



EAST-MED'S POTENTIAL CONTRIBUTION TO EU'S ENERGY NEEDS WITH EMPHASIS ON SOUTHEASTERN EUROPE

THE FUTURE OF EASTERN MEDITERRANEAN GAS

Monday 21 November 2016

Nicosia, Cyprus

Daria Nochevnik

Deputy Head, Greek Energy Forum, Brussels Branch

Affiliate Organisations:

www.greekenergyforum.com



NEW EUROPE



Disclaimer:

This presentation may contain statements concerning future expectations and assessments of current or past events/developments. These could be focused on the energy industry, economic and/or financial conditions, results, operations and business forecasts. These represent the personal opinions of the author, based on personal experiences, research, assessments or views, and do not necessarily reflect the views of the entire member base of the Greek Energy Forum, or the company(-ies) that employ(s) the author(s).

Affiliate Organisations:

www.greekenergyforum.com



RESEARCH CENTRE FOR
ENERGY MANAGEMENT
@ Cass Business School



GREEK FOREIGN AFFAIRS COUNCIL
Institutional Partnerships Network

NEWEUROPE



Greek Energy Forum

an international energy think tank and network of energy professionals



Athens

[+ See More](#)



Brussels

[+ See More](#)



London

[+ See More](#)



Dubai

[+ See More](#)



Nicosia

[+ See More](#)



Washington

[+ See More](#)

The European Energy Union: Turning the Vision into Reality | GEF Event



May
17
2016

Location: Hyatt Regency Thessaloniki from 10:0 to 12:0

Vice President of the European Commission Maros Sefcovic to address the Greek Energy Forum on 17th May 2016 in Thessaloniki, Greece

Στρογγυλή Τράπεζα Αναμεσα Στον Amos Hochstein Και Ενεργειακους Παραγοντες Στην Ελλαδα | GEF Event



Jul
14
2016

Location: Hotel Grand Bregtane, Athens from 12:0 to 15:0

Το Greek Energy Forum σε συνεργασία με την Πρεσβεία των ΗΠΑ στην Ελλάδα διοργάνωσε με επιτυχία «κλειστή» στρογγυλή τράπεζα με τη συμμετοχή του Amos Hochstein, Ειδικού Απεσταλμένου και Συντονιστή του State Department για τις

The Role of Europe's Southeastern Periphery in the EU Energy Security | GEF Event



May
26
2016

Location: Sofitel Hotel, Brussels from 9:0 to 13:30

The Energy Roundtable Briefing entitled "The Role of Europe's Southeastern Periphery in the EU Energy Security" will bring together key policy makers, regulators,

Dialogue And Solutions To Key Energy Issues In Southeastern Europe | GEF Event



Nov
16
2016

Location: CEPS, Place du Congrès 1, B-1000 Brussels from 8:30 to 12:30

GEF Cooperates With Lead Brussels Think Tank To Facilitate Dialogue And Present Solutions To Key Energy Issues In Southeastern Europe

GEF and the UNECE

GEF is an official member of the **Workgroup of Natural Gas of the United Nations**

(Group of Gas Experts, UN Economic Commission for Europe), in particular

Taskforce A

- Scope: Best policy practices on **the role of natural gas in the increasing uptake of renewable energy** in the ECE Region and helping achieve the objective of access to energy for all in the ECE Region*

Taskforce B

- Scope: Best practice **policy guidance for Liquefied Natural Gas (LNG)**



UNECE



East-Med's potential contribution
to EU's energy needs with emphasis on
Southeastern Europe

SWOT-type of exercise:

East Med gas for SEE

Bringing together the Commercial, Political and Regulatory factors.

I. Strengths and Challenges (assessing the status quo)

II. Opportunities and Threats/Uncertainties (outlook and scenarios)

Strengths

- **Strong political support by the EU**

Potential contribution to diversification of supply sources for the SEE region.

