

Financial institutions
Energy
Infrastructure, mining and commodities
Transport
Technology and innovation
Life sciences and healthcare

 **NORTON ROSE FULBRIGHT**

Financing the new gas infrastructure for South East Europe

8th South East Europe Energy Dialogue
12 June 2014



Introduction to Norton Rose Fulbright

Our global network



*associate office

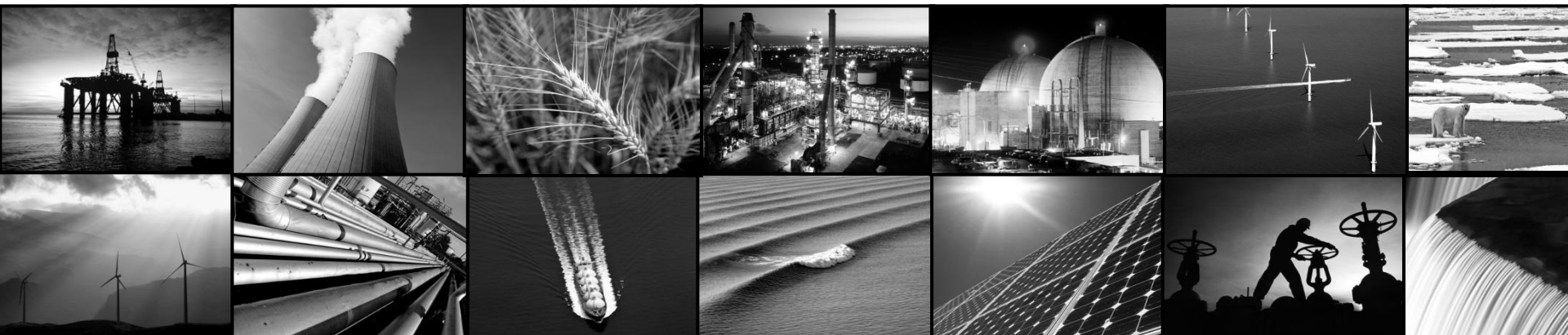
850+ energy lawyers supporting innovation around the world

Total package

Nuclear
Oil and gas
Power
Renewables
Sustainability and climate change
Water

Cutting edge energy legal advice

Anti-bribery and corruption
Construction
Dispute resolution and arbitration
Employment
Environmental, safety and planning
Intellectual Property
Mergers and acquisitions
Project finance
Regulatory
Tax



Market leaders in energy

**Energy & Natural Resources
Band 1**

Chambers UK
2014

**Projects & Energy
Oil & Gas Global
Band 1**

Chambers Global
2013

**Most Highly
Regarded Firm for
Energy**

Who's Who Legal
2013

**Energy & Natural Resources
Poland
Band 1**

Chambers Europe
2013

**Trade Finance
Deals of the Year
2012**

Surgil
Trade Finance
Magazine

**Middle East Power
Deal of the Year
2011**

Sur IPP
Project Finance Awards

**European Onshore
Wind Deal of the
Year 2011**

Jadraas
Project Finance
Magazine

**European Biomass
Deal of the Year
2011**

Helius
Project Finance
Magazine

**African Solar Deal
of the Year 2012**

KSolar CPS
Project Finance
Magazine

**European Offshore
Wind Deal of the
Year 2012**

Northwind
Project Finance
Magazine

**European
Petrochemicals Deal
of the Year 2012**

Surgil
Project Finance
Magazine

**African Renewables
Deal of the Year
2011**

Addax Bioenergy
Project Finance
Magazine

A leader in the European project finance market

1 Allen & Overy

2 Clifford Chance

3 Linklaters

4 Norton Rose Fulbright

5 Ashurst

6 Slaughter and May

7 Verdi & Yazici

8 Freshfields Bruckhaus
Deringer

9 DLA Piper

10 Watson Farley & Williams

Norton Rose Fulbright is ranked 4th by the Infrastructure Journal for project financings closed in Europe in 2013 by total value

