

Testimony of Petr Gandalovič

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Before the

U.S. House of Representatives

Energy & Commerce Committee

Subcommittee on Energy & Power

**Hearing on: “H.R. 702, Legislation to Prohibit Restrictions on the Export
of Crude Oil,”**

July 9, 2015

Summary of the major points:

- Since 1989 when the Czech Republic (then Czechoslovakia) reestablished its independence, the Czech Government always kept in mind that it is not possible to **achieve true state sovereignty without having energy sovereignty.**
- The Czech Republic’s energy security is based on the assumption that access to the global markets means access to oil and gas exported by countries that **see energy as a business and not as a political tool.**
- The **larger the number of stable democracies** among the world energy exporters, the **more robust the energy security** of the **Czech Republic** and the European Union will be.

- US energy exports would send a **strong signal to the world community that democracies stick together.**

Remarks as prepared for delivery

Thank you Subcommittee Chairman Whitfield, Ranking Member Rush, and members of the Subcommittee. I appreciate the opportunity to be here today to provide my perspective on the utmost importance of the strategic energy alliance between the United States and Europe as energy exports from democratic countries like the United States enhance the energy security of the Czech Republic and the European Union.

Since 1989 when we reestablished our independence, we have always known that we **cannot achieve true state sovereignty without having energy sovereignty.** Bearing this in mind, one of the very first steps of our revived independent diplomacy was to start negotiations with Germany on the building of a new **transit oil pipeline** that would connect us with the Western markets and diminish our previous 100% dependence on oil supplies from the East namely Russia.

This truly strategic decision has successfully materialized in the **IKL** (Ingolstadt Kralupy Litvinov) **pipeline**, which has connected us via Germany with the Italian seaport of Trieste, at the Adriatic Coast. The existence of that oil pipeline has given us the opportunity to import oil from international markets.

Nowadays, we import around **one half** of our oil consumption through this pipeline. It is interesting that most of this oil comes from Azerbaijan (which flows via Georgia to the Turkish port of Ceyhan on the coast of the Mediterranean Sea, then on to the port of Trieste in Italy and then through the Alps to Germany and finally via the IKL pipeline to the Czech Republic) or Kazakhstan, following a similar route.

What is crucial for our energy security is that the capacity of this IKL pipeline is large enough that in the case of emergency we can practically cover our oil needs from other than Russia territory and potentially also from the US.

Moreover, we have also done our **homework** in the area of **natural gas**. In the nineties, we signed a contract with **Norway** that diminished our 100% dependence on deliveries from the East. We also built the so called **Gazelle** gas pipeline that has interconnected our gas transit network with the German one. Thanks to this interconnection we have been significantly integrated with the German so European gas market and, as a result, we also buy natural gas on **spot markets** in Western Europe. This interconnection with Germany also provides us with an alternative supply route in case of extraordinary supply disruptions from the East.

Apart from the diversification of transit routes, we have always given particular importance to diversification of **energy sources**. Therefore, our energy mix has been based on nuclear energy, coal, oil, gas, hydro and renewables.

I mentioned that energy security has always been a priority to the Czech Republic. Since 2004, we have been trying hard to emphasize the issue of energy security within the **European Union in general**. We made energy security one of the official priorities during our EU Presidency in 2009. We led the negotiations during the gas crisis between Russia and Ukraine, finalized the 3rd EU energy package, which is the crucial component of the European energy legislation and organized the so called Southern Corridor Summit.

Energy security has always been on top of so-called **Visegrad Group** (V4) agenda and is one of the official priorities of its current Czech Presidency (This Group consists of the Czech Republic, Slovakia, Poland and Hungary). The “V4 group” strives for energy sources diversification and with its demand reaching 42 billion

cubic meters of natural gas per year and almost 40 000 000 tones of oil per year, accounts for an important European regional market. It offers business opportunities to possible new entrants into its energy market.

As I mentioned earlier, we always keep in mind that we have to do our homework first. Thanks to this approach, I am glad to be able to say that the energy security of the Czech Republic has **reached a very good level**. Despite the fact that we import more than 90% of our consumption of oil and gas and in both cases the major supplier is Russia, we are able to manage possible disruptions of deliveries from the East.

It is important to stress that our energy security is based on the assumption that access to the global markets means access to oil and gas exported by countries that **see energy as a business and not as a political tool**.

Hence, I would like to reiterate the crucial statement: The **larger the number of stable democracies** among the world energy exporters, the **more robust the energy security** of the **Czech Republic** and the European Union will be.

Moreover, US energy exports would send a **strong signal to the world community that democracies stick together**.

Mr. Chairman, Mr. Ranking Member, Members of the Subcommittee,

Thank you for your attention.

I am ready to answer your questions.