

Newsletter | October 2019

Editorial: SE Europe and Greece's new upgraded role through IGB and TAP

The signing of the Intergovernmental Agreement for the IGB pipeline and the successful conclusion of the first phase of TAP's market test is welcome news for the natural gas market in Greece and for the energy market and the country's economic, energy and foreign policy as well.

These two projects will bring gas to the region initially from the Caspian and later on potentially from other sources, while at the same time they bring a horizontal and a vertical dimension to the transfer of gas in and out of Greece.

Combined with the LNG terminal of Revythousa and the planned LNG terminal in Alexandroupoli, these projects significantly upgrade the country's and the region's ability to import gas from various sources and routes. At the same time, they create a new environment in the region, where gas will be able to be bought and sold more freely than before between the various traders and consumers, thus providing enhanced energy security and competition.

Another major stepping stone will be the transfer of gas from the Eastern Mediterranean through one of the export solutions under consideration, which is East Med or LNG. But for now, the first significant step is being made towards upgrading SE Europe's importance as an energy hub and Greece's role in particular.

Carbon Tracker: 596 million Euros in damages for PPC's lignite plants this year

Four in five EU coal power plants are unprofitable and utilities could lose €6.6 billion this year alone, finds a new report from financial think tank Carbon Tracker.

It warns investors and policymakers to prepare for a complete phase-out of coal by 2030, because without heavy subsidies the industry will not survive sustained competition from ever lower cost wind and solar power and temporarily cheap gas.

Germany's RWE is the utility facing the greatest losses – it could haemorrhage €975 million, 6% of its market capitalisation. EPH, with assets mainly in Germany and the Czech Republic, could lose €613 million, and PPC, in Greece, could lose €596 million.

First phase of TAP's market test concluded successfully

The results of a non-binding, first-round market test concerning a possible capacity boost of the TAP pipeline, to bring Azeri natural gas to Europe via a northern Greece crossing, justify an increase from 10 bcm to 20 bcm.

The TAP consortium, along with Greek gas grid operator DESFA and Italy's Snam, issued the market test's results, as was scheduled.



Procedures for a second-round market test, whose result will determine whether a pipeline capacity increase will be carried out, and if so, its extent, are already underway. A final decision is expected within the first half of 2020.

PPC's supply share falls to 71.77% in September

PPC's share in supply fell sharply in September, since it reached 71.77% from 74.18% a month earlier, according to the latest report by the Energy Exchange.

On the other hand, an increase was recorded in the share of alternative suppliers, with Protergia raising its share by 0.5% at 5.63%. Heron, Elpedison were next, while NRG reached the fourth position in the list with 2.45%.

Average MSP price reached 60.91 Euros per MWh in September, compared to 64.02 Euros one month earlier.

IGB intergovernmental agreement signed between Greece and Bulgaria

Greece and Bulgaria signed a package deal for the construction of the Gas Interconnector Greece-Bulgaria (IGB) in Sofia on Thursday, setting the project on a trajectory that will lead to its completion by July 2021.

Environment & Energy Minister Kostis Chatzidakis and his Bulgarian counterpart Temenuzhka Petkova signed the agreement on behalf of their governments.

Following the signing event, the Greek minister said he had been energy minister when he initiated the project in 2009. "It took us a decade to get to the signing, but I am happy that with my contribution during the last quarter all remaining obstacles remaining were overcome and we are now moving from theory to action. IGB expands Greece's geostrategic importance and supports energy security in the region," he said.

Bulgarian Energy Minister Petkova said that the project "is a landmark of vital importance for the country's energy strategy and the security of our natural gas supplies. The implementation of the pipeline is now non-reversible."

Several other agreements were signed before the two ministers, briefly as follows:

- The revised shareholders' agreement between the state-controlled Bulgarian Energy Holding (BEH) and the Greek company IGI Poseidon, which together comprise the ICGB consortium. ICGB oversees the planning, construction and operation of IGB, each of which has a 50 pct stake. IGI Poseidon's share is equally split between its shareholders, the Public Gas Corporation of Greece (DEPA) and the Italy-based Edison
- ICGB's shareholding capital expansion



- The loan agreement signed with the European Investment Bank, for 110 million euros
- The agreement for the transfer of gas with Bulgartransgaz, the Bulgarian gas network distributor (corresponding to Greece's DESFA)
- The initial agreements for the construction of the 182-km long pipeline, budgeted at nearly 250 million euros.

In addition, the EU has approved an 84 million euro funding as part of the Projects of Common Interest initiative.

The IGB natural gas pipeline will begin in Komotini in NE Greece, cover nearly 182 km (including 31 km of Greek territory), and end at Stara Zagora in Bulgaria. It will link up with the TAP natural gas pipeline, the Greek natural gas grid and, eventually, the floating liquefied natural gas (LNG) terminal in Alexandroupolis. It will thus allow Bulgaria and gradually the greater region access to natural gas from the Caspian Sea and access to LNG.

Initially, the pipeline will be able to transport 3 billion cubic metres (bcma) of natural gas annually, with an expansion capacity to 5 bcma/year.

Works are expected to begin shortly and be completed within 18 months.

IGB is the first section of the so-called Vertical Corridor, a natural gas transportation network that will transform Greece into Southeast Europe's energy hub.

At this point, almost the entire load of the gas IGB will transport will come from TAP (Trans Adriatic Pipeline), expected to go into operation in 2020 and transport gas from Azerbaijan fields to European markets.

"IGB's construction and operation acts as a significant driver to strengthen Greece's geostrategic position in southeastern Europe, while promoting the diversification of supply sources and pathways of natural gas - an EU priority - and reducing dependency on Russian natural gas exports," the Environment and Energy Ministry said in a statement. "This is especially true for Bulgaria, whose sole supplier is Russia."

Chatzidakis: Three boosts for the renewables sector

The Greek energy ministry plans to provide a new boost to the renewable sector. According to what minister, Costis Chatzidakis, mentioned during the recent "Renewable and Storage Forum" organized by Energypress, there will be three developments shortly.

More specifically, these developments are a) that renewables with no tariffs will automatically be entered in the market. b) Large projects of over 250 MW will not participate in tenders and will be forwarded through a special framework. c) There will be an effort for developing hybrid renewables with storage, as well as offshore wind farms.



At the same time, the government moves on with its effort to reduce licencing times, in order to facilitate a wider renewables penetration in the country's energy mix.