Introduction to Norton Rose Fulbright (Athens)

Introduction to Norton Rose Fulbright (Athens)

Office

- established and operating in Greece since the early 1990s

People

- more than 30 fee earners (incl. 7 Partners and 3 Of Counsels)
- English and Greek law capability

Expertise

- Energy
- Banking & Finance
- M&A and Corporate
- Shipping

Strengths

- international and local expertise covering all major legal areas
- widely recognized as the leading international legal practice in Greece

Introduction to Athens Energy team – partners

Dimitris Assimakis

- leading the Energy headlight in Athens
 - joined Norton Rose Fulbright in 2007 (Partner since 2010)
 - studied law at the University of Athens (Greece) and obtained masters degree (LL.M) from the Vrije Universiteit of Brussels (Belgium)
 - member of the Athens Bar Association since 1995
- energy sector experience namely in:
 - regulatory, including oil & gas, power, renewables and environmental law
 - M&A and corporate
 - project finance
 - construction contracts

Vassilis Koroxenidis

- joined Norton Rose as Partner in 2005
 - studied law at the University of Athens (Greece) and obtained masters degree (LL.M) from Columbia University, New York (USA)
 - member of the New York Bar since 1992 and of the Athens Bar Association since 1993
- energy sector experience namely in:
 - M&A and corporate
 - banking and project finance

Introduction to Athens Energy team – Of counsels and associates

Of counsels

- **Dimitris Rampos**
 - joined Norton Rose in 2001
 - studied law at the University of Thrace (Greece) and obtained masters degrees (LL.M) from the University of Edinburgh (Scotland) and the University of Leiden (Netherlands)
 - member of the Athens Bar Association since 1997
- energy sector experience namely in:
 - M&A and corporate
 - banking and project finance
 - litigation and dispute resolution
- **Theodoros Zafiropoulos**
 - joined Norton Rose in 2001
 - studied law at the University of Athens (Greece) and obtained masters degree (LL.M) from the University of Warwick (England)
 - member of the Athens Bar Association since 2003, the Law Society of England & Wales since 2004 and the Association of International Petroleum Negotiators
- energy sector experience namely in:
 - M&A and corporate
 - banking and project finance

Senior Associates

- **Alexandros Pavlopoulos**
 - joined Norton Rose in 2006
 - studied law at the University of Athens (Greece) and obtained masters degree (LL.M) from the University of Warwick (England)
 - member of the Athens Bar Association since 1997
- energy sector experience namely in:
 - M&A and corporate
 - banking and capital markets
 - project finance
- **Minas Kitsilis**
 - joined Norton Rose in 2008
 - studied law at the University of Athens (Greece) and obtained masters degree (LL.M) from the University of Dundee (Scotland) – Centre for Energy, Petroleum and Mineral Law and Policy (CEPMLP)
 - member of the Athens Bar Association since 2001
- energy sector experience namely in:
 - regulatory, including power and gas, renewables and environmental law, and mining
 - EPC contracts
 - project finance

Significant deals

IGI Poseidon gas pipeline

Together with our London and Milan offices advised DEPA, the incumbent Public Gas Corporation on gas supply and capacity allocation arrangements for the Italy – Greece Interconnector (IGI) Poseidon gas pipeline project.

Offshore UGS project

Together with our London office advised DEPA on regulatory and licensing issues for the development of an offshore underground gas storage (UGS) project in an almost depleted offshore gas field in the north Aegean Sea.

EPA Attica stake sale

Advised Eni in the tender for the acquisition of a minority stake and the management of EPA Attica, the regional gas supply and distribution company of metropolitan Athens area

Elpedison Power gas dispute

Advised Elpedison Power, a joint venture of Hellenic Petroleum and Edison in power generation, in an arbitration proceeding against DEPA in relation to a dispute under a gas supply agreement entered into between DEPA and Elpedison Power

GDF Suez gas purchases

Advised GDF Suez on the gas supply contract entered into between Heron I and Heron II IPPs in Greece, in which GDF Suez holds a 50% interest; and DEPA as the gas supplier.

