



Consultation on an EU strategy for liquefied natural gas

A Growing LNG Market in SE Europe

Question 1: Do you agree with the assessment for the above regions in terms of infrastructure development challenges and needs to allow potential access for all Member States, in particular the most vulnerable ones, to LNG supplies either directly or through neighbouring countries? Do you have any analysis or view on what an optimal level/share of LNG in a region or Member State would be from a diversification / security of supply perspective? Please answer by Member state / region

In view of latest developments and company plans there is no doubt that over the next 4-5 years the role of LNG will be significantly strengthened, mainly in the southern Balkans and Turkey. The storage capacity of the LNG tanks will double, which means that larger LNG quantities could be channeled into the region's natural gas networks. Both the increase in tank storage and the much greater gasification capacity of the LNG terminals, will greatly enhance the operational security of both national gas systems in Greece and Turkey, contributing at the same time to security of supply of neighbouring countries (Bulgaria, FYROM, Serbia).

The LNG could thus contribute a 30-35% towards the domestic gas consumption in countries like Greece and Croatia. Moreover, LNG could be transported through Greece and Croatia to the rest of SE Europe via interconnectors and further on to other countries including Hungary, Moldova and Ukraine. In this respect the role of Greece and Croatia in the liquefied natural gas market of Southeast Europe will become pivotal in the near future especially after the implementation of two liquefied natural gas terminals to be operating by 2020 – 2022 (FSRU in north Greece, LNG terminal in the island of Krk) and the second upgrade phase of Revythoussa LNG terminal. These investments are expected to

strengthen the role of Greece and Croatia as transit countries helping to feed the region with gas, via the various gas interconnectors, and the proposed Vertical Corridor (See IENE's study "The Vertical Corridor, from the Aegean to the Baltic", May 2015).

On the other hand, the prospects for East Med gas as an alternative, albeit secondary, supply source are once again on the table, especially following the latest Zohr discovery. Although at this stage we have no clear picture as to the exact volumes that will be available beyond 2020 for export to Europe it would be safe to assume, (on the basis of current available data of anticipated production from the three main fields- Leviathan, Aphrodite and Zohr) that 8.0 to 10.0 bcm per year will be available. This can hardly be considered as an alternative main gas supply source to cover EU needs which alone in 2014 imported some 20 bcm's. However, it is comparable in volume to the much touted EU promoted South Corridor of which TAP is the main artery destined to transport some 10.0 bcm /year to European gas customers. In this context the plan for the construction of the East Med pipeline is now re-surfacing having already been included as a PCI project, sponsored by Greece's Public Gas Corporation (DEPA). It remains to be seen if either this project or the Israeli and Cypriot plans for exports, via underwater pipelines, to the almost idle Idku and Domietta liquefaction plants will be realized. As market sources point out a lot will depend on the prices to be agreed, dependent of course on available gas volumes, and the willingness of the Egyptian government to underwrite, an export oriented long term strategy.

As far as Greece is concerned as an LNG entry point, the two planned FSRU projects in the northern Greece which eventually could merge into one, are considered crucial for the gas supply of the rest countries in SE Europe through the Vertical Corridor. The Vertical Corridor concept is not a single pipeline project in the traditional sense, as all South Corridor pipeline projects are, but a gas system that will connect existing national gas grids and other gas infrastructure in order to secure easy gas transiting then contributing to energy security and by enhancing market liquidity. Such a gas system (which will consist of national grids, underground gas storage facilities, interconnectors, LNG terminals) will form an important corridor from South to North whose operation will be fully aligned with EU Directives and European energy policy. Initially the Vertical Corridor will manage the transportation of some 3.0 – 5.0 bcm per year commencing from the Greek national grid. Greece will then satisfy its domestic gas demand from four (4) different entry points (TAP, Revythousa, Kipoi,

Alexandroupolis FSRU) while there will be some excess gas quantities that can be exported.

The new gas quantities coming from these sources including the LNG facilities will help increase security of supply in the SE European region by providing access to alternative gas suppliers, and hence they are considered of strategic importance.

Furthermore, the new LNG capacity to be developed in Greece, either in northern Greece or through the upgrade of the LNG terminal in Revithousa island, will provide flexibility to the countries participating in the Vertical Corridor, offering them the option of spot gas trading, which is not feasible through the existing status of largely contracted quantities of pipeline gas. An important element in the development of regasification LNG terminals in the Eastern Mediterranean region and a competitive advantage of FSRUs, particularly in Greece, is the spare capacity which can be used for re-exporting LNG gas quantities to neighbouring countries and the Mediterranean in general. The above infrastructure will be able to provide a basis for re-exports, boosting the commercial importance of LNG in the region.