

Comments of the company eustream,a.s. on the draft document „ Koordinierter Netzentwicklungsplan 2020 für die Gas-Fernleitungsinfrastruktur in Österreich für den Zeitraum 2021 – 2030“ being a subject of the public consultation from 27th October 2020 to 16th November 2020 launched by the Austrian Gas Grid Management AG

The company eustream, a.s. (hereinafter as „**Eustream**“) welcomes the opportunity to raise comments on the draft document „Koordinierter Netzentwicklungsplan 2020 für die Gas-Fernleitungsinfrastruktur in Österreich für den Zeitraum 2021 – 2030“ (hereinafter as “**KNEP20**”) being a subject of the public consultation from 27th October 2020 to 16th November 2020 launched by the Austrian Gas Grid Management AG at its website.

The KNEP20 plan includes a newly included project CZAT route or the Czech - Austrian Interconnection; GCA 2020/01 (hereinafter referred to as "**CZATi** " or the “**Project**”), which presents the vision of the Czech and Austrian transmission system operators, NET4GAS and GAS CONNECT AUSTRIA on the direct interconnection of the transmission gas systems of the Czech Republic and Austria (other such direct connections currently do not exist, but the markets of the Czech Republic and Austria are already connected indirectly, through the Slovak transmission system).

The newly included Project, firstly under the name LBL (Lanžhot-Baumgarten Line), later the Bidirectional Austrian – Czech Interconnector known as "BACI", has been presented in various its forms for more than 10 years. The main stated idea of the Project originally LBL, BACI and now "Czech - Austrian interconnection" is the effort to integrate the gas markets of the Czech Republic and Austria, which, according to the presented KNEP20, should contribute to:

- meeting market demand,
- support the North-South Corridor,
- reduce market isolation,
- increase the security of supply of the Czech Republic and Austria and
- enable transport routes for alternative gas sources.

However, Eustream would like to present its comments expressing its belief that the project "CZATi" is not able to bring the declared benefits for the following reasons:

1. "CZATi" is not based on a relevant market demand

In 10/2019, NET4GAS and GCA published a report on the assessment of incremental capacity demand between the Czech Republic and the Market Area East in Austria, resulting in an aggregated non-binding indicative demand for a firm capacity of 1 277 397,26 kWh/h/year in gas years 2020/2021 - 2034/2035.

At the beginning of 2020, a public consultation of incremental capacity took place at the CZ-AT border, where only one company, OMV Refining & Marketing GmbH (hereinafter as “**OMV R&M**”), expressed its belief in:

- (a) a sufficient demand for this route (not based on any specific supporting arguments for such a claim);

(b) increase the security of gas supply for both markets (not based on any specific supporting arguments for such a claim), and

(c) expressed its support for initiating an incremental capacity process.

Eustream would like to argue that the OMV R&M's declared non-binding market interest in incremental capacity and the OMV R&M's general non-binding claims without any supporting arguments cannot be considered relevant and sufficient ones to give impetus to the beginning of the incremental process for an expected demand level of up to 750 000 Nm³/h, since such capacity does not have a real basis in market demand and at the same time the market demand of 1 277 397,26 kWh/h/year can be fully satisfied through the current Slovak transmission system without the need to spend stranded investments and without having to socialize the project costs into the final prices of natural gas for Czech and Austrian consumers. Moreover, OMV R&M is a member of OMV, which also owns a majority in Gas Connect Austria, which raises considerable doubts in terms of the purposefulness of non-binding demand.

Doubts about the acute and real interest of the market in the Project and its capacity are underlined by the fact that although it is the LBL project and later under the name BACI or any other name the project in question has, it is still the same project, which has been under the preparation for more than 10 years and it is not considered to be operational until 2026.

Especially at a time when the European Union is advocating solutions that will help to achieve the objectives leading to the carbon neutrality in 2050 (in spite of a presented partial H2 readiness), and in particular when the present Project represents a parallel infrastructure to the existing solution through the Slovak transmission system, thus the Project can be considered as an unnecessary investment and in a contrary to the decarbonization efforts of the European Community.

2. "CZATi" will not support the North-South Corridor

The declared ambition to create a gas corridor with a view to support the North – South Corridor seems ineffective, as the Project is duplicated and parallel to the existing bidirectional gas infrastructure connecting the Czech Republic, Slovakia and Austria, as well as to the project "Poland - Slovak Gas Infrastructure Interconnection", which is currently in the construction phase and will contribute to the North-South interconnection effectively.

3. "CZATi" will not reduce market isolation

There are no supporting relevant arguments in the KNEP20 providing any evidence whatsoever about Austria being an isolated market. Directive 2009/73/EC, Article 49 mentions Emergent and isolated markets and states that "Member States not directly connected to the interconnected system of any other Member State and having only one main external supplier may derogate from Article ...". In this context, it seems highly questionable whether Austria, a country with highly developed gas transmission infrastructure and with one of the highest N-1 parameters in Europe, can be considered an isolated market.

As mentioned above, the CZATi project is a new name for the BACI project, which is intended to give rise to a misleading illusion of a new project in the gas market, the benefits of which were also in doubt by the European Commission. The project was included on the 3rd PCI list

only conditionally, and on the 4th PCI list it was not included at all, since the potential benefits of the project do not outweigh the costs incurred for the Project, as it is clear from the evaluation of the regional group in the context of the creation of the 4th PCI list. ENTSOG also did not identify any infrastructure gaps between the Czech Republic and Austria during the preparation of TYNDP, which would be the impetus for the implementation of the "Czech - Austrian Interconnection" project and nothing fundamental has changed since then.

4. "CZATi" will not increase security of gas supply to the Czech Republic and Austria

The meaningfulness of the implementation of the Project from the point of view of increasing the security of natural gas supply to the Czech Republic and Austria loses importance when looking at the state of the existing transmission system. The current transmission infrastructure is oversized several times in order to ensure the diversification of transport routes and for the needs of Austria.

5. "CZATi" will not enable transport routes for alternative gas sources

As with the diversification of transport routes, the implementation of the project "CZATi" makes no sense even from the point of view of diversification of natural gas resources in Austria. The purpose of the Project is to connect it to the Austrian gas hub in Baumgarten, where only natural gas is traded, transported through Slovakia or Germany. Direct connection to Austria will therefore not bring any new sources of natural gas to Austria.

After considering all these facts, Eustream takes the view that, like the BACI project in the past, its current successor, the "Czech - Austrian Interconnector" project, brings absolutely no benefits for the European gas market. Moreover, it should be taken into account that the implementation of the project "Czech - Austrian interconnector" means the spending of investments, which will in the end have to be reflected in the final prices of natural gas for Austrian consumers and thus increase their gas bills. **Eustream also assumes that all these facts will persuade the project promoters themselves to abandon the Project, which is meaningless because it is based on a lack of a real market interest, does not bring the expected benefits and is to be prepared at a time of the EC's decarbonisation efforts to achieve a carbon neutrality in 2050, and at the same time in a situation where existing parallel gas infrastructure is available to gas market participants.**