



Building up a Regional Energy Market: The Difficult Road Ahead – A Marketer's View

6th SOUTH EAST EUROPE ENERGY DIALOGUE
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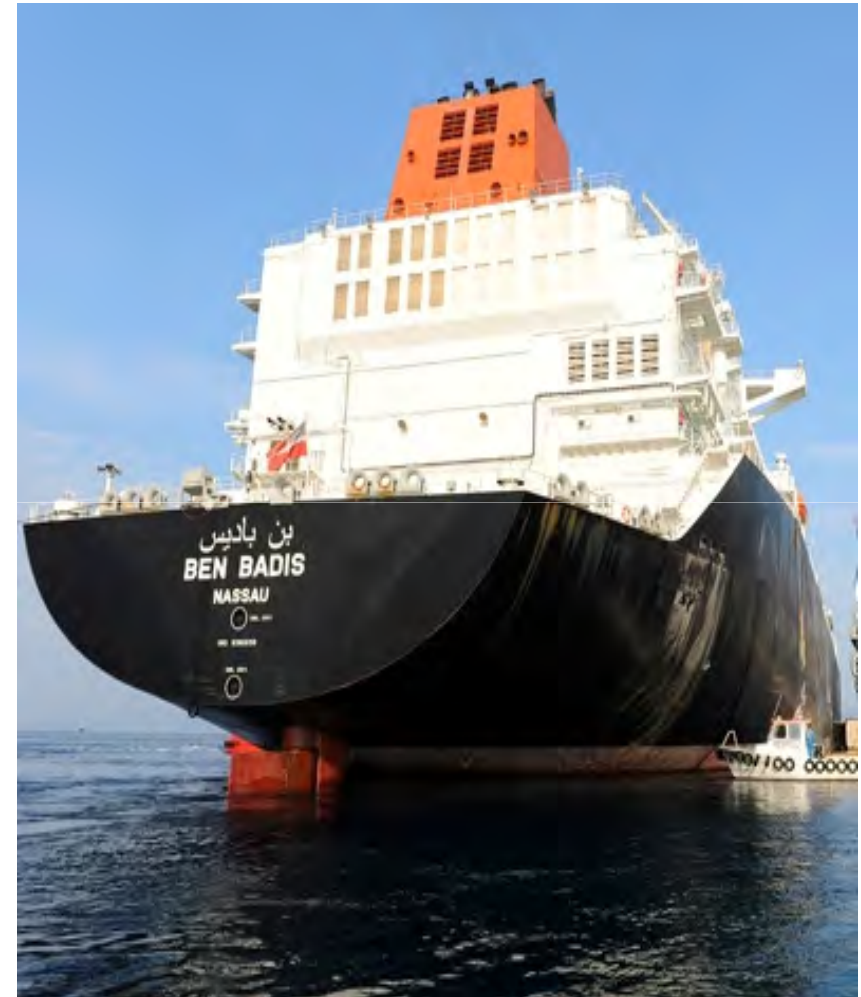
Panayotis Kanellopoulos
Managing Director, M&M GAS CO



M&M GAS CO



- **M&M Gas Co** founded in 2010, a 50-50 JV of **MYTILINEOS HOLDINGS** and **MOTOR OIL HELLAS**
- **M&M** is active in the “Supply and Marketing of Natural Gas” sector
- **M&M** was the first private company to import LNG in Greece, effectively leading to the liberalisation of the NG market Greece
- Being the pioneer in the newly liberalised Greek Natural Gas market, **M&M** is committed in developing options that maximise the End to End benefit and lead in efficient and effective gas supplies
- **M&M**, on top of its main activity, is set up to realize construction, operation, maintenance & management of Natural Gas facilities, pipelines, networks, etc., as well as providing consultancy and project management services in related fields, ensuring best in class results for the stakeholders



Key Facts & Figures



- Both groups' assets relevant to NG are:
 - 330 MW CHP Power Plant, **Aluminium S.A.**
 - 440 MW CCGT Power Plant, **Protergia S.A.**
 - 440 MW CCGT Power Plant, **Korinthos Power S.A.**
 - 180,000 barrels/day Oil Refinery, **MOH**

- **M&M's** existing portfolio of customers represents, volume wise, over **1.6 BCM** of annual consumption, ca **35%** of the Greek NG market.

