

“2nd SE Europe Energy Dialogue”
Thessaloniki 21st and 22nd May 2008

Introductory Remarks by Spiros Pleoyannis, Deputy Chairman IENE
Session VI “*The Gas Developers Meeting*”

**Ladies and Gentlemen,
Dear Colleagues,**

Under my capacity of Deputy Chairman of IENE and my duties as Coordinator of the Session VI together with my colleague Cochran Yardim from Turkey, I would like to welcome all of you in “The Gas Developers Meeting and Dialogue”.

We all of us know that in the last two decades natural gas became the fuel of choice in Europe. From around 300 bcm in 1990, gas demand in Europe, including EU-27 countries and other European countries (Albania, Croatia, Former Yugoslavia, Norway, Switzerland and Turkey) reached to 550 bcm in 2007.

In the Balkans and SE European countries in particular, gas demand was also increased during the same period, although with a quite different growth pattern, mainly due to the political and economic reforms of the ‘90s in certain countries of the region.

The main driver for this spectacular gas demand, at least during the last years, was without no doubt the power generation sector. Only during the last 5 years, gas consumption in the European power generation sector increased by some 50 bcm.

By 2010, some 15 GW of new gas-fired generation capacity is expected to come online in Europe and thus the yearly consumption of the sector will exceed 200 bcm, representing 35% of the total European gas demand.

Incremental increases in gas consumption are also expected in nearly all the other sectors of the economy.

In the supply side, EU-27 covered its gas needs in the previous year by indigenous production (38% of its total net supplies) and imports mainly from Russia (23%), Norway (18%) and Algeria (10%).

Piped-gas represented 83% of the total EU-27 gas demand in 2007 and LNG the rest 17%, but with a continuous increasing role in the European gas market.

It is not easy to accurately forecast the future for gas. What we could logically expect is that because Europe (and consequently SE European countries) will

need more and more energy to fuel their future socio-economic development, natural gas will continue to gain share, mainly due to its environmental friendly characteristics. However, gas demand growth rates in the long term (especially in the power generation sector), could be affected by a number of factors such as gas availability, high gas prices, lack of effective regulatory frameworks especially for gas transiting, growing dependence on gas imports, increase of the RES use etc. etc.

In any case and independently from the exact gas demand growth rates in the years to come, Europe needs new supply infrastructure to fill the widening gap between the growing demand and the declining indigenous production.

Some 100 bcm of new gas supply capacity is currently under construction and expected to come on stream by 2012, while many other projects with a total capacity of 400 bcm are either in the planning phase or under consideration by their sponsors. As we all know a considerable number of these new gas supply projects located in our region (TGI, TAP, Nabucco, South Stream and various LNG projects)

If all or some at least of the above gas supply projects will be implemented in the next years, it is obvious that gas demand in the Balkans and SE Europe will be easier covered and the area's security of gas supply will be tremendously enhanced.

However, the today's dynamic and quickly shifting environment creates many new challenges, obstacles and uncertainties for the European gas industry, which are expected to shape its future and change the rules of the game once again.

The entire gas market structure is currently under review and a possible application of the ownership unbundling that the Third Directive Package provides will cause further structural changes in the industry, modify the business models currently applied and affect substantially the relationship between sellers and buyers. Furthermore, this completely new business environment along with the increasingly global nature of the gas market, are also affecting commercial conditions and business activities and practices, especially in terms of pricing, contracting and trading of gas.

Regulatory uncertainties, combined with other uncertainties and risks caused by the wider geopolitical, economic and environmental context may threaten the implementation of certain gas supply projects, which are fundamental for Europe's access to alternative gas sources and for the improvement of its security of gas supply level.

Even worse, under the new world economic reality, caused mainly by the extraordinary economic growth of some developing countries like China, India and Russia, Europe may be forced to compete for scarce gas supplies with other regions.

We will discuss all these critical for Europe and our region issues with distinguished speakers from International Institutions, Governments and mainly from the gas industry, who kindly accept to participate in the current Session of the “**2nd SE Europe Energy Dialogue**”.