

Energy Transition in Eastern Europe and the CIS

Report on November Milan, Italy Conference

With *Energy in the Restructuring of the Former USSR and Eastern Europe* as its theme, this AIEE/IEFE seminar held at Bocconi University in Milan last November examined the changes in energy consumption and production that have occurred and are anticipated in the former FSU and Eastern Europe.

Perhaps the major conclusion was that the restructurings that have occurred have brought the area close to an upward turning point and that the prospects for 1996 energy production and consumption are improved, if not good.

In the case of oil, after six years of declining production, 1996 will probably see stabilization and exports may actually increase. Oil reserves in Russian and the CIS countries are increasing as a result of new discoveries and reappraisals, though development continues to be difficult due to the uncertain and unclear legal aspects of the countries. Further, pipeline system problems continue to constrain development and distribution.

Natural gas output in the region, which decreased over the last four years, is now forecast to rise and is expected to reach 700 billion cubic meters by the year 2000.

Electric power output in Russia and Eastern Europe, after falling about 30 percent, is expected to increase gradually in the near future to support increased industrial and domestic uses. A few new power plants will be built though financing will remain a constraint. Local governments will continue nuclear projects in Czech, Slovakia, Russia and Romania in order to ensure electricity availability and reduce imports. Most governments, being short of cash, have decided to privatize electric utilities, though a variety of schemes are being used to accomplish this. Natural gas is expected to be increasingly substituted for coal and oil in electricity production in order to reduce environmental problems in urban areas.

Industrial energy efficiency is of primary concern as most plants in Belarus, for example, operate at a level some 30 percent below western standards. This is often due to poor equipment maintenance and inefficient management. Nevertheless, with the help of western technology and cooperation and the European Energy Charter, the expectation was that efficiency could be raised.

Edgardo Curcio

Editor's Note (continued from page 1)

some of the potential results of OPEC/Non-OPEC cooperation and puts forth a cogent argument that such cooperation needs to be entered into very carefully and the longer term implications clearly thought out.

David Jones does his usual fine job of summarizing in detail the annual RIIA/BIEE/IAEE London Conference. After reading his accounting, one comes away with the feeling of having actually been at the meeting.

Bruno Fritsch looks at the relationship between ecological sustainable development and energy and concludes that only when population stabilization is reached can we ensure ecologically sustainable economic growth. Bjorn Saga of the IEA presents a concise summary of the *IEA Gas Security Study* and concludes that IEA countries are generally well placed to withstand major gas supply disruptions.

We have two summaries of recent workshops/seminars on the Eastern European energy situation both of which draw some fairly optimistic conclusions. Still on the subject of Eastern European energy, Tamas Jaszay Jr. and Enkio Kiss discuss the privatization of the Hungarian Energy Industry. Michael Parker presents another of his very concise seminar reviews, this one on a BIEE seminar dealing with nuclear power.

Finally Mary Lindahl looks at the question, *Should Oil States Hedge Oil Revenues?*, and reports the answers gleaned from a University of Alaska seminar.

Again, we'd like to urge our readers to continue to favor us with articles for the Newsletter. Your contributions are most appreciated.

DLW

Directory to Include E-mail Addresses

The *1996 Membership Directory* will include e-mail addresses. Members are encouraged to add their e-mail address to their *Directory Update Form* when they receive it, or otherwise let Headquarters know of their address so it may be included in the *Directory*. All members are encouraged to visit our web site at <http://www.IAEE.org> and to leave messages for Headquarters at IAEE@IAEE.org.

Conference Proceedings 16th USAEE/IAEE North American Conference Dallas, Texas, November 6-9, 1994

The Proceedings from the 16th North American Conference of the USAEE/IAEE held in Dallas, TX, are now available from IAEE Headquarters. Entitled *The World Oil & Gas Industries in the 21st Century*, the proceedings are available to members for \$55.95 and to non-members for \$75.95 (includes postage). Payment must be made in U.S. dollars with checks drawn on U.S. banks. To order copies, please complete the form below and mail together with your check to:

Order Department, IAEE Headquarters, 28790 Chagrin Blvd., Suite 210 Cleveland, OH 44122, USA

Name _____

Address _____

City, State, Mail Code and Country _____

Please send me _____ copies @ \$55.95 each (member rate) \$75.95 each (nonmember rate).

Total enclosed \$ _____ Check must be in U.S. dollars and drawn on a U.S. bank, payable to IAEE.