News of the Energy Industry | January – February 2022

Editorial: The Ukraine crisis and high prices lead to a reassessment of Europe's energy policy

The situation in Ukraine and the sanctions imposed by the US and Europe to the Russian economy lead to significant changes of energy policy, under the added weight the sector has been under during the last year.

Already, some basic consequences of this change are visible, since the moto now in Europe is to reduce dependence on Russian fossil fuels, and less about decarbonization.

European countries now realize more the difficulty of the ambition plan for a transition towards green energy, since fears about oil and gas supply adequacy are primary during talks, at least for the short term. At the same time, very high oil and gas prices are making coal more competitive, thus contributing to higher CO_2 emissions and delaying decarbonization goals.

Of course, the current geopolitical crisis will have to be resolved first before more permanent conclusions are drawn, however it seems like European energy policy will not be the same as before.

HELPE accelerates energy transition through the Vision 2025 program

HELLENIC PETROLEUM Group announced its 1Q21 financial results, with Reported EBITDA at €176m and Reported Net Income amounting to €90m. Adjusted EBITDA came in at €60m, with corresponding Net Income at €2m.

Reported Net Income was strong, mainly driven by the international oil prices recovery and their impact on inventory valuation, offsetting a significant part of the losses recorded in 2020, when the pandemic led to a sharp price decline.

In terms of operating profitability, which excludes the impact of international crude and oil product prices, international refining performance continues to be affected by reduced transport fuels demand and especially aviation fuel, due to travel restrictions. This market segment accounts for a significant part of production and sales, prolonging a period of particularly weak refining margins.

Regarding the Greek fuels market demand, 1Q21 was the lowest on record, as restrictions on travelling were in place throughout the quarter.

In addition, following the introduction of the new EU Emissions Trading System (EU ETS), the volume of rights sourced by the market has increased materially, which, combined with their large price increase, adds significant burden on the operating costs of European refineries and their competitiveness vs non-EU countries.

In this environment, the Group maintained its good operating performance; refining utilisation, supply optimization, options on higher domestic market share and the introduction of new premium fuels in retail, as well as the highest profitability on record for Petchems, partially offset the adverse business environment.

Strategy update – Main developments

In April 2021, the Group updated its strategy, considering the accelerating energy transition, clarifying its objectives regarding Environment - Society - Governance (ESG), as well as the levers to achieve them. The new "Vision 2025" strategy is based on 5 main pillars:

Setting clear environmental targets, including a 50% improvement in GHG emissions by 2030, with a commitment to net zero by 2050

Adjusting the strategy to develop an additional line of business in clean energy

Establishment of a fit-for-purpose Group structure that supports this strategy

Upgrading corporate governance, in line with the new legal framework and international best practices

Relaunching of corporate identity, which will highlight the new Group strategy

In the context of creating a balanced portfolio, the Group intends to drastically decarbonise its activities in the oil products value chain, through energy efficiency projects and use of cleaner forms of energy, transition to cleaner fuels and adoption of blue / green hydrogen technologies. In addition, it aims to develop a significant RES portfolio, targeting 600 MW by 2025 and 2 GW by 2030, initially in PV and onshore wind, with future expansion in offshore wind and storage applications, investing in both organically as well as through acquisitions, both in Greece and internationally. It is noted that the construction works of the 204 MW PV project in Kozani are progressing as scheduled, with approximately 40% completed.

Regarding Petchems, an investment of €35m has already been approved for the capacity increase of the PP production unit at Thessaloniki to 300k MT, targeting implementation in the next two and a half years. This investment increases the vertical integration with refining, increases Group exports and contributes to the Group's environmental footprint improvement.

Concerning the sale process by the HRADF of the companies DEPA Infrastructure and DEPA Commercial (65% HRADF - 35% HELPE), in which the Group participates as a joint seller in DEPA Infrastructure and as a potential buyer through a joint venture with EDISON in DEPA Commercial, the submission of binding bids is scheduled for July 2021 for DEPA Infrastructure, while for DEPA Commercial the HRADF announced the suspension of the tender process until at least the end of 3Q21.

Andreas Shiamishis, Group CEO, commented on results:

«The operating environment we faced in the last 14 months has been the most difficult for years. All businesses, that operating in an economy and society that have been challenged by the pandemic and its impact, were affected and had to adapt their operations and strategy accordingly. The oil industry has been among the hardest hit, as travel restrictions continue to affect demand for our products.

As a result, despite oil prices returning to pre-crisis levels, the international refining environment records, for the fourth quarter in a row, very weak margins, while fuels demand in our key markets remains lower than normal levels. Over the coming months, we expect a substantial improvement, as the progress in vaccinations will increase domestic traffic and air travel in an important period for tourism especially for our country.

