost by controlling energy resources. In his analysis of Russia’s use of energy as a “weapon” in the transition’s countries, Bertil Nygren presents that there are rich grounds for suspecting that state-controlled energy companies are being used as proxy agents of foreign policy to punish or reward the CEE region. Russia’s 2003 Energy Strategy shows that Russia possesses great energy resources, which are the basis of economic development and the instrument for carrying out internal and external policy (Kupchinsky 2009).
While on 4 February 2009 Russian PM Vladimir Putin stated that, the role of the country in the International energy markets determines in many ways its geopolitical influence (Kupchinsky 2009). Such assumptions are backed up by the state’s 51 per cent ownership of Gazprom, strong ties between Gazprom and Kremlin elites and Vladimir Putin’s Dissertation in which he noted, that the state should use its energy resources to advance Russia’s foreign policy goals (Balzer 2005). Also, Larsson (2006) confirms, that Russia with its history, political statements and national strategies uses energy to advance its foreign policy goals the most worryingly for Visegrad countries. Russia’s use of energy as a foreign policy tool is not restricted to its neighbourhood, where it has certain privileged zones of interest. In a study on Russia’s use of energy as a foreign policy tool Robert Larsson (2006) noticed that Russia had used energy 35 times from the period 1991 to 2007 to advance foreign policy goals.

Rawi Abdelal (2011) introduces the role of Western European countries (France, Germany and Italy) in formulating the energy policy and thus the Russian economic strategy for other parts of Europe. Germany’s privileged relationship based on large-scale energy deals (Nord Stream 1 and Nord Stream 2) has gained the most spotlight and it relies on the German vision that Russia not only represents a threat but is rather becoming increasingly dependent on Europe creating a relationship of interdependence. Within the EU-Russian gas debate authors such as Pierre Noel (2008) and Andrew Monaghan (2007) are sceptical about the idea of “Russia blackmailing” the EU and instead see the relationship as one of interdependence where Russia is a more dependent party.

Also, Black (2009) highlights the divergent position among EU member states towards Russia, by citing Konstantin Simonov, Head of the Independent National Energy Fund in Moscow “we have three different Europe inside Europe, these are Brussels and the Euro-bureaucracy; post-Soviet countries and former satellites of Europe and so-called old Europe led by France, Germany and Italy. With Brussels and this so-called New Europe, Russia has difficult relations because of our history and view of the Euro-bureaucracy but our relations and energy relations with Old Europe are usually good and even after the gas war with Ukraine there was no real change in relations” (Black 2009: 13). O’Donoghue (2011: 12) shows the two Europe in energy and how
dependent the region is on Russian gas with the Visegrad countries having an average of 83 per cent of their share of Russian gas imports. Within the EU-27, the average is much lower. Such high dependence is a result of the Soviet legacy when the Visegrad region as part of the Communist Bloc was connected to the Eastern gas network. While it is true that Visegrad countries are reluctant to give such a strategic competence to the EU, the situation of these countries as part of a weak EU energy policy is the same for all.

Already existing interviews with politicians show that policymakers in all Visegrad countries see the EU in the same light: a stronger EU is desirable while they remain sceptical about whether it will happen. As András Deák (2008: 17) a Hungarian energy analyst states “We do not expect very much from the EU, we are alone as far as diversification is concerned, what we have in the EU is that the EU contribution is positive but a very weak one, for now, we cannot wait for the EU energy policy.” In addition, Visegrad countries have only been members of the EU since 2004 while this dissertation begins in transition, the different energy policy strategies have existed since the end of the 1990s. Thus, the assumption that the different policy strategies could be the result of a different attitude to a common EU energy policy is an unsatisfactory one.

While existing literature confirms, that Russia does use the energy sector as a tool in its foreign policy and does seek to deal with countries on a bilateral basis rather than deal with the EU, existing works of literature do not explain why Russia has been more successful with certain countries than others. While Russia’s preferential policies of dealing with countries on a bilateral basis have been rather consistent, the responses of Visegrad countries to Russia’s advances have varied across time and place thus in order to understand the reactions of these countries we need to look inside every country separately. Keith Smith (2004) presents the EU’s approach where countries that lack a common EU energy policy contribute to a schism-prone environment. She also likens the situation in Europe concerning energy security as a “Prisoner” dilemma in which rather than common cooperation countries prefer to lock in their own supplies.
Existing literature identifies that despite efforts to create unity within the Visegrad region’s security, these attempts have not panned out and regional cooperation remains low. In seeking to find out why cooperation has been low between the Visegrad countries Miller (2008) concludes, that it is the result of the different parties along the political spectrum with left and right-wing parties having various interpretations, but also the strong lobbying efforts of Russian companies in an effort to cooperate certain countries and to tempt them into certain energy deals.

1.4. Applicability of the Explanatory Model

To review the effects of external factors and explain the structure of domestic politics, I have chosen an in-depth comparison and historical context framework of the four Visegrad countries. The complexity of the argument required that I study the cases in detail. This prevents the possibility of making strong claims about the applicability of the explanations developed in this dissertation to other countries. Nevertheless, there is no reason why the developed explanatory model would not apply to all import-dependent countries in transition. The acknowledged limitation of this dissertation is that it does not provide the examination for the explanatory model beyond the Visegrad countries. However, the explanatory model is not dependent on the methodological tools used to corroborate the hypotheses (Goundar 2013). An explanatory model allows “the construction of hypotheses about unobservable processes and structures that can be used to explain observable phenomena” (Harré 2002: 54). I propose, that handling the influence of Russia can be studied using the explanatory model. The way the Visegrad countries coped with their structural economic dependency was affected by the geographical proximity, existing pipeline infrastructure, ruling elites’ relations with Russia and the EU requirements on the stance of Visegrad countries. As Steve Blank noted “Russian attempts to subvert East European governments through economic penetration, corruption of politicians, intelligence penetration, etc., have continued at least since 1997, if not earlier. The evidence from the Czech
Republic, Bulgaria, Hungary, Slovakia, Poland and the Baltic states is overwhelming and points to a strategic decision in Moscow” (Blank 2003: 93).

1.5. Research Design

Explanatory sequential design, in which at first, I collected and analysed a large sample of secondary data, then I collected secondary qualitative data by primary data collection technique. By combining theory with practice, this work provides a larger understanding of why the strategies differ from country to country. I intend to grasp if the data follow my predicted hypotheses. In the findings, section I answer whether the predictions are true. Analysing the natural gas market of the Visegrad countries mostly involves major moves to diversify sources. This dissertation seeks to connect an analytical gap between domestic structure (party politics and electoral agendas) and its possible determinate influence on the process of contract formation between consumers and external suppliers of natural gas. It does so by tracing the energy policy of four case studies, each historically reliant on natural gas imports from Russia. The energy security debate gave a broad space for findings and these analyses deal with diverse types of energy policies at a national level within a comparable group of countries.

1.6. Selection of Case Studies

There are differences in essences across the CEE region. However, after considering the energy security connections to Russia, there are four out of the ten CEE countries that are the most similar: the Czech Republic, Hungary, Slovakia and Poland, often called Visegrad countries. All four fit the scope conditions. Considering the fact, that Poland has access to the sea, shares maritime and land borders with Russia and has a much bigger market compared to the rest of the Visegrad countries, these differences could be used to show variations in the prioritizations of their energy security policies. In addition, differences in prioritization of energy security recognized by the Visegrad countries make the frame of the puzzle of this dissertation, there are evident
policy differences within Visegrad countries where other fundamentals are controlled for. To divide the effects of the fundamentals and external factors, I choose to study the four most similar countries in terms of their fundamentals and external conditions. Countries that, just like other CEE countries have been part of the former Eastern Bloc and have joined the EU and NATO as part of their transition paths. Countries that belong to a different market, than the Commonwealth of Independent States (CIS), through which Russia transits large amounts of its gas to the markets of Western Europe, which receive the majority of it. The four case studies represent a secondary transit space, often transiting more gas than they consume, and play the key transit players in the era before Gazprom’s Nord Stream 1 pipeline was constructed.
2. **Chapter: Czech Republic**

This chapter starts with analyses of Czechoslovak energy security for three years, when after the Velvet Revolution in 1989 Czechoslovakia obtain freedom and democracy and remained such until the two nations decided to split in January 1993. The Czechoslovak natural gas market inherited infrastructure from Soviet times and the first steps towards the privatization of the natural gas sector happened during this period. The second part focuses on the Czech Republic (nowadays Czechia) after the split from Slovakia in 1993. This part is divided into several subchapters dedicated to an overview of Czech Foreign Policy especially focusing on its neighbours: Germany, Austria and Slovakia. Deeply analysing the Czech-Russian relations and more specifically view of Czech’s ruling elites on Russia, as well as the lack of coherent and consistent conceptualization and long-term strategy from the Czech side. Further, it focuses on the time of privatization of the natural gas sector in the Czech Republic between 1993-1995, which is unique compared to the other three Visegrad countries affected by Czech fear perception toward Russia. This is also the main reason why in the energy sector the Czech Republic tried to search for alternative sources of natural gas supply earlier than its other Visegrad counties. Further, the chapter explains the possibilities of diversification between 1996-2005 and the continuation of deals with Gazprom. As for all four Visegrad countries, the EU membership gained in 2004 was also an important milestone for the Czech domestic and foreign policy. Furthermore, it characterizes the Czech reactions to two major Russian-Ukrainian gas crises in 2006 and 2009 including the Czech initiation to avoid transit through Ukraine in the following years. And also provides analyses of the Czech position regarding the German-Russian Nord Stream 1 and Nord Stream 2 projects. The Czech way toward the development of its transmission system and construction of gas interconnectors with its neighbours and how the country adjusted to the EU Energy Strategy after 2014. Finally, this chapter provides a summary of the third chapter and analyses on given hypotheses in the Czech case.
2.1. Privatization of the Energy Sector in Czechoslovakia

The energy intensity of Czechoslovakia in 1989 was on average double that of market economies in the EU (Froggatt and Canzi 2004: 13). There are several reasons, which explain these: energy-intensive industrial structure, vast problems in the ability to use energy effectively and also the quality of fuels. Some of these problems can be explained by relating to central planning, others can be the outcome of the energy system generated by the Council of Mutual Economic Assistance (CMEA) and its relation with Czechoslovakia. Energy-intensive growth in the countries of the Soviet sphere of influence changed the trajectory of the Czech Republic, which historically focused on an advanced industry, and had to switch the orientation of its economy disproportionately towards the expansion of the energy-intensive heavy industry. Slovakia transformed from an agricultural into an industrial country (Pavlínek 1995). The energy market rose six times between the years 1948 and 1960 and this energy-intensive expansion policy contributed to a period of strong economic growth (Pavlínek 1995: 356). The most robust development happened before 1975. Also, the central planning system preserved control over the share of resources through five-year plans with conditions that involved retail price stability and full employment. Fixed pricing, predetermined to support planning and ensure universal access to necessities, and meant that prices made little connection to the cost of production.

While Western countries reached energy efficiency through the quality type of fuel they used, in Czechoslovakia improvements in energy efficiency stagnated and even worsened after the oil-infusion stage. The vast goal of the economic transition of the new Civic Forum and Public Against Violence government in 1990 was to transform incentives and increase the efficiency of production by transferring the process of making a profit to individual economic actors. At the World Bank Annual Conference in 1990, former Minister of Finance Václav Klaus said: “We don’t want to repeat our mistakes of the 1960s to introduce a hybrid between central planning and market economy. Rather, we want to achieve the transition from a state-dominated economy toward an economy based on the private sector, private initiative and private entrepreneurship” (Klaus 1990: 13). The privatization plan in the energy sector
cured enterprises slightly differently, it was expected enterprises to be more responsive and effective. A massive reorganization was assumed to cut out certain functions away from the robust conglomerate built up during Soviet times. The old Federal Ministry for Fuel and Energy was closed in 1990 and a smaller Fuel and Energy division was created within the Federal Ministry of Economy to raise questions for discussion in the Federal parliament, where the general concepts of national energy policy were accepted.

There were two main electric companies, which generated, transmitted and sold almost all electricity in Czechoslovakia, and before the transition, their main duty was maintaining and operating power plants, accomplishing centrally ordered investments and monitoring the export, import and transit of electricity. České Energetické Závody (ČEZ) and Slovenský Energetický Podnik (SEP) existed under state ownership until 1993 after they were converted into independent joint-stock companies with a board of directors, which had to be approved by the Czechoslovak government (Černoch and Vlček 2013).

The Czech Republic declared its aim to proceed with the privatization programme after 1993, mainly because of the election in June 1992 (Table 2.1), when Václav Klaus’ ODS party won and confirmed the plan to continue the radical transformation of the economy (Potts 1999). There were mainly two Czechoslovak gas state-owned companies responsible for the gas network in the

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1 The Board of Directors included representatives from the Ministries of Finance, Economic Development, Economy, and Environment, as well as the Czechoslovak Commission for Atomic Energy and other non-governmental members. Other activities of these former companies were separated and delegated into responsible enterprises. Energy equipment companies were separated from the ČEZ structure and privatized alone. Separated power plants became economically independent units under ČEZ directorship, however, financial gain for power generation went to the ČEZ Board of Directors which decided on investments and assigned resources between power plants. In Slovakia, SEP managed to keep ownership of both generating stations and the electricity grid and the Slovak government retained a regulatory position at SEP. The Slovak government became less committed to market rules. Slovak’s stronger resistance to social inequality and mistrust connected to the privatization process was shown in the continued popularity of the Communists in Slovakia and designated slower paces and less confident reforms.
country. Český plynárenský podnik (ČPP) in the Czech Republic and Slovenský plynárenský podnik (SPP) in the Slovak. Besides directing the main gas network they also managed a huge network of manufacturers and design companies. In 1991 the organizational structure of these two companies was presented and their assets were identified. In June 1992 ČPP introduced its privatization project to the Czech Ministry of Economy. Besides their usual activities processing and distributing gas, they included in the proposal such activities as machinery plants, which were planned to join the independent privatization, called Transgas. However, the Czech and Slovak Republics could conclude Transgas, which stopped ČPP from detaching international transport from their plans and the company’s privatization project could therefore not be realized. At the end of 1992, ČPP continued to function as a state-owned company (Posaner 2020).

Table 2.1 The Czech National Council after the 1992

<table>
<thead>
<tr>
<th>Party, Movement, Coalition</th>
<th>Seats</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Left Block (LBL)</td>
<td>35</td>
<td>17.5</td>
</tr>
<tr>
<td>Social Democrats (ČSSD)</td>
<td>16</td>
<td>8</td>
</tr>
<tr>
<td>Liberal-Social Union (LSU)</td>
<td>16</td>
<td>8</td>
</tr>
<tr>
<td>Moravian Movement (HSD-SMS)</td>
<td>14</td>
<td>7</td>
</tr>
<tr>
<td>Christian and Democratic Union (KDU)</td>
<td>15</td>
<td>7.5</td>
</tr>
<tr>
<td>Civic-Democratic Alliance (ODS-KDS)</td>
<td>76</td>
<td>38</td>
</tr>
<tr>
<td>Civic Democratic Alliance (ODA)</td>
<td>14</td>
<td>7</td>
</tr>
<tr>
<td>Republicans (SPR-RSČ)</td>
<td>14</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Own study based on (Švejnar 1995: 72).

Since 1991, prices for import and transit fees for gas were arranged yearly and given in dollars. The responsible trading company for these activities was Metalimex, a Prague-based foreign trade agency, for both ČPP and SPP in their deals. To lower the monopolistic position of Metalimex the system of licenses was introduced, however, in 1991 the Czechoslovak government issued Metalimex a gas import license only for the amount needed in the country (Posaner 2020: 143). Energy companies, including the utilities, oil and gas
distribution companies and refineries made shares available to foreign investors, but could not accept investment until they were privatized, which in the majority of cases did happen only after the split of two republics in January 1993.

Western countries realized the demand to provide incentives to motivate their companies to invest in the East European economies and helped the East European transition. Soon they managed to establish institutions such as the OECD and IEA, the World Bank, IMF, EC, EIB, G7 and G-24. Moreover, they could set up programmes focused on helping the new democracies introduce market economies and policies. During the years 1990-1991, the G-24 selected the energy sector as the most significant and created the assistance programme and adopted a list of prioritized needs together with international organizations which delegated to build up studies of the energy sector of each country in transition. Also, the U.S. put effort into supporting the transition in CEE through the Support for East Europe Democracy (SEED) which made funds to help Poland, Hungary and later Czechoslovakia to develop democratic institutions via operable free-market economies (Wedel 1994). As energetic and environmental issues in these countries emerged fast, the Department of Energy delegated SEED monies to retrofit Polish coal-burning power plants. Moreover, the American assistance programme requested the wish to incorporate American companies into the CEE region (Wedel 1994). These assistance programmes produced possibilities for attracting capital and experts that were not before accessible but also introduced conditions on the activities of receivers and their energy policies. All multinational and bilateral programmes were dependent on the pursuit of democratic and market-oriented reforms.

The issue of state ownership was even more relevant in the energy sector because soon it became clear, that privatization would not be fast and complete. The World Bank announced that even if CEE utilities stayed in the hands of countries, they could still be competitive if they could be separated from their budget. Also, more special conditions were established concerning environmental protection, energy pricing and trade also became evident in the mandates of these agencies. The clear goal was to avoid duplication or undermining each other’s efforts for conditions imposed by one agency were often accepted by others. For example, the EC and EIB adopted IMF terms
regarding energy prices. The organized nature of the assistance programme put pressure on Czechoslovak leaders to implement recommendations, mainly in the establishment of a regulatory framework for the energy sector. A regulatory framework had to be set in which private domestic and foreign energy companies and state-owned energy companies could function and cooperate with national targets. While putting together the energy policy programmes in the Czech and Slovak Republics, the Research Institute of the Fuel and Power Complex (VUPEK) energy institutes in Prague and Bratislava delivered many experts. However, old practices and limited knowledge of alternatives made them less useful. After a few VUPEK engineers moved to the Seven Energy Efficiency Consultancy and with the help of the American assistance programme, got a chance to visit foreign facilities and work with foreign engineers, which helped in the development and improvement of Czechoslovak practices (Usher 1995). Foreign experts supported domestic engineers at every stage and every level of energy management helping to set up privatization plans evaluating assets and recommending the next policy steps.

The Western assistance programme in Czechoslovakia can be divided into two phases. The first one was from 1989 to 1991, defined by big enthusiasm and deduction that the transition could be fast and last short. The second phase from 1992 to 1994 following the collapse of the Soviet Union and distinguished by a realistic evaluation of the costs and difficulties of transition, which outcome led to long, complicated, but also better-organized assistance. Assistance planned for a long period was hard to justify to the public in the West because of the recession of these years and because states which received help came under increasing pressure to make this help effective. In reality, long negotiations and slow progress in transfers of funds and technology confused the leadership of Czechoslovak energy. In the evaluation of the assistance programme in the CEE region from 1992, the UN Economic Commission for Europe Energy Working Group mentioned the ineffective work of triangular aid schemes that would support the continued presence of CEE companies in the growth of Soviet resources and the miss of programmes involving only Economies in transition in the energy field (UN ECE 1992: 8). In the first year of transition, the CEE counties had a small aspiration to support this
programme, but after the collapse of the Soviet Union, it became clear, that Russia and newly formed post-Soviet states will begin their reform process. Also, energy supplies were intimidated by the collapse of trade, so they saw the stability of triangular aid supported by the West and helping support in negotiations with post-Soviet states. In Czechoslovakia, the project of triangular aid was positively presented by Foreign Minister Jiří Dienstbier in 1991, but when the European Community eventually ruled in 1992 that 25 per cent of the 500 million ECU credit guaranteed to Russia would have to be used to purchase goods from former satellites (Usher 1995), Czechoslovak officials presented the defensive position and communicated, that they were only able to participate in the assistance programme with German enterprises. Czechoslovak Minister of Finance Václav Klaus was the first leader within the CEE region to suggest withdrawing from the CMEA (Machkova 1994). Soon other members supported his view and promoted another form of trade cooperation. After the cessation of the CMEA, trade between former members was achieved in hard currency which resulted in oil and gas prices. Transition in Czechoslovakia continued with new efforts to become a member of the EC and was an essential factor in the Czechoslovak drive to adopt Western standards in such projects as environmental protection. In 1993 the EC outlined the condition for membership eligibility. Regarding the EC, Czechs and Slovak had high chances of fulfilling all requirements, however, clearer targets for economic performance and dates on which negotiations could begin were not settled. Instead, the Czechs, Slovaks and other candidates received suggestions on how their legislation must be adopted to become part of the EC.

Energy projects in Czechoslovakia were managed in the majority of cases with Western European countries. In that way these countries became the most significant investors in the Czechoslovak energy sector, however, this was completed mainly on a bilateral level rather than through the EC’s mechanisms. During the first three years of the transition in Czechoslovakia 70 per cent of all foreign investment flowed from Germany, this was 30 per cent of all Czechoslovak trade. Austria became the most significant trade and investment partner, which was 25 per cent of all investments by 1994 (Usher 1995). Czechoslovakia showed a good example of accomplishing regulations for
transition in the energy sector. And created effective systems and standards that brought success. Mainly it was driven by the aspiration to fix the vandalism of Communist time and strengthen an economy as well as national pride and freedoms. Adaptation of high standards and regulations was provoked by the EC’s expectations and sponsored by financial assistance from donor institutions and other states. The Czech Republic was much more dedicated to designing and following the new approaches than Slovakia. One possible reason can be, the more stable government and the continuation of the most influential Federal politicians in the Czech government.

There was a big assumption within Czechoslovakia, that the creation of a market environment through privatization would immediately resolve the problem of energy overconsumption, which previously troubled productive companies. Looking retrospectively, the conclusion can be made, that more active industrial restructuring had been necessary. As a result, while overall energy consumption fell each year after 1989, the reduction happened at a much slower rate than economic output pointing to continued inefficiencies inside companies and proceeding necessity to restructure the economy away from the fast energy-heavy industry. The Communist government of Czechoslovakia did not differentiate between energy-intensive and other industries, it did not supply any financial incentives and did not advertise to people to act more responsibly. After the transition, efforts were made to generate a space in which energy-saving programmes could be more effective. Western countries stimulated the majority of these ideas and succeeded in decreasing the energy intensity of their economies notably from the 1970s. From 1989 Czechoslovakia used double as much energy per capita as Western European countries. This is the reason why Czechoslovakia could extract a lot from efficiency. To encourage a more efficient fuels-energy balance, the Czechoslovak government raised the energy efficiency of the economy by privileging specific energy sources (Chart 2.1). The government listed a target to increase the proportion of electricity, on the one hand, by using less coal and oil, on the other hand by using more nuclear and natural gas sources (Posaner 2020).
2.2 Transition in the Gas Sector of Czechoslovakia

Czechoslovakia played an important role in Soviet gas projects because it was the main transit country for Soviet gas to Western countries. This important role was demonstrated in guaranteed supplies despite the breakup of the CMEA and instability in the Soviet Union (Machkova 1994). Unlike other Eastern European countries, for example, Poland, where the supply of Soviet gas was cut off in January 1992 despite the agreement with Russia signed one year before. Nevertheless, Moscow claimed that the cut was the result of bureaucratic mistakes and deliveries reopened soon, the situation demonstrated the risk and lack of trust from Russia toward former CMEA partners.

Czechoslovak role as a transit country attracted much Western investment and financial support for renovating and constructing new lines, which would help connect the West European network. The main attention was the Trangas pipeline (Map 2.1), which crossed from the gas field in the Soviet Union, through Slovakia, the Czech Republic and into Western Europe, and handled all Soviet gas exports to Germany, France, Austria and Yugoslavia. The financial support of the Transgas pipeline was mostly covered by government support and the World Bank Energy loan distribution in 1993. Many Western European gas companies (mainly Geman Ruhrgas) showed interest to invest in
the privatization of Transgas and connecting them to the West European network. In that way, Czechoslovakia could import gas from the North Sea and Algeria (Lochner 2007). The high profit of the Transgas pipeline and its important role in diversification caused problems on the Federal level in Czechoslovakia. The majority of pipelines lay across Slovakia, however, the management of pipelines was maintained under the Czech gas company ČPP. The department of ČPP responsible for the transit pipeline was transformed into an independent enterprise called Tranzitný plynovod in 1991. The Slovak side was required to transfer its management to Slovakia and privatize the company with 48 per cent for the Czech Republic and 52 per cent for Slovakia. Negotiations about the company’s structure ownership continued as the future of the country grew less certain. In November 1992, just one month before the country separated Transgas’ remainder was 100 per cent owned by ČPP a Czech state-owned company (Usher 1995).

Map 2. 1 Main Gas Pipelines Oriented to Europe

Source: (Peña-Ramos and Amirov 2018).
2.2. The Czech Foreign Policy and Relations with Russia

The Czech Republic profits from a strategically important geographical position. The significant economic interlinkage between Germany and the Czech Republic demonstrates that associations between professional societies and non-governmental organizations (NGOs) have been made.

In Czech-Austrian relations, the two countries did not feel the need for closer cooperation in almost any foreign policy agendas and there was no strong bilateral topic (Kořan 2010). The only positive side recently was the relatively calm political level when the two governments managed to keep controversial issues outside the public and political debates. Until 2004, Austria was the third most important trading partner of the Czech Republic. After joining the EU, Czech exports transformed, and the volume of bilateral trade increased. Nowadays Austria is in eighth place as a trading partner of the Czech Republic (Kořan 2010).

Concerning Slovakia, the Czech foreign policy, thanks to the two countries’ close historical, economic, political and interpersonal links, always targeted protecting the superior and strategic nature of mutual relations and reinforcing them by coordinating the countries’ positions in the EU and other international organisations, and by developing cooperation in energy, transport infrastructure, defence, the environment, education and culture.

Russia is often seen negatively and many times as a threat to national security in the Czech political debate. After the transformation, Russia was seen as a Soviet-type enemy, later the change in observation happened and “new Russia” has been seen as a rising power with strong interests in the Visegrad region. Later a second change happened and Russia started to be seen as a military threat, and in recent times the Czech leaders mainly view Russia as a partner in the economy and energy sectors. The economic relations between the two countries were continuously improving, with a decrease in both Russian imports to the Czech Republic and Czech exports to Russia. However, the Czech Republic got suspicious and concerned about Russian democracy and respect for human rights, which significantly started to complicate bilateral relations. Therefore, Russian foreign policy toward the Czech Republic can be
split into three-time slots. An early slot (1993-1997) was characterized by cold relations, then the second slot (1997-1999) of dis-interest and the third phase, after the year 2000 characterized by a “normal relationship,” when Russia accepted the Czech integration into the Western institutions (NATO, the EC/EU) (Kratochvíl 2004: 22-24). In the years between 1993 to 2012, a minimum of two political parties in the Czech government continuously sympathized with Russia and had pro-Kremlin positions: the Communist Party of Bohemia and Moravia (KSČM) and the Czech Social Democratic Party (ČSSD) headed by Miloš Zeman, who won in first direct presidential elections in 2013 and was the President of the country until 2023.

During the last three decades of the Czech political discourse, the Czech actors gradually transformed their views of Russia. Not surprisingly, the events in Ukraine after 2014 switched also the discourse of the foreign-policy orientation of the Czech Republic. The events in Ukraine stimulated not only political leaders but also, the general public. In the last few years, interest in Russia significantly increased. Moreover, Putin’s policy uncovered its authoritarian nature, its defence of territories considered as a “sphere of influence” and the revitalisation of its great-power ambitions (Mankoff 2011), noticeable in a new drive and the application of economic and energy forces in foreign policy.

The changes in debates, are also possible to observe in the West. This transformation could be traced back to the world economic crisis (from 2009), which activated several tensions within the EU’s political space and also changed the U.S. foreign policy strategy under President Barack Obama. All of this questioned robust debate about the political, but also cultural, identity of the West. Czech politics, like other Visegrad countries, was affected by these international changes. Almost three decades after the fall of Communism, the Czech Republic could be seen as a raise of the fundamental domestic-political discussion about the character of modern politics. Moreover, the economic ties with Russia have become a target of detailed investigation by Czech leaders, who started to communicate their fear that Russia might use its economic force over the country to gain a higher level of political compliance with Russia’s political goals. This trend was mainly in two areas. In the growing attention of
the Czech government towards Russian companies trying to obtain strategic
Czech firms, for example, Transgas. Also, the Czech dependence on external
energy resources and Czech energy security started to be more politicized
(Kratochvíl and Kuchyňková 2010: 198).

To better define the pro-Russian or anti-Russian sympathy in Czech
elites, we have to look closely from the left to the right side of the political
spectrum. The Czech left is divided in its views on Russia. On the left side of
the Czech political spectrum, which since January 1993 has been represented
by two big parties in the Czech parliament, the Czech Social Democratic Party
(ČSSD) and the Communist Party of Bohemia and Moravia (KSČM), both
views can be found. However, the traditional Czech left does not promote the
Western view of the situation in post-Soviet space and the Western careful
separation from Russia’s activities. Russia’s activities in post-Soviet space are
seen as fundamentally valid because they represent the majority of the “Russian-
speaking” population and protect Russian interests there. This opinion is
presented mainly by Czech Communists, and by social democrats close to the
ex-President, Miloš Zeman. The narrative, that “today Russia is a standard
country which acts as a standard partner of the EU and other European
organisations” (Kratochvíl and Kuchyňková 2010: 197) is often communicated
by the ČSSD members.

A second side of the Czech left represents that part of ČSSD that inclines
toward social liberalism, environmentalism, feminism and left-wing
intellectuals. They believe that modern problems do not give Russia the right to
military intervention. However, according to this position, criticism of Russian
activities post-Soviet space should not give up criticism of the exaggerated
blaming of Russia to be the biggest threat in the world. Also, the meaningfulness
of the sanctions put on Russia in 2014 or the economic interests of the West (the
U.S.) is covered under “promoting democracy” (Holzer et al. 2020: 76).

Certain groups on the Czech right spectrum welcomed the more
vigorous authoritarian Russian foreign policy. Russia is seen by them as a
dangerous and unstable country that needs to be controlled. Trade with Russia
is characterised as a risky necessity, especially regarding the import of Russian
energy resources. This type of discourse was characteristic of Topolánek’s cabinet and some of his ministers, although the main right-wing Civic Democratic Party (ODS) party is not entirely unified on this interpretation of the Russian threat. The crisis in Ukraine in 2014, merged the Czech right to use its potential and to bring it to action. After 1989 Czech liberal-Atlantic development was represented by President Václav Havel. In the 2010s this representation was taken over by the former Foreign Minister and an unsuccessful presidential candidate Karel Schwarzenberg (TOP 09). Current Czech right has its opponents on the left but similarly on the national-conservative right, which does not agree with the Czech right’s “uncritical adoption of the viewpoints of Western states and organisations, which they see as weakening the autonomy of nation-states in Europe and beyond, and even as an external diktat” (Holzer et al. 2020: 67).

The conservative critics on the right understand this democracy promotion agenda as a win of a progressive neo-Marxist establishment of the modern Western cultural, political and media elites. This part of the Czech right sees Russia as a power which balances the West in international relations. Furthermore, Russia is seen as an important fighter against the Islamic threat, which the West provocatively pays no attention to and creates the current problems with migration. Such position is promoted by the second former Czech President, Václav Klaus and his advisers. The Czech debate about Russia and the West interrogates the consensus about the pro-Western foreign policy identity of the Czech Republic, as represented by President Havel. Such consensus was obtained permanently in the foreign policy of the independent Czech Republic. The Havel saw Russia and the post-Soviet space as possible sources of instability. Thanks to his view the Czech Republic integrated itself into the Euro-Atlantic structures. However, in 2000, President Klaus separated himself from this view and presented a more open position toward creating qualitatively new relations to be a friend of Russia. Klaus rather sensed the economic opportunity of this friendship with Russia, but this position had no significant impact on the distribution of power in the Czech political environment. He often emphasizes that today’s Russia cannot be compared to the Soviet Union (Denník CZ 2009). Pointing to the “great power status” of
Russia, that authorizes it to sovereignly lead its foreign policy and he often identified his views with Putin’s views in international relations, so certain Russophilia can be visible in his opinions.

Since June 2013 there has been an ongoing reconstruction of the Czech political environment, that year in the election the right-wing coalition headed by Petr Nečas lost. This was characterised by a crisis of traditional political parties (parties, which traditionally gained seats in parliament since 1990) and a strong rise of non-ideological parties (characterised as oligarchic). Moreover, the reinforcing of the position of the President through the establishment of direct election. “The president’s new legitimacy tends to come into conflict with the legitimacy of parliament” (Holzer et al. 2020: 80). Many scholars described this situation as a crisis in the system (Brunčík and Kubát 2014; Deloy 2013; Král 2014).

Leave the consensus on the pro-Western orientation after Communism in the Czech foreign policy can be characterised by a change in domestic politics. For this reason, themes that had been dormant for long were reopened. Further, Russia’s and the West’s reaction to the fall of Viktor Yanukovich’s regime in Ukraine many Czech politicians used as a chance to rebuild their friends and enemies. Russia has reappeared as a new preventer of security, as a historically close partner and as a business partner. At that time, the most visible leader, who continuously showed his sympathy and support towards Russia was President Zeman. He proposed the cancellation of sanctions. In fact, it is difficult to find any substantive policy area where President Zeman significantly deviated from the Russian official position. Also, Zeman’s views, especially those publicly formulated, cannot be easily merged with the policies of the Government. This chaotic nature of the Czech foreign policy is a long-term problem which also affects the Czech position in the EU and NATO (Kratochvíl and Svoboda 2018).

The acceptance of modern Russia as a political alternative to the West, as well as acceptance of Vladimir Putin’s authoritarian model of governance, changed the Czech historical connections to Russia with a political and ideological connection. The Czech liberals spread negative views about Russia,
considering the current situation as “Russian imperialism,” and the Czech Republic in the “Russian sphere of influence.” The liberals named the concrete political threats in connection with Russia, such as a non-democratic regime, secret service activities and disinformations. And also, non-political threats, such as oligarchic and criminal disruptions in the market and “energy weapons.”

An important part is a realization that the Czech debate about Russia is not mostly about foreign policy, but about domestic policy, and that the nature of democracy has come back as a matter of dispute. Czech debate about Russia is more ideological because the appearance of terms “democracy” and “non-democracy” are used more often than geopolitical terms. It is also alternated internally. For some Czech politicians, Russia represents an alternative to modern politics, but mostly this view depends on the situation in the West. The Czech policy toward Russia for three decades could be defined as a lack of coherent and consistent conceptualization and a lack of a long-term and coherent strategy. Political priorities and economic interests have not always been in harmony, which was manifested by the absence of coordination between the responsible actors of the Czech foreign policy toward Russia.

2.3. The Period of Restructuring and Privatization 1993-1995

The Czech energy sector can be split into two basic groups after 1993. Firstly, the need to replace the centrally-run energy sector by characterizing the geopolitical, political and economic interests of a new country. In other words, the need to privatize and liberalize the sector, reduce its energy demand and search for new ways to be efficient. Secondly, as part of the EU accession process, completed in 2004, the Czech Republic was incorporated into the energy legal framework which opened the possibility of addressing environmental issues, market liberalization and control of monopolistic efforts or those acts challenging the state’s energy reserves. Starting from the beginning, at that time the first Czech government was led by the party, which won the first elections in 1992 (Table 2.2), the centre-right Civic Democratic Party (ODS) with its leader Václav Klaus, who became PM and led the conservative government together with the Christian and Democratic Union-
Czechoslovak People’s Party (KDU-ČSL) used anti-Russian atmosphere in the country. The government tried to avoid Russian supplies of gas, as much as possible and attracted new deliveries of gas. In the summer of 1993, ČPP signed a deal with German company Ruhrgas that was supposed to deliver the first supply in the first quarter of 1994, which happened on time. Moreover, Ruhrgas had that time also an interest in buying a share in ČPP during the government’s privatisation, however, the state-owned ČPP as a monopoly importer, transporter and distributor of natural gas was on 1 January 1994 fully reorganized, and separated into the eight distribution companies with substantial shares in the hands of the state. “The transition system, a spinal pipeline network, underground gas tanks and dispatch stayed in the state’s ownership in the form of a re-established company ČPP Transgas” (Vlček and Černoch 2013: 41).

