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Press Release

Hungarian Minister of National Development makes case for South Stream's value and economic benefit for Europe

With the attendance of both Russian and Hungarian government members alongside Gazprom representatives and energy experts, today's conference entitled "South Stream: The Evolution of a Pipeline" discussed the importance of the pipeline in terms of economic stimulation, security of supply, diversification of energy sources and its role in the development of a strong partnership between the energy enterprises of Europe.

Opening the conference was Hungarian Minister of National Development, Zsuzsa Nemeth, who reiterated Hungary's need for energy diversification and emphasized that South Stream would create a strategic partnership with neighbouring countries. "South Stream is a unique initiative with strong political backing from all sides. It provides an excellent tool for diversification amongst these countries and contributes to energy security in the whole region."

Nemeth further stressed that "Russia is a strategic partner to Hungary on security issues and we are a major market for Russian gas. Hungary has confirmed its support for the construction of South Stream and the pipeline will further contribute to Southern and Eastern European countries relations with Russia."

The Secretary of State for Energy Affairs, Pal Kovacs, underlined Hungary's energy dependence which currently stands to be greater than 60%. He highlighted the lack of infrastructure and a need for a survival strategy for the country which would address these issues. Kovacs insisted "we need a strategy which will focus on promoting energy efficiency and improvement of energy infrastructure as well as security of supply. We need to ensure access to natural gas and that is something that South Stream will guarantee by 2015."

South Stream, which is to run 2385 km long and will involve the partnership of 9 countries, including Bulgaria, Serbia, Hungary, Italy and Russia, has required substantial agreements between governments and major energy enterprises. Russia is the most important commercial energy partner for Europe and has always represented a sure, stable supply of gas for many European countries, with Gazprom supplying over a quarter of the European market. Analysts predict that the gas demand will increase from 312 billion cubic metres to 537 billion cubic metres over the next fifteen years.

"Russia is third largest partner for the EU, " said Russia's Deputy Minister of Energy, Anatoly Yanovsky "we need to consider the past problems and differences between EU and Russia on energy policy, but in Russia, energy assets have been privatised and the oil and gas industry has transformed- energy infrastructure is booming. Russia's strategy till 2050

will be a mechanism based on a continuous monitoring process and we need to be forward-looking and make recommendations for a series of steps to enhance Russia-EU energy cooperation over the coming decades.”

He added that negotiations between the EU and Russia will ensure a solution to the problems raised by the Third Energy Package, which has been seen as a roadblock to the commencement of construction.

“Natural gas today represents the most important source of energy in the European Union” explained Alexander Syromyatin, Deputy Head of Project Management Department, Gazprom. “Demand in the near future will quickly overtake supply, because of the falling extraction capacity in Europe. The South Stream project will solve the problem of this deficit for the future.”

Gyorgy Harmati, Strategic Director and Chairman of the Board South Stream Hungary, stressed South Stream will “diversify import routes, and increase security of supply. We believe gas will run in all directions in Central Europe and this will be the case in the future. Gazprom and Russia will remain a good partner to Hungary.

“All the market players must adapt to the changing environment- this infrastructure project is Hungary’s answer. We must enable gas delivery wherever it is soundly possible. South Stream is aimed to start construction in 2015 and this will be going ahead. ”

He also highlighted the key benefits, which would include profitable investment and that the pipeline will determine the regional market in the future. MVM is on path to increase its role in the gas market, and Hungarian storages are ideal for servicing shippers.

Summarizing the conference were Dragutin Matanovic, Advisor to Serbia’s Prime Minister and Jose Maria Aznar, former Spanish Prime Minister.

Mr Matanovic emphasized South Stream’s importance with regards to geopolitics between Central and Western Europe. “South Stream is important for economic stability as it is a global project. This will reinforce political ties in Europe and Russia. Work on the pipeline will commence next Sunday in Serbia.”

Aznar analysed the social and economic impacts of the South Stream pipeline and further reiterated the projects influence and importance in regards to EU integration in the context of helping provide Europe with a new source of desperately needed economic growth.

Other speakers included Adnan Vatansever, Senior lecturer, King’s College London, Ben Shimshon, Director of World Thinks, Rimma Subhankulova, Founder of World Energy Expert Group, Andrak Deak, Director of the Hungarian Institute of International Affairs, and Gyorgy Drucker, chief analyst at Energiainfo.hu amongst others.

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