This potential of the East Med gas acknowledged in **EU's energy strategy: Energy Security Package 2016**

PCI List features the development of East Med Pipeline and removing internal bottlenecks in Cyprus to end isolation and to allow for the transmission of gas from the Eastern Mediterranean region.

EU supporting both the potential pipeline and LNG import route

East Med Pipeline



Source: IGI-Poseidon

- Pre-FEED study to be publicly available soon

Some positive signals from regional politicians and market players

- Recent trilateral negotiations (Cyprus - Israel – Turkey) and bold political statements of the Israeli Energy Minister
- **The outcomes of the 3rd licensing round** for hydrocarbon exploration in Blocks 6,8 and 10 in Cypriot EEZ – represented an important **vote of confidence of the industry** in the national and regional energy potential.
- Currently low level of GoG competition in SEE is an opportunity (price premium)

Current Challenges

(gas price environment and the state of market development)

- Persistent political instability in the region
- Price environment and strong competitors in the region
(Russia and potentially US LNG)
- Regas terminal access costs in Southern Europe
- Existing bottlenecks in the SEE gas market

Opportunities (Outlook)

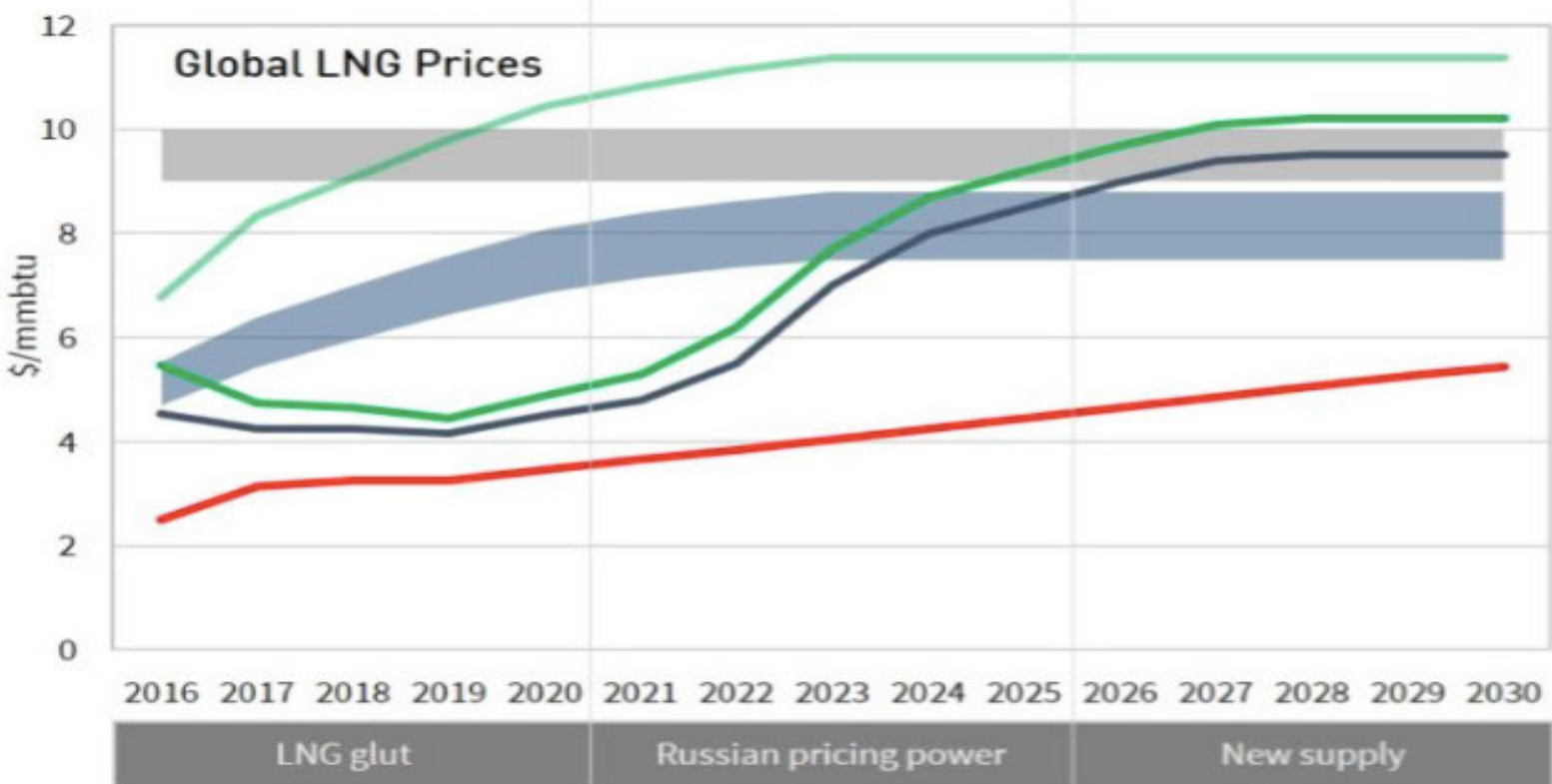
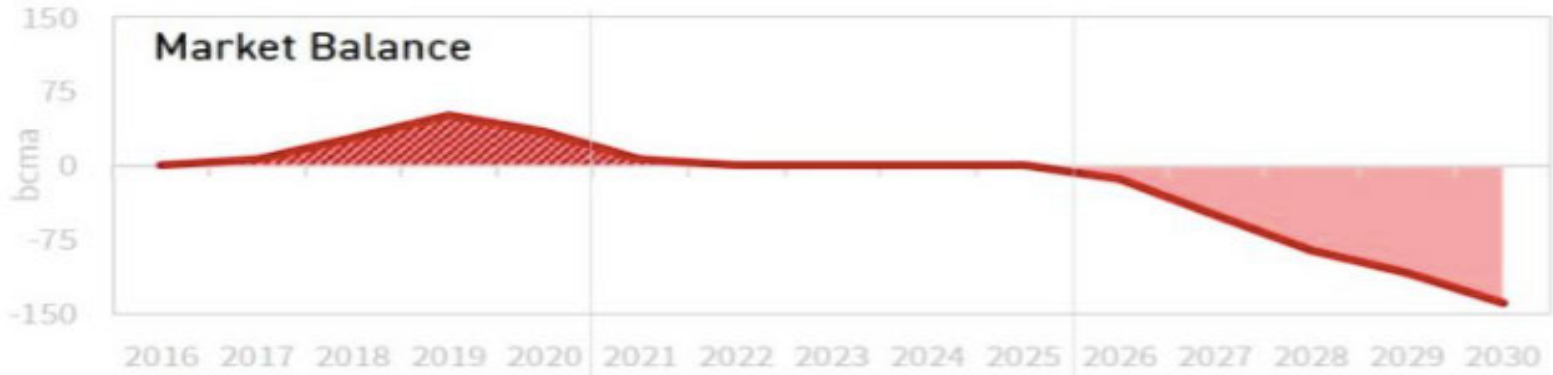
: regional market

- Potential new gas discoveries offshore Cyprus
- Linking up gas fields may be a way to reach economies of scale and bring down the costs
- CNG and FLNG as alternative solutions

