Energy Security, Geopolitics and Commerciality – Energy Corridor S.E. Europe

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3. South East Europe Energy Dialogue
Thessaloniki, 18/19 June 2009

South East Europe

- Breathtaking developments since 1990
- Unique strategic location between the Northern Gulf, CIS and Central Europe
- A fast growing market
- A pivotal role for the future energy supply security of the EU

From Bilateral to Multilateral Cooperation in the Region

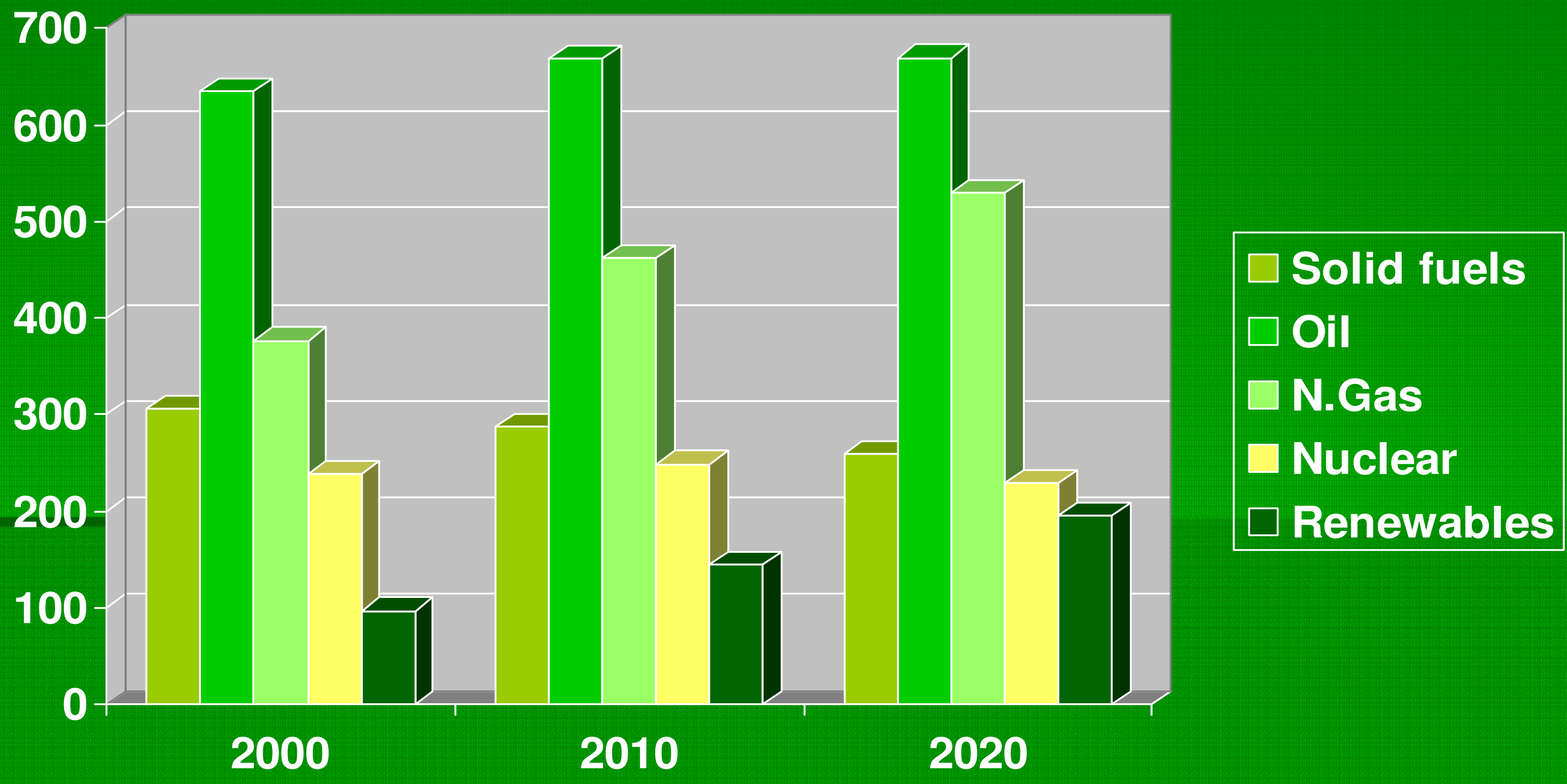
- BSEC Black Sea Economic Cooperation, 1992
- SECI Southeast European Initiative,1996
- SEECP South East European Cooperation Process,1996
- Stability Pact for South Eastern Europe,1999
- EU Membership of Bulgaria and Romania, 2007
- EU Accession Process of Turkey