Meanwhile, the Czech Republic had a three-year-long contract with Russia for its imports together with transit rights, with the expiration date in December 1995. The political atmosphere, allowed the Czech leaders to start organizing an alternative option. Negotiations with Gazprom were passing slowly through 1995. In June 1996 in governmental elections, Klaus and the ODS party were re-elected for a second term. The deal from December 1995, was planned to contract another 3 years of gas deliveries, while the transit of Russian gas would have resumed for another 13 years. This agreement warranted the continuation of deliveries after the original contract ended that month. Under the new agreement, 8 bcm/y was transferred in 1996 and 1997, and 9 bcm/y in 1998 (Hospodářské Noviny 1995: 1).

Compared to the other Visegrad countries the Czech Republic has a quite low level of politicization in the energy sector. However, the energy sector is accompanied by many controversies and political interruption, unlike in other Visegrad countries, the privatization of the energy sector and its potential security aspect went in a different direction. However, although Russian influence is, generally speaking, not admitted as a direct threat to Czech energy, it would be not proper to presume that fear perception of Russia does not play any role in this field. After the split of Czechoslovakia, the Czech leadership (Table 2.2)
in reaction to the risky situation with the future supplies was preparing alternative plans for import possibilities. Strategically, on one side they planned to build strong ties with Germany, on the other side, they found possibilities to have access to Norwegian gas (Radio Free Europe 1997). The debate about Russia’s influence in the Czech energy sector usually contains two antagonistic views. The first one represents a more careful attitude towards post-Soviet Russia, especially after the year 2000, which is related to the new foreign and security policies of President Putin. Often seen as neo-imperialist and revisionist policy. Besides the fear perception in the sphere of hard security, which was already present during the 1990s in connection with Russian negative position towards NATO expansion to the East, there has been also a fear perception connected with the attempts of the Russian capital to penetrate the Czech economy and energy sector as well (Kratochvíl et al. 2015: 122). The second view, which became more significant after 2000, sees Russia as a crucial partner, primarily in the economic area. Its supporters admit Russia as a stable partner, which plays a significant role in diversifying Czech economic and trade policy, which according to this view was too dependent on Western markets. The global financial crisis strengthened this view and any further crisis in the Eurozone involved several scenarios influenced by the political and ideological orientation of their supporters. Supporters of this discourse later also judged the Western sanctions introduced for the Russian annexation of Crimea (Ukraine) as noxious for the Czech economic interests (Švec 2014).

The positive attitude towards Russia has its proponents on both sides of the political spectrum. Social Democrats pragmatically underlined economic interests and the idea of the Europeanization of Russia. Communists have seen Russia as one of the Czech Republic’s most significant economic partners and also as a powerful political and security actor buffering the U.S. and the EU. The Czech leaders closer to the right political spectrum often favoured the centralisation and powerful rule in Putin’s Russia, uniting this with criticism of raising European integration or the EU migration policy (Kratochvíl et al. 2015). Above mentioned differences in positions are also found in discussions about possible Russian influence in the Czech energy sector. Even if, low politicization of the topic is present, there are examples of events which
generated discussions on Russian influence or Russian use of its “energy weapon.”²

Table 2. 2 The Czech Parliament at the beginning of 1993

<table>
<thead>
<tr>
<th>Party, Movement, Coalition</th>
<th>Seats</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Left Block (LBL)</td>
<td>35</td>
<td>17.5</td>
</tr>
<tr>
<td>Social Democrats (ČSSD)</td>
<td>16</td>
<td>8</td>
</tr>
<tr>
<td>Liberal-Social Union (LSU)</td>
<td>14</td>
<td>7</td>
</tr>
<tr>
<td>Moravian Movement (HSD-SMS)</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>New Liberal Club( NLK)</td>
<td>5</td>
<td>2.5</td>
</tr>
<tr>
<td>Christian and Democratic Union - Czechoslovak People’s Party (KDU-ČSL)</td>
<td>15</td>
<td>7.5</td>
</tr>
<tr>
<td>Christian Democratic Party (KDS)</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Civic Democratic Party (ODS)</td>
<td>66</td>
<td>33</td>
</tr>
<tr>
<td>Civic Democratic Alliance (ODA)</td>
<td>14</td>
<td>7</td>
</tr>
<tr>
<td>Independent</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Republicans (SPR-RSČ)</td>
<td>11</td>
<td>5.5</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Own study based on (Dyba and Svejnar 1994).

2.4. Norwegian Deal and the New Opportunities 1996–2005

The Czech dependency on Russian energy supplies at the beginning of the 1990s can be characterized as massive, dangerous and called for a solution. The only relevant Czech political party that did not take this issue seriously was the Communist Party, which was not surprising since its support of Russia and former ties to the Soviet Union. The biggest fears were connected to the cut-off of supply. Moreover, the Czech government planned with rising demand for energy sources, which defined the sensitivity of the problem. In 1994 and 2002

² The most common example is two gas disputes in 2008 and 2009. When in 2008 the Czech Republic signed with the U.S. agreement for the installation of a component of the U.S. missile defence shield on Czech territory, Russia immediately used its traditional energy weapon - cutting off gas supplies but also started an economic offensive to obtain critical Czech infrastructure. This tactical manoeuvre was not used by Russia for the first time. During the first decade of the new millennium, the topic of the growing interest of Russian investors in the Czech Republic’s energy sector started to be raised more often in public discourse. At that time, extended Russian investments could be understood as an opportunity for stronger cooperation for countries in the region, or a possible threat driven by Russian geopolitical ambitions and its economic and political interests.
Russia tried unsuccessfully to gain Czech gas infrastructure. Nowadays, the Czech Republic is not entirely dependent on Russian gas because of its wise-planned energy diversification strategy in the 1990s. As a result, a crucial part of its energy import came from other sources, mainly from Norway (more than 20 per cent) (Kratochvíl and Kuchyňková 2010: 203-204).

The situation was even more sensitive, because of increased activity funded by Russia with the target to become the main gas distributor. The Czech government agreed, that a second supplier would be essential, but because of the timing used it was difficult to find. For example, the Norwegian gas supply was more expensive, which was considered problematic, because of the emerging economic crisis. Russia created a good offer, with low prices to prevent diversification in the country. Geopolitical fear played also a crucial role. Russian foreign policy toward the Visegrad region at the beginning of the 1990s was rather for keeping the region neutral, sort of a “buffer zone” between former spheres of influence. Therefore, some Czech politicians feared Russian retaliatory actions that should diversify its imports. The Czech Republic diversified its gas (and also all primary energy) imports in 1996 and 1997, and it also deconcentrated its primary energy fuels import markets. In December 1996, the negotiations with Gazprom reopened and the contract was planned to be signed for between 15-25 years. The main Czech position in negotiations was an aim to warrant that imports from Russia were below annual consumption, which would considerably provide space for diversification. As already mentioned, the second Klaus government, promoted a strategy of energy supply diversification, which provided new possibilities for supply from the West and to get out of Russian dependency, which was part of Kalus’ strategy of “a personal mix of free-market ideology and political pragmatism - for creating a “Western” state, for membership in the EU and NATO” (Hanley and Vachudová 2018: 326).

In September 1996, the Czech Republic signed a contract with Norway. The Minister of Industry and Trade, Vladimír Dlouhý, of the Václav Klaus government (Table 2.3), announced the result of the successful deal signed with three Norwegian companies: Statoil, Norsk Hydro and Saga, all members of Norway’s Committee for Natural Gas (GFU) (Radio Free Europe 1997). On 1 May 1997, for the first time, the Czech Republic received supplies of natural
gas from Norway covering 34.6 per cent of Czech demand, which was 700 mmcm (million cubic meters) in the first year. The 20-year contract was negotiated to deliver 53 mmcm over the total length of the contract starting that year (Radio Free Europe 1997). The gas arrived at the Czech Republic through the German network, flooding into the Emden terminal on the North Sea coast and then east towards the several borders of the Czech territories. The plan to search for possibilities of diversification started at the beginning of 1993, at that time Dlouhý’s predecessor Vratislav Ludvík invited a Norwegian delegation to Prague. The original plan was scheduled to import around 2 bcm/y. Norway was the first option considered by the Czech leaders (besides Russia), but the Dutch gas stocks from Nederlandse Gasunie and Wintershall were also considered (Radio Free Europe 1997). This supply largely raised Czech security of supply and also brought prestige to the Klaus government as the first country in the Visegrad region which diversified its supplies of natural gas. The Czech Republic received later in 2009, a total of 8.6 bcm/y and in 2011, 9.3 bcm/y of natural gas from Norway. Moreover, that amount was further increased by domestic supplies, which included surface degasification and the extraction of natural gas in the amount of 135.2 bcm/y (Czech Energy Regulatory Office 2012: 3). However, Russia with three-quarters of the original supplies remained the main supplier of the Czech Republic (Table 2.4) the Czech Republic could import the natural gas at a lower price than either Visegrad country. Overall in 1996, the Czech Republic received a total of 9.3 bcm. For that 8.1 bcm came from Gazprom under existing deals, 300 mmcm from the Russian-Czech joint venture RCTd and 200 mmcm from Wintershall via Germany. A further 700 mmcm was delivered by Gazprom at the beginning of 1996, to ensure the Czech demand during the winter (Trangas Annual Report 1996: 9).
Table 2.3 The Czech Parliament in June 1996

<table>
<thead>
<tr>
<th>Party, Movement, Coalition</th>
<th>Seats</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civic Democratic Party (ODS)</td>
<td>68</td>
<td>29.6</td>
</tr>
<tr>
<td>Czech Social Democratic Party (ČSSD)</td>
<td>61</td>
<td>26.4</td>
</tr>
<tr>
<td>Communist Party of Bohemia and Moravia (KSČM)</td>
<td>22</td>
<td>10.3</td>
</tr>
<tr>
<td>Christian and Democratic Union - Czechoslovak People’s Party (KDU-ČSL)</td>
<td>18</td>
<td>8</td>
</tr>
<tr>
<td>Civic Democratic Alliance (SPR-RSČ)</td>
<td>18</td>
<td>8</td>
</tr>
<tr>
<td>Civic Democratic Party (ODA)</td>
<td>13</td>
<td>6.3</td>
</tr>
</tbody>
</table>

Source: Own study based on (Turnovec 1997).

Table 2.4 Natural Gas Supplies and Companies in the Gas Sector

<table>
<thead>
<tr>
<th>Launch of Supply</th>
<th>Russian Federation</th>
<th>Kingdom of Norway</th>
</tr>
</thead>
<tbody>
<tr>
<td>The volume of Supplies (bcm/y, 2009)</td>
<td>5.099</td>
<td>3</td>
</tr>
<tr>
<td>Proportional Share (%, 2009)*</td>
<td>58.81</td>
<td>34.6</td>
</tr>
<tr>
<td>Resource Areas</td>
<td>Mostly from the fields of Urengoy, Yamburg and Medvezhye</td>
<td>Fields Draupner E, Sleipner, Troll A, Mikkel, Kristin and other fields on the continental shelf of the Norwegian Sea</td>
</tr>
<tr>
<td>Transit Countries</td>
<td>Ukraine, Slovakia</td>
<td>Germany</td>
</tr>
<tr>
<td>Contract</td>
<td>Until 2035***</td>
<td>Until 2017</td>
</tr>
<tr>
<td>Volume of contract</td>
<td>8-9 bcm/y</td>
<td>53 bcm in total, ca. 3.0 bcm/y</td>
</tr>
</tbody>
</table>

* The remaining 4.59 % presents imports from the Federal Republic of Germany amounting to 571 million m³.
** In October 1998, a contract between Transgas, a. s. and OOO Gazexport was signed for the supply of 8 to 9 bcm/y of natural gas for 15 years. The contract with a defined price and transport route should run until 2013. In 2006, RWE Transgas, a. s. (successor to Transgas, a. s.) extended the contract until 2035. This extension nevertheless did not include a definition of the gas price or transport route.
*** This, at the same time, means the definite securing of the Czech Republic’s transit position until this year, as one-third of the natural gas supplied by Russia to Western Europe will continue to be transported through Czech territory.

Source: (Vlček 2010: 4-5).
Meanwhile, in November 1997, the Czech PM Václav Klaus was forced by the ODS coalition partners and a faction within the ODS itself to resign and the new ODS candidate Josef Tošovský became the head of government and held power until the early elections of June 1998. It occurred, that the ODS and the ODA parties received money by providing privileges connected to privatization and banking. The Klaus strategy of advertising a positive image toward the West was no longer enough (Hanley and Vachudová 2018: 343). Josef Tošovský formed a centre-right technocratic government together with independents as well as members of the ODA, the KDU-ČSL and the anti-Klaus wing of the ODS. This government was able to warrant the reinforcement of the Social Democrats with the condition, that the early elections would be held in June 1998.

The left-wing Czech Social Democratic Party (ČSSD) took office in a minority single-party government, with their leader Miloš Zeman, who became PM in July 1998 (Table 2.5). The final deal with Gazprom subsidiary Gazexport was negotiated in November 1998. Based on the contract Gazprom would deliver 9 bcm/y, starting in January 1999 and scheduled for 15 years. In December 1998, a Czech delegation headed by Deputy PM Pavel Metrlík paid a visit to Moscow, on which the problem issue of further trade of gas deliveries was negotiated. Further in November 1999, Transgas signed a deal to import more gas through its mediator Gaz-Invest Company.

Table 2.5 The Czech Parliament in June 1998

<table>
<thead>
<tr>
<th>Party, Movement, Coalition</th>
<th>Seats</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Social Democratic Party (ČSSD)</td>
<td>74</td>
<td>32.3</td>
</tr>
<tr>
<td>Civic Democratic Party (ODS)</td>
<td>63</td>
<td>27.7</td>
</tr>
<tr>
<td>Communist Party of Bohemia and Moravia (KSČM)</td>
<td>24</td>
<td>11</td>
</tr>
<tr>
<td>Christian and Democratic Union - Czechoslovak People's Party (KDU-ČSL)</td>
<td>20</td>
<td>9</td>
</tr>
<tr>
<td>Freedom Union (US)</td>
<td>19</td>
<td>8.6</td>
</tr>
</tbody>
</table>

Source: Own study based on (Kopecký and Mudde 1999).
Before the involvement in the EU structures, the Czech government started to privatise its state-owned assets, including Transgas. Under Zeman’s administration, Germany’s RWE had won the tender and took majority control of Transgas as the Czech regional gas distributor in December 2001. The gas sector privatisation was the biggest deal in the Czech Republic, valued at around 4.1 billion euros (Reuters 2002). The second ČSSD government under PM Vladimír Špidla (Table 2.6) as the head of a multi-party left-centre coalition with KDU-ČSL and the liberal Freedom Union-Democratic Union party (US-DEU) took office in July 2002 when privatisation speeded up and the Czech Republic became the EU member on 1 May 2004. A further two ČSSD administrations would take office over the next four years, first under PM Stanislav Gross, from August 2004 to April 2005, and second under PM Jiří Paroubek, from April 2005 to September 2006, but the coalition both with the same coalition set up did not change. In that period, no further gas supply deals were signed or planned, however, the dispute over the conditions and price of Russian gas supply was on the agenda continuously, which soon raised the conflict during the gas crisis.

<table>
<thead>
<tr>
<th>Party, Movement, Coalition</th>
<th>Seats</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Social Democratic Party (ČSSD)</td>
<td>70</td>
<td>30.2</td>
</tr>
<tr>
<td>Civic Democratic Party (ODS)</td>
<td>58</td>
<td>24.4</td>
</tr>
<tr>
<td>Communist Party of Bohemia and Moravia (KSČM)</td>
<td>41</td>
<td>18.6</td>
</tr>
<tr>
<td>Four-Coalition (KDU-ČSL, US, DEU, ODA)</td>
<td>31</td>
<td>14.2</td>
</tr>
</tbody>
</table>

Source: Own study based on (OSCE-ODIHR 2002).  

2.5. Gas Disputes and Czech Energy 2006-2009

In the June 2006 Czech parliamentary elections (Table 2.7), a minority coalition of the ODS, KDU-ČSL, and the Greens, led by ODS PM Mirek Topolánek created the government. However, this coalition remained alive after four votes of no-confidence but lost the fifth no-confidence vote in March 2009.
with 101 of the 200 members in parliament voting against the government (Stegmaier and Vlachová 2011: 238). The stalemate, the polarization, and the lack of political interest in foreign and European policies were the main reasons for the fall of the government. It fell exactly in the middle of the term of the Czech EU presidency. However, on the administrative and executive levels, the presidency was handled well and the new PM Jan Fischer, who replaced PM Mirek Topolánek finished the presidency calmly.

The first gas dispute between Russia and Ukraine in January 2006 did not impact the Czech gas import immediately. The CEO of RWE Transgas confirmed on 3 January, that company did not face any problems with gas supplies from the East and that deliveries continued in order with the contractual agreement (Posaner 2020: 150). However, later that year, the Czech Republic indicated negotiations on the development of the Nord Stream 1 pipeline project with Gazprom. Nord Stream 1 was a plan to connect the Czech market with a new Czech pipeline connection (Gazella pipeline). This initiation signalled the trials to avoid transit through Ukraine. Also, the Czech Republic could fear from decrement in transit revenues for RWE Transgas, because the Nord Stream 1 project was planned to deliver 55 bcm/y under the Baltic Sea directly to Germany (Bros 2015: 9) and together with the Yamal pipeline (maximum capacity of 33 bcm/y) running through Poland, could entirely avoid the Brotherhood pipeline system. Gazella was going to transit gas from Nord Stream/Opal through Czechia into Bavaria for supply to Southern Germany and France. At the opening of the Gazella connection, Minister of Industry and Trade Martin Kocourek stated that “thanks to the Gazela gas pipeline the Czech Republic will gain another alternative access route to strategic resources, which is of key importance to ensure our energy security” (Vlček 2010).

In 2008, the Czech Republic’s position together with other CEE countries was mainly critical to Nord Stream 1 project. The PM Mirek Topolánek at a bilateral meeting in Tallinn in 2008, stated that: “…(Czechia) fully shares Estonia’s concerns of Russia’s increasing efforts to use energy policy as a tool in its superpower aspirations. (...) Like you, we have noted the threat posed by the planned construction of a gas pipeline from Russia to Germany along the bottom of the Baltic Sea, i.e. the North Stream project,
which circumvents both Estonian and Czech territory. With the construction of South Stream and North Stream, there is a risk that Central and Eastern Europe will be bypassed, thus increasing our already high dependence on Russian raw-material policy” (Topolánek 2008). The Czech position towards the Nord Stream 1 project was generally negative. The argument has been that the dependency on Russian gas would weaken energy security. However, with the plan on building the Gazela pipeline, Kocourek argued that this diversification of pipelines would strengthen energy security and Czechia could gain some benefits from the Nord Stream connection with Gazela.

<table>
<thead>
<tr>
<th>Party, Movement, Coalition</th>
<th>Seats</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civic Democratic Party (ODS)</td>
<td>81</td>
<td>35.3</td>
</tr>
<tr>
<td>Czech Social Democratic Party (ČSSD)</td>
<td>74</td>
<td>32.3</td>
</tr>
<tr>
<td>Communist Party of Bohemia and Moravia (KSČM)</td>
<td>26</td>
<td>12.8</td>
</tr>
<tr>
<td>Christian and Democratic Union - Czechoslovak People's Party (KDU-ČSL)</td>
<td>13</td>
<td>7.2</td>
</tr>
<tr>
<td>Green Party (SZ)</td>
<td>6</td>
<td>6.2</td>
</tr>
</tbody>
</table>

Source: Own study based on (Stegmaier 2008).

In December 2006, RWE Transgas informed that it renewed the terms of its 1998 contract with Gazprom until 2035, with annual deliveries at 8.7 bcm/y (Table 2.8) (Smeenk 2010: 326). The pipeline of RWE Transgas in the Czech Republic guaranteed the supply of the Czech market, and also, is considered to be the main supplier of the whole European gas supply system. Around one-third of all Russian natural gas supplies to Western Europe are transferred through the Czech Republic. In the meantime, Gazprom searched for other options that would warrant its access to the Czech market via its majority-owned company Vemex. In March 2006, Vemex contracted a new gas supply with Gazprom of 186 mmcm for another 18 months (Reuters 2007a).
Ownership of Vemex is split into three ways: the German ZMB owned 33 per cent, Austria’s Centrex Europe Energy&Gas owned 33 per cent and EW East-West Consult owned 34 per cent, all of which are presumably associated through Gazprom ownership (Łoskot-Strachota and Pełczyńska-Nałęcz 2008: 8). In October 2007, Gazprom contracted Vemex for annual deliveries of 0.5 bmc/y between 2008 and 2012, with the possibility of further five-year prolongation (Łoskot-Strachota and Pełczyńska-Nałęcz 2008: 5). A year later, Vemex also signed a Memorandum of Understanding with Moravské Naftové Doly (MND) on the common development of a gas storage facility in the Czech Republic (NS Energy 2008). Also, in 2008, Česká plynařenská joined the gas sector through a deal with Norwegian company StatoilHydro to import between 5 to 10 per cent of Czech gas consumption or a minimum of 0,5 bmc/y (Chart 2.2) (Geussová 2008). At that time, Vemex could function as a possible mediator, however, its share of Russian imports is much lower than, the share of RWE Supply&Trading.

Table 2. 8 Gazprom’s Sales in Visegrad Countries in 2008

<table>
<thead>
<tr>
<th>Country</th>
<th>Gazprom’s sales and market share in bcm</th>
<th>Gazprom’s market share in total gas consumption (in per cent)</th>
<th>Gazprom’s market share in power generation (in per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td>7.2</td>
<td>83</td>
<td>9</td>
</tr>
<tr>
<td>Slovakia</td>
<td>5.6</td>
<td>88</td>
<td>16</td>
</tr>
<tr>
<td>Hungary</td>
<td>8</td>
<td>61</td>
<td>19</td>
</tr>
<tr>
<td>Poland</td>
<td>7.1</td>
<td>43</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: (Smeenk 2010: 233).
The second gas dispute between Russia and Ukraine in 2009 directly affected the Czech Republic not only economically but politically as well. Russian gas supplies to the Czech Republic were cut by 71 per cent on 6 January 2009 (Table 2.9) (Kramer 2009). The Czech Republic smoothly got through the crisis, due to the stable Norwegian supplies and effective storage capacity, which are around one-third of annual consumption (2 bcm/y) (Chart 2.1) (Vlček and Černoch 2013) but also helped Slovakia with the supply of gas. However, further transit to Germany was shortened. The Czech diversification defended any damages to Czech energy security, which was eventually also reflected in public and political discourse, and as such Russian gas supplies were not taken as a security concern. The cut-off supply gave RWE Transgas the push to start building the transit station on the border at Lanžhot that would allow reverse-flow deliveries back into Slovakia in case the supply cut-off happened. On 16 January, Topolánek offered Slovak PM Robert Fico 20 mmcm/d of capacity through Lanžhot (Reuters 2009a; Weiner 2013: 19).
Table 2. 9 The V4 Affected by Interruption of Russian Supply in 2009

<table>
<thead>
<tr>
<th>Country</th>
<th>Cut</th>
<th>Diversification</th>
<th>Gas storage</th>
<th>Alternative fuel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td>71%</td>
<td>Increased import by 8 mmcm/day from Norway via Yamal/Germany</td>
<td>Gas from storage 40 days, 15% increase in domestic production</td>
<td>Not used now, could be coal and oil</td>
</tr>
<tr>
<td>Slovakia</td>
<td>97%</td>
<td>No diversification</td>
<td>Gas storage for several weeks, covering 76% of gas demand</td>
<td>Alternative fuel for one month</td>
</tr>
<tr>
<td>Hungary</td>
<td>45%</td>
<td>Increased gas from Norway by 5%</td>
<td>Gas storage for 45 days</td>
<td>Alternative fuel - crude 90 days, fuel oil 30 days</td>
</tr>
<tr>
<td>Poland</td>
<td>33%</td>
<td>Half of the cut covered by Yamal, more gas from Norway</td>
<td>Gas storage for several weeks</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: (Pirani et al. 2009: 54).

As mentioned before, during the 2009 gas crisis, the Czech Republic headed the EU presidency and as such, the government of PM Mirek Topolánek mediated the negotiations between Russia and Ukraine. The benefits, which the Czech Republic fully manifested during this crisis affected the whole of Europe but mostly the CEE region. On 8 January, the European gas industry associations including Eurogas and Gas Infrastructure Europe (GIE), appointed a group of experts to contribute to the EU monitoring team along with the Commission’s representatives (EC 2009a: 4). In a common announcement on 9 January, the Czech government and European Commission stated, that without prior notice from Russia or Ukraine, the gas supplies to some EU members have been significantly cut. Such measurements are unacceptable, so the Czech EU Presidency and the EC request prompt restoration of gas supply to the EU and that the two countries continue negotiations that will lead to a final agreement. Mirek Topolánek’s government should be characterised as ambitious in the
energy sector. Besides the resolution of the gas dispute, Czech leaders supported the Nabucco pipeline, a new project, which supports competition with the South Stream pipeline, but in reality, was never built (Rettman 2009). Nabucco was meant to supply 23 bcm/y of gas originating from Iraq and Azerbaijan through Turkey, into the EU-territory in Bulgaria and arrived in Austria (Kuzemko et al 2016). Nabucco and South Stream were competing for pipeline projects because they intended to supply the same Southern region. Despite its political support in Europe, Nabucco had difficulties, due to other contesting pipeline projects’ potential for the region. Smaller pipeline projects called the TANAP and TAP pipelines got the green line. Nabucco ended up being dismissed officially in 2013. Moreover, the government simultaneously constructed the Gazelle pipeline, which contests the Czech Republic to the Nord Stream and made possible supplies of Russian gas from the North (Kratochvíl et al. 2015: 120).

At that time President Klaus, with his pragmatic attitude towards Russia, defined the 2009 crisis as a result of a bilateral Russian-Ukrainian economic problem and not a European energy security problem, which disclaimed any fears of politicization and securitization of the topic in the Czech Republic (Hospodářské Noviny 2009).

This pragmatic approach had its limitations in past when in 1994 and 2002 the Czech government refused Russian proposals to buy the Czech gas infrastructure. The first proposal in 1994 was rejected by the Czech government without a concrete reason. However, the Czech foreign policy at that time recommended that due to historical experience and Czech reorientation towards the West after the fall of Communism, purchasing strategic infrastructure for Russians could be politically dangerous. A second proposal was rejected in 2002, again because of political concerns. Also, a cautious approach from the Czech side happened when together with other Visegrad and Baltic countries, the Czech leaders indicated their worries connected to the implementation of the EU’s third liberalization package. These fears stemmed from the possibility of unregulated infiltration of foreign companies into their energy sectors and were connected mostly to Russia and its state-owned businesses. However, there is no evidence of Russian companies in the Czech gas sector, which would have any big significance, and only a few companies: Temac a.s., VEMEX
s.r.o., Centrex Europe Energy & Gas AG, Wingas GmbH) (Table 2.10) with connections to Russia are present.

Finally, on 19 January 2009, Russia completely reopened its supplies. The cut-off started the debate on the reliance on Russian gas supply to Europe in the future, supporting the EU members to initiate the construction of the Nabucco gas pipeline project (Rettman 2009). On 8 May 2009, the Prague summit was held, which gave the green light to the “Southern Gas Corridor” project, of which the Nabucco pipeline was a part (Council of the EU 2009). Building this new infrastructure could deliver gas from the Caspian and the Middle East to the EU members.
### Table 2. 10 Russian-Owned Companies in the Czech Gas Sector

<table>
<thead>
<tr>
<th>Company</th>
<th>Sphere of business</th>
<th>Russian entry</th>
<th>Russian ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temac, a.s.</td>
<td>Manufacturer and distributor of industrial gaskets and sales for power engineering, chemical, gas, oil, petrochemical and general machine-building industries</td>
<td>2012</td>
<td>100% ZAO VATI-PROM</td>
</tr>
<tr>
<td>Vemex s.r.o.</td>
<td>Natural gas and electricity retail</td>
<td>2001</td>
<td>50.14% Gazprom Germania GmbH and 33% Centrex Europe Energy &amp; Gas AG (believed to be also Gazprom subsidiary)</td>
</tr>
<tr>
<td>Wingas GmbH</td>
<td>Natural gas</td>
<td>1990</td>
<td>100% owned by Gazprom</td>
</tr>
</tbody>
</table>

Source: (Jirušek et al. 2020: 136).

#### 2.6. The Development of the Transmission System 2010-2015

The new government headed by PM Jan Fischer, former President of the Czech Statistical Office, governed with support from the ODS and ČSSD, took over the same day the “Southern Corridor” conference started in Prague. His
government functioned until new elections were called in early 2010. Another centre-right coalition was formed with ODS headed by PM Petr Nečas together with the Public Affairs (VV) and TOP 09. The Nečas government preserved support for the Caspian corridor and paid attention to the importance of reverse-flow gas pipeline developments (Czech Ministry of Foreign Affairs 2012).

Table 2. The Czech Parliament in May 2010

<table>
<thead>
<tr>
<th>Party, Movement, Coalition</th>
<th>Seats</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Social Democratic Party (ČSSD)</td>
<td>56</td>
<td>22</td>
</tr>
<tr>
<td>Civic Democratic Party (ODS)</td>
<td>53</td>
<td>20.2</td>
</tr>
<tr>
<td>TOP 09</td>
<td>41</td>
<td>16.7</td>
</tr>
<tr>
<td>Communist Party of Bohemia and Moravia (KSČM)</td>
<td>26</td>
<td>11.7</td>
</tr>
<tr>
<td>Public Affairs (VV)</td>
<td>24</td>
<td>10.8</td>
</tr>
</tbody>
</table>

Source: Own study based on (Stegmaier and Vlachová 2011).

Meanwhile, RWE Transgas announced a decrease of 300 million dollars for the year 2010 (Posaner 2020: 155). The reason for such a fall was mainly caused by the effects of the financial crisis. Gas demand decreased by over a billion cubic metres between 2006 and 2009. In August 2010, Gazprom submitted an arbitration case against RWE Transgas at the International Court of Arbitration of the International Chamber of Commerce in Paris (Zapletnyuk 2013). In the autumn of 2012, the court decided against Gazprom. This happened one month before the Nečas government fell over a spying scandal. Nečas resigned after his chief of staff, Jana Nagyová, whom he later married, was charged with bribing and abuse of power. Nagyová was suspected of bribing the former ODS ministers, who were opposing Nečas’s administration, by offering them crucial positions in the state-owned companies. She was also suspected of illegally ordering military intelligence to spy on three people including the wife of Petr Nečas (Kołaczkowska-Habdank 2014). Meanwhile, Miloš Zeman, who became the first popularly elected President in the Czech Republic and who criticized the ODS cabinet benefited from this governmental crisis. Moreover, Zeman initiated the parliamentary debate to find alternative solutions. Despite an agreement of the parliamentary parties to have a
technocratic cabinet, Zeman appointed his close friend and former Minister of his cabinet (1998-2002), Jiří Rusnok to be PM on 25 June 2013 (Brunclík 2016). With the hope of overturning the earlier Paris decision, Gazprom started an appeal process at the Vienna Commercial Court in January 2013, proclaiming that Transgas acted against the EU anti-monopoly rules (Reuters 2013). The original decision was confirmed and Gazprom lost 524 million dollars (Interfax 2015).

Until the year 2011, the European market optimised import prices and gas price increases, and the Russian and Norwegian gas deliveries into the Czech Republic had lowered. Previously planned cooperation between RWE Transgas and Gazprom on deliveries of natural gas to the European market was called off by December 2011. Gazprom deliveries to the Czech Republic fell from 7.2 bcm in 2013 to 4.7 bcm in 2014 (Table 2.12). The STORK pipeline (Cieszyn) with Poland (Map 2.2) was launched on 14 September 2011, which is another additional export route. The Czech-Polish interconnector is a joint project of the Polish Gas Transmission Operator Gaz-System and the Czech Transmission System Operator NET4GAS s.r.o. (Gas-System 2011). The project is another example of the integration of the transmission infrastructure reinforcing the security of supply. It is important to also mention, that the Czech Republic does not have an LNG terminal, logically due to its geography as a land-locked country.

Table 2.12 The Czech Republic’s Gas Imports 2008-2014 (in bcm)

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>6.6</td>
<td>6.4</td>
<td>8.44</td>
<td>6.88</td>
<td>6.6</td>
<td>7.2</td>
<td>4.7</td>
</tr>
<tr>
<td>Norway</td>
<td>2.01</td>
<td>3</td>
<td>3.1</td>
<td>3.85</td>
<td>3.4</td>
<td>3.8</td>
<td>2.6</td>
</tr>
<tr>
<td>Other Europe</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>1.3</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Total</td>
<td>8.61</td>
<td>9.4</td>
<td>11.54</td>
<td>12.03</td>
<td>10</td>
<td>11</td>
<td>7.3</td>
</tr>
</tbody>
</table>

Source: Own study based on BP data.
The 2008 financial crisis and big recession which followed made a footprint on the establishment of the new Czech parties, it did not generate a change towards the conservative nationalist right, but rather the advancement of new “centrist populist” anti-corruption parties, including ANO in 2013 (Havlík and Hloušek 2014; Havlík 2015). After the parliamentary elections in 2013 (Table 2.13), the ČSSD returned as the biggest party and created a government headed by its new leader Bohuslav Sobotka, PM. The ČSSD formed a coalition together with the KDU-ČSL and ANO 2011, a newly launched centre-right liberal party created by billionaire Andrej Babiš. Following the events, in 2013 business deal was agreed upon between Russian Gazprom and the Czech company MND Group to build underground storage equipment in the region of South Moravia (S&P Global 2013). This deal demonstrated the new Gazprom’s plan to make its supplies to the West more visible and manifested Gazprom’s willingness to have a reputation as a trustworthy supplier. Soon after in February 2014, RWE Transgas managed to agree with Gazprom on the final gas price until the summer of 2016 (Posaner
No other notable Russia-related companies influence the Czech natural gas sector and in that way, there is no reasonable fear of Russian influence in this regard. Moreover, in 2012, RWE Transgas also announced its agreement with the Norwegian side on “structural solutions” and pricing settlement, which allowed adjusting to market prices (RWE Transgas Annual Report 2013: 5).

Table 2. 13 The Czech Parliament in October 2013

<table>
<thead>
<tr>
<th>Party, Movement, Coalition</th>
<th>Seats</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Social Democratic Party (ČSSD)</td>
<td>50</td>
<td>20.46</td>
</tr>
<tr>
<td>ANO 2011</td>
<td>47</td>
<td>18.66</td>
</tr>
<tr>
<td>Communist Party of Bohemia and Moravia (KSČM)</td>
<td>33</td>
<td>14.91</td>
</tr>
<tr>
<td>TOP 09</td>
<td>26</td>
<td>12</td>
</tr>
<tr>
<td>Civic Democratic Party (ODS)</td>
<td>16</td>
<td>7.73</td>
</tr>
<tr>
<td>Dawn of Direct Democracy (Dawn)</td>
<td>14</td>
<td>6.89</td>
</tr>
<tr>
<td>Christian and Democratic Union - Czechoslovak People's Party (KDU-ČSL)</td>
<td>14</td>
<td>6.78</td>
</tr>
</tbody>
</table>

Source: Own study based on (Deloy 2013).

