



## **“Gas Market Challenges in SE Europe” - A gas marketer point of view**

IENE – 8<sup>th</sup> SE Europe Energy Dialogue  
Salonika, 12<sup>th</sup> June, 2014

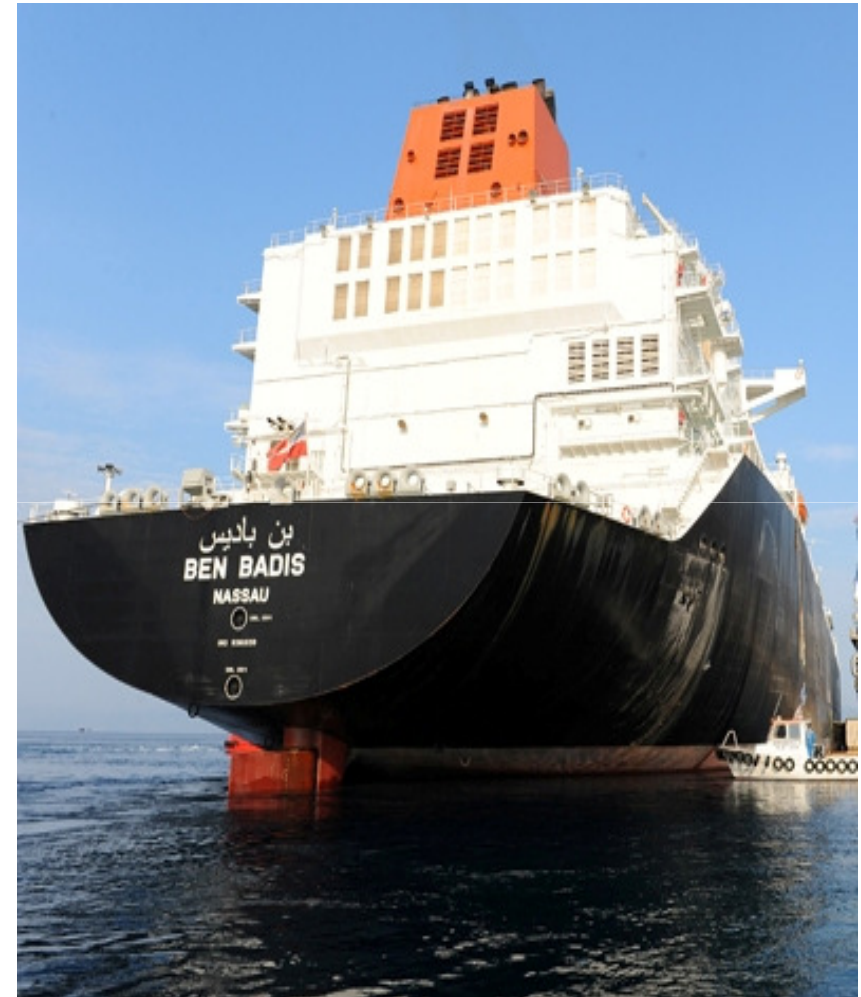
Panayotis Kanellopoulos  
CEO, M&M GAS



# M&M GAS CO



- **M&M Gas Co** founded in 2010, a 50-50 JV of **MYTILINEOS HOLDINGS** and **MOTOR OIL HELLAS**
- **M&M** is active in the “Supply and Marketing of Natural Gas” sector
- **M&M** was the first private company to import LNG in Greece, effectively leading to the liberalisation of the NG market Greece
- Being the pioneer in the newly liberalised Greek Natural Gas market, **M&M** is committed in developing options that maximise the End to End benefit and lead in efficient and effective gas supplies
- **M&M**, on top of its main activity, is set up to realize construction, operation, maintenance & management of Natural Gas facilities, pipelines, networks, etc., as well as providing consultancy and project management services in related fields, ensuring best in class results for the stakeholders



# Key Facts & Figures



- Both groups' assets relevant to NG are:
  - 330 MW CHP Power Plant, **Aluminium S.A.**
  - 440 MW CCGT Power Plant, **Protergia S.A.**
  - 440 MW CCGT Power Plant, **Korinthos Power S.A.**
  - 180,000 barrels/day Oil Refinery, **MOH**
  - Alumina production plant and Aluminium smelter, **Aluminium S.A.**
- **M&M's** existing portfolio of customers represents, volume wise, over **1.8 BCM** of annual consumption, ca **30%** of the Greek NG market.
- **M&M** is the first private Gas Marketing Company that received the supply licence and the only one that executed supply contracts to both affiliate companies and third parties.
  - **M&M's** activity represents circa **10%** of the Total Greek NG Market

# What does M&M do?



We support our clients by...