The 1Q21 results reflect this environment with low refining profitability, which due to its significant importance, outweighs improvements achieved in other Group business units. Turning on the quarter's positive highlights, the strong IFRS profitability due to the prices' recovery, offsets a material part of the losses recorded last year, while the continued financing costs reduction, allows the planning of a more ambitious growth plan.

In terms of strategy, there is a growing necessity to transform the Group and transition to New Energy, with investments that complement our traditional activities. The Group operates a business model set up during the '90s and although it has proven successful to-date, it has to adopt to changes in environmental goals, as well as expected prevailing conditions in the energy market and the economy in the coming years.

"VISION 2025" aims to position the Group as a key player in this new market, through a holistic improvement and development program, which defines our strategy in all ESG activities, investment strategy, organisational structure, corporate governance and the Group's identity. "VISION 2025" is an ambitious roadmap, which despite the implementation challenges, is a must for the Group's further development and will benefit all stakeholders and the Greek economy».

North Macedonia to participate in Alexandroupolis LNG project

The government of N. Macedonia assigned public power company, ESM, to begin the process of signing the memorandum to participate in Gastrade's FSRU project in Alexandroupolis.

"The LNG terminal of Alexandroupolis will provide stable and long-term gas supply to N. Macedonia", said the government in a statement.

It should be noted that the project is included in the EU's Projects of Common Interest list.

On March 2021, Gastrade, NER and ESM signed in Skopje a memorandum for the potential participation of N. Macedonia in the project. NER aims at acquiring a 10% share, while ESM is interested to book quantities of gas for a 15-year period.

Stockholm court decided in favor of DEPA in gas price dispute with Botas

The Stockholm Court of Appeal decided in favor of DEPA Trading and rejected Turkish BOTAS's litigation against the ICC decree of 2020.

According to DEPA's announcement, this development is the result of coordinated action by its legal service, its outside legal partners and its staff and it affirms the decree by the ICC, which had decided in favor of a retroactive reduction in the natural gas price. According to that decree, BOTAS has paid DEPA the total of retroactive charges by March 5, 2020, and the Greek company returned to its consumers the corresponding sums.

The total sum returned to DEPA's consumers is EUR 120 million and was a significant injection for the local energy market during a difficult period as a result of the pandemic.

Through the Stockholm Court's decree, an end is given to the trading dispute between the two companies that began in 2009.

PPC with a 64% share in electricity supply in January

PPC increased its share in the electricity supply market during January.

According to the latest data from IPTO, PPC reached 64.08% from 63.8% in December. It is the second consecutive month that an increase is recorded.

As for the other suppliers, in Janurary Protergia had 6.82%, Heron had 6.29% and Elpedison 5.91%.

WindEurope expects 1.9 GW of new wind farms in Greece by 2026

The addition of 1.9 GW of wind farms is expected in Greece by 2026, according to WindEurope's "realistic" scenario included in its latest report.

Through these additions, the total wind capaticy in Greece is expected to rise to 6.2 GW by 2026 from 4,452 MW currently.

At the same time, Greece is at the moment number eight in the list of European countries with the highest wind penetration.

Greece installed 128 new wind turbines in 2021, with an average size of 2.6 MW. New installed capacity was 338 MW during the year.

EU approved €657 million investment for EuroAsia Interconnector

EU countries have agreed on a Commission proposal to invest € 1.037 billion in 5 cross-border infrastructure projects under the Connecting Europe Facility (CEF) for trans-European energy networks. CEF will provide financial support to 4 projects for construction and 1 study. The largest amount of funding will go to the EuroAsia interconnector project (€ 657 million) to support the first electricity interconnection between Cyprus and the European grid.

Kadri Simson, Commissioner for Energy, said:

"Recent months have reminded us again how crucial a well-integrated EU energy market is for ensuring affordable energy and security of supply, as well as the clean energy transition. While we have made remarkable progress in the last decade with making our market better connected, more can and should be done. I want to particularly highlight the EuroAsia interconnector, that will bring an end to the energy isolation of Cyprus and link it to the rest of Europe."

Well-integrated energy infrastructure networks are necessary for the energy transition, as they facilitate the integration of renewable energy, enhance security of supply and help keep energy prices in check. The allocation of CEF funds therefore supports the implementation of the European Green Deal. Today's agreement grants financial aid for the construction of 3 projects for electricity transmission and 1 for gas storage, as well as supporting a study on CO2 transport:

EuroAsia interconnector (€657 million)

This electricity project interconnects the transmission networks of Cyprus and Greece, allowing the transmission of electricity in both directions and ending the energy isolation of Cyprus. The 898km of undersea cables and maximum sea depth of 3000 meters will set new world records for a project of this kind. This investment is a continuation of the financial and political support of the EuroAsia project. The CEF grant comes in addition to the €100 million grant awarded in the Recovery and Resilience Facility instrument.