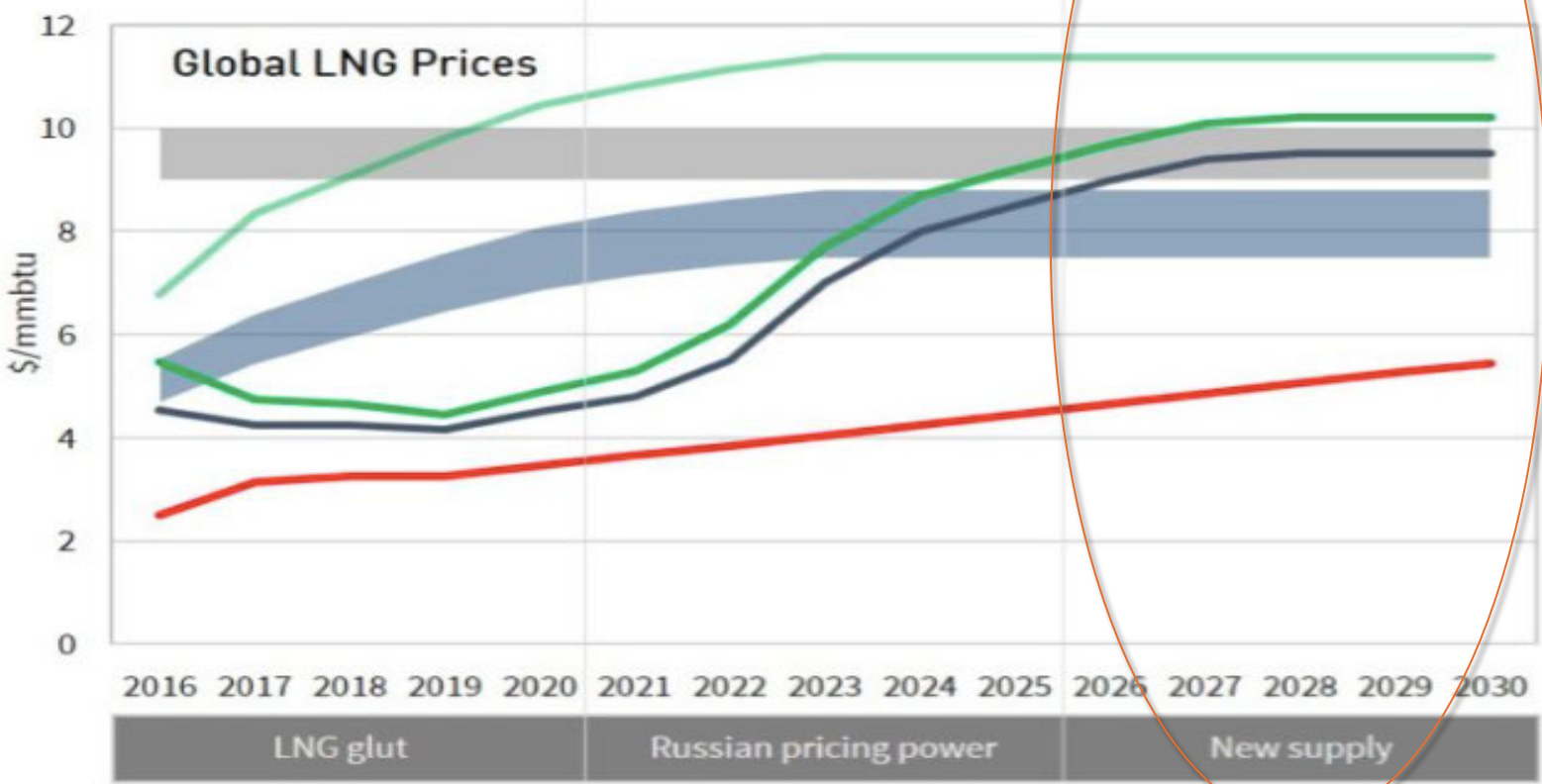
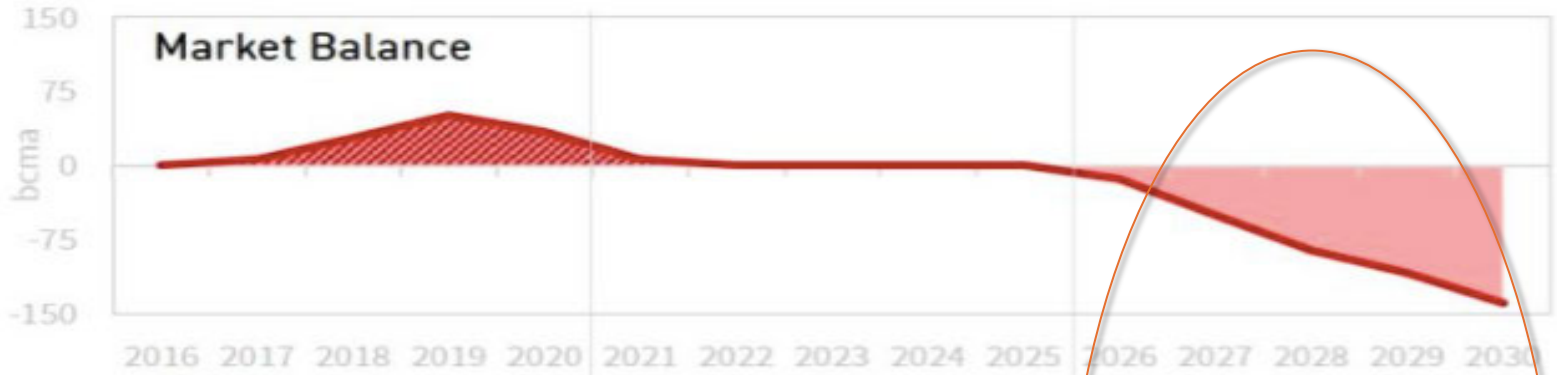
Opportunities (Outlook)