**Covering their energy needs**

**Managing risk**

**Navigating an uncertain future**

**Developing Projects**

By delivering...

**Integrated, Innovative Solutions**

- Efficient Sourcing
- Flexible Portfolio
- Decision support tools

**Expert advice and support**

- Match supply and demand
- Energy contracts
- Project development

**Capability Development**

- Operational and Regulatory issues
- Long term development
- Information services

Through...

**Sourcing Utilising an Extensive Network of Links and Business Partners**

**Gas Supply (spot and moving towards term contracts)**

**A highly Efficient and Proactive Approach**

**Experienced People in NG Business**

# Greek NG Market - SWOT Analysis



## Strengths



- Geographic position – East Med / North Africa proximity, crossroad of pipelines
- NG development projects in the area (Cyprus, Israel)
- Developing Market
- Revithousa LNG Terminal

## Opportunities



- Attract investments
  - Pipelines, LNG terminal, FSRUs
  - Privatization Program
- Become East Med Hub
  - Supply other Balkan countries
- Small Scale LNG

## Areas for Improvement



- Regulatory framework
  - Cross-border capacities
  - Hub creation
  - Pricing
- Infrastructure
  - Revithousa LNG terminal limitations
  - Physical Interconnections

## Threats



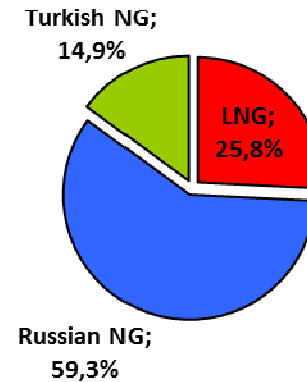
- Delay on implementation of Infrastructure projects
- Delays in the interconnection of Greece with Europe (it might be turned to an opportunity for LNG imports)

# Developments in the Greek Gas Market



- Up to 2007 Greece depended on Russia for almost 75-80% of final consumption. By 2010 the operationalization of ITG and the opening of the LNG market further increased market flexibility and security of supply
- A 10% loss of market share for the incumbent
- Pressure on incumbent for revision on LT contracts (pricing and ToP provisions) – revision of contract between DEPA and Gazprom in 2014
- A 40% increase in the utilisation rate of Revithousa LNG terminal
- Diversification of LNG supplies
- Bilateral trading between eligible customers
- New players with a long term view