Furthermore, the Czech Republic also cooperated with Austria on several projects for the connection of gas networks between the two countries, with one main goal - a direct connection of the Czech and Austrian gas transmission networks, providing additional transportation possibilities and enabling deeper and more flexible market integration. These projects were part of the North-South Gas Corridor. The first one is called a Bidirectional Austrian-Czech interconnection (BACI) project between Baumgarten in Austria through Reinthal, ending in Břeclav in the Czech Republic, and was first announced in 2009. The pipeline was planned to be 61 km long with a capacity from 6.6 to 20 bcm/y (18 to 55 mmcm/d) (Gas Connect 2014). BACI is a joint project of the Czech and Austrian TSO GCA. Transport was first planned to launch in 2020 but later was postponed to 2024, however, may be replaced by a smaller, similar project in 2026 (Reuters 2020). The second project, named ONI was planned to link the south lines of the Czech transmission system with Oberkappel, which is the connecting point of the German and Austrian
transmission systems. The project was first announced in 2011 with the purpose of integrating the Central European market and enlarging diversification possibilities. According to plans, the pipeline connected the Czech network with the German-Austrian border interconnector in Oberkappel with a total length of 110 km, from which 80 km goes through Vodnany - Dolní Vltavice in the Czech Republic and another 30 km continue from the Czech-Austrian border to Oberkappel (TYNDP 2013). The project was launched at the end of 2022. The last project with Austria is called Mozart, a competitor interconnection to ONI. Mozart will link the south line of the Czech transmission system with the Austrian WAG pipeline. The project is an initiative of private investors. However, the Czech gas transmission operator Net4gas promotes more the ONI project, because not only funding and operations are unclear, but the Mozart project has also a complicated location. The interconnection would connect the WAG pipeline between the Oberkappel and Baumgarten, where the existing pipeline reached already its capacity potential (Gas Connect 2014).

In general, Russian interest in the gas and energy-related industries of the Czech Republic is not significant. The fears linked with Russian concern in influencing the tender seem to be groundless and the media picture of Russian interest in the Czech energy industry might be overestimated. However, the Russian capital in the Czech Republic, as well as Russian economic espionage, cannot be entirely underestimated. There are many entrepreneurs owned by several offshore companies, whose real owner is difficult to reveal. Economic espionage is strong, but mainly in different industries, such as communications and information technologies, which focus more on industrial research and development.

Since the Czech Republic is integrated into the Western gas network and works within the EU internal energy market, low politicization of supplies works together with the global market. Therefore there is no fear of negative Russian influence over gas supplies, mostly because other options for supply routes are already built up. More than eight years passed since the war at the Donbas in 2014 happened until the second Russian attack on Ukrainian territories in February 2022. There was no ongoing project in the Czech Republic in the gas sectors, where concern over Russian influence would arise.
New Russian gas pipelines are often discussed mostly Nord Stream 2. In this discussion, Czechs have rather an economic position and until the Russian intervention in Ukraine in 2022, there was no presence of fear of Russian influence within the society. Thanks to the successful Czech integration into the Western European gas pipeline infrastructure, even if Russian exports were reoriented to new pipelines, would remain part of the supply chain.

### 2.7. The EU’s Role in the Czech Natural Gas Sector

The Czech Republic never posits itself as a crucial transit country of natural gas. Thanks to the secure supply position, that the country managed to build after the transformation in 1990 and to the past diversification, the redirection of supply patterns does not pose a security issue either. In this regard, the Czech Republic continue adjusting its national energy security to the European Energy Security Strategy from a political viewpoint, however, from a business perspective they continued in big volume the import from Russia. Even if officially Czech Republic joined to oppose the Nord Stream 2 pipeline project along with other CEE countries, it was clear from the beginning that the country will not be the main opponent of the project, because the pipeline’s launching would not represent a threat to the Czech energy security (Groszkowski 2017). Rather the opposite, the country would have an important role in the distribution of supplies of natural gas. Officially, in December 2017, Czech PM Bohuslav Sobotka, stated: “Together (with the other Visegrad countries), we perceive the Nord Stream 2 project as controversial. We think it goes against the strategic interests of many countries in the EU (...)” (Denková and Gotev 2015). When several CEE countries (including Poland and Slovakia) signed a letter to the EC, expressing their dissatisfaction with the planned project, Czechia kept itself from signing this letter. Jan Mládek, Minister of Industry and Trade, admitted that: “the implementation of the project Nord Stream 2 should have some positives for the Czech Republic” (Reuters 2015a). The country could benefit from the project in transit revenues, but also in terms of bargaining power. Mládek argues that the use of the Czech transmission
system reinforces the position of the country in energy relations with the big players (Reuters 2015a).

There was a second letter addressed to the EC, which the Czech Republic finally signed. Compared to the former letter this one was more politically motivated and raised concerns about the legal issues with Nord Stream 2. The support for Nord Stream 2 was also emphasised by Czech President Miloš Zeman, who on a visit to Russia mentioned “I can express the Czech Republic’s support to the Nord Stream 2 project. I am glad that the Czech Republic has its own stance and protects its own interests” (TASS 2017). Although, one must take these considerations with caution, highlighting that Zeman is known to be an openly pro-Russian politician. Overall, the position on Nord Stream 2 has changed from the position on Nord Stream 1. Within the government, there seems to be some disagreement, but the Czech position on Nord Stream 2 can be interpreted as generally positive.

In April 2015, the EC declared that the Russian supplier obstructed the gas supply markets in the territorial restrictions on onward gas trading of the Czech Republic. The Commission concluded that Gazprom broke EU antitrust rules by implementing a scheme to divide Central and Eastern European gas markets, by reducing its customers’ capacity to resell the gas cross-border. This act gave Gazprom the possibility to charge unfair prices in the Czech Republic and some other EU states. Gazprom also abused its dominant market position by making the supply of gas dependent on receiving unrelated obligations from wholesalers concerning gas transport infrastructure (EC 2015a).

In 2017, Gazprom pre-reserved a transit capacity in the Czech Republic and Slovakia with the same amount as a plan to import annually through Nord Stream 2. Meanwhile, Gazprom signed a long-term contract on gas transit with the Czech Republic and Slovakia until 2040 and 2050 (Interfax 2017). Also, the Czech transit system operator Net4Gas announced two projects (Capacity4Gas and Moravia Capacity Extension project) with the target of enlarging the infrastructure network to have the capacity for the inconsistency of natural gas (Net4Gas Annual Report 2021: 4).
Based on the Czech’s behaviour and the attitude of the main leaders regarding the new Nord Stream 2 pipeline, it is obvious that the Czech position was characterised mostly by market opportunities. Not surprisingly if considering, that from 2017 until 2021 the Czech government was headed by businessman Andrej Babiš (ANO party), who in the previous government held the post of Finance Minister until May 2017, when he was expelled from the government due to charges of tax avoidance and fraudulently taking EU subsidies in his agglomerate Agrofert, for which he was later accused. ANO won in the October 2017 elections (Table 2.14) with 29.6 per cent of the vote, receiving more than twice as many votes as the historically strong and traditional centre-right Civic Democratic Party (ODS) with 11.3 per cent. ANO won 78 of 200 mandates, which made it the second-strongest party in the history of the independent Czech Republic. After ANO struggled to find coalition partners, a party formed a one-party minority government on 13 December 2017 (Grieveson et al. 2017).

Table 2.14 The Czech Parliament in October 2017

<table>
<thead>
<tr>
<th>Party, Movement, Coalition</th>
<th>Seats</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANO 2011</td>
<td>78</td>
<td>29.64</td>
</tr>
<tr>
<td>Civic Democratic Party (ODS)</td>
<td>25</td>
<td>11.32</td>
</tr>
<tr>
<td>Czech Pirate Party (Pirates)</td>
<td>22</td>
<td>10.8</td>
</tr>
<tr>
<td>Freedom and Direct Democracy (SPD)</td>
<td>22</td>
<td>10.6</td>
</tr>
<tr>
<td>Communist Party of Bohemia and Moravia (KSČM)</td>
<td>15</td>
<td>7.77</td>
</tr>
<tr>
<td>Czech Social Democratic Party (ČSSD)</td>
<td>15</td>
<td>7.28</td>
</tr>
<tr>
<td>Christian and Democratic Union - Czechoslovak People's Party (KDU-ČSL)</td>
<td>10</td>
<td>5.8</td>
</tr>
<tr>
<td>TOP 09</td>
<td>7</td>
<td>5.31</td>
</tr>
<tr>
<td>Mayors and Independents (STAN)</td>
<td>6</td>
<td>5.18</td>
</tr>
</tbody>
</table>

Source: Own study based on (Grieveson et al. 2017).

In the Czech energy policy, Babiš’s government did not intervene in the close interconnection with the German market and the Czech company Net4Gas continuously kept its position concerning gas flows in the Visegrad region. The evidence of the regulation with the EU’s market-driven goals is written in the
main state’s policy document, which specifically refers to the EU’s market as one of the fundamental principles of the energy sector development and obtaining competitiveness within the market that matches the goals of Czech Ministry of Industry and Trade (Ministerstvo průmyslu a obchodu 2015). However, Babiš’s administration can be characterized by their general “non-involvement” in the natural gas supply matters. “The country’s policy leans toward firmer interconnection with Germany and hence the Nord Stream 2 pipeline system” (Radio Prague International 2018). As a result, the Czech position during Babiš’s administration was closer to a market-oriented attitude.

In 2019, the Czech Republic imported 9.5 bcm of natural gas, almost solely from the Russian Federation (Table 2.15) (Table 2.16). Imports from Norway reached only 0.03 bcm in 2019 (Energy Policy Review 2021). Gas imports from Norway reached their highest point in 2009 when they accounted for 35 per cent of domestic gas consumption (Chart 2.1). However, since 2017, imports from Norway had slowly reduced. Since 2021, the Czech Republic have no more long-term contracts with Norwegian gas suppliers. Exports of natural gas are insignificant. However, the country is a crucial transit corridor for Russian natural gas into the West and other Visegrad countries. In 2019, 73.6 per cent of gas entering the Czech Republic transited gas to neighbouring countries, and the rest 26.4 per cent was either used for domestic purposes or stored (Energy Policy Review 2021). Moreover, the supplies to Western Europe via Ukraine are reduced, and its transit status will be lower. Therefore, the Russian Federation is trying to influence the Czech government, but also all Visegrad countries to incorporate them to take part in the potential distribution of Russian natural gas via Nord Stream 2.

The Czech transmission network is hydraulically linked with three neighbouring countries. The interconnection point with Poland in Cieszyn, then the connection point with Slovakia in Lanžhot and at the Western border with the two interconnection points with Germany. The first connection was constructed in Waidhaus and the second is transmitted to the Czech Republic from the GASPOOL via OPAL and STEGAL gas pipelines, these are connected to the Czech pipeline system through points near Hora Sv. Kateřina. Entry to the German gas markets and high-capacity interconnectors allows the
development of a competitive gas market beyond the Eastern German border. Also, the underground gas storage facility located in the Czech Republic is connected to the Slovak transmission system in Dolni Bojanowice (Klempa et al. 2019).

Table 2. 15 Characteristics of the Natural Gas in the V4 in 2019

<table>
<thead>
<tr>
<th>Country</th>
<th>Natural gas consumption (bcm/y)</th>
<th>Own gas production (bcm/y)</th>
<th>Natural gas imports (bcm/y)</th>
<th>Import from Russia (bcm/y)</th>
<th>Percentage of Russian imports in total imports</th>
<th>Long-term contract with Gazprom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td>8.3</td>
<td>0.1</td>
<td>8.1</td>
<td>5.3</td>
<td>65%</td>
<td>2035 (RWE Transgas)</td>
</tr>
<tr>
<td>Slovakia</td>
<td>4.5</td>
<td>5.8</td>
<td>36.2</td>
<td>28.8</td>
<td>x</td>
<td>2028 (SPP)</td>
</tr>
<tr>
<td>Hungary</td>
<td>9.6</td>
<td>1.6</td>
<td>8.0</td>
<td>8.0</td>
<td>100%</td>
<td>2021</td>
</tr>
<tr>
<td>Poland</td>
<td>19.7</td>
<td>4.0</td>
<td>15.7</td>
<td>11.1</td>
<td>70%</td>
<td>2022 (PGNiG)</td>
</tr>
</tbody>
</table>

Source: (Ruszel 2020).

Table 2. 16 The Underground Gas Storage in the V4 2011-2020 (in bcm)

<table>
<thead>
<tr>
<th>Year</th>
<th>The Czech Republic</th>
<th>Czechia</th>
<th>Slovakia</th>
<th>Hungary</th>
<th>Poland</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>2.5</td>
<td>3</td>
<td>6.8</td>
<td>0.7</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>2.7</td>
<td>3.1</td>
<td>6.8</td>
<td>1.8</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>3.9</td>
<td>3.1</td>
<td>6.8</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>2.9</td>
<td>3.2</td>
<td>6.8</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>5.7</td>
<td>3.7</td>
<td>6.8</td>
<td>2.8</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>3.5</td>
<td>3.4</td>
<td>6.8</td>
<td>3.1</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>3.5</td>
<td>3.6</td>
<td>6.8</td>
<td>3.3</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>3.5</td>
<td>3.8</td>
<td>6.9</td>
<td>3.4</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>4.6</td>
<td>4</td>
<td>6.9</td>
<td>3.4</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>3.7</td>
<td>4.4</td>
<td>6.9</td>
<td>3.5</td>
<td></td>
</tr>
</tbody>
</table>

Source: (Skrzyński 2020).
2.8. Summary

The economic transformation happened in the Czech Republic relatively easily, however, the transformation of the energy sector took a slow tempo and progressed slowly and thoughtfully. Privatization was seen as a possibility to enter foreign capital, know-how, and the market until the later period when the state started to intervene more and affected the process. Compared to other Visegrad countries, in the Czech Republic, we can observe relatively low politicization of Russian presence and influence in the Czech energy sector. However, it was possible to reveal certain topics that emerged to be sensitive in the public debates. These debates often came out in a particular time frame, appearing in some formative events within the energy sector. For example, during the construction of infrastructure projects or sector-related facilities. The public and political talks frequently expressed the universal trends which existed in the Czech public and political disputes about Russia since the transformation in the 1990s. Therefore, these political and public talks had been influenced by different discursions and also by ideological orientation, personal interests of concrete actors and the overall political security of Czech-Russian relations. Since the Czech Republic went through the transformation process with greater success than other Visegrad countries and managed as the first country in the region to diversify its energy import structures, the critical political and public debates on the energy topic are in general more limited.

In the beginning, the Czech’s formation of new gas supplies was characterized by a strong effort to diversify, this does not support the first hypothesis, which assumes that the countries with no geographical proximity, because no share of the border with Russia resulting in lower threat perception, are less resistant to influence and are less actively searching for alternative suppliers. This Czech strong attempt to diversify was generated by an unpredictable situation over the stability of Russian deliveries and growing security pressures from Russia, mainly because of the Czech attempting to become a member of the Atlantic alliance. It was connected to a long, unstable negotiation process on the final agreement of supplies and prices with Gazprom. Even though Gazprom deliveries from the 2000s, accounted for around 80 per cent of annual consumption, searching for opportunities to diversify (option
from Norway) gave higher flexibility to the country. The 1997 agreement between Transgas and Norway can be interpreted as the most significant act of diversification in the Visegrad region. For the Norwegian side, this was a lucrative opportunity to enter the Visegrad region gas market. The initiation of the Gazela pipeline, which was launched in 2013, has supported the establishment of the Czech Republic as a key player for gas supplies from Nord Stream 1. Also Czech territorial position, mainly its shared border with Germany and Austria helped the country to diversify natural gas easier. In that way, the second hypothesis cannot be proven in the case of the Czech Republic, because the tracing process showed, that despite the already existing pipeline infrastructure from Soviet times in the Czech Republic, the Czech officials after the transition actively searched for alternative suppliers.

The supply of Russian gas during the 1990s reached recorded volumes but was shortened by the start of the new millennium. To summarize, the Russian contract until 2006 covered 8 bcm/y, and 3 bcm/y was covered by the Norwegian contract. With a total import of 11 bcm/y Czech Republic had available more gas than was able to consume annually. The gas disputes between 2006 and 2009 caused little impact on the gas supply. Moreover, the Czech Republic rejected using one particular company through which it would channel exports, and with such a step, the government made protection from the non-transparent trade in natural gas. The absence of the importance of natural gas national policy could be explained by the Czech absence of interest in the overall energy mix. From 1993 the Czech government did not involve significantly natural gas as a fuel, rather chose to generate power from local resources of lignite coal and nuclear. The last national energy strategy from 2015 promoted the importance of nuclear, which could be seen in the preservation of only a 15 per cent share of the power production mix for gas (Ministerstvo průmyslu a obchodu 2015).

The third hypothesis assumes that ruling elites of Visegrad countries with closer relations to Russia are less likely to diversify gas supply, as this would mean promoting policies that go against Russia and Russia’s elites’ interests is proven in the Czech case. Although the privatization process started in the 1990s, full privatisation did not happen until 2002, but Czech leaders
obtained possibilities to influence this transition and manage the building of the gas supply network. The ruling elites in the Czech Republic at the beginning were inclined toward raising their independence from Russia. This was manifested by a small group of leaders of centre-right parties in the ODS and ODA governments who prioritized security. After the transformation, a high perception of threat from Russia, as the former Soviet Union’s successor, was present in the Czech Republic. Moreover, the fact that the perception of threat from Russia overlapped with the threat of former Communist elites, helped keep efforts to decrease dependence on Russia. The presence of threat in the Czech Republic is one of the factors linking the domestic interests of Russia and explaining the shift in energy policy choices. Furthermore, the ruling elite more on the right spectrum in the Czech government, such as those led by the ODS party between 1992 and 1998, and those in leading positions between 2006 and 2013 after Transgas privatisation happened, searched for the possibilities for diversification and ensuring energy security. Meanwhile, on the other side of the left spectrum, where such parties as ČSSD belong, that led administrations between 1998 and 2006, and then again from 2014, inclined to favour cooperation with dominant suppliers of natural gas like Gazprom. Czech governments closer to the left political spectrum are more driven to keep decreasing tendencies on retail prices for consumers. The negotiation process of state-owned companies under ruling elites closer to the left spectrum tends to decide to sign rather short-term contracts than long-term ones.

Later the situation changed. The social-democratic party formed a government with the support of part of the centre-right ODS party. Those who supported the prioritization of security in the energy, mainly people around Jan Ruml, represented the opposition and rapid privatization started. While during the first-period energy policy was improved through diversification and restructuring, the second period was characterized by fast and problematic privatization, which raised many questions. This privatization did not promote energy policy as part of the national interest, but it was followed by many corruption scandals. It is important to mention, that meanwhile, this privatization happened, the whole gas sector was sold off to a single investor and the Czech government lost the possibility to control or implement energy
security steps in the gas sector. Further evidence that the administration closer to the right political spectrum, preferred to find new ways of diversification of natural gas, can be seen during ODS-led coalition governments headed by Václav Klaus, when there was no new contract signed with Russia on gas supply, while the government searched for new options signing new short-term contracts with Germany’s Ruhrgas, and also with BEB/VNG, and on a long-term contract with Norway’s GFU. Under ČSSD-led coalition governments, headed by PM Zeman, Špidla, Gross and Paroubek, leaders signed exclusively new gas import contracts with Russia. For example, the long-term contract in 1998 between Transgas and Gazprom or the short-term barter contract with intermediary Gaz-Invest in 1999 (Stern 2005: 115-116). Also, a significant contract with the intermediary Vemex Company was agreed upon at the end of the Paroubek ČSSD coalition. During the administrations headed by PM Fischer and Rusnok, no contracts were signed on gas supply.

The ODS-led coalitions of PM Topolánek and Nečas indicated a strong engagement to find possibilities of diversification as a response to the Gazprom cut-off supplies in 2009. Topolánek took an active part in promoting the Southern Corridor initiative before the Prague Summit in May 2009, and Nečas also supported this initiative as Czech PM. In January 2009, Topolánek proposed to Slovak PM Robert Fico through the Lanžhot border to help during the crisis, while a political push was made to develop the cross-border flows (Hošek 2009). This strategic step, allowed Transgas to secure lower prices. A sharp policy of diversification in the early ODS governments was followed by a period of negotiating a new long-term contract with Gazprom under the following four ČSSD governments. Finally, from 2014 inclination towards a more pragmatic economic strategy, giving more space for private companies, which have unrelated commercial interests, different from politics, planning for a longer period than electoral cycles are, and expanding transnational trade interests brought new opportunities, flexibility and loosened dependence on Russian gas supply.

The fourth hypothesis assumes, that the impact of the EU requirements in the Energy Security Strategy announced in 2014 shaped Visegrad countries to speed up the process of diversification of natural gas and enabled these
countries to be less dependent on Russia. On one hand, the Czech Republic’s natural gas security strategy appeals to the EU Energy Security Strategy, which is visible in the Czech interest in constructing interconnectors and gas storage capacities with its neighbours and especially with Germany. On the other hand, due to the previously well-securitized natural gas sector, recent leaders especially those under Babiš’s government did not hurry to take steps towards the securitization of the gas market and rather favoured good business deals over the country’s energy security.
3. Chapter: Slovak Republic

This Chapter concentrates on the Slovak Republic after the separation from Czechoslovakia in 1993 and maps the political and economic aspects which structured the energy sector, particularly the natural gas sector in the country. The chapter is divided into seven smaller parts. The first part tracks Slovak foreign policy, especially Slovak’s role as a country between the West and East and the absence of consensus among political elites in Slovak foreign policy. A big part is dedicated to Russia and how different political parties built relations with Russia during these three decades. The second part analyzes the so-called period of Mečiarism between 1993-1998, it touches on the topic of the separation of the previous Czechoslovak gas system into two separate energy policies and the decision of Slovak officials of that time to not search for alternative ways of diversification. The third part describes in detail the period of Slovak privatization of the energy sector between 1999-2005, mainly the privatization of the main Slovak gas company SPP and Slovak membership in NATO and the EU in 2004. The fourth part explains how the Russian-Ukrainian gas disputes in 2006 and 2009 affected the Slovakian gas sector and the country’s reaction to these crises by searching for alternative supplies in the West and by establishing a new Energy Act on a governmental level. The fifth part speaks more about the continuation of the diversification of the gas supply, which started in 2009. Further explains the plans of Slovakia to join the Nabucco pipeline project, also the EC activities to help bring Gazprom’s business activities in Slovakia under its control. Meanwhile, Nord Stream 1 started to function earlier in November 2010, authorizing Gazprom to change supplies to Germany avoiding the Slovak corridor and violating the valid agreement with Slovakia until 2028. During this period Slovakia took over the presidency of the Visegrad group and tried to involve energy-related topics in the presidential program. The sixth part of this chapter describes how Slovakia adjusted its energy security with the EU requirements. Detail fully explains the Slovak plans to purchase LNG, the country’s involvement in the Eastring project, new attempts to build reversed interconnections with its neighbours, as well as, the Slovak reaction to Russian-German Nord Stream 2 project. This
chapter concludes with a brief summary, where the hypotheses of this dissertation are attempting to be proven in the Slovak case.

3.1 The Slovak Foreign Policy and Relations with Russia

The Slovak foreign policy towards Russia has many layers not only with bilateral and international effects but includes geopolitical, security and economic aspects as well. During the 1990s, the Russian element had an important role in Slovak identity, which was mainly visible in the conflict over foreign policy orientation. This could be characterised by the absence of consensus among political elites in Slovak foreign policy. Two main conceptions can be defined: the first was presented by national populist-oriented political parties in power from 1993 to 1998 (Mečiar’s governments), except for a short window between March and December 1994, when the country was led by PM Jozef Moravčík. And, also by a particular part of the conservative opposition, mainly the leader of the Christian Democratic Movement (KDH) Ján Čarnogurský, sympathized with the idea, that Slovakia plays an important role as a country between the West and East, which in this case East means Russia. However, the majority of the opposition did not deny the importance of good relations with Russia, but they saw bigger potential and value in the Slovak accession to Western institutions, particularly to the EU and NATO. This was possible, just after the parliamentary elections of September 1998.

In July 1992, when Slovakia declared sovereignty, PM Vladimír Mečiar (HZDS) (Table 3.1) came up with the idea of a balanced foreign policy orientation between the West and the East. The idea of Pan-Slavism or more concretely close ties with Russia became a source of inspiration for the foreign policy of HZDS and SNS parties, but had a long historical tradition within the Slovak thinkers, for example, Ľudovít Štúr (1815-1856) or Svetozár Hurban Vajanský (1847-1916) saw Russia as a protector of the oppressed Slavic nations.
Table 3.1 The Slovak Parliament in June 1992

<table>
<thead>
<tr>
<th>Party</th>
<th>Seats</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Movement of Democratic Slovakia (ĽS-HZDS)</td>
<td>74</td>
<td>37.2</td>
</tr>
<tr>
<td>Party of Democratic Left (SDL')</td>
<td>29</td>
<td>14.7</td>
</tr>
<tr>
<td>Christian Democratic Movement (KDH)</td>
<td>18</td>
<td>8.8</td>
</tr>
<tr>
<td>Slovak National Party (SNS)</td>
<td>15</td>
<td>7.9</td>
</tr>
<tr>
<td>Hungarian Christian Democratic Movement-Coexistence (MKM-EGY)</td>
<td>14</td>
<td>7.4</td>
</tr>
</tbody>
</table>

Source: Own study based on (Olson 1993).

Former PM Ján Čarnogurský headed the country for two years between 1991 and 1992 and had a different vision of Slovak foreign policy towards Russia. Čarnogurský supported Slovakia’s EU membership and integration into the European institutions but opposed Slovakia’s accession to NATO. Based on his view, the Slavic nations in Europe should create a strong position in Europe, with the centre in Moscow. Despite his strong belief, that Slovakia should have a good relationship with Russia, he did not perceive relations with the West as bad, and he supported close cooperation (Vilček 2003.) Čarnogurský often spoke about Slovakia’s Slavic identity, its cultural connections with Russia, and its potential help to control the common suspicions between Russia and Western Europe. However, other members of his own party (KDH) did not support Čarnogurský’s vision and promoted NATO membership as a stable institution, which would provide Slovakia with needed security. Under the Mečiar’s governments (1992-1994 and 1994-1998) Slovakia’s integration into the EU and NATO was supported as a crucial foreign policy target (Programové vyhlášenie vlády SR 1994). However, the Slovak economic dependence on Russian import of goods in such strategically important sectors as energy and military played an important role in Slovak’s foreign policy decisions (Baculáková 2021). In August 1993, during the visit of Russian President Boris Yeltsin to Slovakia, both countries signed the Treaty of Friendship and Cooperation and the Treaty on Military Cooperation, which gave an assumption of special relations between these two countries (Duleba 1997). At that time, the Western institutions criticized Slovakia for its tendency toward authoritarian
ruling and being unable to meet the political criteria for membership in their structures, which strengthened the bilateral relations with Russia and even encouraged Slovakia to choose the Russian model of transformation with its polarization of power structures, the strong influence of oligarchs, state control of the public media and non-transparent privatization (Haughton 2002).

Moreover, Slovakia supported the position of Russia in Yugoslavia and Belarus, as well as its bilateral relations with Ukraine, where Slovakia openly stood on the Russian side (Duleba 1998). The bilateral relations between Slovakia and Ukraine were defined by relations with Russia. The Mečiar government perceived Ukraine as a transit country. However, this was rather the foreign policy of the leading HZDS party, two smaller coalition parties, the SNS and the ZRS party (Table 3.2) never spoke about the foreign policy orientation towards Russia. They rather promoted the idea of neutrality in Slovakia. Besides Mečiar’s HZDS, with the idea of close cooperation with Russia as the alternative to European integration sympathized also the SNS party, which kept strong ties and friendship with the radical right the Liberal Democratic Party of Russia, led by Vladimir Zhirinovsky (Mareš 2012: 13).

Table 3.2 The Slovak Parliament in October 1994

<table>
<thead>
<tr>
<th>Party</th>
<th>Seats</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Movement of Democratic Slovakia-Peasants’ Party of Slovakia (ĽS-HZDS)</td>
<td>61</td>
<td>34.9</td>
</tr>
<tr>
<td>Common Choice</td>
<td>18</td>
<td>10.4</td>
</tr>
<tr>
<td>Hungarian Coalition (MKDM)</td>
<td>17</td>
<td>10.1</td>
</tr>
<tr>
<td>Christian Democratic Movement (KDH)</td>
<td>17</td>
<td>10</td>
</tr>
<tr>
<td>Democratic Union of Slovakia (DEÚS)</td>
<td>15</td>
<td>8.5</td>
</tr>
<tr>
<td>Union of the Workers of Slovakia (ZRS)</td>
<td>13</td>
<td>7.3</td>
</tr>
<tr>
<td>Slovak National Party (SNS)</td>
<td>9</td>
<td>5.4</td>
</tr>
</tbody>
</table>

Source: Own study based on (Haughton 2002).

The Slovak foreign policy in its first years of independence until 1998 can be defined as oriented toward Russia, and at the same time with many contradictions between its official foreign policy statements and its concrete acts. Russia’s strong ties with Slovakia increased worries among its neighbours.
The foreign policy of Slovakia radically changed after the election in September 1998, when the new centrist coalition led by PM Mikuláš Dzurinda took power (Table 3.3). The new government almost immediately announced its readiness to work on acceptance into the EU and NATO institutions. However, already in 1999 during the Kosovo crisis, a big conflict in Slovak public discourse regarding NATO emerged, when Dzurinda’s government allowed flights of NATO air forces over the territory of Slovakia (Dzurinda 1999). Despite the passionate public debates, the EU and NATO membership became a top priority of the majority of Slovak political parties, with two exceptions, the SNS and KS parties. Dzurinda’s government targeted balanced commonly convenient relations with Russia, mostly, because of its dependence on energy supplies, but after the Slovak government defined its new foreign policy course, the bilateral relations weakened. The Dzurinda government left the idea of constructing an economic and geostrategic corridor between the West and Russia. Therefore, rejected all projects of neutrality, the plan of a free trade zone with Russia and the idea of Slavic solidarity. Although Dzurinda’s administration did not think of Russia as a foreign policy priority, the political aspect of these relations was taken as part of the EU’s Eastern policy. Until the year 2015, in the Slovak foreign policy strategy, Russia is mentioned only regarding Slovakia’s support for efforts at building four common spaces in the EU’s framework (Medium-Term Foreign Policy Strategy 2004). Despite, the events, when Slovakia openly supported the West, for example in the U.S. invasion of Iraq or during the Orange Revolution in Ukraine, the country managed to maintain its relations with Russia and in February 2005 Slovakia even hosted a meeting of the U.S. and Russian Presidents (DW 2005).

Table 3.3 The Slovak Parliament in September 1998

<table>
<thead>
<tr>
<th>Party</th>
<th>Seats</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Movement of Democratic Slovakia (HZDS)</td>
<td>43</td>
<td>27</td>
</tr>
<tr>
<td>Slovak Demokratic Coalition (SDK)</td>
<td>42</td>
<td>26.3</td>
</tr>
<tr>
<td>Party of Democratic Left (SDL)</td>
<td>23</td>
<td>14.6</td>
</tr>
<tr>
<td>Party of the Hungarian Coalition (SMK)</td>
<td>15</td>
<td>9.1</td>
</tr>
<tr>
<td>Slovak National Party (SNS)</td>
<td>14</td>
<td>9</td>
</tr>
<tr>
<td>Party of Civic Understanding (SOP)</td>
<td>13</td>
<td>8</td>
</tr>
</tbody>
</table>

Source: Own study based on (Haughton 2003).
Table 3. 4 The Slovak Parliament in September 2002

<table>
<thead>
<tr>
<th>Party</th>
<th>Seats</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Movement of Democratic Slovakia (HZDS)</td>
<td>36</td>
<td>19.5</td>
</tr>
<tr>
<td>Slovak Democratic and Christian Union (SDKÚ)</td>
<td>28</td>
<td>15</td>
</tr>
<tr>
<td>Direction (SMER)</td>
<td>25</td>
<td>13.4</td>
</tr>
<tr>
<td>Party of the Hungarian Coalition (SMK)</td>
<td>20</td>
<td>11.1</td>
</tr>
<tr>
<td>Christian Democratic Movement (KDH)</td>
<td>15</td>
<td>8.2</td>
</tr>
<tr>
<td>Alliance of the New Citizen (ANO)</td>
<td>15</td>
<td>8</td>
</tr>
<tr>
<td>Communist Party of Slovakia (KSS)</td>
<td>11</td>
<td>6.3</td>
</tr>
</tbody>
</table>

Source: Own study based on (Haughton 2003).

After the parliamentary elections of 2006 (Table 3.5), the new government of SMER-Social Democracy (SMER-SD), SNS and ĽS-HZDS, led by PM Robert Fico announced as one of the crucial priorities in the new Slovak foreign policy the renewal of relations with Russia. Shortly after, Fico withdrew the Slovak troops from Iraq, which was understood in Slovak public discourse as a pro-Russian act (Reuters 2007b). Also, the new Slovak government criticized the building of the U.S. missile shield bases in Poland and the Czech Republic (Reuters 2007c). When in August 2008, Russia indicated war on Georgian territories, Fico and then President Ivan Gašparovič, accused Georgia of being responsible for the conflict, but officially Slovakia, together with other EU members criticized Russian recognition of the independence of the separatist regions of Abkhazia and South Ossetia (Romanowska 2018).

Table 3. 5 The Slovak Parliament in June 2006

<table>
<thead>
<tr>
<th>Party</th>
<th>Seats</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direction - Social Democracy (SMER-SD)</td>
<td>50</td>
<td>29.1</td>
</tr>
<tr>
<td>Slovak Democratic and Christian Union - Democratic Party (SDKÚ-DS)</td>
<td>31</td>
<td>18.3</td>
</tr>
<tr>
<td>Slovak National Party (SNS)</td>
<td>20</td>
<td>11.7</td>
</tr>
<tr>
<td>Party of the Hungarian Coalition (SMK)</td>
<td>20</td>
<td>11.6</td>
</tr>
<tr>
<td>People's Party - Movement for a Democratic Slovakia (ĽS-HZDS)</td>
<td>15</td>
<td>8.7</td>
</tr>
<tr>
<td>Christian Democratic Movement (KDH)</td>
<td>14</td>
<td>8.3</td>
</tr>
</tbody>
</table>

Source: Own study based on (Haughton and Rybář 2008).
In 2010, Slovak-Russian relations were a hot topic of political debate within the country. Slovak leaders, unlike its neighbours in the Visegrad region, rarely raised topics connected to the heritage of the Communist past and the state of human rights in Russia. Being already in opposition, between 2010-2012, Fico continued to strengthen its relations with Russia by developing active cooperation between his own political party SMER-SD and Putin’s party, named United Russia (Mihaliková 2011). Furthermore, Fico’s government continued to develop bilateral projects for economic and infrastructural cooperation. To attract Gazprom to continue the transit of Russian natural gas through Slovak territory, and to maintain favourable gas prices, Fico accused Ukraine of being responsible for the cut-offs of gas supplies to Slovakia in January 2009 (Duleba 2010). However, the expansive cost paid by Slovakia due to the gas crisis of 2009 motivated the country to search for alternative routes of diversification of gas supplies.