- **M&M** is the first private Gas Marketing Company that received the supply licence and the only one that executed supply contracts to both affiliate companies and third parties.
 - **M&M's** activity represents circa **10%** of the Total Greek NG Market
 - 2010-2011 imported **1.2 mio m3** LNG - ca **0.7 BCM** of NG

What does M&M do?



We support our clients by...

Covering their energy needs

Managing risk

Navigating an uncertain future

Developing Projects

By delivering...

Integrated, Innovative Solutions

- Efficient Sourcing
- Flexible Portfolio
- Decision support tools

Expert advice and support

- Match supply and demand
- Energy contracts
- Project development

Capability Development

- Operational and Regulatory issues
- Long term development
- Information services

Through...

Sourcing Utilising an Extensive Network of Links and Business Partners

Gas Supply (spot and moving towards term contracts)

A highly Efficient and Proactive Approach

Experienced People in NG Business

Greek NG Market - SWOT Analysis



Strengths



- Geographic position – East Med / North Africa proximity, crossroad of pipelines
- NG development projects in the area (Cyprus, Israel)
- Developing Market
- Revithousa LNG Terminal

Opportunities



- Attract investments
 - Pipelines, LNG terminal, FSRUs
 - New EPAs
 - Privatization Program
- Become East Med Hub
 - Supply other Balkan countries
- Small Scale LNG

Areas for Improvement



- Regulatory framework
 - Cross-border capacities
 - Hub creation
 - Pricing
- Infrastructure
 - Revithousa LNG terminal limitations
 - Physical Interconnections