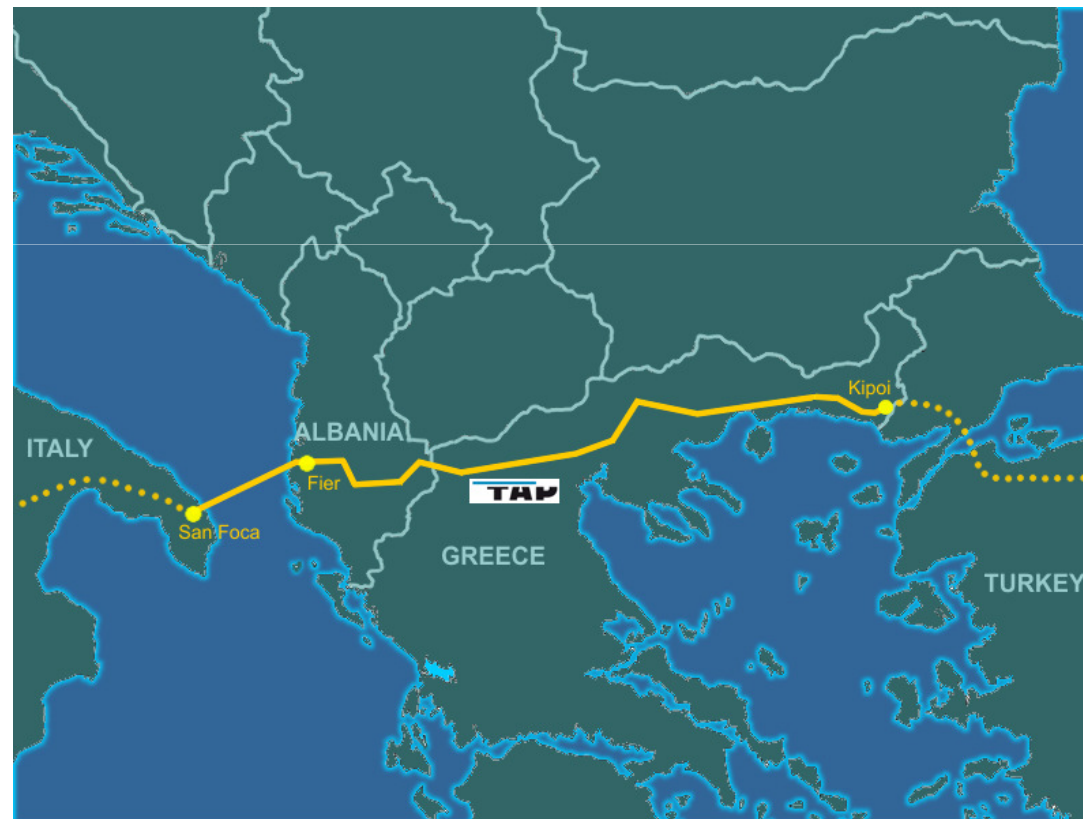
## NG SUPPLIES SHARES - YEAR 2012



# Southern Corridor - TAP



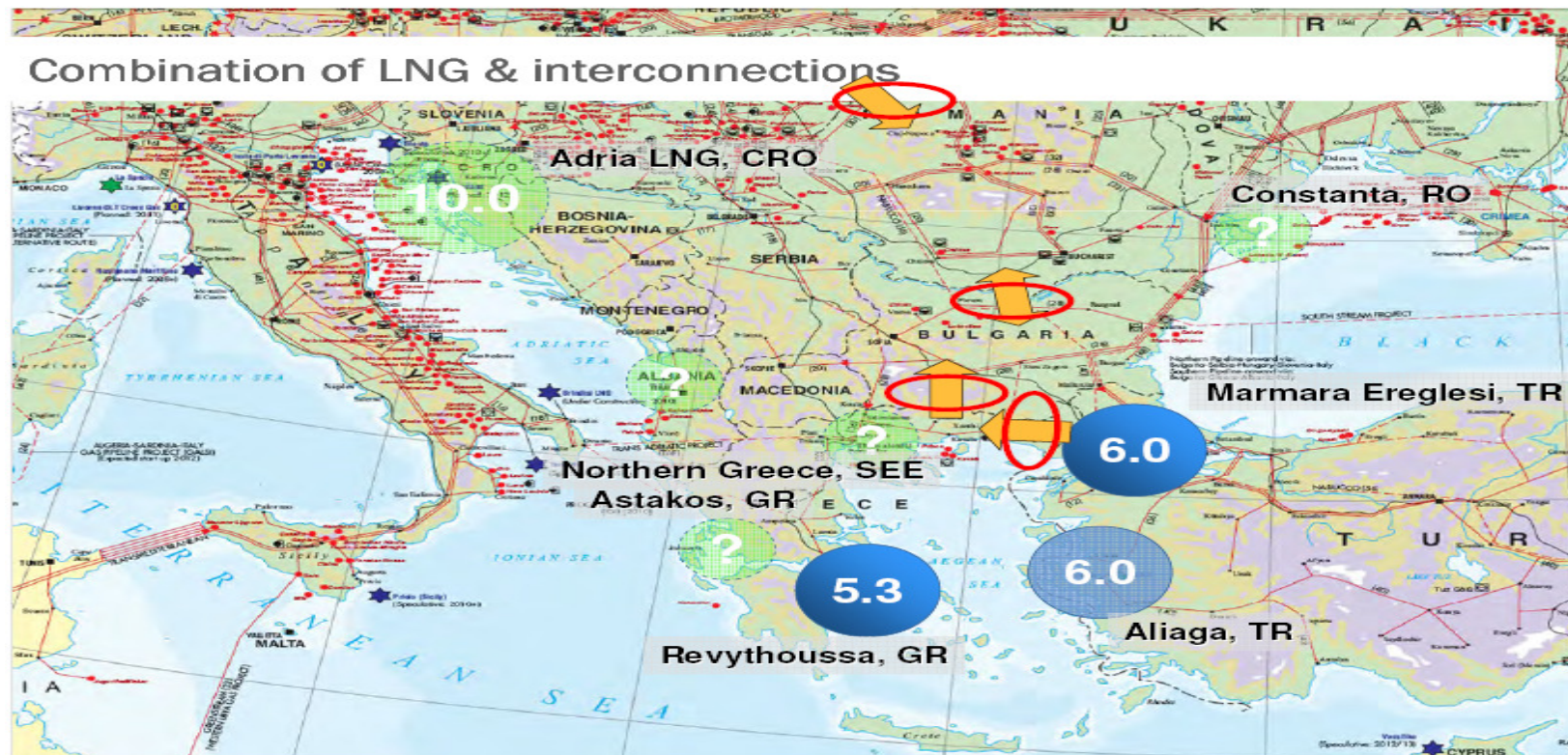
- Greece actively participates in the EU's Southern Gas Corridor Strategy and remains, given the route of the TAP project, an important component of that Strategy. Moreover, Southern Corridor can also operate in reverse flow so as to give Greece and S.E. Europe pipe access to North African and Central European Supplies via Italy