Regional Cooperation in the Energy Sector

- UCTE, Regional Electricity Market
- BSREC
- SEEREM,the Athens Process Nov. 2002,
  MoU Athens Dec. 2003,
  Energy Community Treaty
  Signing Ceremony Oct. 2005

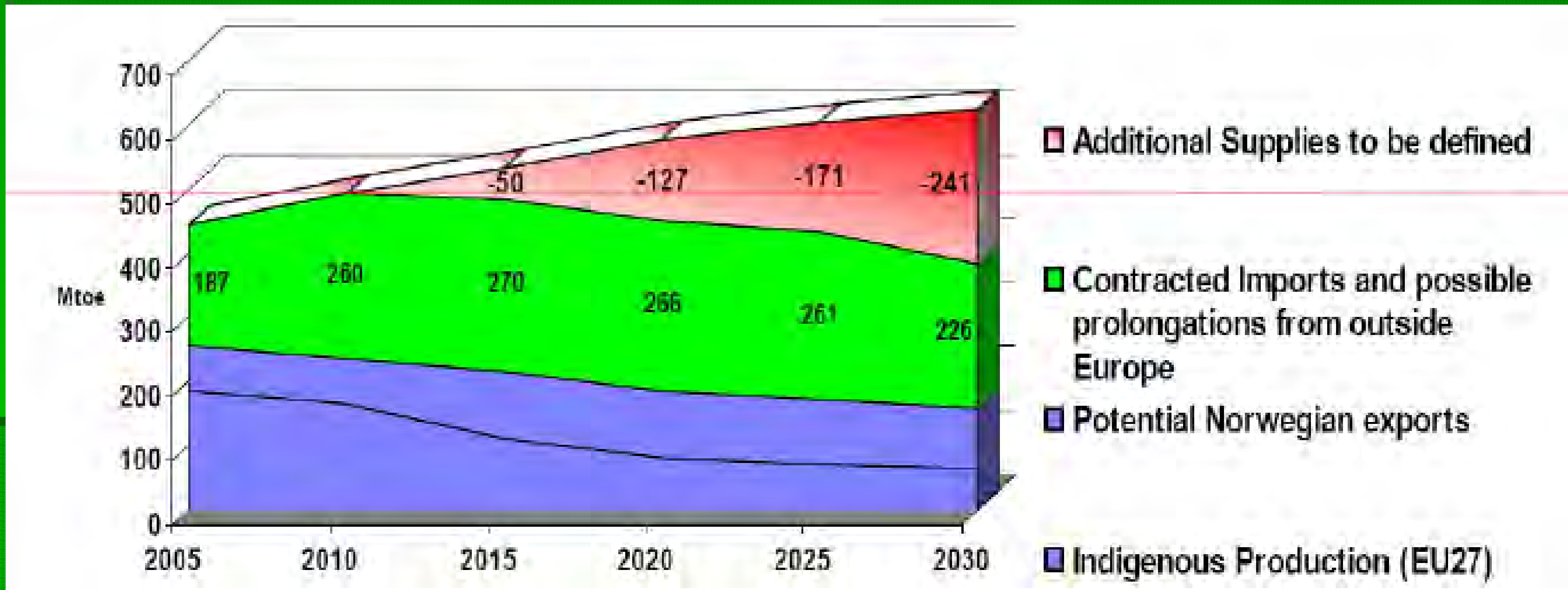
European Energy Demand(EU-25) mtoe

European Energy and Transport Trends to 2030 – update 2005, EU Commission



Supply/Demand Outlook EU27

Source: Eurogas 2007



Present Natural Gas Exporters and their Supply Potential to Europe-34 (bcm)