Threats

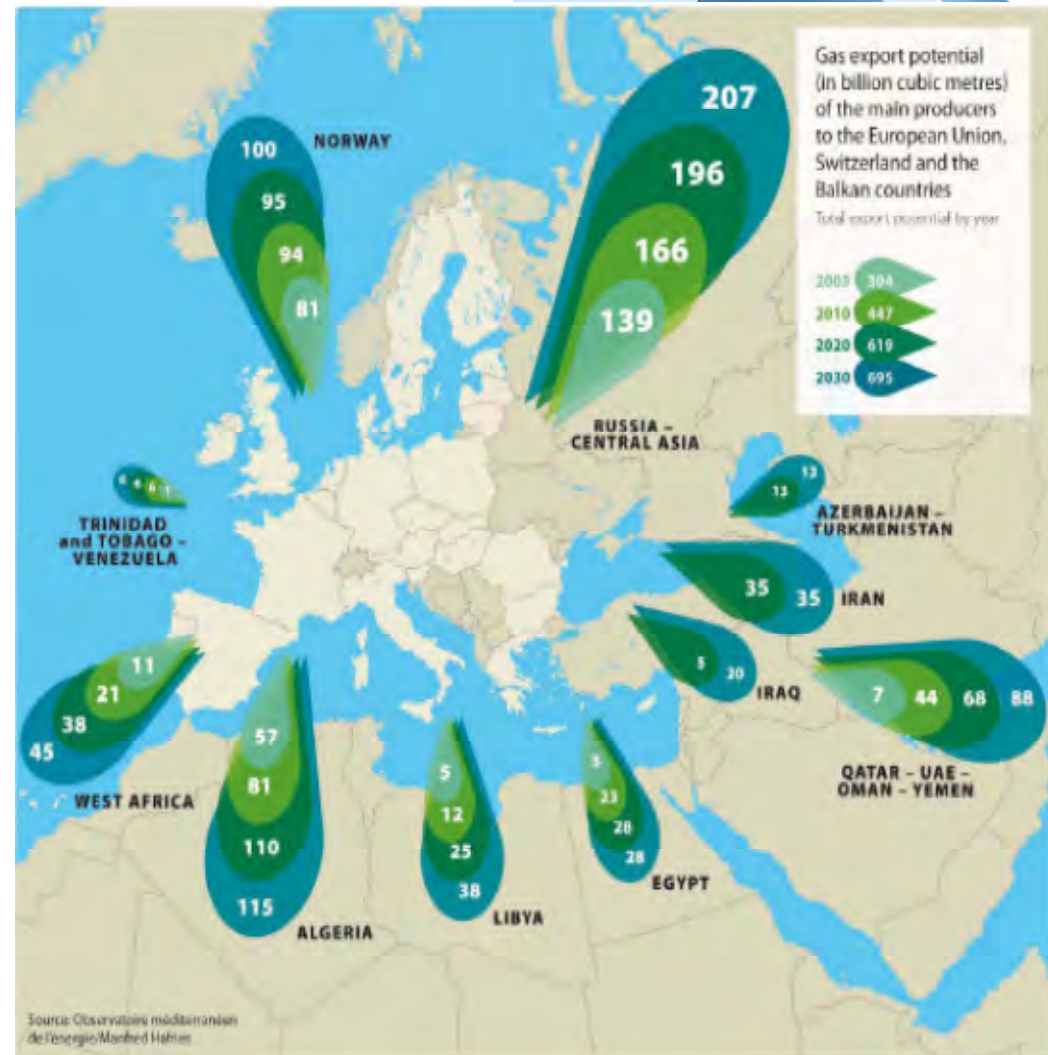


- Delay on implementation of Infrastructure projects
- Southern Corridor not to pass through Greece and delay the interconnection of Greece with Europe (it might be turned to an opportunity for LNG imports)

Emerging Gas Transit Corridor



- Greece, despite its major structural economic problems, is ideally located to emerge as a crucial gas transit corridor that would increase Europe's import diversification and its own security of energy supply
- Greece already constitutes an important success story in terms of its own gas import diversification as it is already connected to a variety of alternative gas sources that are exported to Greece through both LNG and pipelines

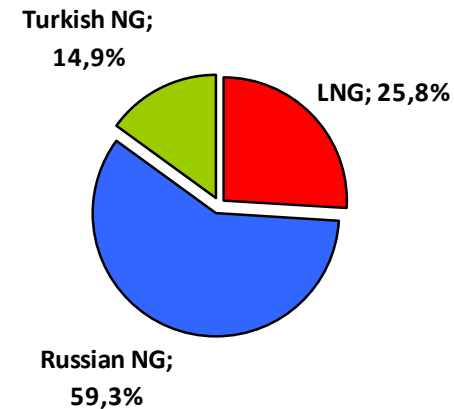


LNG Imports and Independent Suppliers



- Up to 2007 Greece depended on Russia for almost 75-80% of final consumption. By 2010 the operationalization of ITG and the opening of the LNG market further increased market flexibility and security of supply
- A 10% loss of market share for the incumbent
- Pressure on incumbent for revision on LT contracts (pricing and ToP provisions) – revision of contract between DEPA and Gazprom in 2011
- A 40% increase in the utilisation rate of Revithousa LNG terminal
- Diversification of LNG supplies
- Bilateral trading between eligible customers
- New players with a long term view

NG SUPPLIES SHARES - YEAR 2011



Southern Corridor



- Greece actively participates in the EU's Southern Gas Corridor Strategy and, despite ITGI's elimination from the Shah Deniz 2 tender, remains, given the route of the TAP project, an irreplaceable component of that Strategy. Moreover, Southern Corridor can also operate in reverse flow so as to give Greece and S.E. Europe pipe access to North African and Central European Supplies via Italy



Source: BP

South Stream Pipeline



- Greece is also a strong proponent of continued Russian-EU Gas cooperation. It promotes the diversification of its supply sources with the same enthusiasm it champions the diversification of its supply routes. This is the main reason of its participation in the South Stream project both as an importer of Russian gas as well as a facilitator of Russian gas transit to Italy

South Stream gas pipeline project

The South Stream project is a new natural gas pipeline network that will connect Russia and the European Union via the waters of the Black Sea



