3rd S.E. Europe Energy Dialogue, Thessaloniki, 18/19 June 2009

Address by Mr. Constantinos Mousouroulis, Secretary General, Ministry of Development

Ladies and Gentlemen

I am pleased to be among you today participating in this important event organized by IENE regarding the "Threats and Opportunities in the Energy markets". In this session we will determine both the threats and opportunities in the current economic and geopolitical context.

Many attribute the disturbances in many sectors of the economy to the current financial crisis; the energy sector is no exception. Accepting the fact that the energy sector is influenced by the crisis, we also recognize that historically, the energy sector has been in a continuous evolution, in a constant turmoil, or - perhaps - in a perpetual crisis. This crisis is caused by the increasing global demand, the inadequate infrastructure, the (fluctuating) price levels, the environmental requirements and the varying geopolitical circumstances

Let me give you two examples:

- You can of course remember that analysts were concerned by the 2008 high oil prices. What can we do against this increase? How can we protect our economies?
- Since January 2009, following the Russo-Ukrainian dispute crisis, we wonder weather Russia or the various alternative suppliers can be trusted.

Economics and geopolitics of energy are closely intertwined. An economic crisis may have an impact on the geopolitical balance but also politics can be the cause of an economic crisis - like the one in 1973.

Today, new parameters have been introduced such as the financial crisis, the new commercial strategy of Russia and the renewal of the mandate of the President of Iran.

We have to be mildly careful against this background. A responsible policy should be cool, adjusted to the events, it should have a designated goal and it should follow a long-term strategy according to the interests of the citizens and the economy.

A cool policy means:

- The security of supply must remain a priority of any energy policy and this can be achieved by means of diversification of the sources. Competition within and between energy resources, is one of the tools in that direction.
- Greece has been orientated towards a strategy that favours sustainable development leading to reduced dependence on imported energy.

We should benefit from the crisis, meet the challenges and strengthen our priorities.

A. The financial crisis as an opportunity for strengthening the supply infrastructure:

(a) Taking as an example the Russian-Ukrainian dispute; Greece was one of the countries least affected as a result of the prompt response of all the responsible agencies and the efficient use of its LNG terminal in Revithoussa. Greece was also able to assist Bulgaria to soften the impact of the gas cuts.

However, a prolonged crisis would certainly impact the Greek economy. The development of new infrastructure that will provide multiple sources and routes must be supported. In order to contribute to the high investment costs, the European Union decided to support with 4.0 billion euro new energy infrastructure throughout Europe. Several Greek projects are to be supported including the new pipeline between Greece and Bulgaria and the submarine section of the Greek-Italian pipeline (ITGI).

As you well know, Mr. Hatzidakis, the Minister of Development, recently signed an agreement for the construction of a new pipeline between Greece and Bulgaria as well as an agreement with Russia for Greece's participation in the construction of the South Stream. New gas pipeline networks in the EU will provide optimal security of supply and increased competition in the domestic market.

New cross-border interconnections to the neighbouring countries are also planned for oil and electricity.

Greece will be more closely connected to its neighbours as well as to the rest of Europe.

(b) The fact that Greece participates in the South Stream does not mean that other pipelines such as Nabucco do not have their own added value. We don't compare the Russian gas with gas from Central Asia, nor is such a comparison valid, in my opinion, for a multitude of reasons, especially when taking into consideration the increasing demand for natural gas in Europe.

First reason: according to EU energy scenarios, natural gas consumption will increase by 30% between the years 2000 and 2030 while current consumption exceeds 500 billion cubic meters. The above two pipelines are complementary to each other and this is reflected by the fact that both Bulgaria and Hungary will participate in both.

Whatever the solution for the Russian-Ukrainian dispute is likely to be, maintaining or upgrading an old network can be uneconomical when compared to building a new one; consequently, the European supply is bolstered by both the Nord and South Stream pipelines.

Second reason: the strategies of the supplier countries are not necessarily (or always) what the importing countries believe they are. For example, the Central Asian countries are interested in selling gas to Europe, but it would be naive to think that they are not interested in the Chinese market. 7000 km of pipelines with a capacity of 40 bcm a year will connect Turkmenistan with China (by the end of 2009) while the Chinese oil and gas company CNPC is ready to invest about 3.0 billion dollars to develop the Giolotan deposit in southern Turkmenistan - one of the largest in the world (just behind the Pars field between Iran and Qatar and the Shtokman field in Russia).

For now, only of the Middle East region can be considered as a reliable alternative source in view of its vast proven reserves. Therefore, Greece is developing supplementary LNG capabilities in Revithoussa and is pursing the construction of a new LNG terminal in an as yet undetermined location.

Regarding Russia, we expect that it will continue to provide natural gas to Greece and the rest of Europe for a long time in the future.

B. The crisis as means to boost sustainable development

Greece imports about 72% of its energy. This adds a significant cost to the national economy. We must bend the curves of increasing demand and increasing imports, or at least modify their proportions.

Efforts should be made to reduce energy dependency and the environmental impact associated with climate change; for this reason, our priority is the development of renewable energy.