3.2 Era of Mečiarism 1993-1998

Slovakia’s gas sector was closely interconnected with the Czech Republic, due to its common history until 1 January 1993, when the countries officially split. This close interconnection was possible through the national gas network starting in Veľké Kapušany at the Slovak-Ukrainian border and ending at the German-Austrian borders (Map 3.1). Import of the gas was contracted during Soviet times under the Yamburg and Orenburg deals (Greer and Russell 1982). In 1993, Slovakia imported 5.2 bcm/y through these contracts (Liuhto 2018). Such a secure contract of gas supply did not motivate the new Slovak government (Table 3.1) of PM Vladimír Mečiar to speed up the signing of a new long-term contract with Gazprom. Since its creation in the spring of 1991, Mečiar’s ĽS-HZDS\(^3\) has been Slovakia’s most successful party. It originated from the anti-Communist platform Public Against Violence. ĽS-HZDS’s

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\(^3\) HZDS was mainly seen as Mečiar’s party, particularly after two waves of leaving of other members from the party in March 1993 and February 1994. Moreover, the 1994-1998 government was characterized by people, who were Mečiar’s devotees. Also, in the formal organs of the party Mečiar dominated as its leader and founder. Mečiar was also chairman of the weekly political gremium, which was created from politicians holding executive posts in the party and in theory the most powerful executive party organ.
ideological program throughout was difficult to classify, but the most visible points were managed economic reform, a wish to protect Slovakia’s integrity and the charismatic personality of its leader. ĽS-HZDS was in office until it lost in parliament’s vote of no-confidence in March 1994 and was replaced by an opposition coalition of the liberal Democratic Union of Slovakia (DEÚS), the conservative Christian Democratic Movement (KDH) and the left-wing Party of the Democratic Left (SDL) until the new elections in October 1994 (Table 3.2). Then, ĽS-HZDS returned to the office and created a coalition together with the right-wing SNS and the left-wing ZRS.

Map 3.1 Interconnection Points in the Slovak Republic

The building project of the Lanžhot border, which was officially opened in January 1994 in practice separated the Czech and Slovak gas systems, which complicated the business through the former Czechoslovak corridor because the transit rights had to provide two national operators - Transgas in the Czech Republic and SPP in Slovakia. When splitting two countries agreed, that the Czech Republic would import gas through the CIS at a two-to-one ratio, while
also agreeing to pay Slovakia a transit fee of 1.30 dollars/mcm over 100 km so that the Slovak eliminate its losses (Posaner 2020).

In February 1995, Gazprom proposed a barter deal that would obligate both sides to create a common company that would manage exports throughout the country. However, after the official visit paid to Slovakia by Russian PM Viktor Chernomyrdin in April 1997, a new 10-year contract was signed by both countries (Naegele 1997). The gas trading middle-size company SlovRusGas began to manage imports and the transit of Russian gas through Slovakia (Nosko 2013: 147). The total amount of imports Gazprom subsidiary Gazexport would provide directly to SPP was planned to reach 6.5 bcm/y (Łoskot-Strachota and Pełczyńska-Nałęcz 2008: 29). The SlovRusGas deal was finalized and signed in March 1998 (Table 3.6), only a few months before Mečiar finished as a PM (Nosko 2013) and was replaced by Mikuláš Dzurinda from the multi-party coalition the Slovak Democratic Coalition (SDK) (Table 3.3). The first Dzurinda’s government between 1998-2002 inherited a country with bad economic conditions. In the fiscal area, mismanagement had driven rising deficits in 1996-1998. Also, the new government struggled with the transformation of the banking sector. A fiscally prudent approach managed by Dzurinda’s government slowed GDP growth but helped to stabilise the Slovak economy. Despite the example of diversification of its neighbours in the Visegrad region (the Czech Republic’s gas contract with Norway in 1997 or Poland’s development of an import link from Scandinavia), the Slovak leaders, at that time, believed that existing Russian supplies would be enough and that SPP did not have to search for alternative ways of diversification.
Table 3.6 Gazprom’s Investments in the V4

<table>
<thead>
<tr>
<th>Country</th>
<th>Company</th>
<th>Shares (%)</th>
<th>Via</th>
<th>Other shareholders</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td>Vemex</td>
<td>84</td>
<td>Gazprom Germania (formerly ZMB GmbH) and Centrex Europe Energy &amp; Gas</td>
<td>Gazprom Germania (była ZMB) (51), Centrex (33), EW East West Consult (16)</td>
<td>trade, retail</td>
</tr>
<tr>
<td>Slovakia</td>
<td>SlovRusGas</td>
<td>50</td>
<td>SPP</td>
<td></td>
<td>trade and transport</td>
</tr>
<tr>
<td>Hungary</td>
<td>General Banking and Trust Co. Ltd</td>
<td>25.5</td>
<td>Firthlion Limited</td>
<td></td>
<td>banking</td>
</tr>
<tr>
<td>PanRusGas</td>
<td>50</td>
<td>10% via Centrex Hungaria</td>
<td>Centrex</td>
<td></td>
<td>trade and transport</td>
</tr>
<tr>
<td>Centrex Hungaria RT</td>
<td>100</td>
<td>CEA Centrex Energy &amp; Gas</td>
<td>Centrex</td>
<td></td>
<td>trade, retail</td>
</tr>
<tr>
<td>NTV Hungary Commercial limited liability Company</td>
<td>100</td>
<td>Gazprom-Media/Gazprombank</td>
<td></td>
<td>media, finance</td>
<td></td>
</tr>
<tr>
<td>Emfesz</td>
<td>100</td>
<td>RosGas AG</td>
<td></td>
<td></td>
<td>gas distribution</td>
</tr>
<tr>
<td>Poland</td>
<td>EuRoPol Gaz</td>
<td>48</td>
<td>PGNiG (48), Gas Trading (4)</td>
<td></td>
<td>transport, gas pipeline operator</td>
</tr>
<tr>
<td>Gas-Trading</td>
<td>16</td>
<td>Gazprom Export</td>
<td>PGNiG (43.4), Bartimex (36.1), Węglokoks (2.3), Wintershall (2.3)</td>
<td></td>
<td>trade and transport</td>
</tr>
</tbody>
</table>

Source: (Łoskot-Strachota and Pełczyńska-Nałęcz 2008: 30-31).3
3.3 Privatization of Gas Sector 1999-2005

As the first Dzurinda’s reformist government significantly moved forward in 1999, when Economy Minister Ľudovít Černák announced that the gas sector would continue to stay under state control and excluded the possibility to privatise the SPP. The Slovak public actively stepped into this debate over privatization, when the murder of Ján Ducký, a former Economy Minister under the Mečiar government and Head of SPP from April 1997 to November 1998 happened. Černák opened a case against Ducký for corruption in SPP. The Slovak media also brought information about Ducký’s close relations with Russia, as he was a signator of the SlovRusGas deal in 1997 (SME 1999). The Slovak gas business during the 1990s turned out to be enriched and lucrative. Slovakia as a main transit country in the Visegrad region provided its territory for revenues of Russian gas flowing through the five big lines of the Brotherhood system, with an annual capacity of 90 bcm/y accounting for 600 million dollars annually, which in the case of Slovakia was a key element of state revenue (Daborowski et al. 2015: 8). Moreover, in 2000, SlovRusGas supplied an additional 370 mmcm to the Slovak market overhanging the SPP contracted volumes. Despite these facts, by January 2005 the company was in liquidation, but in its review of the Slovak national energy sector that year, Slovakia had received 1.9 bcm of Central Asian gas from Turkmenistan via Russia in 2004, delivered to SlovRusGas by Eural Trans Gas (IEA 2005).

Finally, in 2000, the Dzurinda government decided to launch the partial-privatisation process of SPP, which would leave the majority (51 per cent) in state ownership (Cigáňová 2007: 50). The privatization of SPP was considered to be the largest privatization project in Slovakia. According to the original plan, SPP was planned to be transformed into a joint-stock company by the end of 2000. At the end of 2000, Credit Suisse First Boston (CSFB) company was selected as the SPP privatization consultant. It was originally thought that this part of the stake would also be sold on the capital market, but the privatization adviser recommended that the government sell the entire 49 per cent stake to a strategic investor. The submission of bids was scheduled for the end of February 2002. Despite expectations of seven bids, only one bid was received from the Gaz de France, Ruhrgas and Gazprom consortium. The consortium offered 2.7
billion dollars for the 49 per cent package, which was less than the estimated price by analysts before privatization (3 to 5 billion dollars). This created a wave of dissatisfaction on the part of the political spectrum. The evaluation committee concluded, that the privatization of the SPP was an important decision because it eliminated political pressures and the possibility of corruption, which reduced the negative effects on the SPP (Cigáňová 2007: 56). In November 2001, after the visit paid to Slovak President Rudolf Schuster to Vladimir Putin, Gazprom officially showed its interest to join the bidding process (Orbán 2008: 188). The Slovak government supported Gazprom’s interest to buy a 49 per cent stake in SPP, however, the big public protest made the government not sell the stake in SPP to the Russian side. Gazprom would keep the option of taking on a 16.3 per cent stake within two years but, by February 2004, Gazprom had still not taken on its reserved stake, and the two parties agreed to postpone the deadline until December 2005 (Orbán 2008: 92)

However, in June 2005, when the North European Gas Pipeline project started to gain popularity among many countries, which turned out as the first two strings of the Nord Stream 1 pipeline network, Gazprom informed, that it would not be able to purchase its reserved SPP stake (Pitt 2005). Under Dzurinda’s second administration between 2002-2006 (Table 3.4), a coalition of the SDKÚ party, the conservative KDH, the liberal Alliance of the New Citizens (ANO) and the minority interests group Party of the Hungarian Community (SMK), Slovakia’s launched its will to become a member of NATO and EU in March and May 2004. Surprisingly, there has been only a little resistance from Russia regarding these events. The 2002 elections clearly showed the end of the Mečiar era. The support for the HZDS party fell below 20 per cent, and also the HZDS’s key ally in the 1994-1998 government, SNS, failed to reach 5 per cent and get to parliament. Moreover, two new parties, SMER-SD and ANO, successfully appeared in the political spectrum, advertising themselves as a new opposition option. The elections also started a clear change in discussions in Slovakia about EU accession. In the middle of 2002, a debate on whether the EU is ready to accept Slovakia was launched (Haughton 2003).
3.4 Gas Disputes and Slovak Energy 2006-2009

The 2006 gas supply crisis affected Slovak supplies moderately. On 2 January, deliveries decreased by 30 per cent (CNN 2006), which country covered by its storage resources. Two days later, the agreement between Moscow and Kyiv was established and the gas flows returned to the original stage. Slovak fears over the impact of the crisis on bilateral relations and the gas deficit faded. That year, Robert Fico’s left-wing Direction-Social Democracy party (SMER-SD) won the elections and took office together with the former ruling parties from the other side of the electoral spectrum, ĽS-HZDS and SNS (Table 3.5). The victory of SMER-SD a leftist party with a strong programme raising the state budget on welfare spending and reforming progressive taxation indicated the importance of social and economic topics in Slovak politics and in the electoral campaign. During this period SMER-SD had control over the Ministry of Economy, and as such also had overall control of the state’s 51 per cent stake in SPP. Meanwhile, SPP and Gazprom ended two-year-long negotiations on a long-term contract that would replace the deal from 1998. In 2009, a further 20-year contract had been signed by both sides. The deal would provide 1 trillion bcm of gas to SPP over the 20 years until 2028 (Łoskot-Strachota 2009: 29).

The second gas crisis happened in January 2009, when for a two-week period the Russian supplies to Slovakia through Ukraine were cut off completely leading to a significant deficit in the Slovak national energy supply. Between 7 and 20 January, gas supplies were completely closed, leaving Slovakia without its contracted supplies from the East (Reuters 2009b). SPP announced, “an emergency state” on 6 January (Reuters 2009b). Consequences forced 18 countries to stop their usage or to lower economic activities during the crisis (Reuters 2009c). The Czech company RWE Transgas provided gas to Slovakia from its storage at Láb, which the Czech Republic in normal situations used as reserved for its Northern territories (Reuters 2009d). VNG also provided its gas reserves to Slovak gas storage facilities (Schroeter 2009). Meanwhile, the negotiations between the EU, Russia and Ukraine continued, and the Slovak PM Fico came up with a proposal to both countries of the conflict, which was immediately rejected by Kyiv. Based on Fico’s solution, a Russian gas supply
would arrive in Eastern Ukraine and Naftogaz would have subsequently sent the same volume from its storage reserves in the West of the country to Slovakia. This solution would avoid the usage of the main transit pipelines. Paradoxically, the rejection of Fico’s plan by Ukrainians forced Slovakia for the first time to search for supplies of gas from the West. On 16 January, Fico announced that Czech company RWE Transgas through the Lanžhot border transfer station would provide Slovakia with 20 mmcm/d of gas (FC o peniazoch 2009). Also, Slovakia signed emergency short-term contracts with E.On Ruhrgas, GDF Suez and RWE Transgas opened flows of Russian gas through the Yamal pipeline flowing back through Germany and into the Czech Republic with an amount of 6.3 mmcm/d of gas and helping Slovakia to reach its usual demand of 15.5 mmcm/d (SPP 2009a).

On 18 January, Slovakia received its first supplies of German gas, just a few hours before flows from Russia through Ukraine reopened and the new contracts with the Western suppliers came into force. Although the usual service of networks had restarted to properly function, the Slovak diversification plans continued. Already, in February 2009, SPP announced, that agreed on emergency supply arrangements with two German suppliers, VNG and E.On Ruhrgas (SPP 2009b). By June 2009, SPP had informed that it was in active negotiations with VNG, E.On Ruhrgas and GDF Suez over long-term contracts as well. Shortly after, the company signed a 10-year contract with E.On importing 350 mmcm/y into Slovakia, starting on 1 July that year. SPP confirmed that Gazprom would continue to be Slovakia’s primary gas supplier, but new suppliers would guarantee stable supplies in situations when another disruption to gas supplies from the East would happen (TREND 2009). Following this event, in August 2009, SPP continued to sign a contingency contract with VNG that obligated the German company to deliver 30 mmcm of gas in case of further supply disruption (TREND 2009). Also, in October 2009, a GDF Suez long-term contract was signed with SPP about the deliveries of 500 mmcm/y for five years (TREND 2009). With all these contracts, Slovakia, in case of another disruption of supply from Russia, would be able to count around 1.38 bcm/y of alternative gas coming through Western pipelines. Moreover, by the end of the year 2009, Slovak leaders made significant steps to establish the
new Energy Act that would obligate storage operators to maintain 30 days of supply (URSO 2009). However, SPP raised its objections to this project, arguing, that such radical steps of the government, would worsen the commercial relationship and trust the company had built up with all suppliers during the disruption of flows (SPP 2009c).

3.5 Nationalization of SPP and Diversification of Gas 2010-2015

As a reaction to the expensive results of the disruption of supply in January 2009, SPP submitted a case at the International Court of Arbitration of the International Chamber of Commerce in Paris in December 2009, with the target to reimburse some of the losses (SME 2010). The main request from SPP was to refund 300 mmcm of non-delivered gas from its contract (SME 2010). Soon after, SPP informed, that it had revoked the case, and managed to agree with Gazprom to reduce the amount of gas stated in the 2008 long-term contract (SME 2010). Because, due to the consumption decrement during the financial crisis (Chart 3.1), SPP is required to shorten its annual import. Meanwhile, the construction of reversing the flow of gas back into Slovakia from the Baumgarten storage and trading hub in Austria was finalized in October 2010 (OSW 2010). That time, Mikuláš Dzurinda, former PM and Minister of Foreign Affairs under the SDKÚ-DS-led coalition of smaller parties was reelected in 2010 under PM Iveta Radičová, who took office in July 2010. The successful establishment of this reversing pipeline gave Slovakia the possibility to connect with the planned Nabucco pipeline project that, would have transferred Caspian gas to Austria via Hungary, Romania, Bulgaria and Turkey. On one hand, the Nabucco project was based on the hope of bringing Caspian gas to the European market, on the other hand, to get access to not-very well-explored gas fields in Turkmenistan and bring 23 bcm of gas into the EU market (Kuzemko et al 2016). Half of it is supposed to reach Austria. However, this amount would not meet 5 per cent of the total demand in the EU, but in reality, the pipeline was never built, and to project was cancelled in 2013 from the Azeri side (Weiss 2013).
On 12 June 2010 the seventh parliamentary elections of the post-Communist era happened in Slovakia (Table 3.7). As a result, the return of the centre-right parties into government happened as the public reaction to corruption and the poor performance of the previous government. SMER-SD won the elections but failed to create a government. Mečiar’s ĽS-HZDS dropped below 5 per cent meanwhile, SNS gained only slightly above the 5 per cent threshold. The coalition was finally created of four opposition parties headed by Iveta Radičová (SDKÚ-DS) including the Christian Democratic Movement (KDH) and two new parties, the liberal Freedom and Solidarity (SaS), and a newly formed Slovak-Hungarian Most-Híd party. These parties shared pro-market orientations and relatively moderate views on inter-ethnic cooperation between Slovaks and Hungarians, they managed to agree on a coalition even before they would receive the formal presidential invitation to start negotiations.
Table 3.7 The Slovak Parliament in June 2010

<table>
<thead>
<tr>
<th>Party</th>
<th>Seats</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direction - Social Democracy (SMER-SD)</td>
<td>62</td>
<td>34.8</td>
</tr>
<tr>
<td>Slovak Democratic and Christian Union - Democratic Party (SDKÚ-DS)</td>
<td>28</td>
<td>15.4</td>
</tr>
<tr>
<td>Freedom and Solidarity (SaS)</td>
<td>22</td>
<td>12.1</td>
</tr>
<tr>
<td>Christian Democratic Movement (KDH)</td>
<td>15</td>
<td>8.5</td>
</tr>
<tr>
<td>Most-Híd</td>
<td>14</td>
<td>8.1</td>
</tr>
<tr>
<td>Slovak National Party (SNS)</td>
<td>9</td>
<td>5.1</td>
</tr>
</tbody>
</table>

Source: Own study based on (Deegan-Krause and Haughton 2012).

Also, worth mentioning is the work of the EC, which put constant efforts into bringing Gazprom’s business activities in the Visegrad region under its control and by the year 2011 completely managed to do so. In connection with it, in September 2011, the EC started the control in SPP, intending to collect information for starting an investigation against Gazprom’s anti-competitive practices in the Visegrad region, which was launched in September 2012. “The Commission has concerns that Gazprom may be abusing its dominant market position in upstream gas supply markets in Central and Eastern European member states, in breach of Article 102 of the Treaty on the Functioning of the European Union” (EC 2012). Meanwhile, Nord Stream 1 started to function earlier in November 2010, authorizing Gazprom to change supplies to Germany avoiding the Slovak corridor and violating the valid agreement with Slovakia until 2028 (Łoskot-Strachota 2009: 29).

In 2012, Radičová’s government fell out, after the parliamentary vote of confidence, due to an intra-coalition disagreement over the European Financial Stability Facility (EFSF), which was strongly opposed by the SaS party. Radičová’s government managed many changes during their short time in office, it passed several significant legislative changes, including the requirement that all contracts involving public funds be published on the internet, also created a new system for the selection of judges, made changes to the Press Act, and amendments to the Labor Code to make it easier to hire and fire employees. Also, the quality of democracy improved under Radičová’s
government, the government used the active help of civil society actors, organizations and the media.

In early elections, SMER-SD won the elections with 44.4 per cent (Table 3.8). The party led by Robert Fico reached the best result in terms of vote share for any party in Slovakia since 1989 and it was able to achieve a majority of 83 out of 150 seats in parliament (Spáč 2013). The power of SMER-SD was also visible in geographical terms. While previously the party had been less popular in the big cities including Bratislava, and regions with a larger proportion of ethnic Hungarians, in 2012 the party gained votes more evenly across the country. The decline of the centre-right parties, especially SDKÚ-DS became obvious in these elections. Mikuláš Dzurinda’s party was heavily affected by the Gorilla affair. Also, a new party OĽaNO entered the parliament with more than 8.5 per cent and became third after SMER-SD and KDH. The party gained popularity by trying to reveal financial scandals (Spáč 2013).

Table 3.8 The Slovak Parliament in March 2012

<table>
<thead>
<tr>
<th>Party</th>
<th>Seats</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direction - Social Democracy (SMER-SD)</td>
<td>83</td>
<td>44.4</td>
</tr>
<tr>
<td>Christian Democratic Movement (KDH)</td>
<td>16</td>
<td>8.8</td>
</tr>
<tr>
<td>Ordinary People and Independent Personalities (OĽaNO)</td>
<td>16</td>
<td>8.5</td>
</tr>
<tr>
<td>Most-Híd</td>
<td>13</td>
<td>6.9</td>
</tr>
<tr>
<td>Slovak Democratic and Christian Union - Democratic Party (SDKÚ-DS)</td>
<td>11</td>
<td>6.1</td>
</tr>
<tr>
<td>Freedom and Solidarity (SaS)</td>
<td>11</td>
<td>5.8</td>
</tr>
</tbody>
</table>

Source: Own study based on (Spáč 2013).

As a leader of the strongest party, Robert Fico returned to the PM position and announced a new focus on state involvement in the energy sector. Applications for retail price hikes for consumers had caused an earlier disagreement between Fico and SPP’s foreign owners GDF Suez and E.On Ruhrgas, during Fico’s earlier term as PM. Back then, Slovakia’s Regulatory Office for Networks Industries (URSO) stopped efforts for retail price rises.
from SPP in 2008 (Krajanová 2008). Fico’s aspiration to bring SPP back under state control generated conflict within the SMER-SD’s second term in office. Meanwhile, GDF Suez and E.On Ruhrgas tried to stand the heavy political pressure to maintain already regulated retail prices low. Finally, they sold their stakes to Czech power company Energetický a Průmyslový Holding (EPH) in January 2013 (EPH Annual Report 2013). Shortly after, EPH retired full control over SPP to the state, SPP finalized a deal with Gazprom in March 2014 that involved an amendment of the buying price and contract terms, to be able to more effectively react to current trends in the market price of gas (SPP 2014). In May 2013, Slovakia raised its network tariffs at the Lanžhot and Baumgarten gates ordered by URSO. Such novelty made a more expansive and difficult entry process for the wholesale supply market.

The Euromaidan protests at the beginning of 2014 and Russia’s annexation of Crimea brought again uncertainty to the gas supplies into Europe. On 16 August, Eustream opened a new reverse pipeline redirecting gas out of Veľké Kapušany and back through a renovated pipeline that before functioned close to the power station at Uzhgorod-Vojany. In the beginning, the pipeline was planned to export back into Ukraine at 10 bcm/y of gas (Radio Free Europe 2014). Soon after, the Vojany pipeline started to operate, SPP was informed about a cut in Gazprom deliveries. In Slovakia, an emergency government meeting was called to find solutions to the disruption. After, PM Fico informed about a new five-year contract between SPP and E.On that would deliver 2 mmcm/d. That deal was supposed to substitute the agreement signed after the gas crisis in 2009. Moreover, SPP also bought emergency gas from Austria, to prevent any potential disruption at the end of 2014 (Úrad vlády SR 2014). In October 2014, Slovakia’s Economy Minister Pavol Pavlis paid a visit to Russia, where he met with Russian Energy Minister Alexander Novak, and the agenda of the visit was the long disruption of supply (Russia Beyond 2014).

In October, SPP announced, that it is trying to find ways to shorten the number of its long-term contracts regarding imports from Russia. Following, Eustream presented a new pipeline project named Eastring that would link up Gazprom’s pipelines in Veľké Kapušany and the Brotherhood pipeline. According to Eustream, the new pipeline would be 570 km long and would
permit European importers to use Ukraine’s storage facilities around Uzhgorod, with a capacity of more than 80 bcm (Reuters 2014). Former Czech PM Mirek Topolánek, an experienced politician in the gas sector, was appointed to execute the lobbying process of the project on behalf of Eustream (Gotev 2015b). In April 2015, in the same case as the Czech Republic, Statement of Objections against Gazprom under the case launched in 2012 following the control, the EC stated that the Russian supplier was preventing competition in the gas supply markets in Slovakia. Gazprom repealed the charges.

For the period 2014-2015, Slovakia took over the presidency of the Visegrad group. In the energy area, four topics Slovakia planned to achieve. First, the completion of the EU internal energy market - the Visegrad Four contribution. The Visegrad countries launched cooperation within the Visegrad Four Forum for Gas Market Integration. Implementation of projects of common interest (PCI) in the gas, oil transport and electricity sectors and improvement in the North-South energy corridors they planned to reach. Second, a framework for EU climate and energy policy after 2020. Development of cost-effective technology-neutral solutions based on national conditions. Third, energy security and enhancing the regional dimension of gas supply security. In this area, the Slovak presidency planned to effectively arrange the debates on measures proposed in the European Energy Security Strategy Communication, announced by the Commission in June 2014, to reduce Europe’s energy dependency. “In relation to enhancing the regional dimension of the security of gas supplies, the Slovak presidency planned to focus on elaborating draft common preventive action plans and emergency plans at the regional level in line with Council Regulation No. 994/2010 concerning measures to safeguard the security of gas supplies.” And finally, cooperation in nuclear energy (Šalamonová 2014: 39-40). As a result, the Slovak presidency wrote a joint risk assessment in preparation for joint regional preventive or emergency plans to increase regional security of supply. Furthermore, the presidency prepared the implementation of the common interest gas projects and cooperation in implementing the European network. Also, Visegrad countries agreed to contribute 4.6 million from the Connecting Europe facility financial mechanism.
for the Slovak-Polish gas interconnection, as part of the North-South corridor (Šalamonová 2014: 55).

3.6 The EU’s Role in the Slovak Natural Gas Sector

In 2015, natural gas represented 24 per cent of Slovakia’s total primary energy supply (Szalai 2016: 49). Gazprom supplied 3.8 bcm of natural gas to Slovakia in 2015 (Szalai 2016: 50). After European Energy Strategy was published in May 2014, Slovak government also approved a new State Energy Policy, in which the “maximizing the utilization of the pipeline network through Slovakia” was a key goal (Energy Policy of SR 2014). The year 2015, was the latest year when Eustream recorded a year-on-year increase of 9.3 bcm. In that year, the amount of gas transit grew to 55.8 bcm, which was assumed an achievement (Eustream 2015). Following that, in 2016, Slovakia tried to build its transit ways and influence the development of transit routes and alternative sources outside its borders. The gas interconnection with Hungary was launched in 2015, offering a capacity of 5 bcm/y with a length of 111 km (Euractiv 2014). However, already in the middle of 2016, the Slovak media informed that the pipeline’s use was low, and was even empty for some months. Eustream continuously informed that the interconnection will be in use more when the construction of the Slovak-Polish pipeline will be finished. This pipeline was planned with a capacity of up to 5 bcm/y to be finished in 2017 as part of an eventually proposed pipeline stretching from Northern Poland to Croatia. This would access supply both from Poland’s new LNG terminal on the Baltic and the planned LNG terminal on Croatia’s island of Krk (Euractiv 2014). Eustream declared that the infrastructure will provide access to future new supplies to Slovakia, as well as to Hungary and Poland. The first Poland LNG import terminal was opened in December 2015 and delivered Qatari gas to Swinoujście. Visegrad countries’ gas sources could be further diversified by raising LNG exports from the U.S. Slovakia was supposed to profit more from the LNG supplies when Eustream launched the interconnection with Poland.

Meanwhile, as already mentioned, the main project of Eurstream named Eastering progressed slowly. The new North-South pipeline was mainly
constructed of interconnections and was supposed to increase the utility and the value of the Slovak transit system. Starting at the Ukrainian border to the Turkish it was planned to bring 12 bcm/y of gas in the first phase of implementation to the Eastern Balkans. The second phase, is planned to transport another 20 bcm/y of gas to the Visegrad region (Badida 2014: 9). The first phase was launched in December 2022, and the second phase is planned to be finished by the end of 2026. In 2016, Eustream signed a Memorandum of Understanding with the company Bulgartransgaz, as well as with the Bulgarian government. Romania is not yet taking part in the project. However, the Eastring project has strong concurrence with other pipeline projects, including Turkish Stream and Brua. In the second phase, the Eastring project could bring Caspian gas to Europe, and its integral European part, the Trans Adriatic Pipeline (TAP), is ready and has already functioned since 2020, with its 10 bcm/y capacity (Reuters 2022).

The already well-functioning Slovak interconnection is gas transit to Ukraine. The Vojany-Uzhgorod interconnection was opened in 2014, and its current capacity is 14.6 bcm/y. In 2016, the pipeline covered Ukraine’s imports with an amount of 22.2 bcm/y (Roberts 2016: 25). In that way, Ukraine diversified its gas imports and avoided direct supplies from Russia.

The Nord Stream 1 pipeline, which directly connects Russia with Germany through the Baltic Sea was officially launched in 2012. Approximately from 2015, there has been announced the new similar project Nord Stream 2, planned to double the capacity of the initial pipeline to 110 bcm/y. The project was planned to be finished by 2019, this was the year when Gazprom’s contract with the Ukrainian transmission system operator expired. Gazprom confirmed, that the Nord Stream 2 project was meant to replace gas transit via Ukraine and in that way in Slovakia too. At that time, Slovak PM Robert Fico called this project between Russia’s Gazprom and its European partners a “betrayal” that would cost Ukraine and Slovakia a billion euros in transit fees. He said: “They have betrayed an EU member state - Slovakia - and are going against political discussions with Ukraine at the European Council” (Jancarikova 2015).
In the second half of 2016, Slovakia held the EU Presidency for the first time. Energy and climate topics were one of Slovakia’s four priority areas in the Presidency program (EC 2016a). Slovakia’s results at the end of the Presidency term were mixed. EU concluded, that the country was strong on external policy but weak on internal policy. In energy policy, the Slovak Presidency managed to stabilise a compromise on the revised Regulation on the Security of Supplies. The new action shifted crisis systems from national to regional levels. The Presidency also achieved consensus with the Parliament on the new decision on Energy Inter-Governmental Agreements. The final version allows the Commission to veto agreements contrary to European law. Despite Slovak’s ambitions in energy policy, the country did not succeed in energy efficiency. The winter energy package was announced by the EC in late November 2016 (Brown 2016). Slovakia was able to organise only two Ministerial exchanges on the biggest legislative reorganization since its EU membership.

3.7 Summary

Slovak relations with Russia play an important role in the country’s foreign policy. The country made notable development, compared to the first years of Slovak independence. The overestimated expectation that Slovakia would completely change towards Russian foreign policy discourse, was replaced in 1998 by changing direction towards integration with the EU and NATO institutions. Despite this fact, the presence of several politicians, mostly from national-conservative and centre-left parties propagated the ideas of Russia as a big brother of Slovakia. However, the Slovak public reacts sensitively to any topic related to Russia, and Slovak-Russian relations continue to divide the country, but not to the extent that it was during Mečiar’s government between 1994-1998. Although Slovakia does not share a direct border with Russia’s core territory and has one tier of countries between self and core Russian territory, the territorial scope of Slovakia’s foreign policy has been changed as well. A Russo-centrist perception of the post-Soviet space with only small attention to neighbouring Ukraine, which was characteristic of the Mečiar governments, has been changed by a more distinguished approach,
which proves the first hypothesis. Also, the presence of threat in Slovakia is one of the factors linking the domestic interests of Russia and explaining the shift in energy policy choices. Low public perception of Russia as a threat easier further relations between the ruling Slovak officials and their Russian counterparts, some of whom moved into the business sector. Since Russia, which has shaped Slovakia’s energy dependence and energy security the most, has not been widely seen as a threat to the country, Slovak officials could not use this additional push to prioritize security in the gas sector as was the case in the Czech Republic. In the period after the independence of Slovakia, the energy policy was mostly influenced by Mečiar’s government, which took on privatization and the political-business networks that he created. During Dzurinda’s government, challenges were mostly focused on NATO and EU accession requirements and the country was challenged by other priorities than increasing energy security. Dzurinda’s government needed money to realize the financial reforms. An additional reason for the low threat perception in Slovakia was the fact that the country had been an important transit corridor for Russian gas. This provided some stability and comfort for Slovak leaders. Whenever developments could increase the country’s energy security, the Slovak government did not take an active role in changing the situation. For example, this was visible when discussions on the Southern European Corridor happened, Slovakia was passive rather than trying to lead developments as the Czech Republic, Poland and partly even Hungary did. This can be explained as a lack of vision and strategic planning.

Slovakia’s policy in the natural gas sector, after its separation in 1993, was characterised by a passive approach, mainly due to the already existing supply contracted during the Soviet era, which provided enough gas to fulfil demand. Its political leaders (Mečiar, Moravčík, Dzurinda) did not consider supply diversification as a policy priority, as the second hypothesis assumes. During the 1990s the gas volume fluctuations were rather stable, and the country did not rush to negotiate a new long-term contract until 1998. The period of “Mečiarizm” can be defined as friendly to Russian interests. Moreover, Slovakia played the role of trustful bilateral partner and trading intermediary,
through which territory Gazprom could transfer gas to Austria and Germany, this made it one of Russia’s main regional allies in the 1990s.

Meanwhile, Slovakia speed up its negotiations on new contracts with Western suppliers, and already in 2010, could find alternative supplies of natural gas, accounting for up to 1.38 bcm/y of from GDF Suez, E.On and VNG. The serious debate, about Slovak dependence on Russian gas and the solutions to reduce it, started in 2009. Despite, an arbitration case being dropped in 2010 that endeavoured compensation for the earlier cut-off supply, SPP continued to negotiate with Gazprom on better prices and conditions of import. The cut-off supply in 2014, even more, demonstrated the serious approach Slovakia took to its energy security policy. Worth mentioning is the country’s victory regarding the main gas supply company SPP, which has been for 12 years since 2002 partially privatised. The Fico’s government managed to renew the contract with E.On Global Commodities and SPP became again commodities owned by the state. The Energy Act also provided the government with direct control over gas supplies in case another crisis evolved. In 2011, Slovakia’s import costs from Gazprom fell under the European average as the temporary discount covered under the contract with Gazprom that occurred with the closure of the compensation case entered into force.

The third hypothesis assumes that ruling elites with closer relations to Russia are less likely to diversify their energy sector, as this in all four Visegrad countries means promoting policies that go against Russia and Russia’s elites’ interests. The ruling elites in power, mainly in the first period of Slovak independence, were influenced by the former elites from the Communist era. Given that the former Communist-era elites successfully transited into the new politics of Slovakia and influenced the newly available opportunities, this has formed Slovak policymaking, as well as the business environment during the 1990s. Former elites credibly captured the state and controlled important strategic sectors including the gas sector. In Slovakia, the governments closer to the right, such as those under Mečiar, Dzurinda, or Moravčík, would favour new contracts with less dominant suppliers, while governments closer to the left, such as the Fico SMER-SD administrations of 2006 to 2010 and from 2012 to 2020 would incline to favour cooperation with dominant suppliers of natural
gas, such as Gazprom. Moreover, governments closer to the left political spectrum are driven to maintain a downward force on retail prices for consumers and in turn make price a strategic priority in long-term contracts. Also, in the negotiation process for the long-term, state-owned companies under governments closer to the left are inclined to choose short-term price discounts than the long-term systematic change that governments closer to the right political spectrum target.

In the case of Slovakia, governments closer to the right demonstrated interest in increased and sustained dependence on the already dominant supplier. There is no evidence, that any long-term contract would be agreed upon with a non-Russian supplier until the 2009 gas supply crisis. This evidence contradicts the third hypothesis. An alternative explanation of why state response is so different in Slovakia could be explained by above mentioned political elites in the 1990s and its connections to former Soviet elites, for example, the Mečiar governments, that moved closer to Russia. Another reason could be Slovakia’s relatively late accession to NATO, which could reduce security pressures on Slovakia at the time.