The South Stream agreement timeline



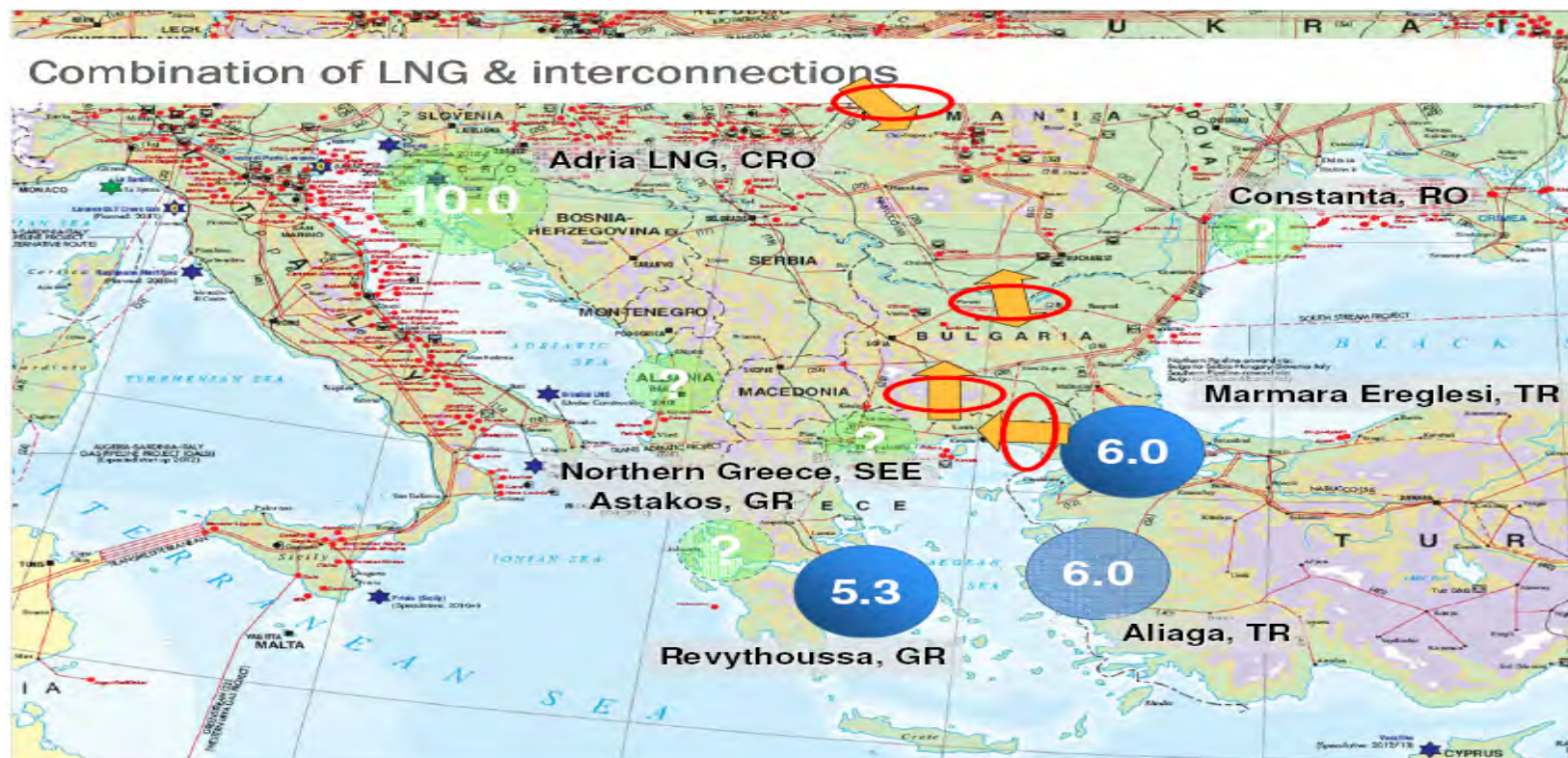
RIANOVOSTI © 2010



Combination of LNG and Interconnections



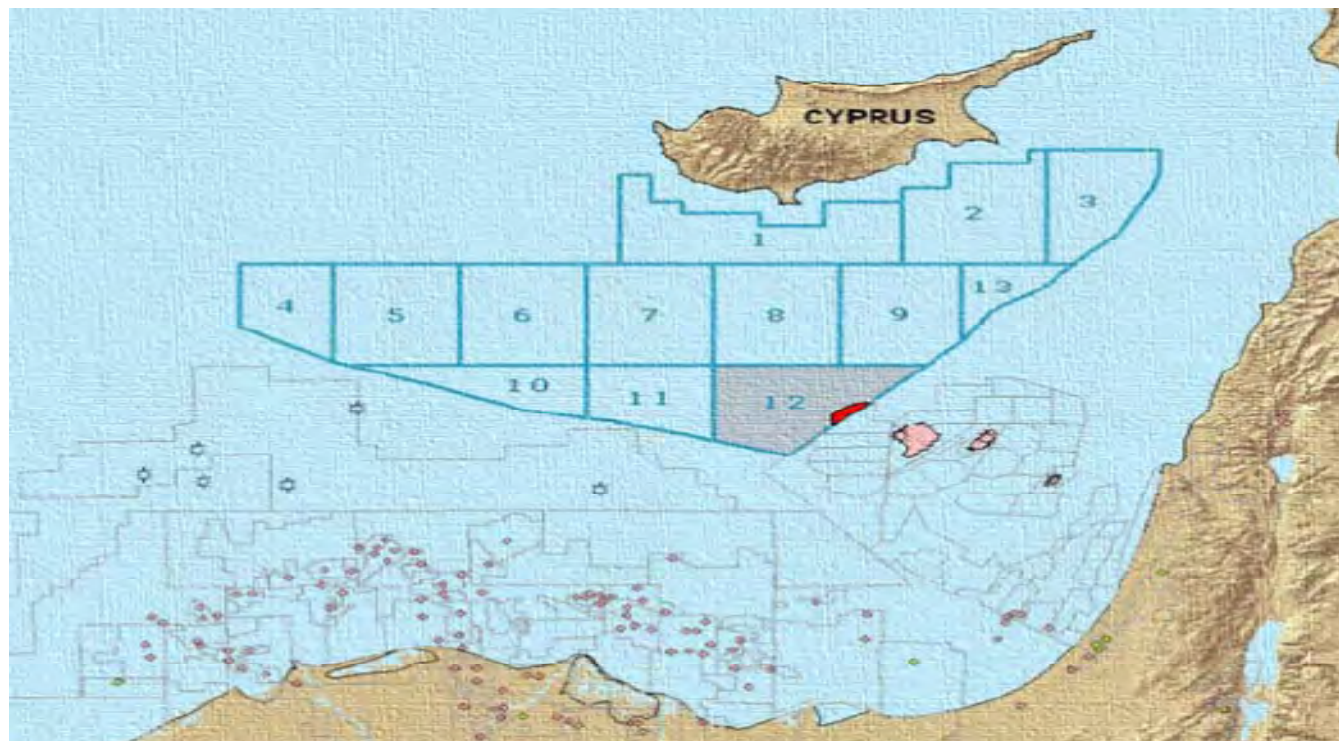
- Greece can also combine LNG and pipeline-imported gas so as to facilitate the immediate (2013/14) diversification of gas supply to landlocked S.E. European markets, such as Bulgaria. Through the IGB pipeline it can provide access for all its northern EU neighbours to LNG as well as to Azeri pipeline gas, before Shah Deniz gas is available in 2017/2018



