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G O G C

LNG to Georgia Concept

Fifth Eastern Partnership
Energy Panel

October 29, 2020

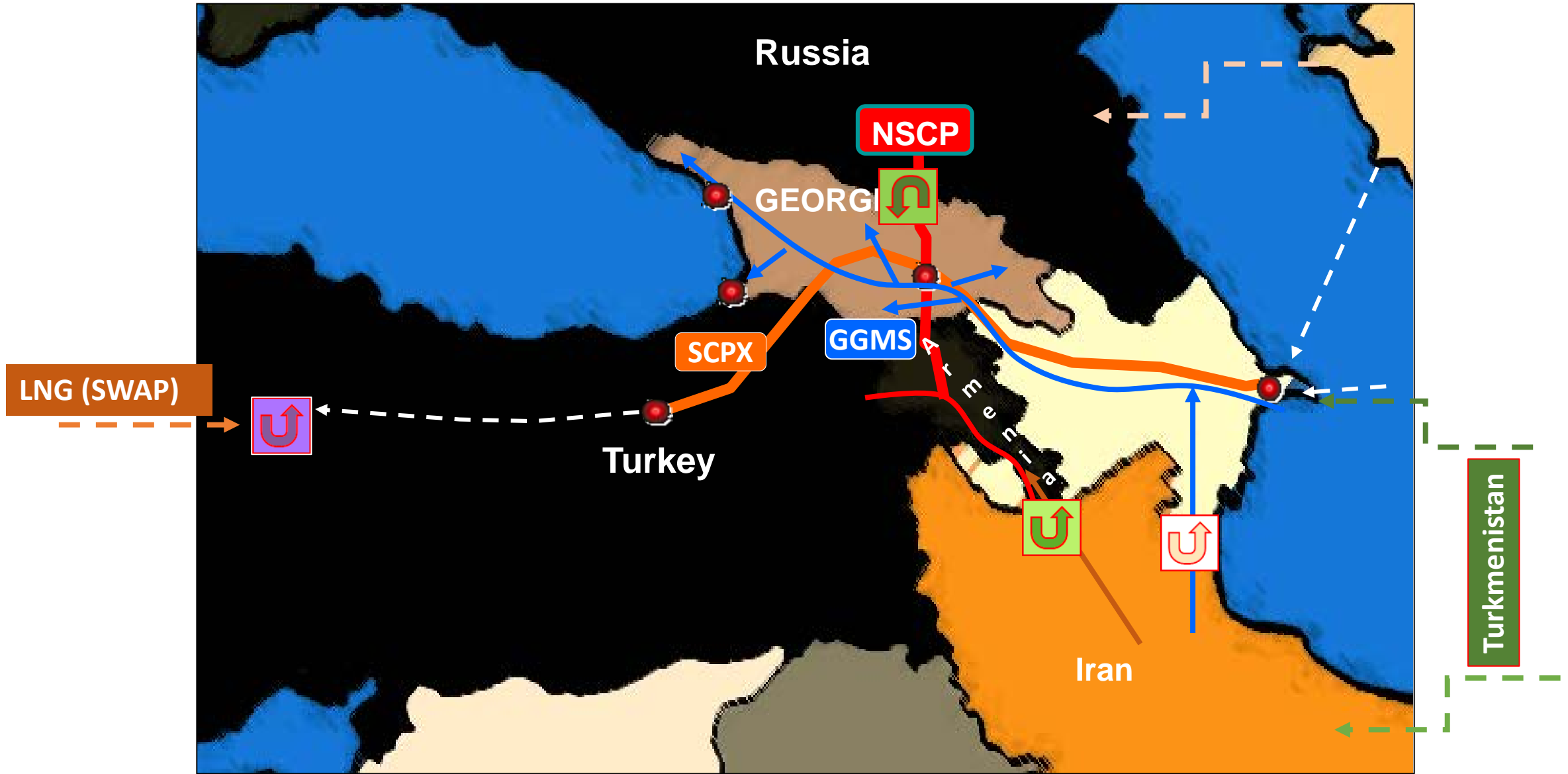
Projected Supply Deficit

Main Challenges facing Georgia's natural gas sector are:

- Projected Deficit of Gas and related Energy Security problems even though TPES per capita in Georgia is 2 times lower than required for energy-based services that support decent quality of life;
- Deficit of gas significantly will increase after suspension of Shah Denis Supplemental gas contract in 2026. Deficit will range 1,0-1,5 bcm and more by 2026-2030.
- Critical Import Dependency - More than 99,5% of Natural Gas is coming from the State Owned Monopolies of Foreign Countries.
- Market is characterized with the extremely high concentration due to practical domination of single supplier: Herfindahl–Hirschman Index $HHI \approx 5000$ in Georgia while recommended $HHI \leq (2000-2500)$ for competitive markets in EU and USA .
- Subsequently, there is strong necessity to find a new supply source of gas to Georgia.

LNG to Georgia Concept

- Bearing in mind geographical location of Georgia and countries along the Southern Gas Corridor pipelines, LNG supplies based on “swap” arrangements, by utilization of terminals Greece (Revithoussa), Italy (Panigaglia, Cavarzere, Livorno) or Turkey (Marmara Ereğlisi), can be reviewed as a potential supply source to Georgia.
- Project reconsiders purchase of required volume of LNG, delivery to regasification terminals of Europe and, instead, traders of Shah Deniz gas or Shareholders of SGC pipelines in Italy (SNAM), Greece (SNAM/Desfa) or Turkey (BOTAS), will authorize supply with the equivalent amount of gas to Georgia via Georgian off-take of SCP(X) pipeline.
- Feasibility of LNG-TG Concept realization is approved by last years market developments tendencies of Turkey, Poland and Lithuania. Markets of those countries have historically relied on natural gas imports from single supplier country, but ramping up of LNG exports, drastically changed there relations with traditional importer.



Major Benefits

Realization of “LNG-TG” Concept establishes win-win situation for project stakeholders:

- No additional expenses for infrastructure development;
- Caspian Producers and SGC Stakeholders – Access to high liquidity international markets with the increased volumes of gas (+1-1,5 Bcm/a);
- LNG Producers – Access to the new market in South Caucasus;
- GEORGIA
 - ✓ Supply Diversification and Increased Energy Security;
 - ✓ Strengthening of purchasing position in negotiations vis-à-vis the suppliers;
 - ✓ Prevention of Expected Deficit of Gas and Increased Presence of Gazprom on local market;
 - ✓ Reducing of critical market concentration and increased competitiveness;
 - ✓ Incentives for Traders and Increased Market Liquidity and access to the “coupled” European gas markets with the synchronized regulations;
 - ✓ Formation of real preconditions for market opening and support to the already created Trading Platform.
- POLITICAL IMPLICATIONS: LNG Producer(s) – Game Changers of the Regional Gas Market, Preventing Domination of State Companies of Foreign Producer Countries

A goldfish is captured mid-jump, leaping from a smaller glass bowl on the left into a larger glass bowl on the right. The water in the smaller bowl is splashing upwards, creating a spray of droplets that surrounds the fish. The larger bowl is partially filled with water. The background is a light, neutral color.

**Thank You for Your
Attention**

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