By the end of 2009, the SPP submitted the compensation claim in the Paris court against Gazprom under Fico’s administration, it was the Radičová centre-right coalition that was in office when SPP withdrew the claim and launched a re-negotiation with Gazprom on volumes and discount. It was also Radičová’s government when SdPP agreed to a 10 per cent price discount with Gazprom. On the left side of the political spectrum single-party, the SMER-SD government that came back to office in 2012 established a more strict policy and re-negotiations with Gazprom. Right-wing governments kept dependence on Gazprom and new supply contracts were only signed after January 2009. Slovakia did not have any long-term contract submitted to the arbitration case made public, but its request for compensation in the case with Gazprom in Paris was solved out of court, and a price discount was also negotiated under the Radičová’s government. The only obvious evidence is the fact, that state-owned companies prefer to negotiate out of court.
The fourth hypothesis assumes, that the impact of the EU requirements in the Energy Security Strategy announced in 2014 shaped Visegrad countries to speed up the process of diversification of natural gas and enabled these countries to be less dependent on Russia. In Slovakia, the significance of the EU Energy Security Strategy and the Energy Union project was underlined by the EC’s Vice-President Maroš Šefčovič, an important member of the SMER-SD party, who said it is the “most ambitious energy project since the coal and steel community” (Teffer 2015). Slovakia supported the integration into the EU Energy Security as one of the main Slovak priorities. The 2009 gas crisis was a turning point in the Slovak energy policy, as the country began to actively support diversification projects aimed at increasing its energy security. The Slovak government has been actively engaged not only in developing pipeline projects but also in supporting EU schemes created to help member states develop new gas infrastructure. The country helped the transfer of energy security competencies to the EU.
4. Chapter: Hungary

This chapter is structured around seven smaller parts, starting with an overview of the Hungarian foreign policy. After it continues with the initial period, 1990-2002, which explains the first three post-Communist administrations, each of which was led by a different political party. It emphasises some of the key challenges of the early transition period, including the introduction of privatisation processes. It is also the period in which Russia and Hungary agreed on their first and longest energy partnership, which was the creation of Panrursgaz, a jointly owned Russian-Hungarian intermediary company with a long-term contract to manage the buying of Russian gas from Gazprom. The 2002-2010 period highlighted several new challenges for Hungary’s energy policy. The privatisation of the 1990s and liberalisation of the 2000s had attracted the interest of many external foreign investors, which did not help Hungary’s own national energy companies and decreased the influence of the state within the sector. Second, experiences of the 2006 and 2009 Russian-Ukrainian gas crises brought the challenge of having a single dominant supplier and limited alternatives for imports of natural gas. However, while problems considering a single dominant supplier were trying to be changed the significance of Russia as a “strategic partner” and energy provider was even more reinforced. The period between 2010-2015, when a clear consolidation of Hungary’s pro-Russian status concerning energy supply was made, but balanced with an attempt to ensure a “Hungary first” policy. The real challenge for the government was to find a balance between the pro-Russian and the “Hungary first” policies. The chapter also maps chronologically the development of gas contracts from the early Yamburg and Orenburg intergovernmental agreements reached during the Soviet era, through the transition period, to the commercialisation of the gas trade in the 1990s and onwards into the 2000s, up to 2015. Continuing with the observation of how Hungary managed to adjust to the EU Energy Security Strategy of 2014. Finally, the chapter concludes with a summary of the process tracing used in this case, proving the given hypotheses of this dissertation.
4.1. The Hungarian Foreign Policy and Relations with Russia

Since the political transition in Hungary, the country’s foreign policy received more public attention. Before the Hungarian accession to the EU, three priorities defined the foreign policy of the country: entering the Euro-Atlantic alliance, developing regional cooperation and building good relations with neighbours, and providing support to Hungarian communities abroad. The strategic directions of the Hungarian foreign policy were mainly defined by the program of the first democratic government. The program of this government led by József Antall (Table 4.1) which was known as “a program of national renewal” and which came to power in 1990 as the result of the first democratic elections was the program of political transition (Özsel 2011: 264). This program is well known for its radical changes in Hungarian foreign policy. The foreign policy program of the Antall government identified the widest possible participation in the European integration processes. The reason for this was the need to guarantee the foreign policy, security, and economic conditions required for the implementation of the comprehensive modernization program. The government started to build bilateral relations with European countries, with special attention to the connection with its neighbours. Also, the government put attention to ensuring human rights in the country, more specifically, minority rights.

Table 4. 1 The Hungarian Parliament in March/April 1990

<table>
<thead>
<tr>
<th>Party</th>
<th>Seats</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hungarian Democratic Forum (MDF)</td>
<td>164</td>
<td>24.7</td>
</tr>
<tr>
<td>Alliance of Free Democrats (SZDSZ)</td>
<td>92</td>
<td>21.4</td>
</tr>
<tr>
<td>Independent Smallholders’ Party (FKGP)</td>
<td>44</td>
<td>11.7</td>
</tr>
<tr>
<td>Hungarian Socialist Party (MSZP)</td>
<td>34</td>
<td>10.8</td>
</tr>
<tr>
<td>Fidesz</td>
<td>24</td>
<td>8.9</td>
</tr>
<tr>
<td>Christian Democratic People’s Party (KDNP)</td>
<td>21</td>
<td>6.4</td>
</tr>
</tbody>
</table>

Source: Own study based on (Martis et al. 1992).

The program of the MSZP-SZDSZ government (Table 4.2), which took office in 1994 led by Gyula Horn also dedicated significant attention to foreign
policy. However, this strategy was more pragmatic and represented similar foreign policy goals to the previous administration. The focus went mainly on the security of the country, providing the external resources and markets essential to the economy, promoting the development of an authentic country image, and attracting FDI to Hungary. Crucial importance was given to admittance to the EU as soon as possible and under the most favourable conditions possible. Furthermore, attention also went to the achievement of NATO membership as a strategic goal through tight cooperation with the North-Atlantic Cooperation Council in the Partnership for Peace programs, considering it will open the door to NATO membership. Meanwhile, the Horn administration tried to develop relations with Hungary’s neighbours (Kiss and Zahorán 2007). This was equally important to the stability of the region, the economic development of the country, and the expansion of the country’s market possibilities. Special attention the government paid to relations with Slovakia and Romania, expressing its willingness to conclude bilateral treaties with these countries. Plus one special neighbour had an extra place in the governmental program, and that was Yugoslavia, with which the government proclaimed to improve relations once the Yugoslav war was over.

Table 4. 2 The Hungarian Parliament in May 1994

<table>
<thead>
<tr>
<th>Party</th>
<th>Seats</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hungarian Socialist Party (MSZP)</td>
<td>209</td>
<td>32.9</td>
</tr>
<tr>
<td>Alliance of Free Democrats (SZDSZ)</td>
<td>69</td>
<td>19.7</td>
</tr>
<tr>
<td>Hungarian Democratic Forum (MDF)</td>
<td>38</td>
<td>11.7</td>
</tr>
<tr>
<td>Independent Smallholders’ Party (FKGP)</td>
<td>26</td>
<td>8.8</td>
</tr>
<tr>
<td>Christian Democratic People’s Party (KDNP)</td>
<td>22</td>
<td>7</td>
</tr>
<tr>
<td>Fidesz</td>
<td>20</td>
<td>7</td>
</tr>
</tbody>
</table>

Source: Own study based on (Fitzmaurice 1995).

The first Fidesz government led by Viktor Orbán from 1998 (Table 4.3) continued the foreign policy program, written by Antall’s administration. In 1999, Hungary obtained NATO membership, which possessed a country to the community of advanced Western democracies. However, the question of
accession to the EU was still on the table, whether Hungary will succeed in building a country capable of using the possibilities of the Union, or whether Orban’s government will allow it to be pushed to the margins of Europe. Besides the Euro-Atlantic integration, two other directions the good-neighbourly policies developed to secure regional stability, and a national policy which contains the help of ethnic Hungarians living across the border remain in the foreign policy discourse.

Table 4.3 The Hungarian Parliament in May 1998

<table>
<thead>
<tr>
<th>Party</th>
<th>Seats</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hungarian Socialist Party (MSZP)</td>
<td>134</td>
<td>32.9</td>
</tr>
<tr>
<td>Fidesz</td>
<td>148</td>
<td>29.4</td>
</tr>
<tr>
<td>Independent Smallholders’ Party (FKGP)</td>
<td>48</td>
<td>13.1</td>
</tr>
<tr>
<td>Alliance of Free Democrats (SZDSZ)</td>
<td>24</td>
<td>7.5</td>
</tr>
<tr>
<td>Hungarian Democratic Forum (MDF)</td>
<td>17</td>
<td>2.8</td>
</tr>
<tr>
<td>Hungarian Justice and Life Party</td>
<td>14</td>
<td>5.4</td>
</tr>
</tbody>
</table>

Source: Own study based on (Lomax 1999).

With membership in NATO and the EU secured, the institutional frameworks were set up for Hungarian foreign policy. One significant event in Hungarian politics was the defeat of Viktor Orbán and his Fidesz party in the 2002 elections (Table 4.4), which moved Orbán into opposition. It was extremely difficult for the new MSZP-SZDSZ coalition because Fidesz’s radical behaviour in opposition gave no scope for cooperation or understanding in matters of foreign policy. The continued disintegration of the consensus on foreign policy strategy was a significant and negative development which harmed international relations. Disagreement during the second half of the 2000s, when important events challenged Hungary, for example, the acceleration of European integration, management of the global economic and financial crisis, or the aggressive ambitions manifested by Russian foreign policy.

PM Péter Medgyessy’s government between 2002-2004 successfully integrated several important modifications into the first Fidesz administration’s “Status Law” regulating the institutional relationship between the Hungarian
state and Hungarian minorities to make it acceptable by EU standards. Centre-left PM Ferenc Gyurcsány governed between 2004-2006 and again between 2006-2009 (Table 4.5), in the second half of his mandate a new foreign policy document was written to bring renewed consensus on Hungarian foreign policy, however, Gyurcsány’s efforts proved useless. The new government were dedicated to improving relations with Russia from the beginning. For example, in their election campaign, the slogan was “gaining back the Russian markets” (Orbán 2008). Also, at that time, Hungarian PM Péter Medgyessy, during his visit to Moscow said “We are happy to receive Russian investors, Russian merchants, we aim at a long-term cooperation” (Orbán 2008). In September 2003, Russian PM Mikhail Kasyanov paid a return visit to Hungary where he communicated significant interest in the opportunities that the liberalisation of the Hungarian energy market could afford Russian business, with Gazprom, Yukos, and Lukoil companies. By 2007, Hungary under Gyurcsány’s leadership supported Russia significantly, it was visible how Gyurcsány’s administration contributed to the Russian-back South European Gas Pipeline propagation. He increasingly became more critical of the Nabucco project, opposite to many of his European partners.

Table 4. 4 The Hungarian Parliament in April 2002

<table>
<thead>
<tr>
<th>Party</th>
<th>Seats</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fidesz-Hungarian Democratic Forum (MDF)</td>
<td>188</td>
<td>41</td>
</tr>
<tr>
<td>Hungarian Socialist Party (MSZP)</td>
<td>179</td>
<td>42</td>
</tr>
<tr>
<td>Alliance of Free Democrats (SZDSZ)</td>
<td>19</td>
<td>5.5</td>
</tr>
</tbody>
</table>

Source: Own study based on (Benoit 2002).

Table 4. 5 The Hungarian Parliament in April 2006

<table>
<thead>
<tr>
<th>Party</th>
<th>Seats</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hungarian Socialist Party (MSZP)</td>
<td>190</td>
<td>43.2</td>
</tr>
<tr>
<td>Fidesz-Hungarian Civic Union (KDNP)</td>
<td>164</td>
<td>42</td>
</tr>
<tr>
<td>Alliance of Free Democrats (SZDSZ)</td>
<td>20</td>
<td>6.5</td>
</tr>
<tr>
<td>Hungarian Democratic Forum (MDF)</td>
<td>11</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: Own study based on (Korkut 2007).
After the Fidesz government took power in the country for the second time in 2010 the foreign policy changed fundamentally. Instead of focusing on the Euro-Atlantic discourse, the government led by Fidesz began the so-called “Eastern Opening” to develop relations with powers in the East (Végh 2015). “Eastern Opening” has also become an alternative to Hungarian worsening relations with the EU. Among countries included in the foreign policy priorities, cooperation with Russia was the most advanced. However, strong relations with Russia were not a priority for Viktor Orbán’s first government between 1998-2002. During the following years, Fidesz vehemently criticized Ferenc Gyurcsány’s administration for joining the construction of the South Stream gas pipeline. Fidesz’s view changed after the elections of April 2010 (Table 4.6). The paradox was that Orbán’s way how strengthening cooperation with Moscow was to join and support the South Stream project. The extent of Budapest’s participation in Gazprom’s project can be observed in the fact that in November 2014 Hungarian parliament provided an invoice which gave the construction of the pipeline the green light while avoiding the EU law. Another example was an agreement which was achieved during Viktor Orban’s visit to Moscow in January 2014 about the Russian loan, amounting to about 10 billion euros, provided to Hungary for the building of two new blocks in the nuclear plant in Paks (Than 2015).

Since the elections in 2010 (Table 4.6), when the Fidesz-KDNP coalition created the government, yearly meetings of Viktor Orbán with Vladimir Putin became a tradition. To highlight one important meeting, Putin’s visit to Hungary on 17 February 2015. During this visit, several agreements were reached: the opening of a new consulate in Kazan and conducting training for the Hungarian employees of the nuclear plant in Paks (Sadecki 2015). Also new payment terms for Gazprom’s gas supply, in favour of Hungary. During the meeting, Russian and Hungarian authorities also addressed the sanctions imposed on Russia by the EU. Viktor Orbán mentioned back then that Europe should cooperate with Russia because it is a matter of energy security for the EU. PM Orbán talked about the need for relations between Russia and the EU during his stay in Moscow in February 2016 as well. Orbán that time mentioned: “We agree that our common goal [Hungary’s and Russia’s] is strengthening of
Europe’s safety as well as normalization of relations between Russia and the EU” (Orbán 2016).

Table 4.6 The Hungarian Parliament in April 2010

<table>
<thead>
<tr>
<th>Party</th>
<th>Seats</th>
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</thead>
<tbody>
<tr>
<td>Fidesz-Hungarian Civic Union (KDNP)</td>
<td>263</td>
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<tr>
<td>Hungarian Socialist Party (MSZP)</td>
<td>59</td>
<td>19.3</td>
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<tr>
<td>Jobbik</td>
<td>47</td>
<td>16.6</td>
</tr>
<tr>
<td>Politics Can Be Different (LMP)</td>
<td>16</td>
<td>7.4</td>
</tr>
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</table>

Source: Own study based on (Batory 2010).

Table 4.7 The Hungarian Parliament in April 2014

<table>
<thead>
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<th>Seats</th>
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</thead>
<tbody>
<tr>
<td>Fidesz-Hungarian Civic Union (KDNP)</td>
<td>133</td>
<td>67</td>
</tr>
<tr>
<td>MSZP/Unity</td>
<td>38</td>
<td>19</td>
</tr>
<tr>
<td>Jobbik</td>
<td>23</td>
<td>12</td>
</tr>
<tr>
<td>Politics Can Be Different (LMP)</td>
<td>5</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Own study based on (Ilonszki 2016).

Table 4.8 The Hungarian Parliament in April 2018

<table>
<thead>
<tr>
<th>Party</th>
<th>Seats</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fidesz-Hungarian Civic Union (KDNP)</td>
<td>133</td>
<td>49.2</td>
</tr>
<tr>
<td>Jobbik-Movement for a Better Hungary</td>
<td>26</td>
<td>19</td>
</tr>
<tr>
<td>Hungarian Socialist Party-Dialogue for Hungary (MSZP-Dialogue)</td>
<td>20</td>
<td>11.9</td>
</tr>
<tr>
<td>Democratic Coalition (DK)</td>
<td>9</td>
<td>5.3</td>
</tr>
<tr>
<td>Politics Can Be Different (LMP)</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>Together</td>
<td>1</td>
<td>0.6</td>
</tr>
</tbody>
</table>

Source: Own study based on (Róna and Enyedi 2021).

The next visit of two leaders happened in February 2017 together with the Ministers of Industry and Trade, the Ministers of Foreign Affairs, of Health as well as the Deputy Ministers of National Security (Euronews 2017). As a
result of the meeting, the Hungarian PM again criticized the sanctions imposed on Russia. He also emphasized that keeping good economic and political relations with the Eastern partner will pay dividends and will facilitate the functioning of the Hungarian market. Orbán did not criticize Russia for its attack on Ukraine and annexation of Crimea and during the meeting only called for taking care of the Minsk agreements. From the beginning of the war in Donbas, Hungary had carefully spoken about it and openly criticized the EU sanctions imposed on Russia. However, at the European level, Hungarian leaders always voted for maintaining them, and in 2014 under the EU’s pressure, Hungary started to reverse connectors, which delivered natural gas from Western Europe to Ukraine (Groszkowski and Sadecki 2014).

4.2. A New Way Towards the Gas Supply 1990-1997

Previously during the Communist times, Hungary covered its annual gas demand through the Soviet supply contracts arranged under the Orenburg and Yamburg agreements signed in 1974 and 1985. Under the Orenburg contract, Hungary imported 2.8 bcm/y and under the Yamburg contract 2 bcm/y (IEA 1999a: 59). First democratic elections happened in Hungary in the spring of 1990 (Table 4.1.). As a result, in May of that year, József Antall took the office as PM formatting right-wing colation with his Hungarian Democratic Forum (MDF) party, the Independent Smallholders, Agrarian Workers and Civic Party (FKGP) and the Christian Democratic People’s Party (KDNP) (Martis et al. 1992). The public expectations were high, the trust in democracy and the market economy was strong, and the new government planned to bring fast development and fast change toward Western standards. However, the transition turned out to be longer than expected. The economic policy applied a rapid transition to a market economy, the so-called shock therapy. Trade was liberalized, and the tariffs and export subsidies were reduced. The environment for companies changed fast, giving too little time to adjust to a new market. Hungary lost its East European trading contacts, while it was not competitive with the Western countries. The transition led to a deep economic crisis and one million jobs disappeared. In the middle of the 1990s, the government enforced
steps to repair macro-financial balances, including fiscal tightening, devaluation of the exchange rate and higher import duties. These tightening steps reduced economic growth further. Following the political situation in Hungary attempts to renegotiate the conditions of the Yamburg contract in Moscow in June 1990 happened but were unsuccessful, however, an agreement was extended a year later by 14.6 bcm/y of total deliveries with the possibility to extend this amount (IEA 1999a: 59). The Yamburg contract was later extended on 9 September 1991 to provide a gas supply until 31 December 2008 (IEA 1999a: 59). In 1990, the country’s consumption of natural gas amounted to 11.1 bcm/y (Chart 4.1). Here, the contradiction can be observed. On one side, the Hungarian government opposed the former Soviet regime, on the other side it leaned on the cheap Russian gas supply.

**Chart 4.1 Gas Consumption in Hungary 1990-2015 (in bcm)**

![](chart.png)

Source: Own study based on Ener Data.

Meanwhile, in negotiations with Russia regarding the Yamburg contract, Antall’s administration and MOL company were also searching to construct an interconnection with the gas network of Austria to diversify (Map 4.1). However, the important HAG pipeline to Baumgarten in Austria was not launched until 1996, but it represented the first high-capacity connection from the Visegrad region to Western Europe (Haines 2015). The 46 km pipeline was developed as a joint venture between MOL and Austria’s OMV, with a cost split
between the two parties. Following parliamentary elections in 1994 (Table 4.2), the left-wing Communist legacy party the Hungarian Socialist Party (MSZP) led the country in coalition with the Alliance of Free Democrats (SZDSZ) under PM Gyula Horn.

Map 4. 1 Interconnection Points in Hungary

Source: (Tarnawski 2015: 136).

By the end of the first year of the Horn’s government, a jointly-owned intermediary was planned to enlarge exports of Russian gas deliveries to Hungary. For that purpose Panrusgas company was created, owned by Gazprom subsidiary Gazexport with 50 per cent, MOL with 30 per cent, and the rest 20 per cent share was split between oil services company DKG-East with 15 per cent and Hungary’s state foreign trade agency Mineralimpex with 5 per cent (Table 4.7) (LaBelle 2020: 81). From 1995 Panrusgas took over the duties previously managed by Mineralimpex in the Communist era, which had bought gas and then resold it to MOL for distribution within Hungary. The deliveries of gas under the Yamburg contract became part of its duties and when in
February 1995, Hungary managed to agree on the Orenburg contract the company took the mandate of this deal as well (Orbán 2007). Officially from November 1996, Panrusgas became the main intermediary, responsible for all long-term contracts of Russian gas supplies into Hungary. Moreover, the new Panrusgas contract was planned with Gazprom’s direct supply to Hungary through the integration of the Orenburg and Yamburg intergovernmental agreements.


In July 1998, Viktor Orbán, from the Alliance of Young Democrats (Fidesz), became PM in a coalition with the old right-wing ruling parties of the early 1990s, MDF and FKGP (Table 4.3). Regarding privatisation, the new government inherited a privatisation programme that was already well established. Energy companies such as MOL were functioning the way as private sector generators of GDP. The new government had no own energy strategy and more or less continued with the priorities and regulations set out by previous administrations, where they related to integration into European markets. As György Matolcsy, Minister for Economic Affairs commented in 2001 “The main principles and strategic goals of the 1993 energy policy of Hungary are in line with our European integration aspirations, the implementation of market economy and the increasing expansion of competition. Therefore, the energy policy principles and strategy goals accepted by the Parliament in 1993 still show the direction and are valid today” (Butler 2005). With the completed privatisation of the energy sector, the government’s focus went on entrenching Hungary into the European market and preparing for EU membership. Involving private energy companies in the expansion of energy policy was taken as an important motion to maintain investors. In 1999 Orban’s administration published Energy Policy Principles and the Business Model of the Energy Sector Resolution which mentioned support for the growing more competitive energy market and gas liberalization (IEA 1999b). Planning, that the security of supply would be secured by the bigger European market.
The most characteristic feature of the first Fidesz administration was the strong anti-Russian sentiment. For example, a conflict regarding the supplies to Serbia through Hungary during the NATO bombing campaign of 1999 caused big problems and led to the revocation of a meeting between Orbán and Russia’s PM Yevgeny Primakov (Orbán 2008: 50-57). Soon after this conflict, Hungary joined NATO which widened the conflicted environment. However, while this was the case in many aspects of political and economic relations between the two countries, the energy sector was an exception. The reason could be, Hungary’s dependence on Russia as the dominant energy supplier and poor diversification from Russia. At that time, the relations between the two countries worsened.

The MSZP-SZDSZ coalition returned to office in 2002 under PM Péter Medgyessy (Table 4.4). There was no present concern about the security of the energy sector and the main focus was on continuing to implement the EU’s Third Energy Package on liberalising the gas market. However, Medgyessy’s administration opened the country to further investment from Western companies such as Germany’s E.ON, which made several deals, for example buying MOL’s shares in Panrusgas. MSZP party also targeted to improve relations with Russia, which proves the visit of Russian PM Mikhail Kasyanov to Budapest in September 2003 (Radio Free Europe 2003). During the meeting, he expressed a big interest in the opportunities that the liberalisation of the Hungarian energy market could offer Russian business, with Gazprom, Yukos, and Lukoil all expressing investment interest. In 2004 Hungary became an EU member, and it became clear, that the liberalisation of the gas sector has to be reinforced. Because of this reason, a new supply company named Emfesz was created in Hungary in 2003 that would further organize the supply of gas from Russia (BBJ 2008). Meanwhile, in 2004, PM Medgyessy resigned to avoid a no-confidence vote in parliament. However, after his resignation, he continued to serve as a Member of Parliament as a travelling ambassador and was replaced by Ferenc Gyurcsány (2004-2009), with the MSZP-SZDSZ coalition that won the parliamentary elections in 2006 (Table 4.5).

The leadership of Ferenc Gyurcsány developed a two-direction approach toward Russia, meaning sometimes open another time close.
Gyurcsány also held annual meetings between high-level officials within a formally established Russian-Hungarian Intergovernmental Commission on Economic Cooperation (IPC). Energy security became the main topic with Hungary increasingly viewing Russia as a strategic partner in new infrastructure projects, for example, the South Stream pipeline construction. Lately, during Gyurcsány’s government turnout, the Emfesz company has not paid in time for gas imports since 2005 and had to deal with court cases over its ownership and its obligations to RosUkrEnergo. The original contract contains many more mistakes. For example, RosUkrEnergo had the responsibility to supply gas but Emfesz was not obliged to nominate any quantity of gas for delivery as is usual under a long-term contract. Emfesz’s fast capture of gas market share in Hungary accelerated plans to enlarge its business into Poland and also to apply the cheaper stocks of imports to mitigate the development of a gas-fired power station on the Hungarian border with Ukraine. Therefore, Emfesz started to make plans for a new pipeline in 2007 that would have permitted to direct supply of gas in North-Western Hungary from the Bohorodchany gas storage facility in Ukraine (Szakacs 2008). However, both companies Emfesz and RosUkrEnergo planned to increase their revenue from the lucrative gas business, and the conflict between Russia and its transit partner Ukraine reinforced, which made concerns regarding the prospect of a supply disruption.

4.4. Involvement in the Nabucco Project 2005-2009

In 2002 the heads of five European energy companies (OMV, MOL, Bulgargaz, Transgas and BOTAS) organized a meeting in Vienna to discuss the development of a new pipeline project called Nabucco that would link the gas from the Caspian region and the Middle East with Europe (Erdogdu 2010: 9). The new gas pipeline would allow the EU countries to release their gas dependence on Russia, which became especially actual after the Russian-Ukrainian gas crises. The EU parliament announced that the construction of the Nabucco gas pipeline is welcomed and the EU will support the project by an investment in the financing of this project and securing loans. The total cost of the pipeline was estimated at around 7.9 billion euros and the EU would support
the project with 2 billion euros (Erdogdu 2010: 7). The European Bank of Reconstruction and Development (EBRD) has shown its readiness to support the project. This pipeline is supposed to be 3300 km long with a run from the Georgian-Turkish and Turkish-Iranian border to Austria and would be expected to transport the gas from Central Asia (Kazakhstan, Turkmenistan), Caspian Sea (Azerbaijan, Russia), Middles East (Iran, Iraq, UAE) and Egypt through Turkey, Bulgaria and Romania ending in Austria, from where the gas would be redistributed to Visegrad countries and Western Europe. The pipeline would become part of a new “fourth” corridor for external gas to reach EU markets. Bulgaria and Hungary would be key transit countries for this project (Erdogdu 2010).

The first step to reunite the Nabucco project was made at the beginning of 2009 when the Czech PM Mirek Topolánek, holding the EU presidency, triggered a meeting of all involved countries in the Nabucco project in Budapest (Euractiv 2008). The construction of this pipeline would shape the relations between the EU and would help Turkish accession to the EU. On 19 January 2009, Turkish PM Tayyip Erdogan, announced, that due to the freezing of Turkey’s EU accession negotiations, Turkey would change its position on the construction of the pipeline (Expatica 2009). In reaction to this statement, the President of the EC Jose Manuel Barroso said, that if Turkey helps Europe in its dependence on Russian supplies that will have a beneficial effect on public opinion concerning Turkey’s accession to the EU. Finally, they agreed, that Turkey will remain in the project and will not use the gas transit as a political instrument (Müftüler-Bac and Baskan 2011). Hungary played a key player in the Nabucco project, due to the country’s big storage capacity, and close distance to the Balkans and Austria.

The need for new transit and storage capacities was strengthened by Hungary’s experience of the January 2006 Russia-Ukraine gas crisis. Hungary announced a loss of up to 40 per cent of its gas import and Hungary’s stored gas was not enough to make up the difference (Stern 2006: 8). Nevertheless, supplies were quickly managed to normal through the new deal agreed between Gazprom and Naftogaz. As a response to the crisis, Hungary created the “Safety Stockpiling of Natural Gas Act (XXVI/2006)” and launched the construction of
a new underground storage facility that would provide it with an additional 1.2 bcm of storage (IEA 2006: 29). The location for this storage was chosen as the Szöreg-1 in the Algyő field (Benedek et al. 2008). Putin visited Budapest at the end of February 2006 and proposed several ideas including the possibility of building a gas storage hub in Hungary (Radio Free Europe 2006a), which was a highly attractive plan to Hungarian leaders considering its big storage capacity. However, for Gyurcsány, the main important strategic thing was to find a balance between the EU’s energy policy and commitment to projects such as Nabucco while keeping Russia onside.

During Putin’s visit to Budapest in 2006, the Russian President mentioned the development of one more pipeline system that would transport gas through South and Visegrad countries, using the Hungarian pipeline system as a “distribution hub” (Radio Free Europe 2006b). The new Hungarian gas storage facilities were part of debates during the summit. As a result of the summit, in June 2006, the head of Gazprom Alexey Miller signed an agreement with MOL head Zsolt Hernádi about the cooperation of the gas transmission and storage project in Hungary (Anderson 2008). A year later, Gazprom and Italian ENI began negotiations on the development of a transit pipeline avoiding Ukraine and flowing through Visegrad countries, making two ways, one going towards Baumgarten in Austria through Hungary and the other via Slovenia into Italy (VOA 2009). Following all these events, it is no surprise, that the new South Stream project was taken as a rival to Nabucco, but as a partnering project to Nord Stream 1. Hungary planned to benefit from increased transit fees and ensured flows as demand continued to grow in 2008. PM Gyurcsány signed the contract on South Stream with Russia on 28 February 2008 (Reuters 2009e), right before Putin left the office for four years to be the PM and Dmitry Medvedev became the new Russian President. That year, Gazprom’s market share in total gas consumption reached 61 per cent (Table 2.8.).

The second gas disruption came on the morning of 5 January 2009, FGSZ started to notice that gas flows were decreasing through the pipelines coming from Ukraine. Around 45 per cent of gas for domestic use from Russia was cut off (Table 2.9). By a day later, Russian deliveries via Austria also significantly decreased due to the reduced transit through Slovakia. A few days
later, consumption restrictions for companies in Hungary started. Households did not suffer badly, because of storage reserves and domestic production. Hungary had about 3.8 bcm of gas in storage of which 500 million were strategic safety reserves (Than and Koranyi 2009). Hungary immediately started to search for alternative suppliers. E.On agreed to supply 2.5 mmcm/y via the HAG pipeline for 10 days by incorporating the amount it could withdraw from storage sites in Hungary through subsidiary company E.ON Földgáz Storage (Than and Koranyi 2009).

During the second gas crisis, Hungary lost around 45 per cent of its gas but managed to secure Norwegian gas in addition to its alternative fuel supply through a switch to oil (EC 2009a). Hungary managed to supply some of its gas from storage to Serbia and also profited from raised German flows via Austria (Balkan Insight 2009). MOL and E.On agreed to supply gas to Bosnia and Herzegovina and Croatia through the Kiskundorozsma border transfer point with Serbia and the latter through Baumgarten for 5 days (Reuters 2009f). Normal gas flow returned to Hungary on 20 January after a two-week cut-off (EC 2009b). Although Hungary was not as critically affected as Slovakia, which was completely dependent on Russian gas, Hungarian industrial production decreased in January, mostly because of the gas crisis.

Meanwhile, Emfesz informed that launched a court case against Naftogaz, the Ukrainian transit through which RUE was buying the gas. Emfesz accused Naftogaz of failing to deliver to the Hungarian company the natural gas it owns, which was supplied by Russia through Ukraine for Hungary and was to some extent kept at the Ukrainian gas storage facilities (Reuters 2009g). Moreover, Emfesz had also informed that it had changed its gas supply agreement to RosGas, which brought many questions regarding RosGas’ ownership. Also, RUE submitted a case in the Stockholm arbitration court in 2009, accusing Emfesz of non-payment for gas delivered and claiming compensation. As a result, was found, that Emfesz was receiving gas between January and April 2009, even as the transit of gas from Russia into Ukraine was cut. The court decided against Emfesz in March 2011, with that decision upheld during an appeal in 2013. The arbitration demanded that Emfesz pay 527 million dollars to its former supplier in compensation (Reuters 2011a). Meanwhile, as
court cases and supply disruptions escalated, another crisis arose in Hungarian domestic politics, with Gyurcsány resigning as PM in March 2009 after a no-confidence vote in parliament and ending of the left-wing MSZP-SZDSZ coalition that had been in office since 2002. Gyurcsány was replaced by Gordon Bajnai, who took office until new elections were called. Just a few days, before leaving the office of the PM, Gyurcsány visited Moscow, as part of the negotiation delegation on the South Stream project. Also, in late November, when the Nabucco project escalated in response to the January crisis, the former PM was invited to a private dinner in Moscow with Putin (The Russian Government 2009).


After the parliamentary elections in April 2010, Viktor Orbán with his conservative Fidesz party won a supermajority of more than two-thirds of the seats in parliament and created a coalition with the small KDNP party that had not been in power since 1994. This remarkable win encouraged the government to reshape the Hungarian political landscape via the introduction of a new constitution, which it claimed was necessary to finish the transition that had slowed under previous socialist administrations. Concerning energy policy, Fidesz had previously been against Gyurcsány’s tight relations with Russia and Putin. Orbán was well known for his anti-Russian views, therefore, the assumption was that upon taking office the new Orbán-led government might move to cold relations with the Russians, as it was during their first period of government between 1998-2002. One of the first steps of the new government was to rebuy 21.2 per cent of MOL shares from the Russian company Surgut (Reuters 2011b). This happened in 2011, using an International Monetary Fund (IMF) loan to finance the deal. The re-nationalisation of energy companies represented the main part of the process of launching state control over main utility providers. After, in 2012, the re-nationalisation of E.On happened (Euractiv 2012a). The Fidesz government made further moves in 2013 to strengthen its position in the energy sector when MVM bought two subsidiary companies from Germany’s E.ON, including its Hungarian natural gas trade
units and storage facilities. It later also purchased E.ON’s 50 per cent share in Panrusgaz (Isaacs and Molnar 2016: 11-12). This step enabled Orbán’s government, due to its full ownership of MVM, to access the negotiations on revisions of gas contracts. Hungary also purchased other gas trading businesses including the largest Budapest gas utility Főgáz, owned by Germany’s RWE and Budapest City Council, which showed Orbán’s interest in building state ownership of the energy sector (Isaacs and Molnar 2016: 11-12).

In April 2014, Orbán’s Fidesz government was reelected with a two-thirds majority in parliament. This third election victory (Table 4.7) gave the government a further political mandate to persist on the alternative economic path set with the policies started in 2010. However, the most notable aspect to characterize the third term of Orbán’s government is the country’s reorientation towards Russia as a strategic business partner. Fidesz’s leadership showed their interest in being involved in as many projects as possible, no matter, who is their sponsor. However, the Hungarian government claimed that questions about its actions such as stopping the Ukrainian gas exports, over the funding of the Paks 2 project, or the decisions that were made to support the South Stream pipeline are economic questions, not political ones (Field 2014). Orbán constantly points out the “Hungary First” concept, so Hungarian good relations with Russia do not mean that Hungary is pro-Russian, but rather targets to be more pro-Hungarian.