Greece is committed to achieve the European 20-20-20 objectives for Energy and Climate Change, ie reduction by 20% in greenhouse gas emissions; increase by 20% in energy efficiency and participation by 20% of RES in the energy mix. Three twentys by 2020.

According to a recent study by the European Commission (published on June 2nd 2009), 410,000 new jobs will be created and the GDP will increase by 0.24% if the EU would meet its RES target by 2020. At a time when a major reorganization and redistribution of resources is being made on an international level - with long-term strategic, economic and social consequences - Europe is able to respond by committing to a common energy security strategy for the future, and to the continuous development and prosperity at home. The Commission goes even further by proposing the revision of the European energy policy in 2010, in order to develop a new strategy for the year 2030 and to create a vision for the year 2050.

In Greece we are far behind the European targets, despite the rapidly increasing participation of renewables in our energy mix, which has led to over 1300 MW of total renewable installed capacity (wind, photovoltaic and small hydro).

Heat generation from renewables comes mainly from active solar, thermal uses of biomass and geothermal heat pumps. The development of the solar collectors industry in recent decades has put Greece at the second place in total installed collector area in Europe. However, most of the heat generated from renewable energy comes either from biomass burning in the residential sector, or from biomass residues in wood (and/or food, cotton, etc) processing plants where it is used for industrial purposes. The Greek market for heat generation from RES is at an early stage. A possible area for the successful penetration of heat generation from renewables seems to be the building sector; however, the review of the current legislation on 'increased energy efficiency for buildings' is needed. The use of biofuels in Greece is also at an early stage. At this point, much attention is given to biodiesel whilst the prospects of bioethanol production should also be considered. However, at the present time, imports and distribution of ethanol is not expected to start before 2010.

In any case, the Greek energy strategy aims to establish reliable and stable institutional, regulatory and supervisory frameworks as well as effective rules for the optimal functioning of the energy markets and competition in order to facilitate the faster penetration of all forms of renewable energy in Greece.

The Ministry of Development has pursued a fruitful cooperation with all the stakeholders - relevant Ministries, market players and non-governmental organizations - in order to achieve the reliable, unified and harmonious development of a private investment framework for RES development. Moreover, the institutional framework for promoting the further simplification of the licensing procedures for the balanced development and financing of photovoltaic systems has already been proposed, while in the meantime, legal problems arising from earlier legislation and the maturing of the regulatory framework have been resolved.

The policies for encouraging renewable energy must be inevitably linked to energy conservation policies. Thus, programmes and measures promoting energy savings and the Rational Use of Energy are matters of great concern for the Greek energy and environmental policy. In this context, Greece supports the new global alliance for energy efficiency cooperation (IPEEC) launched in June 2008 as part of the G8, while it also takes advantage of the modifications made by EU - because of economic crisis - to the EU regulations that allows us to subsidize activities for energy conservation in the residential and buildings sectors. You may have already heard of our national plan for the replacement of old and inefficient air conditioners, pioneered by our Ministry, with new ones, which was a direct response to the publication of the new Community Regulation on May 6th.

The legal framework has been laid with the adoption of the European Directives, for the issuance of ministerial decisions for the adoption of an energy labeling scheme, and of the energy performance certification for buildings. Furthermore, the drafting of a new Law on energy efficiency and energy services in the context of Directive 2006/32/EC is in its final stages. Moreover, numerous measures have been adopted relating to energy use in the transport sector, with the completion of N.3423/05 regarding biofuels, the replacement of old cars, and the improvement of road networks and public transport standards.

Of great importance is the progress which has been achieved so far in the goal of the 20% increase of efficiency. Existing measures are expected to secure improved energy efficiency in the order of 13% to 15%. Therefore, together with this energy strategy overview by the Commission will submit along a new package of measures based on the energy efficiency, initiatives of 2008, in order to make further significant progress towards achieving the 20% goal:

- Revision of the Directive on building energy performance in order to widen the scope and to simplify its implementation
- Revision of the Directive on the energy labeling, which so far has covered only domestic appliances, so that the scheme would be applied to a wider range of products
- Intensify the implementation of the Directive on eco-design
- The promotion of cogeneration is an important priority
- The Commission will develop benchmarking and networking mechanisms for the dissemination of best practices. The « Mayors Covenant» will contribute significantly towards this direction

- Cohesion policy programmes have supplied more than 9.0 billion euros to promote energy efficiency and renewable energy during the period 2007-13.
- An environmental tax will be introduced in order to complement the energy and climate change package

Energy efficiency should be a constant priority for the EU energy policy. The Commission would evaluate the 2009 Action Plan for Energy Efficiency and it would prepare a more focused plan of action, as requested by the European Council in June 2008.

Ladies and gentlemen,

This crisis is an opportunity for dialogue and courageous decisions; for changing course; for redefining relations and regrouping of efforts. I am confident that Greece will soon be found in a trajectory of economic development and this financial crisis is an opportunity that needs to be seized upon by committing ourselves to sustainable development, redirecting energy-related economic activities, while maintaining our geostrategic role in the supply and transit of energy resources to and from Europe.

Thank you for your attention and our hosts for their kind invitation.