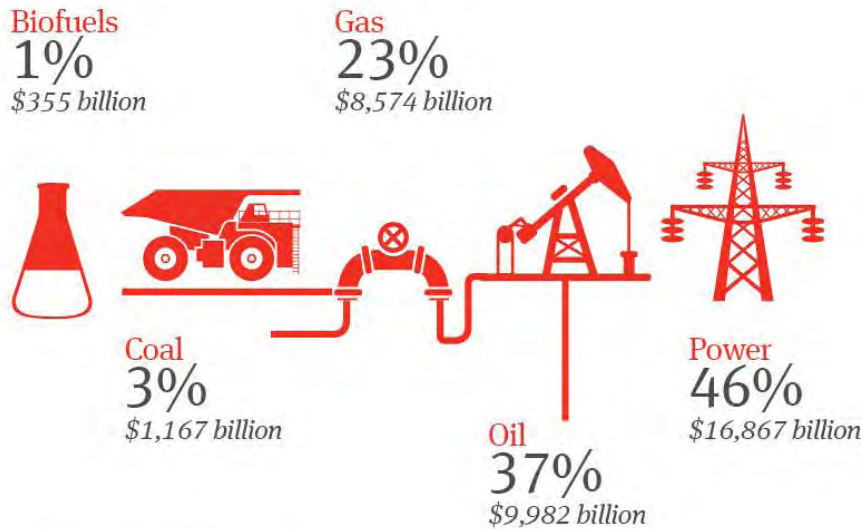
Burgas– Alexandroupolis pipeline

Advised Pipeline Consortium Burgas – Alexandroupolis Limited, a Russian entity comprised of Transneft, Rosneft and Gazpromneft, on the development of the Burgas - Alexandroupolis pipeline.

Projects of Common Interest

Global Energy Supply Infrastructure

Power (electricity) investment accounts for 46% of the expected **\$37 trillion** investment in global energy infrastructure to 2035.



Source: World Energy Outlook 2012 © OECD/IEA 2012

Power generation is the largest and fastest growing component of primary energy consumption.

	2011	2030	Growth
Transport	2.2	2.8	25%
Industry	3.6	4.7	31%
Other	1.3	1.5	19%
Power Generation	5.2	7.7	49%

Source: Citi Research, BP Statistical Review

Of the \$9.7 trillion of global investment in Power Generation, 71% will be in renewables or clean technologies.



	Billions	%
Coal	\$1,608	17%
Gas	\$1,040	11%
Oil	\$74	1%
Nuclear	\$942	10%
Bioenergy	\$650	7%
Hydro	\$1,549	16%
Wind	\$2,129	21%
Solar PV	\$1,259	13%

Source: Citi Research

The background

In Europe,

- current energy infrastructure is outdated
- bottlenecks prevent efficient transmission of electricity and gas
- energy infrastructure has been a matter of a domestic focus

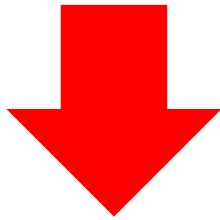
Global change in energy supply has led to:

- the 20-20-20 targets
- the need to:
 - build a fully internal market
 - increase efficiency of renewables
 - diversify natural gas resources

Europe needs to be efficiently connected

Projects of Common Interest

- EU's energy infrastructure is ageing
- Upgrading of existing, and development of new, energy transmission infrastructure is of European importance
- Will require ca €200 billion investment over the next decade
- The trans-European energy infrastructure guidelines identify twelve priority corridors, eight of which are for electricity and gas