: impact of the global market trends

- When can we expect market signals for new investments and return of the influence of the oil-indexed contracts?



- 3 global pricing phases
- EU contract range
 - LPMC Range
 - Henry Hub
 - NBP
 - Asian Spot
 - Asian contract



- 3 global pricing phases
- EU contract range
 - NBP
 - LPMC Range
 - Asian Spot
 - Henry Hub
 - Asian contract

Threats/Uncertainties: commercial and policy factors

impact on the market niche for East Med gas in SEE

- The pace of global gas **market rebalancing** (lower for longer gas price environment; Russian gas supplies highly competitive in SEE; US LNG volumes could play a strategic role nonetheless)
- The pace and scale of regional **gas demand** growth in SEE
- **Inter-fuel competition in SEE matters** and so does the role of gas in region's power markets, heating and cooling sector, transportation
- Political will to support the role of **gas in EU's energy transition (carbon price)**
- The Impact of potential new projects on the region (TurkStream, NS II)

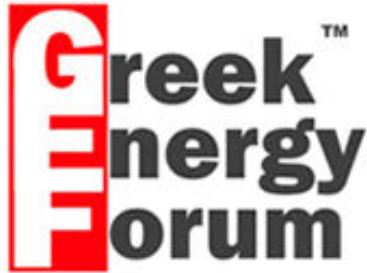
Global gas dynamics

(impacting the market niche for East Med gas in SEE)

- Short term inter-regional gas price volatility to remain;
- Increasing role of the link between gas vs coal prices; US vs Europe vs Asia gas prices
(commoditisation of LNG to continue);
- As the regional Gas markets will be becoming more mature, the dominance of long-term contracts will start decreasing.

Factors to impact the future gas needs in SEE

- On-going development of the regional gas market in SEE (both the hardware and the software)
- The role of gas in SEE (political support) in the power sector; LNG bunkering; the use of gas in supporting RES growth (political and regulatory conditions)
- Competitiveness of gas vs coal
- Impact of the global gas dynamics on European markets.



www.greekenergyforum.com

Thank you for your kind attention!