Therefore, Orbán effectively stops Hungary’s engagement with the European integration process and runs the risk of being accused of being anti-European. Moreover, Orbán’s government struggles with balancing the pro-Hungarian position. Controversial is the case between the Russians and the Hungarians concerning the MET gas trading scandal. The scheme which operated between 2011 and 2015 noticed the Zurich-based intermediary company MET, purchased gas at a low price on the West European market, then via a special contract, repurchased it at the Hungarian border to MVM’s gas trading subsidiary, MVMP, which had the monopoly right to operate the Hungarian-Austrian Gas (HAG) pipeline, which connected Hungary with the Gas Hub at Baumgarten. Once MVMP purchased the gas, which would be at a cheaper price than it could buy Gazprom via an existing long-term contract
between Russia and Hungary, it transited the gas into Hungary via the HAG for free because of a special law provided to it by the Hungarian government. At this point, MVMP would re-purchase the gas back to MET at a higher cost than it paid, but this was still less than the standard wholesale gas price in Hungary. Once MET had control of the gas again it could purchase it at the same standard price that Gazprom, thus permitting it to make a profit. It would be difficult to work the scheme without the silent approval of Russia which controlled the prices of Russian gas (Hegedűs 2016: 6). By approving the cheaper price for gas which would be resold within Hungary, Russia was accepting that it would undermine its own direct sales via the long-term gas contract. Although there is no direct evidence that Orbán has been involved or profited from the scheme, it is evident that the Hungarian government knew about it and tolerated it.

In 2015, the Russian long-term contract through Panrusgas expired and Russia refused to negotiate about the price and only put on agenda debates regarding the date extension of the contract. However, during 2012 and 2013 the issue of gas supply contracts was directly connected to the two big pipeline projects - South Stream and Nabucco. At that time in opposition, Fidesz strongly opposed prioritizing the South Stream project over Nabucco. However, later when Fidesz led the country, the government gave support for the South Stream pipeline and Hungary’s shareholder in the Nabucco project - FGSZ withdrew financial support from the project (Erdogdu 2010: 22). For political reasons, the Nabucco project was cancelled. Already in April 2012, Orbán had alerted that the Nabucco project faced problems and that the Hungarian shareholder planned to leave (Simon 2012). Despite trials to shorten to the “Nabucco West” version that would start at the Bulgarian-Turkish border with a capacity of 10 bcm/y compared to the original 31 bcm/y, a lack of firm supply contracts had in effect left Nabucco’s shareholders to withdraw from the project and finish the project officially (Erdogdu 2010: 27). After, Budapest has communicated its will to support the South Stream project. The news from the summer of 2012 that Gazprom would re-direct the pipeline through Croatia to avoid slow administration in Budapest probably helped convince the final investment decision from the Hungarian shareholder MVM, in October of that year (Euractiv 2012b).
In 2012, Hungary also launched the construction of an interconnector with Slovakia, after launching cross-border interconnections with both Romania and Croatia in 2010 and 2011 as a response to the 2009 gas crisis (Map 4.1) (Dąborowski 2014). Despite Hungarian efforts to build these interconnectors in 2014, Orbán announced his openness to increasing cooperation with Russia on energy issues. In the April 2014 parliamentary elections (Table 4.7), Fidesz gained an even bigger mandate to lead the country together with the KDNP party, than in the 2010 elections (Table 4.6) and the new focus on Russia in foreign policy strengthened. Shortly after the elections, Gazprom head Alexei Miller visited Budapest intending to discuss the development of the South Stream project (Hungary Today 2014a). On 26 September FGSZ announced that reverse-flow deliveries to Ukraine, which started after the Maidain conflict had been stopped due to the demand for incoming delivery over the Beregdaróc point (Martinez et al. 2015). Moreover, Gazprom reserved a further 700 mmcm of Hungarian storage capacity, MVM informed in October (Hungary Today 2014b).

The Slovak-Hungarian Gas Interconnector (SK-HU Interconnector) is a 113 km-long gas pipeline crossing the territories of Slovakia and Hungary. Construction of the pipeline was completed in March 2014 and commercial operations were launched in July 2015 (HT 2022a). The bi-directional gas pipeline is 94 km but Slovak territory covers only 19 km. Its annual transmission capacity is around 4.5 bcm. The pipeline includes part of the larger North-South gas corridor and allows Slovakia to enter European gas projects such as the South Stream and the Adria LNG terminal (Krk LNG terminal) in Croatia (HT 2022a). It opens access to the Western-European gas networks for Hungary, energy security for Europe, and diversity in its gas supply routes. Eustream and Hungarian Gas Trans signed the joint investment deal in May 2012. The Hungarian gas transit was launched in January 2012 as an outcome of secession from the MVM OVIT National Power Line Company to implement the project. MVM Hungarian Electricity and MFB Invest own an equal share in the company (HT 2022a).

However, in December 2014, Putin announced that the South Stream project would be cancelled and replaced with the so-called Turk Stream project.
that would deliver the same 63 bcm/y of gas under the Black Sea to the Turkish-Greek border, from where European importers would need to fetch the gas (Korsunskaya 2014). As a reaction, Hungary would search for new possibilities to raise its gas supply. During a visit paid to Moscow in November by Hungarian Foreign Minister Péter Szijjártó said, that Hungary will focus now on widening import opportunities through Greece and the Balkans to be able later to take gas from Gazprom’s replacement project (Székely 2014). Putin’s visit to Budapest in February 2015 aimed to directly deal with the expiration of the long-term contract. Instead of a full re-negotiation, a different variant was presented. Under this, Hungary would no longer be charged to pay all amount of gas but would have the option of importing the unused portion of the 22 bcm total contracted amount from the 1996 contract at a later date while paying for it directly when delivered. Putin also proposed part of the contract could see Gazprom widening its use of Hungarian storage facilities (Sadecski 2015). After Putin’s visit, Orbán indicated the need to bring new gas to Hungary to secure supply after 2020. Hungary lost a lot by the cancellation of the South Stream and Nabucco pipelines and by the failure of Croatia and Romania to manage alternatives for delivering gas back along the pipelines built by Hungary. In April 2015, the EC informed in the Statement of Objections against Gazprom for alleged abuse of its dominance in the gas supply markets of several countries (EC 2015a) that Hungary was one of the countries being examined under the investigation launched in 2012 (EC 2015a).

4.6. The EU’s Role in the Hungarian Natural Gas Sector

In April 2014, Orbán’s Fidesz government was re-elected with a two-thirds majority in parliament. This third election victory (Table 4.7) gave the government a further political mandate to persist on the alternative economic path set with the policies started in 2010. However, the most notable aspect to characterize the third term of Orbán’s government is the country’s reorientation towards Russia as a strategic business partner. Hungarian gas production was falling rapidly until 2015 (Chart 4.1) (Table 2.15). Since then, however, it has risen little. Gas consumption reached 10.6 bcm in 2017 (Chart 4.1). The
Hungarian energy sector was crowded by everyday politics. Keeping utility prices low has become part of the so-called “freedom fight against Brussels” and is also, connected with several energy-related decisions, such as agreements on Russian gas imports. The Hungarian government fought against Brussels continuously. In 2016-2017, the government claimed that Brussels worked against the utility price reduction (Weiner 2020).

The level of implementation of the EU energy policy since 2014 was the worst in Poland, while Slovakia and Hungary implemented the energy policy in the natural gas sector quite well (Pach-Gurgul and Ulbrych 2019). In 2017, Hungary together with Romania and Bulgaria agreed on a deal to build an interconnector gas pipeline named Transgaz BRUA. A natural gas pipeline owned by Transgaz is expected to interconnect the gas transmission systems in Bulgaria and Hungary with those in Romania. The project is planned to connect with future gas infrastructure projects such as TAP. Romanian gas transmission system operator SNTGN Transgaz designed the project with an estimated asset of more than 479 million euros. The BRUA gas corridor is a 1.318 km long pipeline project designed to secure the integration of European gas markets and raise the routes and sources of supply (HT 2022b). The main objectives of the project include diversification of natural gas supply sources in European markets and transmission of natural gas volumes from the Caspian region to Visegrad countries. The project expects to assure a bi-directional gas flow of 1.5 bcm/y to Bulgaria and achieve a 4.4 bcm/y reverse flow of gas to Hungary. By December 2020, the interconnector was completed (HT 2022b).

Once the BRUA gas interconnector was done. The debate regarding another gas interconnection began. This time pipeline would transfer gas from Romania to Austria via Hungary (ROHUAT). Shortly after the Hungarian side had withdrawn from the ROHUAT project, two new ideas of gas interconnectors, independent from the one for ROHUAT, were proposed. The Romanian-Hungarian Interconnection Point (ROHU) and the Hungarian-Austrian Interconnection Point (HUAT). Moreover, a further project to transport gas from the Black Sea region via Hungary and Slovakia to the Baumgarten hub was considered by the development of the HUSKAT Das
Interconnection. This project resulted in no capacity allocation and in that way, the HUSKAT project was closed in May 2019 (ENTSOG 2018).

In April 2019, Hungary confirmed, that country is interested in buying a 25 per cent stake in the Croatian LNG terminal but a potential deal was stuck on negotiations and the purchase of regasification capacity (Spasojević 2019). In addition to Croatia, Hungary is searching for new supplies from other sources, including regasified LNG from Italy, which would need a pipeline to be constructed from Slovenia. The import terminals such as in Lithuania and Poland would provide Hungary with more influence in future contract negotiations with Russia. Hungary planned to rise its imports of Russian gas via a TurkStream pipeline project by the end of 2019. Hungarian leadership signed relevant agreements with Russia’s Gazprom as well as with Bulgaria and Serbia, which would transmit the gas to Hungary. The original plan includes two pipelines both with an annual capacity of 15.7 bcm (Astakhova and Sezer 2020). At the end of March 2019, the Hungarian Ministry of Foreign Affairs informed that the country plans to receive the first TurkStream gas by the second half of 2021 (Hungary Today 2020). Even if gas imports are extremely important for the country, the situation after 2020 regarding gas supplies is still quite vague. Hungary will not profit from the increased gas flows of the Nord Stream 2 pipeline as much as the Czech Republic and Slovakia. Mainly because the country is not located along any important supply network and facilitates supplies to markets that are secondary to Gazprom. However, Hungary will be affected by the second Gazprom project, TurkStream. Hungary had existing contracts with Gazprom valid until 2021 (Table 2.15), which was prolonged by signing a new 15-year gas supply deal (Radio Free Europe 2021) and getting Russian gas from Ukraine as well as from Austria from the Baumgarten Gas Hub. Moreover, in the future, Hungary may be getting natural gas from the West, and South and extra gas may come also from Romania from its Black Sea resources. Hungary will also search for other ways of developing its export capacity. For now, Hungary acts pragmatically, trying to stay open to all sources.
4.7. Summary

Hungary has experienced an interesting journey since 1990 in terms of its energy policy and security. It has turned from being a country that adopted privatisation and liberalisation during the 1990s to one that has become extremely controlling over its energy sector after 2010 Fidesz started to govern the country. The policies made in the first decade of independent Hungary secured the amount of gas that covered annual demand. At that time, MOL was pushed to sell its gas imports at regulated prices that did not guarantee adequate revenue to support investment in infrastructure and production projects. This brought serious risks to supply around the 2000s. Hungarian privatisation increased worries over Russian investment through Gazprom. The policies regarding this issue made between the early governments of Antall and Horn, and Viktor Orbán’s first term in office diversify. A similar swing can be seen during the return of the MSZP socialist party to the government in 2002 as tight political connections between Russia and Hungary developed. At the same time, several new intermediary companies were created in Hungary, with Emfesz, Centrex and RusUkrEnergo joining Panrusgas (Table 3.7).

Hungary’s engagement with Russia, as the primary energy supplier of natural gas has opened it to more significant levels of influence and this has driven some of the policy decisions that have been made, including those that challenge the EU. When checking closer the period of Gyurcsány’s premiership and that of Orbán we see that there are many similarities. During these governments, Hungary has struggled to balance its nationalist, pro-Hungarian, “Hungary First” policy with its pro-Russian voice, this supports the first hypothesis as Hungary is a country which does not share a border with Russia and as such tends to choose a less pragmatic relationship with Russia. Is also, less resistant to influence and is less actively searching for alternative suppliers. However, Hungary aimed to limit Russian influence when it was possible, mostly concerning ownership of energy companies. As such we can see that Hungary uses an “open-close” approach when dealing with Russia. We are unlikely to see a change in this approach any time soon.
Hungary is the only country in the Visegrad region that managed to avoid direct arbitration cases with Gazprom and was competent to remove policy privileges in the final re-negotiation of 2015 when the Panrusgas contract expired, which other companies were not able to do. Hungary also managed through Gazprom subsidiaries to secure a discount on import prices in 2013. Until 2020, due to the creation of intermediary companies and privatisation of MOL’s gas business, the government had secured direct control over its long-term contracts, and the agreement regarding the extension of the expiration contract was signed during a visit of Orbán and Putin in Budapest in 2015. By the end of 2020, Hungary was without the burden of a long-term contract with take-or-pay terms, and it also maintained an effective interconnection capacity (Map 4.1) to meet the demand of the country in case a crisis appears.

In that regard, the third hypothesis posits that governments closer to the left political spectrum, under the Communist heritage, for example, the MSZP party in Hungary, tend to prioritise cooperation with the already-dominant company, which supplies natural gas, such as Gazprom, in this case. Contrariwise, governments closer to the right political spectrum, such as the first Antall MDF-led coalition government and the following Fidesz’s first term in office between 1998-2002, and again from 2010, seek security-boosting diversification criteria through long-term contracts with non-dominant suppliers. Also, governments closer to the left political spectrum are encouraged to preserve a downward force on retail prices as part of their electoral agenda, and therefore prioritise lower wholesale import costs as a strategic priority in long-term contract debates by seeking ways in which to achieve the absolute best price in the short-term. Right-wing governments, seek bigger supply security and are willing to pay more for gas from sources that secure this security through diversification. Moreover, an observation that in the long-term contract re-negotiation process utilities under state ownership act differently than privately owned utilities is present.

Compared to other Visegrad countries, Hungary’s party system has been the most stable one, with a clear division between the MSZP on the left and the MDF and the Fidesz party on the right. In Hungary, there exists proof that the right-wing government in the early phase of the transition aimed to contract new
physical pipelines toward the West. Under the MDF-led coalition of Antall, it was scheduled to construct the HAG pipeline to Austria and MOL signed a deal with Ruhrgas on cooperation regarding the search for gas courses from non-Russian sources. Under Horn’s government, the HAG pipeline was launched and contracts with the aim of diversification were signed with Ruhrgas and Gaz de France. Under the MSZP-SZDSZ coalition, Panrusgas was also registered as an intermediary that would handle the 20-year long-term contract to supply Hungary with Gazprom gas, showing the tendency of governments closer to the left political spectrum for making policy concessions to Russian energy supply interests. Furthermore, a barter contract was also settled just before the left-wing government was replaced in 1998. Under this contract, Hungarian goods could be used as payment for gas under a further contract with Russian suppliers.

Under the Fidesz-led government from 1998, Hungary took a more wary position on Russian investment, which helped to get free of any potential Russian investment in the later privatisation of MOL. In the 2000s leading parties started to support new infrastructure developments, such as those that preferred new alternative supplies of gas from the Caspian or the Middle East regions rather than a new Russian import way like the South Stream project. The Medgyessy and Gyurcsány governments had tight relations with Russia, which can be observed by repeated bilateral summits during the eight years of MSZP governance. Even if MSZP supported the South Stream project, and that would support the third hypothesis, that parties closer to the left political spectrum prioritise cooperation with the dominant supplier, in Hungary the policy of one government continued into the next, with Orbán occurring to move forward with state support for the South Stream after his re-election in 2010, which differs with his policy earlier when he tent to significantly oppose all Russian investments. This supports the first hypothesis. The decision to prioritise new Russian pipelines after the Nabucco project failed, can be seen as the desire of Hungarian leaders to create Hungary’s future transit state with the ambition to become the first country not to conduct a major Russian export pipeline. The right-wing Fidesz government from 2010 chose to prioritise cheaper prices as part of its populist-conservative electoral agenda. This does not support an assumption that a right-wing government would be less
concerned with retail prices under its electoral agenda, it can also be analysed as part of a state strategy to set up tools of control necessary for shrinking energy security. The lack of any new long-term contract during the earlier MSZP governments from 2002 drives further conclusions on the third hypothesis unfeasible. The preference for state-owned companies to behave in different ways during re-negotiations with the dominant supplier between 2010 and 2014, and the absence of arbitration cases between Hungarian importers and Gazprom as suppliers support the second hypothesis that Hungary with already existing pipeline infrastructure, resulted in less active seeking of alternative suppliers, due to the convenience of the existing link.

Hungary’s state interventionist policy and tighter relations with Russia challenge the EU’s commitment to the Energy Security Strategy of 2014, which was achieved through a policy of open competitive markets. Even more challenging for the EU are indications that other Visegrad countries are also pursuing a possible shift towards the re-nationalisation of energy. The most obvious manifestation of tension with the EU is concerning the Third Energy Package, which was created to present a revised framework for better integration and competition in the EU energy market. Also, it is an attempt to seat a fully liberalised and unified gas market among member states. The Third Energy Package commits states to the unbundling of the transportation, ownership and system operation of investments and aims to provide effective regulation of third-party access to energy infrastructure. The Third Energy Package also applies to any entity, which does business in the whole EU, regardless of where that entity is established. All anti-competitive deals Hungary has been pursuing during recent years with Russian energy companies go against the Third Energy Package. A good example is Hungary’s assertion to continue with the South Stream project because the project would have given Gazprom rights to transmission. The EU aimed to stop the project because of its perceived anti-competitive nature, but the Hungarian government made legislation which reduced regulations on pipeline building and operation, permitting companies without permission to manage natural gas transit systems to build a pipeline.
The EU’s exclamations into the Hungarian government’s measures of developing an Eastern-looking energy security policy have resulted in consternation from PM Orbán. He stated that the EU’s endeavours to establish an Energy Union which would oversee and scrutinise energy deals between member states and non-member states is a limitation to Hungarian national sovereignty (Gotev 2015a). Also, the EC has concerns about Hungary’s closer ties with Russia. These concerns took practical face at the height of the crisis in Ukraine when Gazprom stopped the transmission of gas to the country. The EU decided to commit member states to revert the transmission of gas that had left Ukraine back, Hungary was the only EU member state which stood with Russia and cut off its supply to Ukraine. While Hungary has pursued an “Eastern Opening” policy seeking to depend on Russia to ensure elements of its energy security, it also committed itself to implementing the EU sanctions against Russia because of the Ukrainian crisis.

However, it is obvious that Hungary is not alone in adopting a more statist interventionist approach to the natural gas market in the Visegrad region. Concerning the fourth hypothesis, it is clear, that no other country in the region has gone as far in taking a statist position in the way Hungary has under Viktor Orbán. The turn towards soft re-nationalisation of energy in the region makes a difficult environment for European and other international investors and highlights the difficulties the EU has always had in establishing a coherent cooperative energy policy. The fact is, that energy security represents various things to various member states who have various energy needs.
5. Chapter: Poland

This chapter analyzes Polish energy security and is structured in seven slots. The first slot is dedicated to Polish foreign policy analyses and its relations with Russia. Explains how Poland tried to find its place by separating from Soviet policies including the withdrawal of Warsaw troops in 1992, the establishment of a new regional cooperation framework - the Visegrad group, as well as building good relations with Germany. Eastern policy became another important area in the Polish foreign policy agenda. Further, the “Return to Europe” foreign policy strategy and “the defence of national interests” is the policy mainly represented by the PiS administration and built around Euroscepticism, nationalistic policy and support of anti-Russian sentiments. The PiS party also promoted the “de-Europeanisation” idea and later the “Three Seas” concept. In Polish foreign policy, a big contrast can be observed. On the one hand, the current government is constantly concerned about the growth of new concerns in Europe. The anti-German aversion and the fear of Russia, supported by the continued connections to the historical past, seem to characterize Poland’s new foreign policy. On the other hand, the PiS government’s active contribution to the disintegration process on the European continent. The second slot addresses the period of three years between 1990-1993 when Poland inherited the Soviet gas infrastructure and agreed on the construction of a new Yamal pipeline, which supplies the country with Russian natural gas for more than 30 years. The third slot between 1994-1999 explains the Polish-Russian Energy Cooperation with new challenges for Polish energy policy. The fourth slot between 2000-2004 highlights the Polish achievement of becoming a member of NATO and the EU. Regarding the Polish energy policy, it analyzes the interesting period of searching for alternative suppliers in the Scandinavian region. The fifth slot explains the reasons for the harmonization of Polish-Russian relations between 2006-2015 and how Russian companies stopped their measures of trying to purchase parts of the Polish energy infrastructure. The sixth slot explains in detail how Poland adjusted to the EU’s Energy Security Strategy. The last seventh slot brings a summary of the Polish case in the energy sector and attempts to prove the hypotheses of this dissertation.
5.1. The Polish Foreign Policy and Relations with Russia

The main characteristics of the first years of Polish post-Communist independence were uncertainty and improvisation. The country was politically and economically unstable. The 1991 parliamentary elections (Table 5.1) fragmented the Polish parliament with a multitude of new parties and alliances emerging. After two months of intense negotiations, Jan Olszewski from the Centre Agreement party created a minority government along with the Christian National Union, the Center Civic Alliance, and the Peasants’ Agreement, with support from the Polish People’s Party, Solidarity and other minor parties (Millard 1991). The new democratic administration had a similar vision to the previous government led by Tadeusz Mazowiecki between 1989-1991 which was the quick transformation of Poland into a Western economic and security structure (Artun 2007). However, these expectations were unrealistic, because Polish integration with the West was dependent upon several factors. The radical transformation of the economy, political system and society to be able to join Western institutions. Even though the Soviet Union weakened its power, it still existed. On a national level, questions occurred regarding the new foreign policy agenda, even though Poland was the first country in the Visegrad region to settle a non-Communist government, the country found itself in 1990 somewhat isolated (Artun 2007). The Minister of Foreign Affairs Krzysztof Skubiszewski, the main author of the new Polish foreign policy agenda was criticised by the nationalist right for having a vague position toward Russia (Artun 2007). In the beginning, Skubiszewski’s approach was rather dualistic and merged symbolic acknowledgement of the autonomy of the Baltic States, Belarus, and Ukraine, with formal recognition of the Soviet centre.
Table 5.1 The Polish Parliament October 1991

<table>
<thead>
<tr>
<th>Party, Movement, Coalition</th>
<th>Seats</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Democratic Union (UD)</td>
<td>62</td>
<td>12.3</td>
</tr>
<tr>
<td>Alliance of the Democratic Left (SLD)</td>
<td>60</td>
<td>12</td>
</tr>
<tr>
<td>Catholic Election Action (WAK)</td>
<td>49</td>
<td>8.7</td>
</tr>
<tr>
<td>Centre Democratic Accord (Centrum)</td>
<td>44</td>
<td>8.7</td>
</tr>
<tr>
<td>Peasant Party-Programmatic Alliance (PSL)</td>
<td>48</td>
<td>8.7</td>
</tr>
<tr>
<td>Confederation for Independent Poland (KPN)</td>
<td>46</td>
<td>7.5</td>
</tr>
<tr>
<td>Liberal Democratic Congress (KLD)</td>
<td>37</td>
<td>7.5</td>
</tr>
<tr>
<td>Peasant Accord (PL)</td>
<td>28</td>
<td>5.5</td>
</tr>
<tr>
<td>Solidarity</td>
<td>27</td>
<td>5</td>
</tr>
<tr>
<td>Polish Friends of Beer (PPPP)</td>
<td>16</td>
<td>3.3</td>
</tr>
<tr>
<td>German Minority</td>
<td>7</td>
<td>1.2</td>
</tr>
<tr>
<td>Christian Democracy</td>
<td>5</td>
<td>2.4</td>
</tr>
<tr>
<td>Polish Western Union (PZZ)</td>
<td>4</td>
<td>0.2</td>
</tr>
<tr>
<td>Party of Christian Democrats</td>
<td>4</td>
<td>1.1</td>
</tr>
<tr>
<td>Labour Solidarity (Solidarnosc Pracy)</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Union of Political Realism (UPR)</td>
<td>3</td>
<td>2.2</td>
</tr>
<tr>
<td>Party X</td>
<td>3</td>
<td>0.5</td>
</tr>
<tr>
<td>Movement for Silesian Autonomy</td>
<td>2</td>
<td>0.3</td>
</tr>
<tr>
<td>Democratic Party (SD)</td>
<td>1</td>
<td>1.4</td>
</tr>
<tr>
<td>Democratic-Social Movement (RDS)</td>
<td>1</td>
<td>0.5</td>
</tr>
<tr>
<td>Others (Nine parties, 1 seat each)</td>
<td>9</td>
<td>9</td>
</tr>
</tbody>
</table>

Source: Own study based on (Millard 1991).

The Polish government was also hesitating to compel the Soviet Union to withdraw the troops of Vawrsaw Pack from the country. In September 1990, Poland started to communicate its policy toward the Soviet Union by formally requesting troop withdrawals (Kostrzewa-Zorbas 1995). After long and hard negotiations, it was agreed in 1992 that troops would be withdrawn by November 1992 (Kostrzewa-Zorbas 1995). Following this event, in June 1991 Council of Mutual Economic Assistance (CMEA) collapsed (Lüthi 2020). Poland left the Warsaw Pact however, it was not yet evident whether accession to NATO would be possible. To strengthen its security Poland participated in the Conference on Security and Cooperation in Europe (CSCE) (OSCE 1991). Active participation in the CSCE helped Polish officials to build closer ties with the Western world and fulfil the original goal of becoming a member of NATO.
The CSCE provided Poland protection against possible threats and was direct, and at that time the only, link to the West in security terms. Meanwhile, on 15 February 1991, Poland, Czechoslovakia and Hungary decided to strengthen their economic cooperation and improve common security within a new regional cooperation framework - the Visegrad group (Jagodziński 2006). Poland’s partnership in the Visegrad Group reflected political realism. Polish officials were aware that cooperation with Central European states became an important segment of Polish steps toward EU and NATO memberships.

In terms of Polish pro-Western discourse, building good relations with Germany and the U.S. could be also considered a success in Polish foreign policy. A treaty about good bilateral relations was signed in June 1991. Eastern policy became another important area in the Polish foreign policy agenda. The original idea of Poland becoming a linkage between Western Europe and Russia failed (Kuźniar 2009). Poland failed to understand contrasts in the stages of development and problems typical of its neighbours. Moreover, Poland could not properly understand that neither Russia nor Western Europe needed mediators to help with dialogue between each other. The Polish belief that “what is bad for Russia, is good for Poland” was characteristic of Polish Eastern policy at the time (Kuźniar 2009: 183). Poland perceived Russia as its main enemy from the moment of transformation in 1990 which brought a crisis in mutual relations for a long period. Bilateral treaties on mutual relations with all of Poland’s neighbours were considered a great success of Polish Eastern policy. These treaties confirm the inviolability of the borders and also prepare foundations for future relations. The way the treaties were concluded was established in the so-called double-track policy designed by the Ministry of Foreign Affairs. In that way, Polish officials managed to control relations with new neighbours based on bilateral treaties.

Poland’s foreign policy goals, defined by Skubiszewski in 1990, remained unchanged until 2004. Three previous governments came to power after Mazowiecki’s government and continued the policy of Poland’s “Return to Europe.” The 1993 parliamentary elections (Table 5.2) were won by left-wing parties of the Democratic Left Alliance (SLD) and the Polish People’s Party (PSL), who formed a coalition government led by Waldemar Pawlak from
PSL (Tworzecki 1994). In September 1997 the parliamentary elections (Table 5.3) were won by the liberal-conservative party Solidarity Electoral Action (AWS) formed a coalition with the Freedom Union (UW), another liberal party. The elections created an obstacle for the SDL and the PSL, which could not form a coalition and appeared out of government (Chan 1998). Under the PSL government, on 12 March 1999, Poland achieved one of the most important goals of its foreign policy and became a NATO member.

**Table 5.2 The Polish Parliament September 1993**

<table>
<thead>
<tr>
<th>Party, Movement, Coalition</th>
<th>Seats</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Democratic Left Alliance (SLD)</td>
<td>171</td>
<td>20.4</td>
</tr>
<tr>
<td>Polish People’s Party (PSL)</td>
<td>132</td>
<td>15.4</td>
</tr>
<tr>
<td>Democratic Union (UD)</td>
<td>74</td>
<td>10.5</td>
</tr>
<tr>
<td>Labour Union (UP)</td>
<td>41</td>
<td>7.2</td>
</tr>
<tr>
<td>Confederation of Independent Poland (KPN)</td>
<td>22</td>
<td>5.7</td>
</tr>
<tr>
<td>Nonpartisan Bloc for Support of Reforms (BBWR)</td>
<td>16</td>
<td>5.4</td>
</tr>
</tbody>
</table>

Source: Own study based on (Tworzecki 1994).

**Table 5.3 The Polish Parliament September 1997**

<table>
<thead>
<tr>
<th>Party, Movement, Coalition</th>
<th>Seats</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solidarity Electoral Action (AWS)</td>
<td>201</td>
<td>33.8</td>
</tr>
<tr>
<td>Democratic Left Alliance (SLD)</td>
<td>164</td>
<td>27.1</td>
</tr>
<tr>
<td>Freedom Union (UW)</td>
<td>60</td>
<td>13.3</td>
</tr>
<tr>
<td>Polish People’s Party (PSL)</td>
<td>27</td>
<td>7.3</td>
</tr>
<tr>
<td>Movement for Reconstruction of Poland (ROP)</td>
<td>6</td>
<td>5.5</td>
</tr>
<tr>
<td>German Minority Electoral Committee (KWMN)</td>
<td>2</td>
<td>0.3</td>
</tr>
</tbody>
</table>

Source: Own study based on (Chan 1998).

Another spectacular foreign policy success was Poland’s accession to the EU on 1 May 2004 under PM Leszek Miller’s government SLD, which led the country since the 2001 parliamentary elections (Table 5.4) resulting in absolute victory for the centre-left Democratic Left Alliance (SLD) and Labor Union (UP) (Millard 2003). The EU membership finished the plan of Poland’s
“Return to Europe” which consolidated Poland’s return to the Western world. Integration with the EU institutions was the main foreign policy priority of all governments in Poland until 2004. EU membership represented a civilizational choice for Poland and its close relations with the Western democratic states. Despite the fact, that the EU accession brought many challenges as well as opportunities, finally the Polish officials managed to change the way Poland was perceived by other European states.

Table 5.4 The Polish Parliament September 2001

<table>
<thead>
<tr>
<th>Party, Movement, Coalition</th>
<th>Seats</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Democratic Left Alliance-Labour Union (SLD-UP)</td>
<td>216</td>
<td>41</td>
</tr>
<tr>
<td>Civic Platform (PO)</td>
<td>65</td>
<td>12.6</td>
</tr>
<tr>
<td>Self-Defence of the Republic of Poland (SRP)</td>
<td>53</td>
<td>10.2</td>
</tr>
<tr>
<td>Law and Justice (PiS)</td>
<td>44</td>
<td>9.5</td>
</tr>
<tr>
<td>Polish People’s Party (PSL)</td>
<td>42</td>
<td>8.9</td>
</tr>
<tr>
<td>League of Polish Families (LPR)</td>
<td>38</td>
<td>7.8</td>
</tr>
</tbody>
</table>

Source: Own study based on (Millard 2003).

Poland’s “Return to Europe” foreign policy strategy between 1990-2004 gathered the common efforts of all major political parties in the country over 15 years and the implementation of this idea contributed to the effectiveness of Polish foreign policy. However, after 2004, the consensus on foreign policy could not be reached anymore. After the Polish parliamentary elections in 2005 (Table 5.5), a debate on the future of foreign policy began. Since then, debates regarding the main priorities and strategic plans in foreign policy have dominated the Polish political space. The success of new radical parties in the Polish parliament played the main role in losing the consensus (Kaczyński 2008). The concept of Polish foreign policy radically changed after the right-wing party Law and Justice (PiS) came to power in 2005, forming a coalition with the Self-Defence of the Republic of Poland (SRP) and the League of Polish Families (LPR) parties (Millard 2007). A new foreign policy was introduced, setting an end to earlier activities viewed as unfavourable by PiS. The PiS government concentrated on “the defence of national interests” as the
fundamental strategy of its foreign policy (Kaczyński 2008). A national, sovereign, strong and safe Poland was described as the main priority (Kaczyński 2008). However, the new foreign policy established by the PiS government did not improve Poland’s reputation in the international arena. Mainly because the main ideas of the PiS administration were built around Euro-scepticism, nationalistic policy, worsen relations with the U.S. and support of anti-Russian sentiments in Eastern policy. The PiS government did not prefer the development of further integration with the EU, moreover, the party started to criticize the EU on a big scale, which related to the fear that Poland will lose its sovereignty and will not be able to meet its national interests. As a result, such an approach slowed down Poland’s further European integration in the years under the rule of PiS. Regarding the Eastern policy, the PiS government did not achieve any significant success. PiS party primarily concentrated on sabotaging Russia’s imperial ambitions, due to which Polish-Russian relations significantly worsened (Zięba 2010). Polish foreign policy focused on denying Russian geopolitical positions. In relations with the U.S., the PiS government took a strategy of bandwagoning (Zięba 2013: 118). Poland actively supported the U.S. activities in the international arena and also tried to convince the U.S. military to bring one of their bases to Poland.

Table 5. 5 The Polish Parliament September 2005

<table>
<thead>
<tr>
<th>Party, Movement, Coalition</th>
<th>Seats</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Law and Justice (PiS)</td>
<td>155</td>
<td>26.9</td>
</tr>
<tr>
<td>Civic Platform (PO)</td>
<td>133</td>
<td>24.1</td>
</tr>
<tr>
<td>Self-Defence of the Republic of Poland (SRP)</td>
<td>56</td>
<td>11.4</td>
</tr>
<tr>
<td>League of Polish Families (LPR)</td>
<td>34</td>
<td>7.9</td>
</tr>
<tr>
<td>Polish People’s Party (PSL)</td>
<td>25</td>
<td>6.9</td>
</tr>
<tr>
<td>Source: Own study based on (Millard 2007).</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The coalition of Civic Platform (PO) and the Polish People’s Party (PSL) led by Donald Tusk the head of Civic Platform which came to power following the 2007 parliamentary elections (Table 5.6) presented different
foreign policy agendas (Gwiazda 2008). This government adopted a pro-
European and pro-Atlantic course. Moreover, in the Easter policy, this coalition
also brought a more pragmatic approach. PO officials acknowledged that
sufficient membership in the EU could bring more benefits to the country than
threats. Hence, European policy was the primary foreign policy vector of the
PO-PSL coalition. Under this coalition, Poland functioned in favour of
European integration, especially when took the Council of the European Union
presidency in the second half of 2011. The government also managed to achieve
a more rational foreign policy toward the U. S. The pragmatism of Donald Tusk
was visible in starting to pursue Poland’s true interests. For example, in October
2008, Poland withdrew its troops from Iraq (Reuters 2008). This coalition also
presented a new strategy in terms of Eastern policy. Poland stopped to request
hard demands, rude debates and attempts to cause harm to Russian interests
whenever possible. Overall, Polish-Russian relations normalised, however,
Russia continued to critically perceive the spreading of democratic reforms in
the post-Soviet territory. Poland’s lobbying for the adoption of the NATO
Membership Action Plan with Georgia and Ukraine during the 2008 Bucharest
Summit (Zawadzki 2008) and participation in Eastern Partnership programs
were understood as anti-Russian initiatives which effected negatively the
Polish-Russian relations. In the October 2011 parliamentary elections (Table
5.7), PM Donald Tusk’s Civic Platform (PO) won with a majority of votes. Tusk
became the first Polish PM to be nominated for a second term in a row since the
transition. Both parties, the Civic Platform and the Polish People’s Party (PSL),
agreed to continue their coalition after the election (Tworzecki 2012).