248 Projects of Common Interest

Projects of Common Interest - PCIs

- 248 EU wide projects listed on 14 October 2013
 - ❖ majority are electricity and gas transmission lines
 - ❖ but also 13 electricity storage, underground gas storage and LNG terminals

- Widely spoken about by all players and participants in the energy market
 - ❖ TSOs and other promoters
 - ❖ financial investors
 - ❖ banks
 - ❖ Governments
 - ❖ contractors

- Energy infrastructure projects that are deemed necessary for implementing priority corridors

North-South gas interconnections in Western Europe

Further diversify routes and increase short-term gas delivery to better integrate markets

Better interconnect the Mediterranean area, and thus supplies from Africa and the Northern supply corridor, with supplies from Norway and Russia

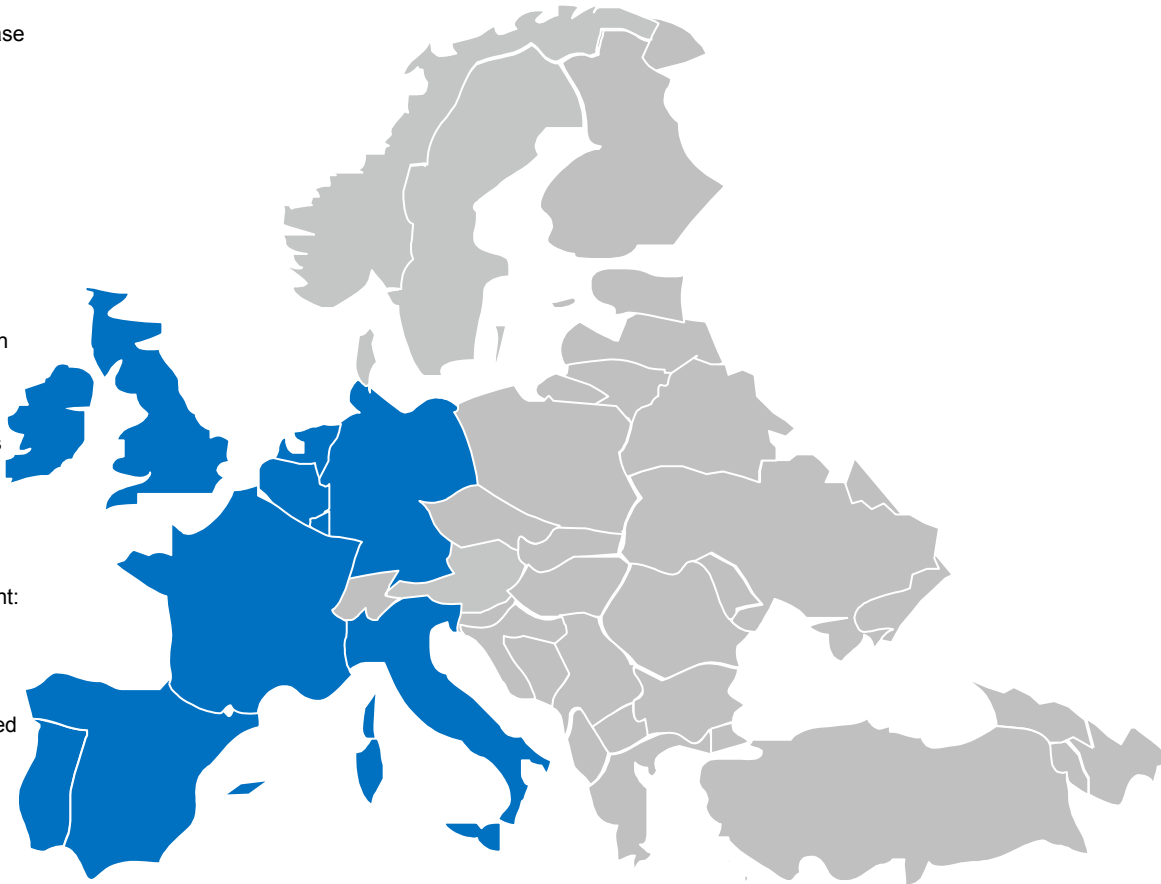
Increase short-term gas delivery

Remove internal bottlenecks which currently prevent free gas flows in the region

Short-term deliverability of the gas system needs to be enhanced to respond to additional flexibility challenges to balance electricity supply