Gastrade adopts the Final Investment Decision for the Alexandroupolis Independent Natural Gas System

The Final Investment Decision (FID) for the construction of the Independent Natural Gas System (INGS) of Alexandroupolis was taken by the shareholders of Gastrade SA. The FID is the last and most important milestone, before entering the project's construction phase.

The General Assembly unanimously approved that all requirements for the materialization of the project have been secured, and the project is on track in line with its schedule.

The construction and operation of the Alexandroupolis Liquefied Natural Gas (LNG) Terminal will contribute to the energy security, liquidity and diversification of the country and the entire Southeastern Europe region, strengthening the strategic role of Greece and offering alternative sources and routes for the supply of natural gas in the area.

The Floating Storage and Regasification Unit (FSRU), with a capacity of 153,500 sq.m. of LNG, will be connected to the National Natural Gas Transmission System of Greece with a 28 km long pipeline, through which the gasified LNG will be transmitted to the markets of Greece, Bulgaria and the wider region, from Romania, Serbia and North Macedonia, as all the way to Moldova and Ukraine.

The Terminal is expected to operate by the end of 2023, with the contracted regasification capacity already reaching up to 50% of its technical capacity of 5.5 billion sq.m. per year. It is noted that Alexandroupolis INGS is included and financed by the Operational Program of the NSRF "Competitiveness, Entrepreneurship and Innovation 2014-2020" (EPAnEK), with an amount of public spending of 166.7 million Euros.

ESPEN becomes a member of EER

ESPEN, the Greek Association of Energy Suppliers, becomes a member of the European Energy Retailers (EER), after its board approved this decision.

EER is the collevtive representation body of independent energy suppliers of the EU, such as in France, Germany, Italy and Spain.

Through its participation in EER, ESPEN enhances its cooperation with its European partners in order to promote competition and the reliable operation of retail markets in power and natural gas, both on a national and European level. EER actively participates in the public dialogue in the EU for promoting policies relative to the energy transition, the regulatory framework of energy markets and of course, the reduction of high energy costs witnessed lately.

EER's statute includes a) the effective seperation of regulated and competitive activities, b) the enhancement of liquidity in wholesale markets, c) responsibility by network operators for quality of services and d) the empowerment of consumers.

Hellenic Cables becomes the exclusive array cable supplier for the world's largest offshore wind farm

Hellenic Cables, the cable segment of Cenergy Holdings, has been awarded the Dogger Bank C array cable contract by DEME Offshore, the renewables business unit of DEME Group. Already the designated cables' supplier for Dogger Bank A and B, with this contract Hellenic Cables becomes the sole inter array cables' supplier for the world's largest offshore wind farm.

Located more than 130 km off the Northeast Coast, Dogger Bank Wind Farm is being developed in three phases – Dogger Bank A, B, and C –and each phase will have an installed generation capacity of up to 1.2 GW. Combined, the 3.6 GW project will be capable of powering up to 6 million homes contributing substantially to UK's and Europe's goal for net zero carbon emissions.

Dogger Bank C is a joint venture between SSE Renewables and Equinor, while Dogger Bank A and B are owned by SSE Renewables, Equinor, and Eni. SSE Renewables is leading the construction and delivery of all three phases of Dogger Bank Wind Farm, while Equinor will operate Dogger Bank Wind Farm on completion.

Power production with lignite increased 53% in Greece during Q3 2021

Electricity production in Europe returned to its pre-pandemic levels during Q3 2021, while it was increased by 3% annually, according to the EU Commission's latest quarterly report.

In Greece, during Q3 there was the biggest rise of power production in Europe with 13.4%. Production using lignite rose by 53% and Greece was one of six countries where it rose, with the rest being Netherlands (49%), France (46%), Germany (30%), Spain (21%) and Italy (6%).

Natural gas consumption increased in six member-states, specifically in Bulgaria (32%), Greece (12%), Esthonia (5%), Malta (4%), Poland (3%) and Sweden (3%).

Motor Oil's market test for the new FSRU successfully concluded

The first, non-binding phase of Motor Oil's market test for the new Dioryga Gas FSRU was successfully concluded on January 14.

15 Greek and international companies participated, while binding quantities of LNG for the FSRU's first five years were double compared to estimations.

The FSRU is scheduled to be realized in Ag. Theodoroi. It is considered a project with high national importance, which will support consumers in Greece and in the wider region.