## **Energy Regulatory Office**

https://www.ure.gov.pl/en/communication/news/309,Energy-regulators-from-Poland-and-Denmark-signed-a-mem orandum-on-joint-activitie.html 10.04.2024. 18:11

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## Energy regulators from Poland and Denmark signed a memorandum on joint activities on the Baltic Pipe project

The conclusion of the Memorandum between the two institutions is governed by the <u>intergovernmental agreement on the construction of the Baltic Pipe entered into by and between Poland and the Kingdom of Denmark in 2018.[1]</u> It is intended to facilitate cooperation between the Energy Regulatory Office (URE) and its Danish counterpart: <u>FORSYNINGSTILSYNET</u> (Danish Utility Regulator, DUR).

For the first time in history, gas may flow from Poland to Denmark

The Baltic Pipe is a strategic infrastructure project designed to create a new gas supply corridor in the European market. It will allow, for the first time in history, to transmit gas directly from deposits located in Norway to Denmark and Poland, as well as to neighbouring countries. The Baltic Pipe will also make it possible to supply gas from Poland to the Danish and Swedish markets. The pipeline will be capable of transmitting 10 bcm of natural gas annually to Poland and 3 bcm of gas from Poland to Denmark. According to the schedule, the pipeline is to become operational on 1 October 2022.

The Polish transmission system operator GAZ-SYSTEM and its Danish counterpart ENERGINET are working together on the Baltic Pipe project. Both companies are owned by Poland and Denmark, respectively.

Towards better cooperation between the regulators

- Signing the Memorandum of Understanding, makes it

possible for the two regulators to cooperate more closely on the functioning of the project infrastructure, which must operate in accordance with the European Union law - emphasizes Rafał Gawin, President of URE.

- We are very pleased with the Memorandum of Understanding. We see it as an important step in the functioning of the Baltic Pipe and a clear framework for the further cooperation with our Polish colleagues - said Carsten Smidt, Head of DUR, the Danish regulator.

In the memorandum the parties agreed, among others, to exchange information on any circumstances and actions that may affect the proper enforcement of the European Union law in relation to the infrastructure of the Baltic Pipe project. This refers to any kind of administrative decisions or proceedings concerning both transmission operators (such as changes in licences and permits, decisions granting independence certificates, etc.).

The Baltic Pipe interconnector an integral part of the Polish transmission system

In the Intergovernmental Agreement of 2018, the parties agreed that the part of the Baltic Pipe project infrastructure running from the last dry weld on the Danish coast through the Danish territorial sea, the exclusive economic zone and the continental shelf in the Baltic Sea up to the point of connection with the Polish gas transmission system (that is the Interconnector) will be an integral part of the Polish gas transmission system. This means that it will be the exclusive property of the Polish operator and will be operated by GAZ-SYSTEM, which will act as the transmission system operator in relation to the Interconnector. As the Decision of 28 November 2018 by the Danish Energy Agency (Energistyrelsen), under the Danish Gas Supply Act, granted an exemption for OGP GAZ-SYSTEM from the provisions of this Act with regard to the infrastructure indicated above, it became necessary to establish the principles of cooperation between DUR and URE in order to ensure the operation of the Baltic Pipe project infrastructure in accordance with the European Union law. The signed memorandum sets out the principles of this cooperation.

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- The Baltic Pipe project complies with the European Union's energy policy assumptions.
- Direct access of the Central and Eastern European region to fields in Norway will

- enhance security of supply by opening a permanent new supply route for natural gas, while intensifying competition and price pressure among gas suppliers.
- The pipeline also falls within the policy of climate protection and supporting the countries of Central and Eastern Europe in decarbonizing their economies and stabilizing their power systems in a situation of fluctuating production from renewable sources.
- The Baltic Pipe project consists of five main components:
- 1. a gas pipeline on the bed of the North Sea which will connect Norwegian gas fields to the transmission system in Denmark;
- 2. expansion of the Danish transmission system enhancing gas transport capacity and lowering average transfer costs;
- 3. a modern gas compressor station in Denmark ensuring security of gas supply for both Denmark and Poland;
- 4. a gas pipeline on the bed of the Baltic Sea, which is a bi-directional connection between the transmission systems in Denmark and Poland that diversifies sources and directions of supply;
- 5. expansion of the Polish transmission system, which is also a further step towards making Poland a regional gas trading centre, thus mitigating the risk of supply interruptions and stimulating the domestic economy.

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[1] Article 2(6) of the Agreement between Poland and the Kingdom of Denmark (Journal of Laws 2019, item 1263).

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