Anticipated investment requirement:
€20 billion

Type of projects likely to need financing under the CEF:
projects that contribute to increased competition



North-South gas interconnections in Central Eastern and South Eastern Europe

Single supply source dependence and the traditionally East to West infrastructure are the main challenges

Develop regional gas infrastructure in order to support market integration

Enhance supply diversification through direct access to other sources of gas from the Northern and the Southern Gas Corridors, combined with the development of LNG

Connect the sources of the Baltic, Adriatic, Aegean and Black Seas

Enhance the responsiveness of the system to potential supply disruptions

Anticipated investment requirement: **€26 billion**

Type of projects likely to need financing under the CEF: projects that contribute to increased security of supply by diversifying networks beyond a single source and route dependency and that promote solidarity by increasing competition; energy poverty



Southern gas corridor

Bring new gas sources to the European Union

Diversify particularly concentrated markets in South East Europe

Directly link the EU gas market to large deposits of gas in the Caspian Region, the Middle East and the Eastern Mediterranean basin

Ultimately create an additional supply corridor, in addition to the existing ones from North Africa, Russia and Norway

Anticipated investment requirement:
€22 billion

Type of projects likely to need financing under the CEF:

projects that increase security of supply by alleviating single source and route dependencies, and projects designed to overcome the 'first mover' disadvantage, including anticipatory investments



Interconnectors

- allow increased diversity of supply
- assist in creating and sustaining a sustainable mix
- act as peak demand mitigator
- are likely to have large role in the energy mix, levelling the energy mix across Europe
- are technically feasible, politically achievable and commercially viable
- require cooperation and finance

Projects of Common Interest - PCIs

➤ Benefits:

- ❖ accelerated planning and permit granting procedures
- ❖ a single national competent authority
- ❖ lower administrative costs
- ❖ increased transparency and improved public participation

Projects of Common Interest – financing considerations

Key issues in structuring PCIs

- complexity
- cross border cooperation
- regulatory alignment
- security package for financiers
- Third Energy Package
- state aid

Financing considerations

- Traditionally, TSOs develop projects on balance sheet
 - ❖ enhanced by loans from commercial banks and international financial institutions
 - ❖ financed through corporate finance or by governments;
 - ❖ project finance mechanisms are less commonly employed.

- PCIs, however, are different notably due to:
 - ❖ their cross-border nature;
 - ❖ their strategic importance towards the 20-20-20 targets;
 - ❖ current lending conditions (difficulties raising long term debt for TSOs)
 - ❖ tie nature of the investment, i.e. regulated assets providing long term steady cash flow, suits financial investors such as insurance companies, pension funds and infrastructure funds.

