

## HYDROCARBON EXPLORATION AND PRODUCTION IN GREECE AND THE SE MEDITERRANEAN

Introductory Remarks by *Prof. Apostolos Alexopoulos, Secretary General, Ministry of Reconstruction, of Production, Environment & Energy, Athens Greece*

Ladies and gentlemen,

Thank you for the invitation and may I wish you every success with the proceedings

Allow me, before addressing the main subject, to say a few words about our views on energy.

For us, Energy is not just another commodity but, above all a developmental and social good that must be accessible to all with conditions of dignity, justice and abundance.

The policy followed up until now has led to:

- Continuous increases in Electricity bills that have created energy poverty and €2BN in unpaid bills
- The favourable and biased treatment of private producers
- Constant attempts to destroy the PPC in favour of vested interests
- The transit of TAP (Trans Adriatic Pipeline) with minimal comparative benefits for Greece
- Massive damages from the embargo on Iran and the sanctions against Russia at a time when others have nurtured special relations with these countries.

We do not doubt the EU's stated objectives on:

- Reduction of dependence on different suppliers,
- Dealing with climate change
- Energy saving
- Improvement of networks (electricity and natural gas) via interconnections
- Creation of infrastructures for the introduction of alternative energy products.

We do however doubt whether the means proposed can be successful. We believe that they intensify inequalities and cause painful financial and social side-effects respective of the ones we currently see dominating the Eurozone and the EU.

We are afraid that the ambitious plan for a gradual energy union is viewed by certain powerful circles not as a vision for developmental and social convergence and prosperity for people and nations but more as the vehicle for a gradual transition to a large neoliberal European energy market which could amplify energy inequalities, exclusions and separation constructing, perhaps, new barriers within Europe.

The steps, persistently promoted by the European Commission over recent years and applied to the energy sector through the obsessive perseverance of the Troika, have favoured predatory private interests and had two terrible side-effects:

- They have skyrocketed energy prices

- and dramatically increased energy poverty

Privatisations and the segmentation of public energy companies have not benefited productivity or facilitated the exit from the crisis; on the contrary they have created rifts in society by widening poverty.

It is our duty to stop all processes for the privatisation and sale of Public Companies of strategic operational and functional importance.

We believe that we must maintain public companies not because we suffer from statism but because we believe that not everything in the energy sector can depend on maximizing the profits of multinationals and the demands of the markets.

The last proposal by the European Commission for the obligatory prior notification and involvement of the Commission in energy agreements between Member States and third countries, creates a suffocating framework for member states to shape efficient multilevel and multidimensional international energy relations.

A healthy energy union in Europe is necessary but this must be in line with Europe's progressive turn and must be built step-by-step in a clear developmental and social direction and not based on falsified market laws that often conceal the dominance of obdurate interests.

Over the following period around €200BN/year for the next 10 years are expected to be made available for infrastructures in the EU through banks, private funds and the EU. Modernisation projects will be mainly assigned to private companies. The lack of control mechanisms and the dismantling or marginalization of state enterprises create the conditions for even greater exploitation of energy goods and the increase of energy poverty.

**For energy partnerships to be useful and long-term they must be based on equality and benefit both sides.** Let me also note that the European funds assigned to energy are inadequate, are distributed probably unfairly, while funding is favourable for countries and companies that have access to cheap borrowing.

If measures to improve this situation are not taken a number of financially less robust countries such as Greece could become energy dependant of rich countries and large corporations.

The aim of the Greek government is to apply a new realistic and multidimensional energy policy. An institutional and regulatory but also programmatic and applicable policy that will be long-term, centred on national interest and based on the social, productive and development models necessary for the country's evolution.

#### **On Hydrocarbon exploration and the exploitation of any deposits discovered**

The way in which hydrocarbon exploration has taken place in Greece is well known from the time the deposit in the Prinos area was discovered. In general, it was superficial, fragmented, without long-term targeting. It began with great enthusiasm when the deposit

was discovered (in the 1970s, in the wider Thassos area, Prinos plot '74) just to become gradually deflated.

Exploration took place until 1998 via the competent body which was, initially, DEP S.A. – and later DEP-EKY S.A. Following the absorption of DEP-EKY S.A. by ELPE S.A., there were thirteen years of inactivity during which no body carried out or supervised exploration activities in Greece.

During its operation (1986-1998) DEP-EKY S.A. managed to offer a more realistic picture of the country's hydrocarbon potential, especially its land plots. Between the years 1995-1998 it operated as a hydrocarbon carrier carrying out the 1<sup>st</sup> round of concessions but also as a state company with participation in the joint ventures.

With the arrival of the Troika we witnessed intense mobility around the issue of Hydrocarbon Exploration. Discussions around the potential of our hydrocarbon dynamic succeeded each other at great frequency and was a central subject in the media. Estimations raised reserves to immeasurable heights on a daily basis. The subject sold, so much has been said. Scientists whom until recently supported that Greece does not have hydrocarbons have reached the point of talking about massive deposits.

