

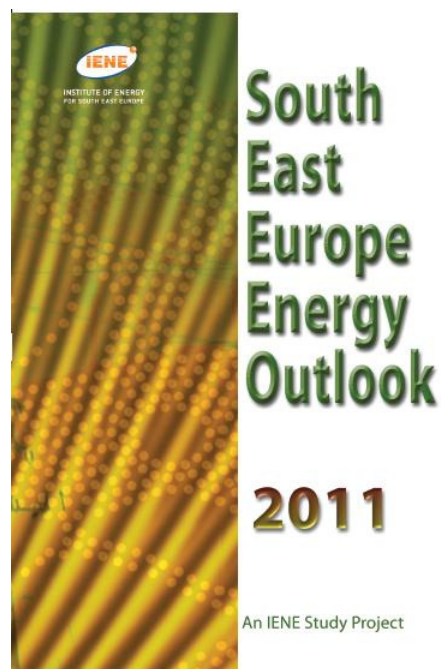
Background Information

South East Europe Energy Outlook

IENE Study No.06

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The SEEEO is a comprehensive study, which deals with the current energy situation in the region but is also concerned with the 'Outlook' in SE Europe from now until 2020. The study covers all 12 countries of the region including Turkey. This is the first time that such a major study has been undertaken by IENE. The study contains substantial comparative data, detailed sectorial analysis, estimates and projections. After a compendious introduction, in which the economic and political background of South East Europe is thoroughly presented, the study concentrates on the dynamics of the regional integration process and the impact of the EU expansion on economic development and the energy market. The study comprises three main parts: country energy surveys, regional analysis and sectorial analysis. It also includes energy demand and supply projections for 2020 and beyond.

The regional energy sector analysis focuses on the region's economies, on oil (upstream and downstream), natural gas, power generation, renewables/ energy efficiency and environmental issues. A major part of the study covers the countries of the region and contains an energy overview of each one of them. These countries include: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, former Yugoslavian Republic of Macedonia, Greece, Kosovo, Montenegro, Romania, Serbia and Turkey. A set of original energy maps for the region has been created, together with comparative data tables and economic analysis.

Another important part of the study covers the energy interconnections in South East Europe and in the Black Sea region in oil, gas and electricity

and the major energy projects in the region (oil and gas pipelines, nuclear plants and refineries). The study also analyses all the major developments in the energy market liberalization process but also the environmental and energy security considerations in South East Europe. The study concludes with an in depth analysis and projections of the current and future investment potential and business opportunities in the energy sector in the region. The structure of the study is presented in the attached Table of Contents.

The “S.E. Europe Energy Outlook” was carried out over the last three years (2008-2011) following an extended initial background research period. The *raison d’être* for this study emerged from IENE’s strong need to understand well the geopolitical and geographical sphere within which it operates, but also to define and evaluate in an objective manner the major policy challenges which lie ahead in the energy sector of the region. Parallel to that, was the equally important quest to identify the important investment and business opportunity sectors across the region.

Judging from the present body of work and the extensive data base which IENE has built on the subject area, we can safely say that IENE has fulfilled its primary goal, which in short was an in depth understanding of energy markets operation and an assessment of their potential development in SE Europe. The in depth of analysis, the substantial statistical data and the detailed regional and country profile information included make the study a useful tool, sort of a road map of SE Europe Energy.

Given the current state of affairs in S.E. Europe and the constant flux which characterizes most energy markets and the fact that certain key transnational projects such as oil and gas pipelines have suffered serious drawbacks with final investment decisions being constantly postponed – something which is bound to affect investment in the energy sector in the whole region – the study provides some useful insight of the backstage developments at both government and company level which are likely to affect the outcome of key projects over the coming years.

One of the key internal findings of this study project is the need for a much better organized and continuous market surveillance and analysis. This is necessary if we are to understand better and interpret the energy

sector's development and trends in the region. The poor statistics and lack of reliable information on projects and energy flows in general, from most countries in the area, make such a task cumbersome and tedious. IENE is already addressing this challenge in close cooperation with knowledgeable and reliable contacts and partners in each country with considerable part of its work now devoted towards this direction. In this respect IENE is in the process of building up a detailed energy data base for the region while its goal remains the updating of this Outlook study at least once every two years.