Daria Nochevnik

Deputy Head of Brussels Branch, Greek Energy Forum

d.nochevnik@greekenergyforum.com



@GrEnergyForum



Greek Energy Forum

Affiliate Organisations:



RESEARCH CENTRE FOR
ENERGY MANAGEMENT
@ESCP Europe Business School



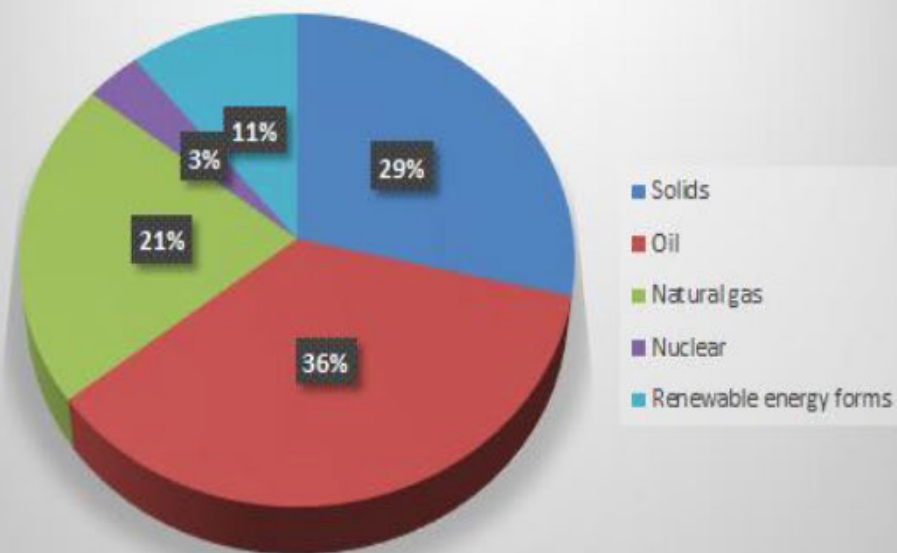
for experts
EUROPEAN ENERGY REVIEW
by experts



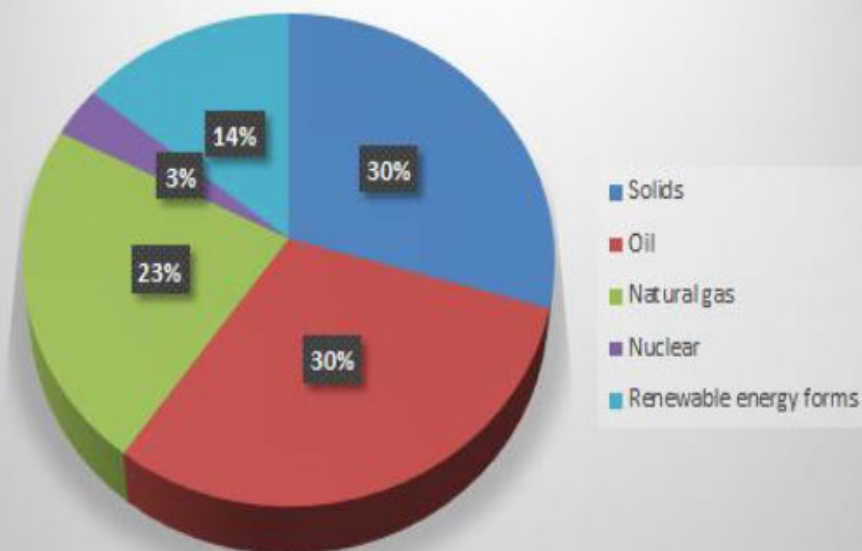
Backup Slide 1: Energy mix in SEE

(2005 and 2015 data)

ENERGY MIX (%) (2005)