Table 5. 6 The Polish Parliament October 2007

<table>
<thead>
<tr>
<th>Party, Movement, Coalition</th>
<th>Seats</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civic Platform (PO)</td>
<td>209</td>
<td>41.5</td>
</tr>
<tr>
<td>Law and Justice (PiS)</td>
<td>166</td>
<td>32.1</td>
</tr>
<tr>
<td>Left and Democrats (LiD)</td>
<td>53</td>
<td>13.1</td>
</tr>
<tr>
<td>Polish People’s Party (PSL)</td>
<td>31</td>
<td>8.9</td>
</tr>
</tbody>
</table>

Source: Own study based on (Gwiazda 2008).
Following the 2015 parliamentary and presidential elections (Table 5.8), new President Andrzej Duda and the same political party PiS headed by Jarosław Kaczyński gained the victory (Marcinkiewicz and Stegmaier 2016). Poland has again changed its pro-European foreign policy and under the new PiS government led by PM Beata Szydło, stopped to be a handler of European integration and also stopped to prioritize its relationship with Germany and France. Instead, the new government was dedicated to reviving an inter-war tradition of the alliance of CEE countries. Polish officials often mentioned that Poland must guard its sovereignty and national interests against Brussels and Berlin (Buras 2017). In that way, it is in the Polish interest to protect itself against the anti-Christian liberal values, German economic sovereignty and the refugee crisis. The importance of post-2015 Poland’s foreign policy is visible in its active contribution (Buras 2017). Poland’s foreign policy actions and communications of Polish officials have failed to protect the values that would promote the geopolitical interests of the region. On one hand, the PiS government restarted to demand American active involvement in European security. On the other hand, Poland turns against the EU institutions and Germany. Putting attempts on its nationalistic and conservative ideology, PiS emphasises the importance of national communities over the transnational EU. Such EU scepticism has been observed in symbolic as well as political actions. For example, symbolically, PM Beata Szydło ordered the removal of the EU flags from PM’s weekly press briefings. Politically, the PiS government constantly signals disrespect and criticism towards the EU. Moreover, Poland

<table>
<thead>
<tr>
<th>Party, Movement, Coalition</th>
<th>Seats</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civic Platform (PO)</td>
<td>207</td>
<td>39.1</td>
</tr>
<tr>
<td>Law and Justice (PiS)</td>
<td>157</td>
<td>29.8</td>
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<tr>
<td>Palikot’s Movement (RP)</td>
<td>40</td>
<td>10</td>
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<tr>
<td>Polish People's Party (PSL)</td>
<td>28</td>
<td>8.3</td>
</tr>
<tr>
<td>Democratic Left Alliance (SLD)</td>
<td>27</td>
<td>8.2</td>
</tr>
<tr>
<td>German Minority Electoral Committee (KWMN)</td>
<td>1</td>
<td>0.1</td>
</tr>
</tbody>
</table>

Source: Own study based on (Tworzecki 2012).
has been among the strongest critics of the EU’s reaction to the refugee crisis (Potyrała 2016). The general rhetoric of the PiS government is that the EU is treated mainly as a source of crises and instability.

Table 5.8 The Polish Parliament October 2015

<table>
<thead>
<tr>
<th>Party, Movement, Coalition</th>
<th>Seats</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Law and Justice (PiS)</td>
<td>235</td>
<td>37.5</td>
</tr>
<tr>
<td>Civic Platform (PO)</td>
<td>138</td>
<td>24</td>
</tr>
<tr>
<td>Kukiz’15</td>
<td>42</td>
<td>8.8</td>
</tr>
<tr>
<td>Modern</td>
<td>27</td>
<td>7.6</td>
</tr>
<tr>
<td>Polish People’s Party (PSL)</td>
<td>16</td>
<td>5.1</td>
</tr>
<tr>
<td>German Minority Electoral Committee (MN)</td>
<td>1</td>
<td>0.1</td>
</tr>
</tbody>
</table>

Source: Own study based on (Marcinkiewicz and Stegmaier 2016).

Kaczyński and Duda’s foreign policy originates from Poland’s inter-war tradition known as “Intermarium.”⁴ Later, the “Intermarium” concept has been substituted by the regional cooperation idea known as “Three Seas” (Reuters 2017). President Duda, as the main propagator of this idea, announced that countries from the Baltic Sea, through Central Europe, to the Black Sea and the Mediterranean Sea, should integrate and create a strong security block. In August 2016, President Duda even signed a “Three Seas” declaration in Dubrovnik announcing cooperation in energy, transport, digitisation and the economy (President.pl 2016). While President Duda worked on active advertising of the “Three Seas” concept in the CEE region, the PiS party started to strengthen its relations with Hungarian Fidesz, led by Viktor Orbán. In January 2016 Orbán met with Kaczyński informally (Sullivan 2016), following this meeting the political views of those two leaders started to be similar on many issues, for example, criticism towards the EU and a strongly anti-refugees attitude. However, their opinion and cooperation with Russia differ.

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⁴ A geopolitical term developed by Józef Piłsudski in 1920 (Tycner 2020), which refers to the strategy that Poland would lead a unified block of countries from the Baltic Sea to the Black Sea with the purpose of effectively counter-balancing Germany and Russia.
There is a fundamental contradiction implanted in Poland’s foreign policy since 2015, which continues after the 2019 parliamentary elections (Table 5.9). The PiS party was re-elected and gained majority votes in the Sejm but lost its majority in the Senate to the opposition (Kozłowska 2019). For the first time after the transition, the ruling party managed one house, and the opposition the other in Poland. In December 2017 Mateusz Morawiecki replaced Beata Szydło as PM and remained in the position after the 2019 elections (Kozłowska 2019). As already mentioned, in the Polish foreign policy contrast can be observed. On the one hand, the new government is constantly concerned about the growth of new concerns in Europe. The anti-German aversion (Wieliński 2018) and the panic fear of Russia, supported by the continued connections to the historical past, seem to characterize Poland’s new foreign policy. On the other hand, the PiS government’s active contribution to the disintegration process on the European continent. A good example was the Polish reaction to Brexit. Poland did not support Brexit directly. PiS’s communication and acts are constantly EU-sceptic, and the party is part of the European Parliament. In 2009, Kaczyński together with David Cameron created the ECR platform (Steven and Szczerbiak 2022). By supporting the anti-EU UK as Poland’s strategic partner within the EU, Poland’s government acknowledged the British opposing view towards further European integration. In that way, Poland belongs to the same group as those who favour Europe of the strong nation-states, with minimal influence of transnational institutions, which traditionally defended the interests of small and medium member states, such as Poland.

Table 5.9 The Polish Parliament October 2019

<table>
<thead>
<tr>
<th>Party, Movement, Coalition</th>
<th>Seats</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Law and Justice (PiS)</td>
<td>235</td>
<td>43.5</td>
</tr>
<tr>
<td>Civic Coalition (PO)</td>
<td>134</td>
<td>27.4</td>
</tr>
<tr>
<td>The Left (SLD)</td>
<td>49</td>
<td>12.5</td>
</tr>
<tr>
<td>Polish Coalition (PSL)</td>
<td>30</td>
<td>8.5</td>
</tr>
<tr>
<td>Confederation</td>
<td>11</td>
<td>6.8</td>
</tr>
<tr>
<td>German Minority Electoral Committee (KWMN)</td>
<td>1</td>
<td>0.1</td>
</tr>
</tbody>
</table>

Source: Own study based on (Kozłowska 2019).
5.2. Soviet Inheritance and the New Yamal Pipeline 1990-1993

Poland has been an importer of gas from Russia since 1944, which is the longest period compared to other Visegrad countries. Annual demand has moved upwards since 1989 and imports include approximately two-thirds of this total (Chart 5.1). The rest is covered by domestic production, which started in the period between the two World Wars, around the Krosno Jasło field in the Galicia region (Wołkowicz et al.). In Poland in 2013, gas was around 13.9 per cent of the total primary energy supply (BP 2013), however, coal is the key dominant fuel for power generation (Brauers and Oei 2020). Polskie Górnictwo Naftowe i Gazownictwo (PGNiG) is the national gas company, which owns all storage assets and maintains a dominant market share in the retail sector. Gaz-System is the transmission system operator company. These both are state-owned companies established in 1982. In 2004, Gaz-System separated, according to the EU’s Third Energy Package regulations on the separation of network ownership (Gaz-System 2005). Both companies operate as state entities, and the government controls the PGNiG’s management, as well as the country’s long-term contract with Gazprom and other suppliers. Since 2014, Poland owns five big gas network entry points: two with Belarus (Wysokoje and the entry point for the Yamal-Europe Pipeline at Kondratki), one with Ukraine (Drozdowicze), one with Germany (Lasów) and one interconnection with the Czech network (Cieszyn) (Posaner 2020). However, there are many smaller capacity entry points located (Map 5.1).

During the Soviet times, Poland imported natural gas under the framework of the Yamburg and Orenburg Agreements (Wei ñer 2019). When the first post-Communist government under PM Tadeusz Mazowiecki won elections in Poland in 1989 (Wojtasik 2014), the main concern of the security of gas supply occurred due to the unclear terms of the Yamburg and Orenburg contracts. At the beginning of the 1990s, a tight Russian-Polish energy relationship was established. In 1992 due to the fears over Russia’s capacity to sustain long-term supply stability a bilateral treaty on friendly partnership was signed by Poland’s Solidarity movement leader President Lech Wałęsa and Russian President Boris Yeltsin. Poland agreed with Gazprom’s 1992 proposal for the construction of a new transit pipeline through Belarussia from the Yamal
Peninsula, which got the same name Yamal Pipeline. The new pipeline was developed to supply Germany and to a smaller amount as well as Poland (Högselius 2013). Russian officials looked at Poland with a big perspective as it had not been part of the centrally mandated gasification in the 1960s and 1980s and was a country where coal was a dominant energy supply. The new long-term contract with Gazprom, supplied through the Yamal pipeline, would replace the agreements signed during the 1980s. The pipeline would help to connect Poland to Germany’s gas market (Górska 2009).

**Chart 5.1 Gas Consumption in Poland 1990-2015 (in bcm)**

![Graph showing gas consumption in Poland from 1990 to 2015](image)

Source: Own study based on Ener Data.

Meanwhile, due to the crisis in Russia, Poland agreed on a deal with Russia that amounted to 2.8 billion dollars, that Russia would import 5 million tonnes of oil and 8.1 bcm of gas supplied in 1992 in return for food, pharmaceutical goods, sulphur and coal worth of 500 million dollars (Rzeczpospolita 1991). The agreement was signed soon after PM Jan Olszewski took office (Table 5.1) and the emerging gas supply crisis evolved. Already in January 1992 deliveries from Russia were shortened by 40 per cent and Polish officials were not informed in advance of the decline (The New York Times 1992). The production of heavy industry and chemical goods had to be stopped in the country. In reaction, Foreign Trade Minister Adam Glapiński started new
negotiations with Russia, which resulted in a new deal with deliveries of 6.6 bcm in 1992 and shortly later an additional agreement was signed, that increased deliveries to 7.1 bcm in 1992 (Reuters 1992). In 1994, after the Democratic Left Alliance (SLD) and Polish People’s Party (PSL), won elections in September 1993 (Table 5.2) and formed a supermajority government with PSL leader Waldemar Pawlak, who became PM (Tworzecki 1994), Poland signed another contract with Russia in 1993 (Vytautas 2010). In return, Poland sent meat and canned food to Russia. The deal on the new Yamal pipeline was finalized in the middle of 1993. The agreement planned a full capacity of 67 bcm and from this amount Poland planned to buy 14 bcm annually (Orbán 2008: 44).

Map 5.1 Interconnection Points in Poland

Source: (Tarnawski 2015: 132).


At the end of 1993, under Pawlak’s second term as PM (Table 5.2), the Polish government launched a new company called EuRoPol Gaz (Table 3.7) with the purpose of constructing and arranging the Polish segment of the
pipeline (Yermakov 2020). PGNiG and Gazprom each owned 48 per cent of the shares in EuRoPol Gaz, and the remaining 4 per cent were held by private company Polish Gas-Trading (itself co-owned by PGNiG) and Gazprom subsidiary Gazexport, plus Bartimpex (Table 3.7) (EuRoPol 1993). The main source of income of EuRoPol Gaz was planned to be the transit fees paid by Gazprom for deliveries to Germany through Polish territory. As co-owner, Gazprom would receive part of the fees it paid to EuRoPol Gaz. By 1995 it had become evident that Polish gas demand would not grow at the level expected in 1992 and Poland’s Minister for Industry and Trade under the SLD left-wing alliance government of PM Jan Oleksy (Table 5.2), Marek Pol, announced another deadline for the Yamal pipeline construction until 2010 (Orbán 2008). Under the SLD left-wing government of PM Włodzimierz Cimoszewicz, in September 1996 Gazprom and PGNiG decided on a complex gas supply contract for 250 bcm to be delivered in 25 years. First gas deliveries were planned for 1997 (Weiner 2019). Annual delivery under the Yamal contract was lowered to 12.5 bcm/y. The agreement contained an opportunity that permit Poland to import its minimum requirement from Gazprom each year by 85 per cent of the contracted amount (Orbán 2008). In the building stage of the Yamal pipeline, and with both the Yamburg and Orenburg contracts almost finished, Polish consumption had been reached via several fast barter deals.

In December 1999, during the centre-right government of Jerzy Buzek (Table 5.3), the first line of the Yamal pipeline was launched, with a capacity of 20 bcm/y (Orbán 2008). In 2006 Gazprom announced the development of the second line of the Yamal pipeline, which would significantly expand the capacity (Poussenkova 2010). After the Yamal-1 pipeline was launched, it became evident that the agreed transit fees for Yamal-1 were not enough for EuRoPol Gaz to reimburse the loans it took to finance the construction of the first line, which led to almost bankruptcy for the operator. Therefore, for the Yamal-2 pipeline, Gazprom planned to construct an inter-system connector that would link Yamal with the Brotherhood pipeline running through Ukraine into Slovakia (Orbán 2008). The Yamal pipeline raised Polish dependency on Russian gas, however, due to the large amount of coal used for generating electricity, the Yamal pipeline did not extremaly change Polish energy security.
Poland has the biggest coal reserves in Europe and produces approximately 90 per cent of its electricity (Barteczko and Gloystein 2013). Regarding the Yamal pipeline, more problematic was the price, because Poland has paid extensively more for Russian gas supply compared to Western European countries.

5.4. Breakdown of Relations with Russia 2000-2004

In late 1999, Rem Vyakhirev the chairman of Gazprom proposed to the Polish President Aleksander Kwaśniewski an idea to build a new interconnector, famous for its working name “Peremichka” that would run through the Eastern territory of Poland connecting the borders with Belarus and Slovakia (Johnson 2016). The main goal of the new interconnector was to bypass Ukraine because reputedly stealing gas. Gazprom also informed Poland, that in case Polish officials refused to start new construction of the pipeline through its territory, Gazprom would try to build a pipeline under the Baltic Sea. After negotiations between Gazprom and PGNiG, the idea of constructing a new interconnector was rejected by Poland. Kwaśniewski’s support of Ukraine, which was strengthened by the ruling PSL government was a rational continuation of the Polish foreign policy developed throughout the 1990s. The rejection of “Peremichka” by Poland showed a clear signal that energy relations between Poland and Russia will worsen in the future and that the period of close cooperation is ending. Moreover, the case of “Peremichka” revealed that even if the Russian lobby in Poland existed, its power was restricted and incapable of reversing the main foreign policy goals set by the Polish government.

As the Polish-Russian relations worsened, the need for diversification of the natural gas supply increased. In 1992, when the project of the new Russian pipeline began, Polish leaders came up with the idea to also obtain North Sea gas production to Poland via Denmark under the so-called Polpipe project, later renamed as Baltic Pipe (Posaner 2020). PGNiG and Norway’s Statoil initiated discussions in 1996 on two contracts: the small one and then the big supply contract (Equinor 1999). Under Jerzy Buzek’s conservative government between 1997-2001 (Table 5.3), initiatives to find new non-Russian possibilities for gas imports were raised. In May 1999, PM Buzek paid an official visit to
Oslo, where he signed a contract on deliveries of natural gas to Poland by 500 mmcm/y of Norwegian gas for five years, starting in 2000 (Equinor 1999). Besides this contract with Norway, Buzek’s administration also signed a big deal with Statoil accounting for 11.3 billion dollars in 2001 (Gulfnews 2001a).

Moreover, in July 2001, PGNiG signed a deal with Denmark’s DONG Energy for 2 bcm/y imports for 8 years, starting in 2003. The original plan, assumed, that gas would have been transferred through the Baltic Pipe system that substituted early plans for Polpipe (Gulfnews 2001b).

When Poland became a NATO member in 1999, endeavours to ensure diversification of gas supply raised. The Buzek government initiated the construction of direct physical interconnections with Scandinavia. One month before the parliamentary elections in 2001 (Table 5.4), the SLD party, under the leadership of Leszhek Miller, who finally won elections and took office, from the beginning threatened to cancel the Norway import contracts, claiming that the price of Scandinavian gas was extremely expensive, compared to the Russian one, and finally cancelled it after coming to power (Zawisza 2011). Also, under the Miller administration, the Baltic Pipe project construction was rejected, because according to Miller’s words, the project had a propaganda character and was calculated for electoral effect (Voytyuk 2022). His administration prioritized price reduction over new supply possibilities, which led PGNiG to re-negotiate its contract with Russia, rather than start the construction of new import routes. The case of the Norwegian contract demonstrates the degree to which rent-seeking mechanisms developed by the Russian and Polish officials during the 1990s evolved into a real political problem in Polish energy security beginning of the 2000s.

By 1999, Bartimpex created a consortium with Germany’s Ruhrgas to construct a pipeline between the city of Bernau and the Polish city of Szczecin to have the possibility for its own alternative entry point from the West (Venken 2004). However, fears that the Bernau-Szczecin project would prolong dependence on Russia by channelling only Russian gas back into Poland from Germany, the Polish government did not support this project, and instead, PGNiG and VNG companies announced a similar pipeline project of their own, rather than to support Bartimpex’s project (Venken 2004). Under Miller’s SLD
left-wing coalition, Yamal’s contract with Gazprom was extended for another 10 years. However, in February 2003, Poland and Russia decided to sign a protocol for their gas contracts completed in the 1990s. Under this protocol, Polish imports under the Yamal contract was cut by 35 per cent, which means that Poland would now receive 143 bcm between 2003-2020 instead of the planned 218 bcm (Górska 2010).

In May 2004, Poland became a member of the EU, one day later Miller resigned as PM and was replaced by Marek Belka, also from the SLD party (The New York Times 2004). The Polish accession to the EU in 2004 led to the long rather problematic Polish-Russian energy relations. In the second half of the 2000s Polish officials submitted several initiatives to the European Forum to reduce dependence on energy supplies from Russia. For example, a Treaty targeted to provide joint assistance in energy-related issues along the lines of the NATO charter, and Poland’s supported Nabucco pipeline sponsored by the EU. Russia’s Gazexport asked to re-negotiate the Yamal contract with PGNiG by 2004 (Orbán 2008), during Belka’s second administration. However, under the newly elected right-wing PM Kazimierz Marcinkiewicz of the PiS party, following elections in 2005 (Table 5.5), the PGNiG rejected to re-negotiate the contract. In 2005, Poland also started to plan the LNG terminal on the Baltic Sea-Świnoujście (Map 5.2) with the Polskie LNG company registered by PGNiG in 2007 (Whalen 2022; PGNiG 2008).
5.5. Harmonisation of Polish-Russian Relations 2006-2015

After Jarosław Kaczyński became PiS’ PM in July 2006, replacing Marcinkiewicz and taking office together with his brother Lech Kaczyński, who was President at that time, the government strongly opposed the development of the Nord Stream 1 project, arguing, that this would permit Gazprom to bypass Ukraine and the Visegrad countries. The project was described in Poland as an existential threat to energy security. Piotr Naimski, Deputy Minister of the Economy in the PiS government and a key author of the National Energy Policy was critical of this project. The Polish Defence Minister Radosław Sikorski compared the construction of the Nord Stream 1 pipeline under the Baltic Sea, to the 1939 Molotov-Ribbentrop Pact (Beunderman 2006). Meanwhile, Gazprom continued to ask for a price renegotiation (Table 2.8) on the Yamal deal, which was already rejected by Poland in 2005 and again in 2006. While
the Nord Stream 1 project and the Russia-Ukraine gas dispute even more
politicised energy relations in the region, the entrance into the market of
intermediary companies such as RosUkrEnergo continued to make trade more
difficult (Kupchinsky 2006). The gas crises of 2006 influenced Poland as well,
on 1 January Russian supplies to Poland fell by 14 per cent (Stern 2006: 8).
Household demand Poland managed to cover, but supplies to industrial
companies suffered.

The harmonisation of Polish-Russian relations in this period happened
mainly due to the failure of Polish policy. The Nord Stream 1 pipeline was
constructed and started to function while the Nabucco pipeline widely supported
by Poland got the red light and was never built since (Euractiv 2009). Also, the
EU rejected Polish offers to build an “Energy NATO” and highlighted the
interdependence and need for cooperation with Russia (Roth 2011). Poland
became disappointed regarding its small progress in Ukraine after the Orange
Revolution. However, Poland kept active involvement in Ukraine even during
the harmonisation of relations with Russia. The Polish government and PGNiG
started to concentrate on developing the existing small import options from the
West. A 10-year agreement with Germany’s VNG was signed in 2006, which
permitted 400 mmcm/y to flow into Poland through the Lasów border point.
Later in 2008, the right-wing PiS administration together with Civic Platform
led by PM Donald Tusk, contracted the deliveries of 500 mmcm for three years
and substituted the earlier VNG contract signed together with E.On Ruhrgas in
1998 and further re-negotiated in 2004 (Energyintel 2006). On 7 January 2009,
Gaz-System, a company that had been separated from PGNiG to handle the
Polish transmission system in 2004 announced the cut-offs of gas on the Polish-
Ukrainian border (Drozdovichi point) (Reuters 2009c). In the 2009 crisis,
Poland lost in total 33 per cent of its gas from Russia (Table 2.9) (Stein 2009:
54). Supplies restarted on 21 January, two weeks after the disruption had begun.

After the crisis, PGNiG lacked around 2.5 bcm/y of gas in its annual
imports. In that regard, PGNiG asked approval from the government to
negotiate a new contract directly with Gazprom for supplies that could be sent
directly into Polish gas storage. On 29 October 2010, two companies signed a
new contract that increases Russian deliveries of gas to Poland from 2.5 bcm to
10 bcm a year until 2022 (Baczynska 2010). The deal got a green line in June from the Civic Platform (PO) government (Weiner 2019). In April 2009, while constructing the LNG terminal at Świnoujście (Map 5.2), PGNiG signed a 20-year contract with Qatargas for LNG imports starting in 2014 (Weiner 2019). Moreover, in 2009, PGNiG also signed another small-scale supply deal with Swiss company Vitol that guaranteed 140 mmcm/y deliveries to the Lasów border crossing with Germany (Energyintel 2011). In January 2010, Gazprom agreed to extend the use of the Yamal pipeline for transit until 2045, and Poland agreed to sign a prolongation of the deal to 2037 (Europetrole 2010). Soon after the Gazprom long-term contract was settled, Gaz-System became the transmission system operator on the Polish territory of the Yamal pipeline, which was following the EU’s Third Energy Package (Gaz-System 2010).

The Russian officials also made several steps to warm the relations with Poland as they stopped intermediary companies that dominated the gas and oil trade between Russia and Poland. Russian companies also stopped their measures of trying to purchase parts of the Polish energy infrastructure through unclear intermediaries as Polish centre-right officials continued with significant efforts to stop the privatisation of the oil and gas sector. In 2009, at the Davos Summit President Putin assured Polish PM Donald Tusk that Moscow is interested in selling oil to Poland directly without the contribution of other companies. The Polish oil company Orlen signed its first deal directly with Rosneft in 2013 (Enerdata 2013). This was an important step toward the harmonization of relations between the two countries. Also, the more relaxed Polish attitude towards Russians played its role, partly because of an improvement in common security, and partly because of higher economic confidence. The main reason behind the Polish-Russian warming of energy relationship happened because of the construction of the LNG terminal in Poland.

As previously mentioned, the Nord Stream 1 project did not receive big support from Polish officials. The project was financially finalised in March 2011, immediately after PGNiG and Gazprom signed a new clause to the Yamal contract that raised the maximum daily delivery through the Wysokoje border point until the end of 2011. PGNiG agreed to pay 3.5 per cent above its Yamal
contract price. The reason for the special clause was due to low storage capacities (Table 2.16) in Poland. Extra volumes were planned to fill the Strachocina storage facility, which is being expanded to increase capacity from 150 mmcm to 330 mmcm (Marzec-Manser 2011). However, shortly after, PGNiG launched the re-negotiations with Gazprom Export over the prices in long-term contracts, mainly because of the energy security agenda of the leading government. In 2011 PGNiG also signed two new supply contracts with the Czech Republic and Germany through the Cieszyn and Lasów crossing points (National Report 2011).

In the 2011 parliamentary elections (Table 5.7), the PO party under PM Donald Tusk won the elections for a second term and formatted a coalition again with the PSL party. In October 2011, PGNiG sent a case against Gazprom to the Arbitration Institute of the Stockholm Chamber of Commerce, because Gazprom for a long time did not react to Polish requests to make bilateral negotiations on prices. The re-negotiation process that was launched in March 2011 did not bring any result, however, PGNiG hoped for a better price. Due to the long court process, PGNiG and Gazprom finally resolved the case out of court in November 2012 (Reuters 2012). In 2012, as other arbitration cases against Gazprom were submitted, the EC started its own investigation and announced, that it was investigating anti-competitive practices in the Visegrad region (EC 2012). In April 2013, Gazprom and EuRoPol Gaz signed a Memorandum of Understanding on the development of the construction of the Yamal 2 pipeline project with a capacity minimum of 15 bcm/y, which could cross Poland and help Slovakia and Hungary with their supplies (NS Energy 2013). However, the current PO government did not get any information in advance about the planned memorandum. In reaction to this, Donald Tusk revoked Treasury Minister Mikołaj Budzanowski and PGNiG’s Chief Executive Grażyna Piotrowska-Oliwa from their posts (Socor 2013). Moreover, the government started to analyse its energy sector and more strictly control PGNiG.

Uncertainties regarding the construction of the Polish LNG terminal opened space for criticism of the PO government. Another example, where Poland raised its voice against Gazprom in gas supply was on 8 September
2014, when PGNiG and a few other importers of the Visegrad region informed that Gazprom did not fulfil daily nominations. The disruption was rejected by Gazprom, however, Polish Deputy PM Janusz Piechocinski stated, that it was “an attempt from the eastern supplier to test Poland’s reaction” (Goettig and Bush 2014). It could be also a Russian strategy to protect Russian gas flows delivered to Ukraine from Poland, Slovakia and Hungary due to the annexation of Crimea and the Maidan revolution. In November 2014, PGNiG asked Gazprom again to review the price of its long-term contract as part of the initial rate agreed under the original 1996 Yamal contract (Reuters 2014). Meanwhile, PM Donald Tusk took a new position as President of the European Council in Brussels and was replaced by new Polish PM Ewa Kopacz (Szary 2014). In May 2015, Poland started an arbitration process against Gazprom, with the “aim to bring the contract in line with the current conditions on the European natural gas market” (Reuters 2015b). The situation got even more complicated for Poland, due to its delayed construction of the Polskie LNG terminal project, which was originally set to be completed by June 2014. PGNiG was pushed to postpone its LNG deliveries, which were already negotiated in 2009 (Offshore Energy 2013). In December 2014, PGNiG signed a Memorandum of Understanding with Qatargas about the LNG volumes that would originally be delivered to Poland by 2014 and offered to alternative markets. PGNiG decided to cover any price difference (ProQuest 2014). The first deliveries to the LNG terminal were finally launched in the summer of 2016, under the right-wing PiS government. The terminal got the name “Lech Kaczynski LNG” after the former President, who died in the Smolensk air catastrophe in 2010 (Gaz-System 2016).

5.6. The EU’s Role in the Polish Natural Gas Sector

In 2014, the EC announced the EU Energy Security Strategy. Poland was still strongly dependent on external energy supplies. The level of implementation of the EU energy policy since 2014 was the worst in Poland, while Slovakia and Hungary implemented the energy policy better. In 2019, Poland did not commit to the 2050 climate neutrality goal of the EU, also did
not agree with the Emissions Trading System and asked to review it (Pach-Gurgul and Ulbrych 2019). In 2021, Poland finally announced its Energy Policy Strategy until 2040. Its main goal is to define the transformation of the energy of the country. One of the primary lapses is associated with the re-development of the Polish energy sector. Fast decarbonization is planned as a result of the zero-emission policy of the EU. A challenge is not only the transformation of the energy sector into a more environment-friendly one but also includes a plan for when this transformation should be done. Poland inherited from the Communist time the carbon-dominated energy, therefore its energy policy must be likened to energy resources and international opportunities.

The role of natural gas is becoming more and more important. During the last five years, its consumption in Poland has grown nearly three times (in 2015 it accounted for only 3.8 per cent of the energy mix). Unfortunately, Poland does not have substantial natural gas resources, so most of the raw material is imported. In 2015, PM Ewa Kopacz from the PO party finally opened the LNG terminal which allows Poland to import up to 5 bcm/y of LNG covering around a third of the country’s demand (Port News 2015). Poland planned with the strategy, that the LNG terminal will be an important tool that the PGNiG will be able to use in its price negotiations with Gazprom. The LNG terminal in Świnoujście was partly financed by the EU’s European Regional Development Fund and as such was a part of a larger policy launched by the EC after the 2009 gas crisis. The gas crisis served as a stimulus for the expansion and modernisation of the gas infrastructure in the Visegrad region. In addition to the LNG terminal, several cross-border interconnections were built.

First, the interconnection Poland-Czech Republic (CPI) also known as STORK II. Is a project between Polish Gaz-System and Czech NET4GAS s.r.o. which is planned to connect the municipalities of Libhošt’ and Hat’ in the Czech Republic and Kędzierzyn in Poland. The initial expectation to finalize the project is at the end of 2023. In May 2015, both parties applied to the EU’s Innovation Network Executive Agency (INEA) for financial support. The project got EU financial support of 1.5 million euros (EC 2015b).
Second, is the Poland-Slovakia gas interconnection between Polish Gaz-System and Slovakian gas operator Eustream. The work on this new gas pipeline was finalized in October 2022. The Polish part of the pipeline runs through the communes of Sanok, Bukowski and Komańcza in the Podkarpackie Province. The Slovakian part starts from the border with Poland in the Palota an already existing station at Veľké Kapušany. The project is partly financed by a grant from the EU (EC 2022a).

Third, the interconnection Poland-Lithuania (GIPL) is a project of Gaz-System and AB Amber Grid, the Lithuanian transmission system operator. This project allows full integration of the Baltic countries with the EU gas market, as well as access to the global LNG market via the LNG Terminal in Świnoujście. The project is co-financed by the EU. The pipeline was launched on 1 May 2022, and the capacity to transport gas from Lithuania to Poland reached 1.9 bcm/y (EC 2022b) (Gaz-System 2015).

Fourth, the Poland-Ukraine interconnector pipeline is planned to transport around 5 bcm/y and was originally scheduled to be completed by December 2023, which will be postponed due to the war in Ukraine. The Polish section of the pipeline will have a length of 99 km while the Ukrainian section will be 72 km long. In September 2019 Ukraine, Poland, and the U.S. signed a Cooperation Agreement to achieve energy independence for Ukraine (S&P Global 2019).

Finally, the Poland-Denmark interconnection is part of the Baltic Pipe project which is supposed to connect Goleniów to Lwówek in Poland and the onshore pipeline in Denmark from Egtved to the new compressor station in Everdrup. The project is a joint initiative of the Polish Gaz-System and the Danish Energinet.dk. In November 2015, both companies signed a Cooperation Agreement on the construction of this Baltic Pipe (Gaz-System 2015).

In October 2015, the Polish parliamentary elections resulted in the victory of the PiS party (Table 5.8). Beata Szydło from the PiS party succeeded PO leader Ewa Kopacz at the PM post, leading a one-party cabinet. After the elections, anti-Russian sentiment resulted in an energy policy that eliminated all Russian gas connections. Polish officials proclaimed that this was a necessary
step to ensure the security of the gas supply. On such bases, an even more important role was given to the Polish state-owned gas sector companies - Gaz-System and PGNiG. The idea of an extension of the Nord Stream 1 pipeline by building a new identical pipeline with the same capacity as the Nord Stream 2 pipeline appeared in 2011. Already that time Polish standpoint concerning this Russian energy project had been communicated and it remained unchanged until 2016 when the concrete steps for construction were part of the public discourse. In Poland, there is a strong consensus regarding the project. President Andrzej Duda several times announced his position concerning the harm and strategic negativity which could be caused by this initiative (DW 2018). Similarly, the Polish PM Mateusz Morawiecki repeatedly underlined the clear political course of the project called it a “Weapon of Hybrid Warfare” and supported the idea that the EU needs to intervene in the construction of the project and block it (Radio Free Europe 2018). This standpoint of Poland is mainly predetermined by the political discourse of the current Polish government and its anti-Russian actions to eliminate Russian influence.

Another reason behind the rising politicization of the Polish gas supply was the warming and more intensive political cooperation on energy between the U.S. and Poland. In the autumn of 2018, on the level of Energy Ministers, the U.S. and Poland signed a joint Declaration referring to extended cooperation on energy security and a Memorandum of Understanding on a Polish-US strategic dialogue on energy (Weiner 2019). In 2022, the PGNiG long-term contract with Russia expired (Table 2.15). Poland is also intensively working on the expansion of domestic gas pipelines and storage facilities (Table 2.16). However, there can be difficulties in the future for Poland to keep the deadlines of the various diversification projects. At the same time, ending Russian long-term contracts for gas does not necessarily mean Poland will not buy gas from Russia anymore, but the negotiation position could be worse due to the shorter terms and smaller amounts.

The Polish Energy Policy until 2040 highlighted how important research and development are. Innovations would lower the stress put on the environment through coal mining and, at the same time, would provide new solutions that contribute to low-emission as well as effective and flexible use of
energy resources. Meanwhile, natural gas will remain the imported raw material. Hence, it is important to diversify the import directions and sources, because Poland still depends significantly on Russian natural gas. The demand for natural gas will be partly substituted with biofuels and alternative fuels (such as LNG, CNG, biomethane, and hydrogen). Among the Polish Energy Policy until 2040 goals, the development of the natural gas energy market is mentioned. The plan includes building a regional hub for gas transmission and trade, gasification of Poland, and the rise of gas consumption in industry, heat engineering, power engineering, as well as in households. Natural gas will serve as a transition fuel necessary to balance the need for energy and after 2040 its role will decrease.