Funding gap

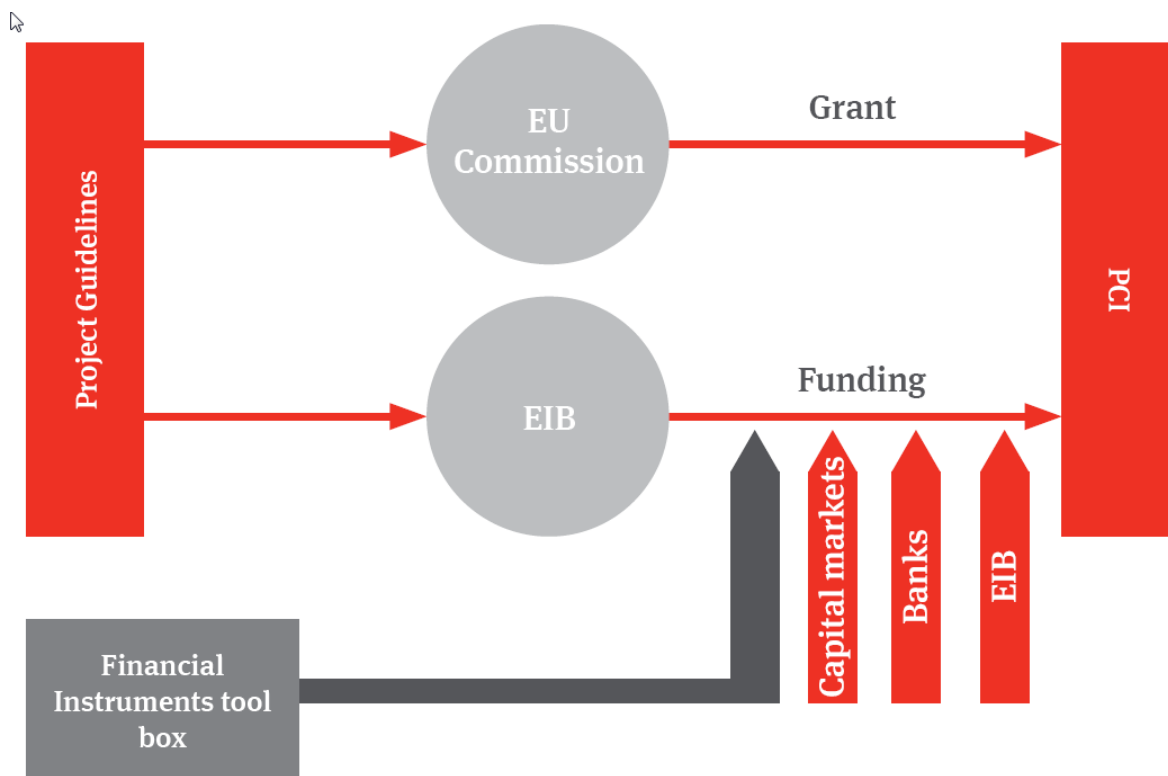
- Ca €200 billion required for the construction of trans-European gas pipelines and electricity transmission grids:
 - ❖ €140 billion for high- voltage electricity transmission systems, storage and smart grid applications accelerated planning and permit granting procedures
 - ❖ €40 billion for gas pipelines, storage, LNG terminals and reverse flow infrastructure (to allow gas to flow in both directions); and
 - ❖ €2.5 billion for CO2 transport infrastructure.
- EU funding up to €5.85bn – Connecting Europe Facility (CEF)
 - ❖ grants
 - ❖ financial instruments in cooperation with financial institutions (e.g. EIB)
 - ❖ no automatic funding
 - ❖ enhanced loans
 - ❖ project bonds
 - ❖ equity instruments
- Roll-out 2014-2020

Funding gap

- CEF replaces the funding available under the TEN-E programme during the period 2007-2013.
- CEF is aiming to accelerate investment in trans-European networks
- expected that it will facilitate a leverage from 6 to up to 15 times the funds provided
- CEF will be made available in tranches over the next six years in accordance with a set budget
- Projects will be able to apply through a separate procedure for the funding:
 - ❖ PCIs, eligible for grants for work (limited scope)
 - ❖ PCIs, eligible for financial instruments and grants for studies (all)
- In addition to the CEF, significant amounts will need to be provided by the market.
- TSOs, network operators and promoters can partner with the potential investors for PCIs to fund these projects.

Connecting Europe Facility (CEF) - Grants

- Grants and financial instruments are subject to different application procedures, different EU parties are involved and different implementation plans apply.
- Grants should be seen as a funding resource of last resort



The logo consists of a stylized, upward-pointing chevron shape in a gold color, positioned above the first letter of the text.

NORTON ROSE FULBRIGHT

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