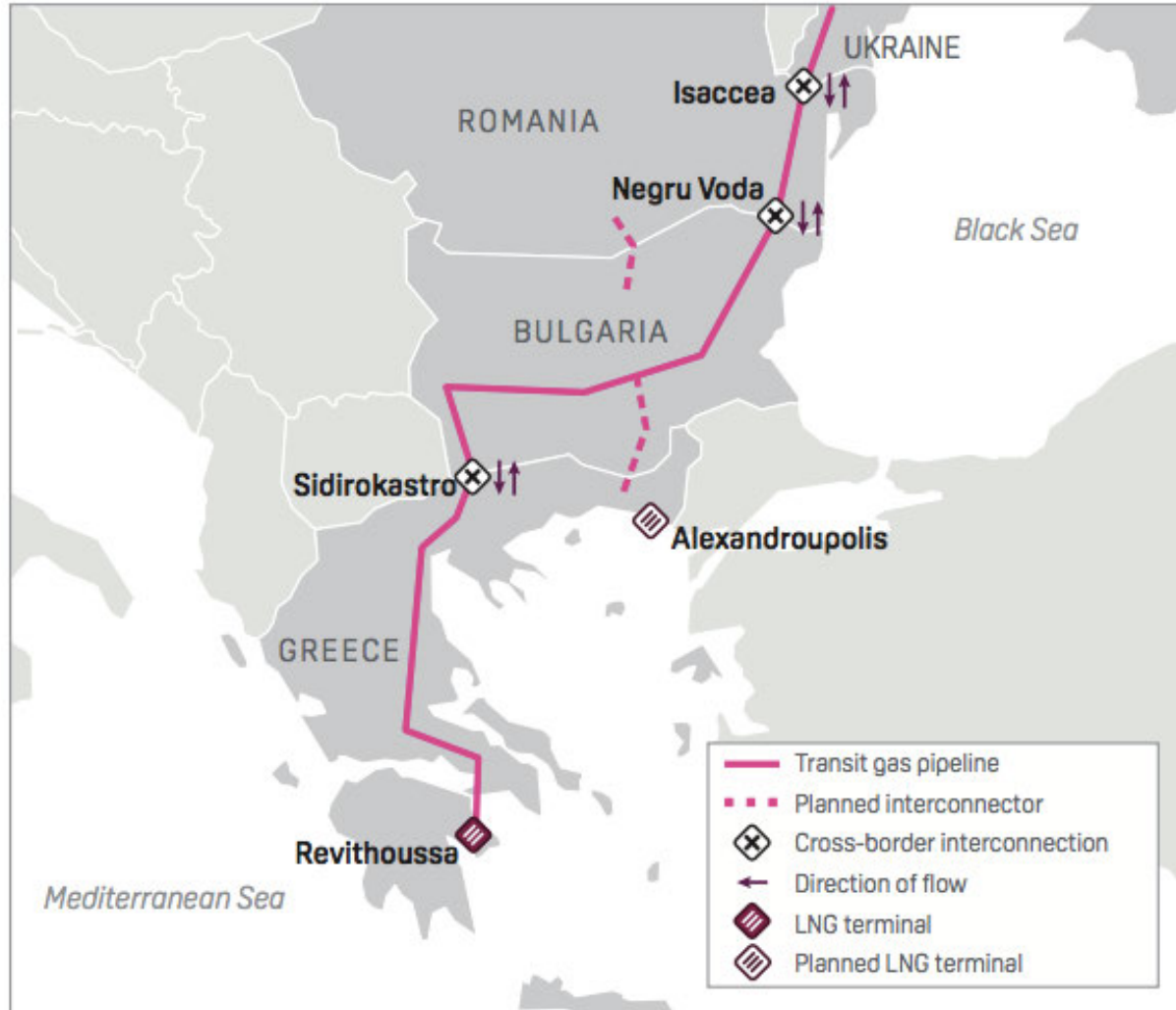


ENERGY MIX (%) (2015)



Source: IENE study "South East Europe Energy Outlook 2016"