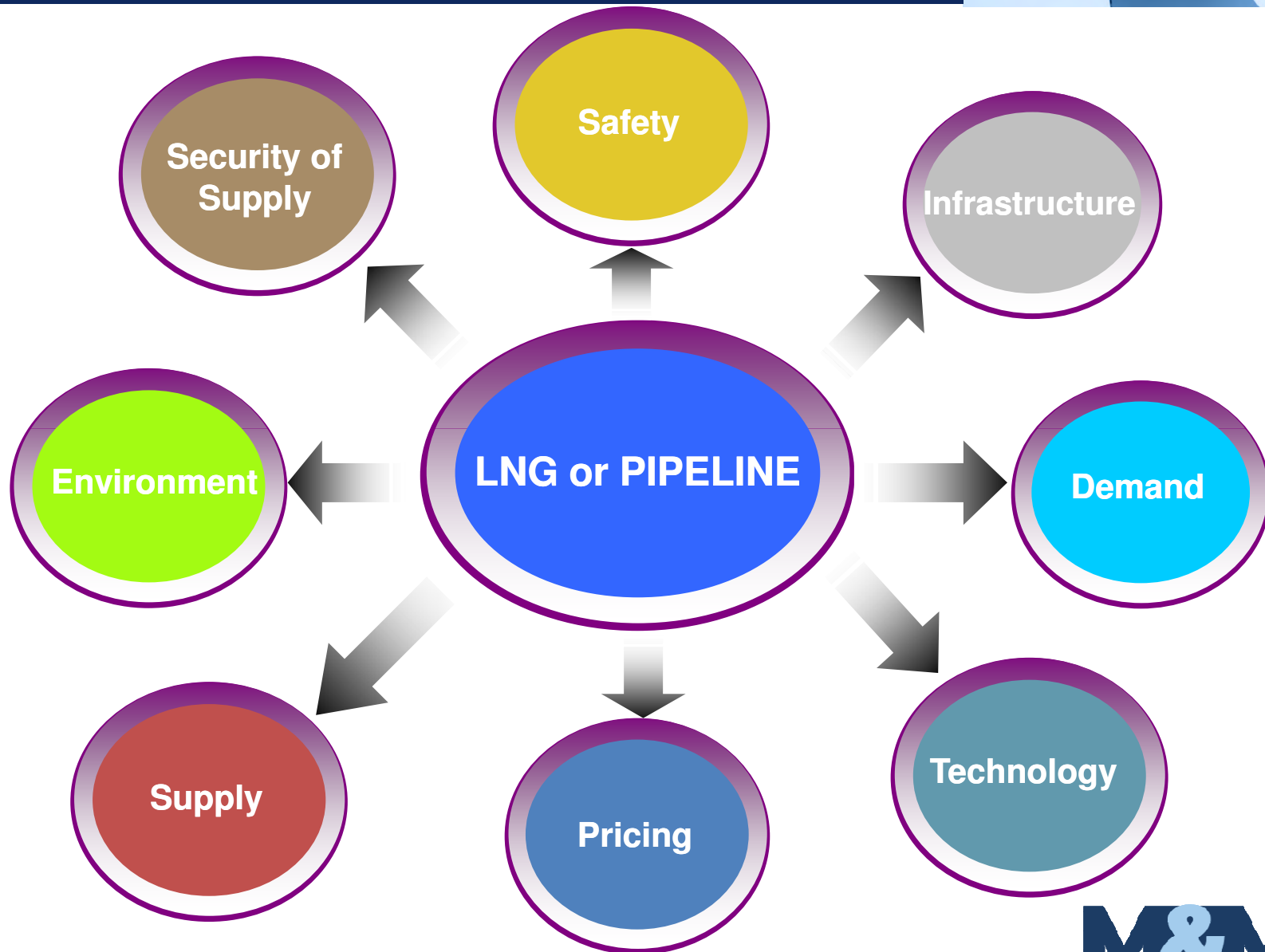
New Developments in the Area



- Greece is capable of emerging as a reliable transit state for future Israeli and/or Cypriot LNG exports if these countries decide to follow by 2017/18 an export oriented gas strategy. Revithoussa, Greece sole LNG import terminal has an idle regasification capacity of approximately 4 bcm/y. The expansion of its storage and liquefaction capacity over the next few years will be able to both cover national demand and service the transit needs of East Med exporters



LNG or Pipeline



LNG or Pipeline



Pipeline

- More predictable flow of NG
- Needs more political commitment
- Technology issues due to ultra deep construction environment
- Less flexibility

LNG

- Flexibility of Supply
- No transit risk
- Utilisation of existing infrastructure
- Upgrade in storage and regas capacity
- More easily scalable



Conclusions



- Despite the economic crisis NG demand in total as well as LNG imports are increasing
 - Mainly due to newly installed gas-fired power units
 - Increased penetration of NG in the domestic market
- The Greek market, in the turbulence of recession and crisis, puts extra challenge on natural gas/LNG/energy price levels
- Greek is an emerging gas corridor and the combination of pipeline gas and LNG could improve and facilitate access to Balkan markets putting options for diversifying their supply portfolio
- Revithousa LNG terminal plays a crucial role in the country's and wider region security of supply