In SYRIZA, for years we have spoken out against theories that could downgrade the country's mineral wealth. Through parliamentary questions, conferences and media articles we have tried to promote the value of our mineral wealth, including hydrocarbons, based on scientific facts, always proposing the environmentally safe exploitation of energy sources.

We believe in the exploitation potential of Greece's mineral wealth in the direction of the development of local industry and the services sector, with respect for the environment and not the concession or granting of these sector to foreign monopolies. A shining example of such growth is the way in which Norway, a country with a smaller population than Greece and powerful neighbours, has managed to develop its hydrocarbon potential for the benefit of society by exploiting international expertise in partnership with overseas companies while at the same time fostering its own industry and services.

### **The new conditions**

The period 2010-2014 was also very important in relation to Energy matters, unfortunately in a direction completely contrary to our position. It saw the promotion of the sell-off of any state participation in Energy Companies (PPC, DEPA, DESFA, ELPE) while, Law 4001/11 (Government Gazette-179A/22-8-11) on Hydrocarbon Exploration and Exploitation, the value of which we do not of course reject, created the conditions for the plundering of any deposits discovered.

More specifically:

- It decreases taxation, increases the area conceded, increases the exploration period to 8 years, excludes the participation of the state in joint ventures, but more importantly EDEY SA, the control mechanism voted for in 2011 exists only on paper. Indicative of the situation is that we discovered that EDEY SA received tax clearance

only at the end of January 2015, it remains unstaffed and its operation is possible thanks only to the good will of the Ministry's very few staff. This, of course, did not stand in the way of the Ministry's previous administration announcing repeated concession tenders for land and sea plots within the fast track concessions framework. Recently we have embarked on processes to secure staff for this company.

- As soon as we came to government and given the misgivings I have already mentioned, we found ourselves in the very difficult position of deciding whether to suspend procedures or allow them to develop. The deadline of the first tender process was on 6/2/2015, at which time the government had not yet received a vote of confidence, the second on 14/5/2015. In the first tender process, the company that had incited the tender process withdrew at the last moment. Taking in consideration the possible cost and in collaboration with the management of EDEY SA we decided to allow the process to develop for the land plots and extend the deadline for the sea plots for two months.
- In most countries throughout the world, the delimitation of the exploration areas, the initial exploration, the monitoring and exploitation of the hydrocarbon potential are promoted via state institutional bodies. In EU countries there are institutional bodies that monitor, explore, advise and participate hydrocarbon and natural gas matters. Among our primary priorities is to establish a reliable control mechanism with adequate staffing.
- **One of our first steps in this direction is the establishment of the Public Energy Investments Company; the relevant discussion began in Parliament yesterday.**

#### **Greece's hydrocarbon exploitation depends on:**

- The meritocratic and in line with international standards staffing of the Hydrocarbons Agency. This has now began.
- State participation in the exploration and exploitation joint ventures. This will establish a new model for the management of potential H/C deposits via contracts in which the State will have an active role and participation. This will maximise the economic benefits and secure new tangible sources for the funding of our social policy.
- The launch of a long-term strategy related to the expansion of exploration areas.
- The establishment of environmental protection and safety regulations for hydrocarbon projects and hydrocarbon company operation and monitoring regulations.
- The participation of Greek companies in the exploration processes in line with the Norwegian model.
- The utilisation of existing scientific expertise.
- Attracting Greek scientists currently working for foreign companies.
- The granting of scholarships to young scientists with the commitment to offer their services to the Agency for a specified period.
- The securement of funds for the purchase of logistical infrastructures.

- Along the immediate priorities is the completion of consultations with neighbouring countries for the delimitation of the Greek EEZ, within the framework of the International Law of the Sea. We will seek to instigate common European efforts aimed at delimiting the sea zones in the South East Mediterranean on the basis of international legality and the International Law of the Sea, which is a European *acquis*.

### **The situation in the SE Mediterranean**

The Mediterranean is of great geopolitical importance. It geopolitically connects three separate areas: Europe, Africa and the Middle East, an area that accounts for the biggest hydrocarbon deposits on the planet. Its geography forms strategically important transit points and composes a particular geopolitical landscape with countries that have varying, in length and shape, coastlines.

The non-delimitation of the EEZ is a hindrance for the development of economic activities in the area. The International Law of the Sea sets the rules for any delimitation. The delimitation of the EEZ in cases of overlapping as, for example, is the case in the Mediterranean, follows bilateral or even multilateral negotiations. The International law of the Sea acknowledges territorial waters, recognized contiguous zone and EEZ for all inhabited islands that are economically self-sustaining. Recent negotiations between Greece, Cyprus and Egypt have created cautious optimism for the resolution of the issue.

The discovery of natural gas deposits in Cyprus and Israel and the potential discovery of others in the broader Mediterranean basin establishes a new landscape in the area. The upgrading of Cyprus's role combined with the possibility of the discovery of hydrocarbons in areas of Greece create new challenges and potential for the country. This necessitates strategic planning and crucial diplomatic processes and contacts that will pave the way for Greece to claim an influential role in SE Europe. The new government will work in this direction constructing mutually-beneficial relations with the area's nations.

Thank you.