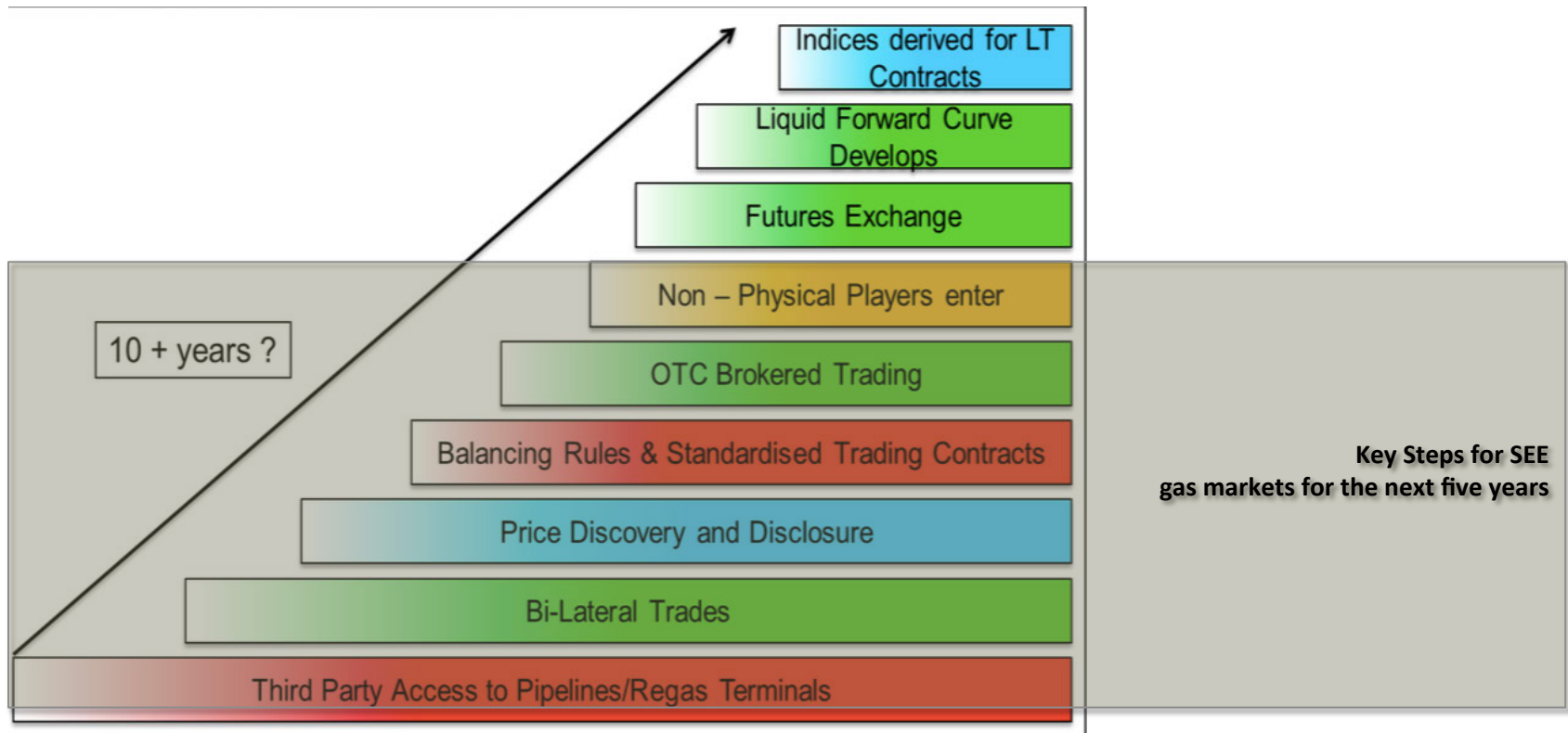
Backup Slide 2: Improved gas interconnection in SEE



Source: EntsoG, Platts

Backup Slide 3: Gas Hub Development Pathway for SEE

(Based on the OIES paper)



Source: P. Heather, OIES, 2015; adapted by DN