Source:EU ENCOURAGED Project 2006, OME, CEDİGAZ)

Country	2005	2010	2020
Russia	139	166	196
Norway	81	94	95
Algeria	57	81	110
Nigeria	11	21	36
Qatar	5	36	60
Egypt	5	23	28
Libya	5	12	25
Oman	2	2	2
Trinidad&T.	1	6	6
Total	306	441	558

Future Natural Gas Exporters and their Supply Potential to Europe-34 (bcm)

Source:EU ENCOURAGED Project 2006, OME, CEDİGAZ)

Country	2005	2010	2020
Iran	0	0	35
Azerbaijan	0	0 (?)	13
Yemen	0	6	6
Irak	0	0	5
Angola	0	0	2
Kazakhstan	0	0	0 (?)
Turkmenistan	0	0	0 (?)
Uzbekistan	0	0	0
Total	0	6	61

Pipeline versus LNG

- Pipelines will remain the most importart means of gas transport with about 80% share, today over 90% (EU-ENCOURAGED Project, 2006),
- More off-shore gas pipelines, eliminating the transit countries,
- LNG with the remaining share is gaining importance (increased competitiveness, seasonal flexibility)

Major Pipeline Projects to Europe

Source:EU ENCOURAGED Project 2006, OME, etc.

Project	From	To	Capacity (bcm)	Investment (bill. €)	Start-up
Nord Stream	Russia	Germany	27.5 (+27.5)	~7.4	2011
Langeled	Norway	UK	22-24	~1.0	2007
Medgas	Algeria	Spain	8-10	~1.3	2008
GALSI	Algeria	Italy	8-10	~1.2	2012
IGI	Greece	Italy	8-10	~1.0	2012 (?)
Southstream	Russia	Italy/Austria	30	~20.0	2015 (?)
TAP	Greece	Italy	10 (+10)	~1.5	2012 (?)
Nabucco	Turkey	Austria	25-30	~7.9	2014 (?)
Total			[illegible]	[illegible]	

Natural Gas Supply Security of Europe

Weaknesses and Threats

- Decline of the indigenous gas production, increasing dependency on imports,
- Increasing dependency on few supplier countries, efforts to establish a gas cartel,
- Global crises may reduce the pace of upstream and midstream investments,
- No common external energy policy,
- Natural gas infrastructure is target for terrorist attacks,
- Market forces alone can not realize diversification.

Natural Gas Supply Security of Europe

Strengths and Opportunities

- Geographically well located between the existing and future gas suppliers,
- New pipelines from principal suppliers under development,
- Demand increase will slow down,
- Increasing competitiveness of LNG,
- Increasing efforts to establish a common external energy policy of the EU,
- Efforts to establish a southern corridor.

