Poland to Press On with Shale Gas

Monika Scislowska,Associated Press

WARSAW, Poland (AP) — A much-awaited law that will regulate shale gas production in Poland should be adopted this year, helping to develop the potentially lucrative sector, Treasury Minister Mikolaj Budzanowski said Friday.

Poland has been the most aggressive country in Europe in pursuing shale gas, a form of natural gas that is trapped in porous shale rock and requires new technologies to extract. Environmental activists say the extraction process of hydraulic rock fracturing is highly polluting.

International and Polish companies are exploring for the gas but are waiting for the new law — which will regulate taxes on production, terms for starting business and distribution of gas — before they commit to a longer-term strategy.

"Foreign companies are undoubtedly waiting for the final version of the law, which should be adopted this year and take effect in 2015," Budzanowski told The Associated Press in an interview. "It will certainly give a big impulse for intensifying gas exploration efforts in Poland."

A preliminary draft of the new law, which was demanded by the European Union, calls for a combination of taxes totaling about 40 percent on financial gains made by shale gas producers. But companies say it's the details in the new law that matter. Without its finalization, they cannot plan ahead.

The government hopes shale gas will boost the economy, reduce dependence on Russian gas imports and cut energy prices. It estimates Poland's shale gas deposits may secure production for at least 25 years.

In Poland, the first commercial shale gas is expected to be produced on a small scale in early 2015. Shale gas will likely become a major energy source for Poland by 2020, but coal — which Poland is rich in — will remain the main source for another 50 years, Budzanowski said.

Production of shale gas, developed in the United States in the 1990s, has brought down gas prices on the U.S. domestic market to under $100 per 1,000 cubic meters, about a third of what gas costs in most of Europe, where the chief provider is Russia. Moscow charges Poland above the European average thanks to a contract between the two countries that dates back to 1993.

Regarding environmental concerns, Budzanowski said Poland's mining and research

institutes should be involved in developing new, environmentally-friendly forms of shale gas extraction that could be also used in other countries.

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