5.7. Summary

Of all four Visegrad countries, the first hypothesis works in the Polish case the best, due to its share of a border with Russian territory. Polish-Russian geographical proximity resulted in Poland's bigger threat perception compared to the other three Visegrad countries, which made Poland more resistant to Russian influence and actively searching for alternative suppliers. Although Polish energy security was never directly threatened by Russia, natural gas always remained an important topic on the Polish political agenda. At the beginning of the 1990s after the transformation, the country became independent, but its natural gas resources and infrastructure were inherited by the Soviets, which could be used against Poland anytime. To some extent, the legacy of a relatively stable Polish-Russian energy relationship was visible during the following years, especially during the gas crises between 2006-2014 when relations between the two countries harmonized. Poland in its rhetoric and also in some concrete actions, such as strong sanctions against Russia or an increased NATO presence on its Eastern territories, can be extremely serious, however, the issue of energy security was not always that important for some Polish administrations. For example, the SLD government led by Oleksy and Cimoszewicz in 1990 or Miller’s and Belka’s SLD governments.
Even if existing pipeline infrastructure inherited from Soviet times was present in Poland, this fact did not stop Polish officials from the active search for alternative supplies. Contrary to the second hypothesis assumption, the countries with already existing pipeline infrastructure result in the less active seeking of alternative suppliers, due to the convenience of the existing link. Poland managed in 1992 to seek an alternative supply with the North Sea gas production to Poland via Denmark. Later in 1996, PGNiG and Norway’s Statoil signed a small and big deal on the supply of gas for 8 years. In 2005, the plans to construct an LNG terminal in Świnoujście to become even less dependent on Russian gas imports were launched as well as several interconnections with the Czech Republic, Slovakia, Lithuania, Ukraine, Denmark and Germany.

Regarding the third hypothesis, which assumes that countries with closer relations to Russia are less likely to diversify gas supply, as this would mean promoting policies that go against Russia and Russia’s elites’ interests, in Poland the governments closer to the left political spectrum, those led by the Communist legacy SLD party tend to prioritise cooperation with already dominant suppliers of natural gas like Gazprom, while governments closer to the right political spectrum, such as the PiS administration of the mid-2000s and the earlier Buzek government, aim to achieve diversification steps through long term contracts with rather small or less significant suppliers. This hypothesis asserts that in the long-term contract re-negotiation process state-owned companies (PGNiG in Poland) under left-wing governments prefer rather for short-term price discounts over the structural change that right-wing governments and private companies look for. An example of Poland shows that left-wing governments aimed to strengthen cooperation with Gazprom as the dominant supplier. Under the Oleksy and Cimoszewicz SLD-led coalition governments of the 1990s, the Yamal contract was signed, helping the development of the pipeline project itself and the long-term contract arrangements. In 2001, the SLD Miller government prolonged the Yamal contract for another 10 years, while revoking alternative agreements that would have brought new opportunities for non-Russian gas supplies from Scandinavia. Miller’s successor as SLD PM Belka then made PGNiG sign an import contract with unclear Russian intermediary company EuralTrans Gas and increased
Russia’s gas supply in Poland. The traditional right-wing parties in Poland, like the Buzek’s government under the AWS-UW coalition, and after PO and PiS as the centre-right parties, had achieved important steps in gas supply security policy, signing two contracts with Norwegian Statoil and also an agreement with Denmark’s DONG Energy. The Buzek’s government signed a small supply contract with German VNG and E.On. companies. Further, PiS’s government which took office in 2005, supported the construction of the Polskie LNG project and PGNiG also signed a further VNG agreement that would bring supplies from the West.

The later PO’s centre-right liberal governments under Tusk and Kopacz from 2007 worked to find several diversification options. PGNiG managed to finalize the LNG supply deal with Qatargas during this period and several smaller import deals that helped raise import capacity. Also, the reverse-flow capabilities of the Yamal pipeline were agreed upon. PO’s government decided to make deeper control on PGNiG when arranging a backup contract with Gazprom to find an alternative to the annulled RosUkrEnergo deal, the government also asked the EC support to help in the work of concluding debates on the Yamal contract structure in 2010. Under the PO’s government, Poland launched two arbitration cases against Gazprom. Miller’s SLD government aimed to change policy course following Buzek’s government focused on diversification efforts instead of trying to negotiate cheaper gas prices from Gazprom. The 2003 deal with Gazprom under an SLD government managed to reduce 35 per cent volumes under the Yamal long-term contract. Instead, PGNiG approved the prolongation of its import to 2020.

Considering the fourth hypothesis, between 2014-2021 Poland reacted to the EU Energy Strategy vaguely and adjusted its energy policy just partially. However, since 2021, when the Polish Energy Strategy until 2040 was launched, the country showed a willingness to change and modify its energy security goals to those settled by the EU, but the real results will be visible in the future. In this context, the reliance on Russian energy resources has decreased due to the launch of the LNG terminal in Świnoujście. Also, the finalization of the gas pipeline projects, such as the Baltic Pipe, and North-South Gas Corridor will permit the import of natural gas from basically any direction.
and will eliminate gas import from Russia. When it comes to diversification of delivery directions and sources, Poland plans to launch Baltic Pipe (Norway-Denmark-Poland gas pipeline) with a transportation capacity of 10 bcm/a, to widen the LNG terminal in Świnoujście (capacity of 7.5 bcm/a), to put into service floating terminal in Gdańsk (capacity of 6 bcm ultimately) and finally to increase the capacity of gas interconnectors with neighbours and increase their storage capacity. Natural gas is considered to play a significant role since it will be used as a transition fuel in the transformation process. Therefore, the need for gas will increase largely and therefore it is important to secure its deliveries.
Comparison of the Four Cases and a Discussion

This final part of the dissertation starts with a brief comparison of the four cases considering the four hypotheses settled for this research. After the summary of the Visegrad countries’ willingness to transform energy security, the impact of the EU Energy Security Strategy from 2014 on Visegrad policies in the natural gas market and Visegrad countries’ reactions to energy security after February 2022 will be discussed. This may help to better compare the four countries to not be seen as a political cluster. The dissertation ends with further research suggestions and contributions.

Results

In this dissertation, the Visegrad region is seen as an intermediate geopolitical “corridor” between the West and Russia, not only in geographical meaning but also, in security, economics and culture. The region has become a strategic space and its geopolitical and geostrategic importance is increasing. The dissertation tracks the following framework in which the Visegrad region and its natural gas supplies are explained.

Geographical Proximity

Of all four Visegrad countries, Poland is proving the first hypothesis the best due to its shared border with Russian territory. Polish-Russian geographical proximity resulted in Poland’s bigger threat perception compared to the three other Visegrad countries. This fact pushed Poland to be more invulnerable to Russian influence and therefore, actively search for alternate suppliers. Although Polish natural gas security was never directly threatened by Russia, natural gas always kept being an important topic in the county. Poland often communicated and used tools, for example, strong sanctions against Russia or an increased NATO presence on its Eastern territories, to show its position towards Russia. However, the issue of energy security was not always that important for some Polish administrations. For example, the SLD government led by Oleksy and Cimoszewicz in 1990 or Miller’s and Belka’s SLD
governments. Compared to the four Visegrad countries, Poland and the Czech Republic can be seen as the countries with the lowest politicization of Russian presence and influence in the gas sector. Since the Czech Republic went through the transformation process with bigger success than Poland, Slovakia or Hungary and handled as the first country in the region to diversify its energy import structures. In the beginning, the Czech’s construction of new gas supplies was characterized by a powerful effort to diversify, which does not support the first hypothesis. This hypothesis assumes that the countries with no geographical proximity, due to not sharing a border with Russia and having two tiers of countries between self and the core Russian territory resulting in lower threat perception, are less resistant to influence and are less actively searching for alternative suppliers. This Czech strong attempt to diversify was caused by an unexpected situation over the stability of Russian deliveries and growing security pressures from Russia, mainly because of the Czech attempts to join the Atlantic Alliance.

Although Slovakia and Hungary do not share a direct border with Russia’s core territory and have one tier of countries between self and the core Russian territory, their territorial scope of foreign policies has been changed as well. A Russo-centrist perception of the post-Soviet space with only small attention to neighbouring Ukraine, which was characteristic of the Mečiar governments in Slovakia, has been changed by a more distinguished approach, which proves the first hypothesis. Hungary has turned from being a country that adopted privatisation and liberalisation during the 1990s to one that has become extremely controlling over its energy sector after 2010 Fidesz started to govern the country. The policies made in the first decade of independent Hungary secured the amount of gas that covered annual demand. The policies regarding this issue made between the early governments of Antall and Horn, and Viktor Orbán’s first term in office diversify. A similar swing can be seen during the return of the MSZP socialist party to the government in 2002 as tight political connections between Russia and Hungary developed. When checking closer the period of Gyuresány’s premiership and that of Orbán we see that there are many similarities. During these governments, Hungary has struggled to balance its nationalist, pro-Hungarian, “Hungary First” policy with its pro-Russian voice,
which supports the first hypothesis as Hungary is a country which does not share a border with Russia and as such tends to choose a less concerned relationship with Russia. Hungary is also less resistant to influence and is less actively searching for alternative suppliers. However, Hungary has aimed to limit Russian influence when it was possible, mostly concerning ownership of energy companies. Nowadays Hungary uses an “open-close” approach when dealing with Russia. This approach will likely not change any time soon. Hungary is the only country in the Visegrad region that managed to avoid direct arbitration cases with Gazprom and was competent to remove policy privileges in the final renegotiation of 2015 when the Panrusgas contract expired, which other countries were not able to do.

Existing Pipeline Infrastructure

Even if existing pipeline infrastructure inherited from Soviet times was present in all Visegrad countries, this fact did not stop Polish officials from the active search for alternative supplies. Opposite to the second hypothesis assumption, the countries with already existing pipeline infrastructure result in the less active seeking of alternative suppliers, due to the convenience of the existing links. Poland managed already in 1992 to seek an alternative supply with the North Sea gas production via Denmark. Later in 1996, PGNiG and Norway’s Statoil signed a small and big deal on the supply of gas for 8 years. In 2005, the plans to construct an LNG terminal in Świnoujście to become even less dependent on Russian gas imports were launched as well as several interconnections with the Czech Republic, Slovakia, Lithuania, Ukraine, Denmark and Germany.

In the Czech Republic, the deal between the Czech Transgas and Norway in 1997 can be characterized as the most significant act of diversification in the Visegrad region. Besides the gas deals with the Western countries the Czech territorial position, mainly its shared border with Germany and Austria, helped the country to diversify natural gas easier than in the other three countries. In that way, the second hypothesis cannot be proven in the case of the Czech Republic either because the tracing process revealed that despite
the already existing pipeline infrastructure from Soviet times in the Czech Republic, the Czech officials after the transition at the beginning of 1990s actively searched for alternative suppliers at Western Europe. The Czech Republic rejected using one particular company through which it would channel gas, and with such a step, the government made protection from the non-transparent trade in natural gas. The absence of the importance of natural gas national policy could be explained by the Czech absence of interest in the overall energy mix. From 1993 the Czech government did not involve significantly natural gas as a fuel, rather choosing to generate power from local resources of lignite coal and nuclear.

Slovakia’s policy in the natural gas sector, after its separation from the Czechs in 1993, was characterised by a passive approach, mainly due to the already existing supply contracted during the Soviet era, which provided enough gas to fulfil demand. Its political leaders (Mečiar, Moravčík, Dzurinda) did not consider supply diversification as a policy priority, as the second hypothesis assumes. However, the robust impact of the 2009 gas crisis on the Slovak energy supply triggered a change in public policy on energy. After 2009, under Fico’s administration, Slovakia started fast construction of reverse flow pipelines with its Western neighbours Austria and the Czech Republic to become less dependent on the Russian gas supply. Slovak orientation towards Russian foreign policy discourse was replaced in 1998 by changing direction towards integration with the EU and NATO institutions. Since Russia, which has shaped Slovakia’s natural gas dependence and energy security the most, has not been widely seen as a threat to the country, Slovak officials could not use this additional push to prioritize security in the gas sector as was the case in the Czech Republic. In the period after the independence of Slovakia, the energy policy was mostly influenced by Mečiar’s government, which took on privatization and the political business networks that he created. During Dzurinda’s government challenges were mostly focused on NATO and EU accession requirements and the country was challenged by other priorities than increasing energy security. Whenever developments could increase the country’s energy security, the Slovak government did not take an active role in changing the situation. For example, this was visible when discussions on the
Southern European Corridor happened and Slovakia was passive rather than trying to lead developments as the Czech Republic, Poland and partly even Hungary did. This can be explained as a lack of vision and strategic planning.

In Hungary, the preference for state-owned companies to behave in different ways during re-negotiations with the dominant supplier between 2010 and 2014, and the absence of arbitration cases between Hungarian importers and Gazprom as suppliers support the second hypothesis that Hungary with already existing pipeline infrastructure, resulted in less active seeking of alternative suppliers, due to the convenience of the existing link.

*Ruling Elites’ Relations with Russia*

There is proof to support the third hypothesis that right-wing governments closer to the right political spectrum favour energy security-boosting long-term contracts with non-dominant gas suppliers. For example, in Poland, the conservative Buzek government launched a diversification-seeking agenda with the signing of three new high-capacity supply contracts (two with Norway and one with Denmark) and the support of a new pipeline BalticPipe, which would transmit gas from the West to Poland. The later PiS party and PO conservative governments from 2005, under Kaczyński and then Tusk, also advertised new supply deals by investing in the building of an LNG terminal. The Czech right-wing ODS government sought and signed a long-term contract with Norwegian suppliers that permitted the country to decrease its dependence on Russian gas during the 90s. In Hungary, the policy of the Antall government between 1990-1993 joined the HAG pipeline project and later during Orbán’s three periods in office government challenged Russian investment in the national energy sector or worked on taking back state control of the agencies that deal with Gazprom. Slovakia is an exception because the dependence on Russia as a major supplier of gas was preserved throughout the 1990s, despite the period led by the conservative governments of Mečiar between 1992-1994 and between 1994-1998. Alternative supply deals were not signed until the situation became critical during the gas crisis in 2009 when the Slovak supply was stopped.
Left-wing governments in the Visegrad region prioritised and kept dependence on Russia between 1990-2015. Except for Slovakia the other three important long-term contracts with Russia’s Gazprom were signed by Czech, Hungarian and Polish left-wing governments (Zeman’s ČSSD and Transgas in the case of the Czech Republic in 1998; MSZP’s Horn through MOL in Hungary in 1996 and Cimoszewicz’s SLD and PGNiG in Poland in 1996). All these contracts were signed for long-term periods over ten years. Slovakia under Mečiar continued to rely on Russia through a network of illegal business deals and shadowy agreements.

In 2021, Fidesz’s signed a 15-year gas supply agreement. Earlier until 2015 it was true that governments of the left-wing made long-term deals. However, there is the anomaly with the Orbán government now and it is a complex case, likely a result of multiple interacting variables as such. Probably, the Orbán government might have expected that for the West prices would go up and stay up without Russian gas and so they would be better off, which then did not turn out that way. Ideology may have played a role, too, with the Orbán government’s ever-growingly critical approach to the West. And also other variables, which are hard to discern from the outside, not having access to the whole range of considerations internal to the Hungarian decision-making process.

Other examples that are mentioned in separate chapters are the cancellation of Buzek’s diversification contracts under the successor SLD Miller administration in Poland between 2001-2004 or the Hungarian government’s close links to Russia during the 2000s under the Medgyessy between 2002-2006 and then Gyurcsány MSZP governments between 2006-2009, which promoted Gazprom’s South Stream pipeline project and the support of the expansion of companies acting in the national gas import market such as Emfesz, Rosgas and RosUkrEnergo. In the Czech Republic, the left-wing ČSSD governance which led the country between 1998-2006, signed a barter contract with Russia and allowed Vemex company (owned by Gazprom) to do business in the country.

The part of the third hypothesis, which assumes, that the case countries under the left wing keep prices of natural gas lower is disproved in the case of
Slovakia because when the gas crisis of 2009 occurred, the policy of diversification was led by the left-wing SMER-SD administration of Fico. However, during Fico’s first government, the expiring long-term contract with Gazprom signed during Mečiar’s administration in 1998, was substituted by SPP company partly owned by the state. During 2009 several steps to achieve diversification were made by signing alternative supply contracts with SPP’s own private managing shareholders, E.On Ruhrgas and GDF Suez. This exception in Slovakia, where a left-wing government steps that reduced the market share of the dominant supplier can be defined by the impact of the crisis on the domestic political structure, pushed the governing left-wing administration to react to its complete dependence on Russian gas through immediate policy change in a time of crisis that left several alternate options available. Out of crises, the SMER-SD government continued the relationship with Gazprom according to a long-term contract from 2008.

In that way, the third hypothesis is supported by the fact that governments closer to the left political spectrum prioritise relations with the dominant supplier, thus keeping dependence structures. Right wing governments search for new supply deals that reduce the dominant supplier’s market share, despite the potentially higher price of building new import ways and importing gas from bigger, more distanced sources. Though Slovakia showed partly conflicting proof, its internal context under the Mečiar governments and the impact of the 2009 gas crisis on the national economy the same year explains this exception.

Regarding the price of gas, only small evidence is available in this analysis to support the hypothesis that left-wing governments are encouraged to keep prices lower for consumers, while right-wing governments aim for greater supply security and are therefore willing to pay more for alternate sources of gas. In the case of right-wing administrations, the Buzek government in Poland supported building BalticPipe project connecting Scandinavia with Poland which would have made the Norwegian and Danish gas supply deals more expensive than the Russian gas.

Also, the Polish LNG cargoes contracted under the Qatargas arrangement in 2009 by the Tusk’s PO administration were three times more
expensive than existing pipeline gas into the Polskie LNG terminal. In the Czech Republic, Norwegian gas was capable of competing on price with existing infrastructure through Germany, but the ODS government between 1992-1998 prioritised security over price. During Orbán’s government, the policy of renationalisation of energy companies was executed to have a direct negotiating position with Gazprom to ensure a better price. In Slovakia, the provision of low-cost prices to consumers was a significant part of Fico’s SMER-SD election campaign in 2006.

The EU Requirements on the Stance of Visegrad Countries

The EC in 2014 defined the establishment of the European Energy Strategy as one of its top priorities. Its main target was to give consumers (EU’s member states) secure, sustainable, competitive and affordable energy (EC 2016b). The most important challenge in obtaining this goal is to build an open, liquid and competitive European internal energy market, permitting the EU to act in its relations with external energy suppliers. The Visegrad countries as a strategic region of the EU’s energy market started to act more actively to engage in a more constructive and ambitious dialogue with its major energy partners, including Russia. However, they faced many challenges in this process.

Energy policy is one of the most critical and sensitive areas, where the domestic interests of individual countries, including the Visegrad region, and the efforts and goals of the EU often contradict. The different positions are often influenced by geographical location, history, or other specific factors of individual countries. The gas market with its infrastructure in the Visegrad region has been impacted by the rise of energy security importance in the EU. Gas markets in the Visegrad region are in the process of serious transformation from rigid, monopolistic, and rather isolated structures and are becoming more dynamic, competitive and integrated with neighbours and the other EU member states. These variations are primarily visible in the Visegrad countries and Ukraine, but the whole CEE region is slowly following. The main achievement is higher interconnectivity, permitting these countries to secure supplies in a crisis. The assets in the bi-directional flows on major pipelines, as well as some
new infrastructural investments, have increased the region’s stability to potential supply disruptions. Since 2014, Visegrad countries had enough time to make their decision on how the new infrastructure in the short-term pricing market will be funded. In the last nine years, they significantly invested in the repair of existing pipeline networks as well as the construction of new ones. The rapid investment, which provides guaranteed access to completely new gas sources in the Visegrad region, has been the establishment of the Polish LNG terminal as well as the Polish project of the Northern Gate. By supporting similar projects, Visegrad countries could launch a regional market along with the European Gas Target Model with liquid regional hubs and interconnectors, and move towards harmonization of national market regulation. Better interconnection of networks could also benefit unconventional gas production.

The EU invests in cross-border gas infrastructure and LNG terminals by integrating regulatory tools. For example, the Projects of Common Interests, the High-Level Groups, the Connecting Europe Facility Energy grants, and the EIB loans. The EC has appeared to facilitate strategic energy projects in the Visegrad region and beyond. It announces cooperation between governmental agencies and market actors and assists in coalition building and coordination among several policy actors. This role is important because the implementation of the internal energy market in the Visegrad region has created fragmentation in the decision-making process that can slow market integration and interconnectivity.

The interconnectors in the Visegrad region are designed by consortia of national Transmission System Operators for gas, which are mostly state-owned companies. State-owned companies are also extending LNG projects suitable to the region. The EU has not made available the organizational and financial aid to directly reach its energy security goals in the Visegrad region, for example reducing gas dependency on Russia. However, the EC can play an important role in stimulating policy processes and the implementation of those projects that contribute to the completion of such goals. The EU financial support has been useful in consolidating other financial and organizational aids. In that way, Visegrad countries can use Europe to pursue their national policies, and the EU with its treasury-based resources can initiate the implementation of projects
with a more comprehensive regional impact that otherwise would be difficult to make.

The rise of energy security importance in the EU has affected gas infrastructural policy in the Visegrad region. The EC has played the role of a facilitator for energy projects rather than a regulator. Regulatory tools, competition policy, and enforcement mechanisms remain the main support of the EU. By deploying these mechanisms, the EU influences the Visegrad region’s inter-group dynamics and affects the prospect of EU-Russia energy relations. With the rise of energy security importance in the EU, the scope for unilateral energy security strategies has been lowered. At the same time, regional governance structures to improve cooperation and solve coordination problems have grown. Motivations for cooperation have increased as well, with a growing EU financial support for energy project implementation.

When it comes to the Visegrad countries, overall, positive changes can be observed in the implementation of the EU energy policy. The most visible it is in the creation of the Energy Union and the realization of its dimensions. The most noticeable improvement has been made in the decarbonization of the economies. In a few years, Visegrad economies have significantly decreased greenhouse gas emissions and increased renewable energy share. Positive changes are also seen in the fully integrated internal energy market. Little changes happened in energy security, solidarity and trust, and energy efficiency. The Visegrad countries are still strongly dependent on external energy supplies. Analyses of Eurostat from 2022 show, that the economies of Hungary and Slovakia reduced the import dependency ratio, while the Czech Republic and Poland show an increase in energy dependency. Unsatisfactory results were realized in the research, innovation, and competitiveness of all four countries of the Visegrad region, for example, public spending on energy research has been enacted into law. Similar results are seen for final energy consumption, the share of renewable energy consumption, and greenhouse gas emission reductions (Eurostat 2022).

However, it is challenging to assess the effects of the EU on energy policy in the Visegrad region because some areas (those connecting to the
internal market) are strongly Europeanized, while others are completely decentralized and fall within member states’ competence. Some researchers (Dyduch and Skorek 2020; Mišík 2016; Prontera and Plenta 2019) honour the effectiveness of EU energy policy on Visegrad policies mostly because of the achievements in energy efficiency and its pro-environmental and pro-ecological approach. The EU energy policy usually considers the large member states’ energies, which harms smaller countries. For example, notable failures of the negative effect of EU energy policy are the Nord Stream and the South Stream pipelines. Both projects contradict the EU energy security policy because they increased the risk of gas supply distortions to the Visegrad region and represent a challenge for the use of current gas infrastructure as well as legal constraints. The Visegrad region should keep shining light on the intensification of infrastructure development efforts enabling access to other than Russian gas to the region as the key precondition for the functional regional market. Active work on new development of transparent and competitive gas storage services, regulation of gas prices, and the establishment of attractive conditions to invest in generation capacities, transmission and distribution of lines, along with new renewables and efficiency measures can bring new potential actors and new investments in the future.

The effect of EU energy policy in the Visegrad countries is diverse and constantly changes. For sure it can be stated that at the beginning of the year 2004, the Visegrad countries were at a similar level of energy policy implementation. The following years are characterized by rising diversification and in fact, worsening the situation of all Visegrad countries. The level of implementation of the EU energy policy since 2014 was the worst in Poland, while Slovakia and Hungary implemented the energy policy quite well (Pach-Gurgul and Ulbrych 2019). Moreover, in 2019, Poland did not commit to the 2050 climate neutrality goal, and Poland did not agree with the Emissions Trading System and asked to review it (Pach-Gurgul and Ulbrych 2019).

The Visegrad countries’ positions on energy policy at the time of the Energy Union constitution, in fact, have a common interest in active participation in the EU energy policy, mainly in the area of energy security. However, they show different attitudes. Sometimes they show interest in the
project but differ in specific elements. It is challenging for them to position themselves against guidelines that consider all member states’ positions on energy policy integration (Mišík 2016).

Furthermore, Visegrad energy policy diversification strategies, mainly in the area of the energy mix favour liberalizing the energy market to strengthen their energy security. It is evident that the EU’s energy policy goals overlay with the diversification and liberalization goals of the Visegrad countries. For example, such programs for helping clarify the cost-benefit calculations and sustainability of some energy schemes created by the EU are still challenging for the Visegrad countries. To be fair, the economic development of Visegrad countries in the context of all EU member states should be considered. Visegrad economies are at a lower per capita income level compared to Western Europe economies. Visegrad economies’ structure is more dependent on coal, and in that way, new, renewable sources of energy are not so favoured. This is the main reason why Visegrad countries set less liberal targets when creating the energy convergence process compared to Western EU members. The EU climate and energy policy goals have been adjusted to the individual member states’ level of economic development and abilities. The individual member states’ energy resources and their potential for using renewable energy sources were also taken into consideration when creating the targets. The Czech Republic, Hungary, and Slovakia were close to completing the set targets and could be rated highly compared to the EU states. Poland, especially since 2015, is obviously and increasingly separating itself from the other Visegrad countries in this regard (Mišík 2016).

Security of energy supply and energy demand are central issues underlining EU-Russia relations. While the EU deals more with the economic aspects of Russia’s presence in its energy market, the Russian side traditionally mixes economic and political aspects of the energy question. Russia is missing development in real modernization and liberalization of its internal energy structure. Despite increasing global energy demand, Russia’s share in the EU energy mix has been shrinking over the past years. In that regard, Visegrad countries should support the construction of interconnectors in Ukraine and South-Eastern Europe by arranging their national energy policies and naming
the EU’s energy targets for the next decades. Introducing gas trading at the Ukrainian border with the EU based on Ukrainian and Visegrad gas storage capacities under the Third Energy Package could improve the energy security of the region in the future. Development of spot markets to efficiently trade gas could also help because the EU’s gas hubs are small, less liquid, and partly supplied by the same companies as the long-term traded gas. The Visegrad countries’ trading hub in Baumgarten in Austria serves mainly the gas transit. Such markets can be easily manipulated, especially when the number of suppliers is limited. Therefore, finding the right balance between short-term financial and market considerations on the one side, and a long-term vision for building a truly integrated and diversified region on the other, seems to be the key challenge to keeping pace with infrastructural development.

Visegrad countries, instead of decreasing the Russian gas supply and establishing energy infrastructure such as gas storage capacity or blocking foreign ownership of energy infrastructure based on national security considerations, fail to collaborate on a bigger scale which would permit them to diversify. Instead, they act unilaterally to develop domestic infrastructure and policies to tackle potential threats. This demonstrates the difference between the stated aim of concerted action by the EU and the national interests pursued by the individual member states.

The Visegrad Region’s Gas Market After February 2022

Russia’s military invasion of Ukraine in February 2022 has started an exceptional adjustment in European energy policies and relations with energy suppliers. As an outcome, a massive restructuring of European energy supply chains and energy trade is happening which will have significant importance for Visegrad countries’ energy security, industrial competitiveness and international relations. Despite remarkable increases in renewable power capacity, the impact of high prices will continue to cause inflation and restrain economic growth. Energy supply deficits and price spikes are making Visegrad countries’ industries uncompetitive. The EU’s energy policy started to concentrate on cutting energy links with Moscow and accelerating the energy
transition. In March 2022, the International Energy Agency summarised a ten-point action plan to reduce the EU’s dependence on Russian gas by a third by the end of 2022 while remaining on the green transition track, and the EC followed suit with ‘REPowerEU’ a strategy to reduce the EU’s dependence on Russian fossil fuels by 2030. The crucial steps include diversification of gas supply, the introduction of minimum gas storage requirements, raised generation from low-emission energy sources (for example, bioenergy and nuclear), boosting energy efficiency measures and accelerating the development of wind and solar energy. The three main reasons for the enormous increase in European gas prices have been the reduction in the supply from Russia, uncertainty and fears of shortages and lower than usual hydro and nuclear electricity output in the summer, which pushed gas consumption for electricity. At the beginning of the Ukraine crisis, Europe had a longer-term goal of reducing dependence on Russian gas by two-thirds. However, Russia itself exceeded that target when it cut off gas exports to Europe in reaction to European sanctions. LNG is currently the only possible replacement option to fill the gap created by the loss of Russian pipeline gas. As a result, the cost of LNG has more than doubled since Russia’s invasion of Ukraine in 2022. However, there is less uncertainty after the EU measures made in 2022. Market players do not need to purchase gas no matter the price to ensure the security of supply. The EU managed to immerse an unprecedented energy shock without blackouts, shortages, or a recession. However, this resulted in substantial price spikes and notable fiscal support from Member States to soften the impact on households and businesses. Market fundamentals indicate a better situation in winter 2023/2024, limiting the risks for similar spikes as the one in summer 2022 and therefore reducing the impact of energy on inflation. Several problems must persist to be watched, including the continuation of demand reduction, global LNG supply, gas demand in China, and weather.

The dominant position of natural gas in the Visegrad region is kept by Russia, which supplies the gas to different countries at different prices. It is in the interest of the Visegrad countries that all the strategic investments that make up the EU’s North-South corridor, which will contribute to improving energy security in the region, are implemented on time. At present, there is an absence
of sufficient gas infrastructure that would allow a substantial supply of gas from new sources, and not all the interconnections allowing the transmission of this resource within the gas corridor are in place. These strategic investments, co-financed by the EU, fetching a new source of gas to the region, have improved the negotiating position of Visegrad countries with Russia. The countries interested in building this gas corridor must keep ownership control over the strategic gas infrastructure. Its loss would contribute to the fact that the North-South axis could be blocked. In the long term, the gas corridor will bring geo-economic and political advantages to all the countries in the Visegrad region.

Currently, Poland is the most determined as it has the largest domestic gas output of all the Visegrad countries, and has also bought gas concessions in Norway. Moreover, Poland has noteworthy shale gas potential and access to the Baltic Sea and it is developing its gas infrastructure to help supply from new sources. In addition, Poland has also signed gas contracts with the U.S. and Qatar. As a result, Poland will become the country that encourages other countries in the region to access the global natural gas market. The Baltic Sea will also raise the political independence of Visegrad countries and Poland has direct access to it.

The several interests of the Visegrad countries resulting from the projected building of other gas infrastructure projects do not exclude further cooperation regarding the North-South gas corridor. However, the Visegrad countries will also enforce investments that maintain their position for Russian gas concerning the transit of Russian gas to EU members. Moreover, all four Visegrad countries are interested in supplies of natural gas to Ukraine and there is political rivalry about which player will take the biggest responsibility for the transit of the natural gas to the Ukrainian market. Slovakia has the strongest position in this regard. Also, investments are taking place in the Czech Republic, Slovakia, and Hungary, which reveals that these countries are interested in expanding their role as transit countries in terms of Russian gas supplied via Nord Stream 2 to Germany and onward to the CEE region. Regarding the mutual economic relations between Germany and the Visegrad countries, they became strategic economic partners. Mainly in terms of Czech-German and Slovak-German political relations. The role of the U.S. as a politically strong
actor will play an important role in the process of diversification of natural gas supply sources to the Visegrad region. The declaration on co-financing gas infrastructure projects within the Three Seas countries and the signing of gas contracts with Poland until 2043 demonstrates the U.S. interest in this region. Involving American gas in the Visegrad region would reduce the need for extending the existing gas contracts with Gazprom or encourage them to terminate those contracts. Therefore, the Baltic Sea and the North-South project would play a strategic role in natural gas supplies. All Visegrad countries view the U.S. as a main partner ensuring their security. American involvement in the supply of LNG to the region will result in the development of political cooperation in terms of increasing the operational capabilities concerning the protection of strategic gas infrastructures.
Further Research

There is significant space for further research on the topic of gas supply deals and the interplay between politics and trade in the gas market. Further analysis of state-level dynamics in policy-making processes is necessary to determine how the selection and prioritisation of energy security policies are made within the government. Such analysis could help to better understand how some governments choose to focus on short-term price objectives rather than long-term security benefits. Another interesting area for further research is on the supply side and the role Russia will play in defining Gazprom policy output after the war in Ukraine. The apparent politicisation of Russia’s energy resources under President Vladimir Putin has been done to promote interest in the topic of gas supply over recent years, about topics such as the “energy weapon.”

This analysis has examined just four Visegrad countries, but better use of data across Europe could provide an interesting database for a review continentally or throughout CEE. Remaining with those cases evaluated here, the Visegrad region, though often discussed as an irrelevant sub-institutional structure, has had some relevance in advertising gas market integration, and this subject
The Pay-off of the Project

Theoretical Contribution

Findings of my dissertation contribute to three bodies of literature - in the first place to the burgeoning field of influence in international relations, secondly to the conflicted nature of energy security, and finally to the literature on policy choices during transition in the natural gas sector.

First, conceptual confusion about what influence in international relations is, how to measure it and analyse, persists in the literature. This is a result of the interplay of a number of factors. I argue, that the concept of influence is as important as it is ambiguous in international relations. The same applies to the notion of power. Moreover, the two concepts are inherently connected, however, one defines them, and they are even equated by many, at least in certain contexts, even though power-as-influence should be distinguished from power-as-control. Conceptually, I introduced the process tracing method to assessing historic developments of influence by analysing geographical proximity, existing pipeline infrastructure, ruling elites’ relations with Russia and the EU requirements on the stance of Visegrad Countries. To my best knowledge, this has not been done before.

Second, energy security resulted in more than three dozen mainstream definitions available in the energy security literature and additional meta-literature on the classification of energy security definitions and conceptualizations. My contribution to the energy security literature in this context is refocusing the concentration from a prescriptive conceptual approach to energy security which has been preoccupied with finding the right definition, to a conceptualization of energy security grounded in empirical observation and guided by a descriptive approach. Instead of defining what energy security ought to be, I provide empirical observations. Not everything that governments prioritize and do, which pertains to energy, is energy security. Contrary to the expectations of the literature, governments often prioritize other aims than security, even in the objective lack of sufficient security.
Additionally, I have enriched literature by introducing the quantitative measure of links of government officials to the previous regime, linking the problem of transitional policies to energy security, which is particularly applicable to understanding of security in general, and energy security in particular during times of transition from totalitarian regimes towards more open and pluralistic ones.

The broader theoretical contribution of this dissertation consists of finding the definition for influence in international relations, also finding an argument for reframing the energy policy debate by bringing back domestic politics, and contributing to understanding of policy prioritization during the transition in the natural gas sector. By providing an explanation for the variation and timing of domestic responses to the structural position of gas import dependence over time in countries in transition I have also contributed to the broader research field of domestic responses to comparable international conditions.

The analytical framework presented in the research could be used when applied to other cases within this understudied group of countries. The lack of theoretical background in the natural gas security problems has wrought a place where, in most cases, the descriptive analysis completely rules the debate on the role that natural gas resources play in foreign policy.

Practical Contribution

This research presents a contribution to national economic policymakers, regulatory governance, and entrepreneurs who want to enlarge market diversification and competition in the natural gas sector. These countries have significantly weaker monitoring and regulatory quality rankings than their Western European neighbours. Sealing this monitoring gap, concerning the quality of regulatory mistakes, public procurement management, and state-owned enterprise governance, is crucial to reducing the vulnerability to Russian influence. Countries from the Visegrad region should significantly improve the transparency of national policymaking and implementation, allowing for seizure anomalies to be quickly recognized and dealt with. National antitrust
authorities should define public calculations of the diversification of strategic economic sectors, especially the energy sectors and define possible national security threats.
Bibliography


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