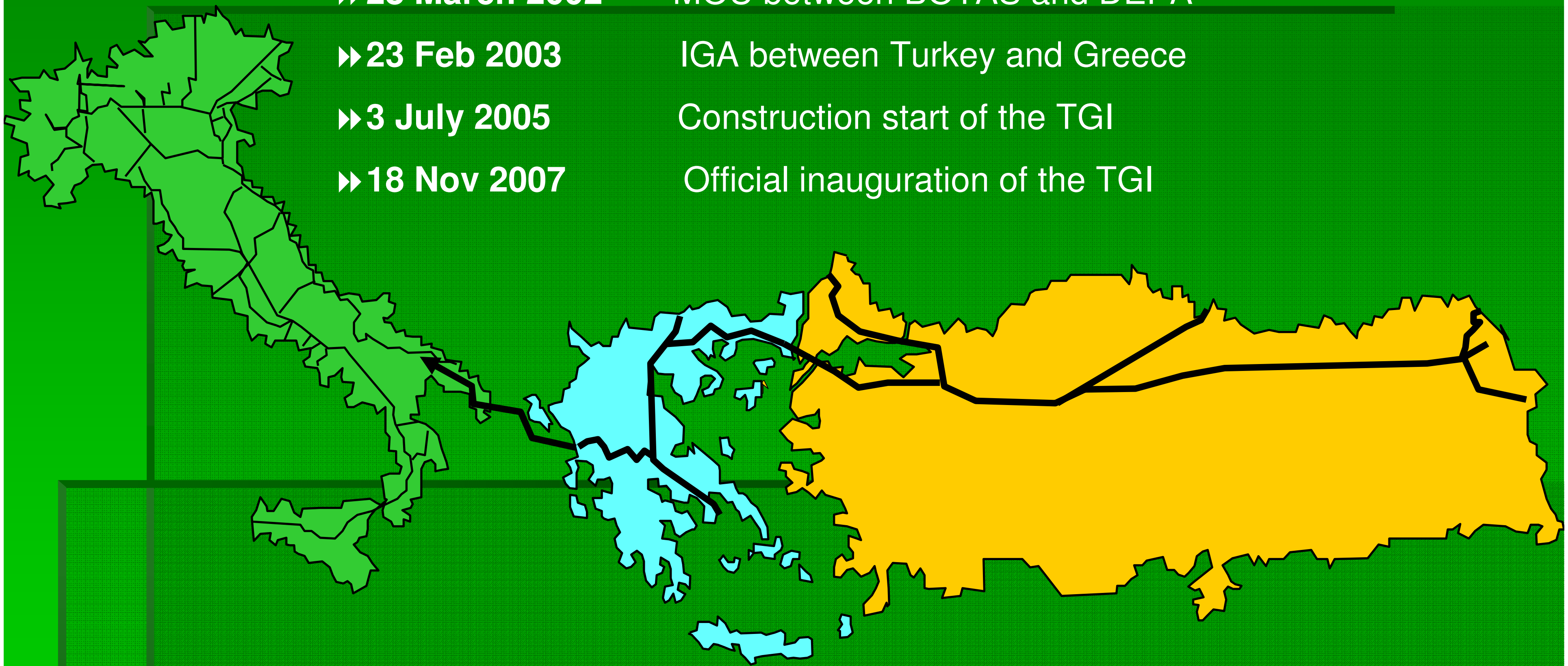
GAS TO EUROPE – FIRST STEPS

Success Stories in the Region

- Baku-Tbilisi-Ceyhan Pipeline
- South Caucasus Pipeline
- Greece-Turkey Interconnector

SOUTH EUROPEAN GAS RING

- 7 July 2000 — Concluding Statement signed between European Commission, Turkey and Greece
- 28 March 2002 — MOU between BOTAS and DEPA
- 23 Feb 2003 — IGA between Turkey and Greece
- 3 July 2005 — Construction start of the TGI
- 18 Nov 2007 — Official inauguration of the TGI



- 26 Jul 2007 — IGA between Greece, Italy and Turkey
- 11 June 2008 — Formation of the Italy-Greece-Interconnector Poseidon SA

Is everything on the right track at the southern corridor?

- High quality engineering and feasibility studies for bankable projects,
- Limited available volumes for the time beeing,
- Fierce competition for the available gas from different markets,
- Problems regarding the future suppliers,
- Competing projects, no priorities,
- Contradicting policies and acts of European companies and governments.

The Roadmap to a Successfull Border-Crossing Pipeline Project

- A common legal framework,
- A strong company or partnership to lead the project,
- Strong Political Commitment and Support,
- Close dialogue with supplier countries and companies,
- Take or Pay / Ship or Pay Agreements.

Recommendations

- Establish a common external energy policy,
- Strenghten the natural gas infrastructure (pipelines, regasification facilities),
- Encourage companies to diversify their supply sources,
- Establish a fourth transit corridor via Turkey,
- Strenghten the dialogue with potential suppliers,
- Cooperate with other countries on the security of energy infrastructure.

Thank you

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