# Combination of LNG and Interconnections



- Greece can also combine LNG and pipeline-imported gas so as to facilitate the diversification of gas supply to landlocked S.E. European markets, such as Bulgaria. Through the IGB pipeline it can provide access for all its northern EU neighbours to LNG as well as to Azeri pipeline gas, before Shah Deniz gas becomes available in 2018

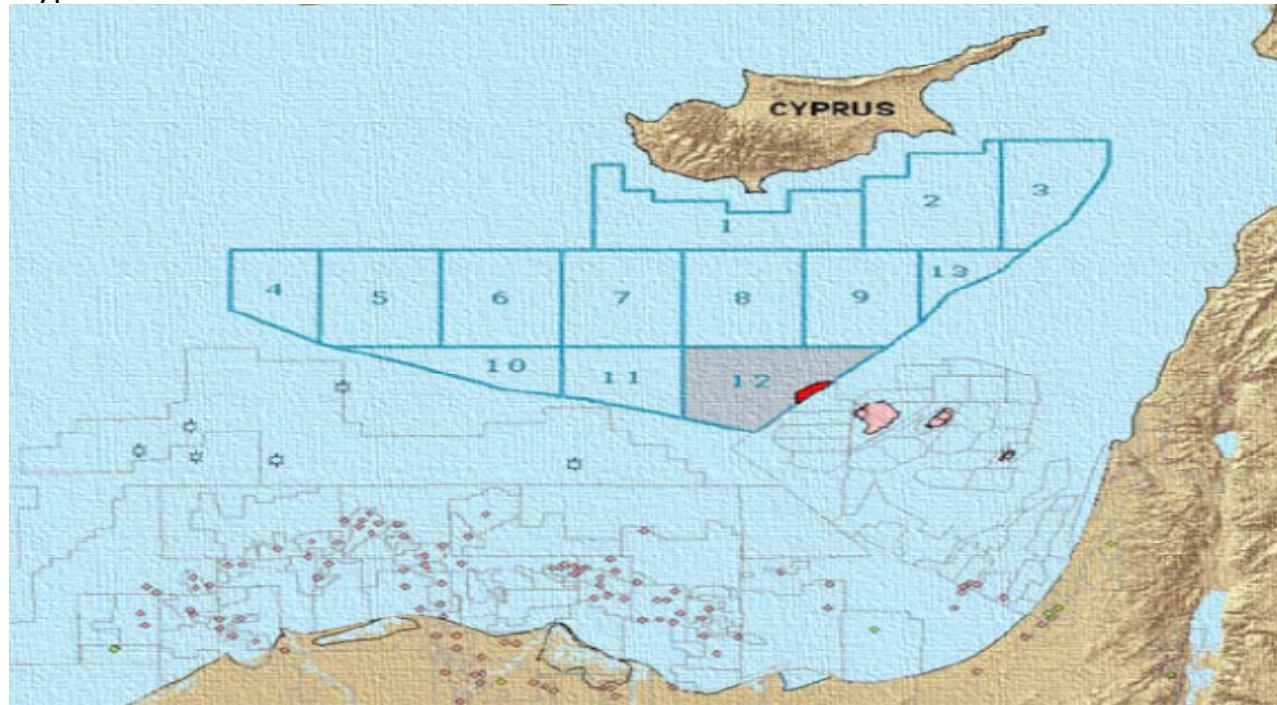




# New Developments in the East Med



- Greece is capable of emerging as a reliable transit state for future Israeli and/or Cypriot LNG exports if these countries decide to follow an export oriented gas strategy.
- Revithoussa, Greece sole LNG import terminal has an idle regasification capacity of approximately 4 bcm/y. The expansion of its storage and liquefaction capacity over the next few years will be able to both cover national demand and service the transit needs of East Med exporters.
- M&M is active in the developments in the area by participating in the recent “intermediate solution” tender for gas supplies to Cyprus.



# European Prices Snapshot

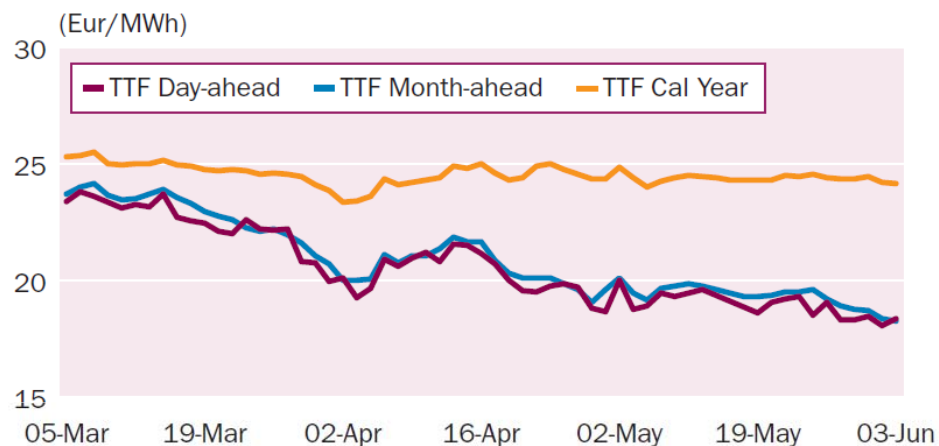


Source: Platts

## Platts European Gas Midpoints, June 9, 2014

	p/th	\$/MMBtu	Eur/MWh	% change D-1	
<b>UK NBP</b>					
Day-Ahead	37.50	6.30	15.81	+2.04	▲
July	40.30	6.77	17.00	+1.77	▲
<b>Dutch TTF</b>					
Day-Ahead	37.96	6.37	16.00	-3.03	▼
July	40.80	6.85	17.20	+1.18	▲
<b>Belgian Zeebrugge</b>					
Day-Ahead	38.75	6.51	16.34	+3.06	▲
July	40.95	6.88	17.27	+1.49	▲
<b>French PEG Nord</b>					
Day-Ahead	42.70	7.17	18.00	+7.78	▲
July	42.23	7.09	17.80	+1.14	▲
<b>French PEG Sud</b>					
Day-Ahead	51.24	8.61	21.60	+5.62	▲
July	53.02	8.90	22.35	-2.19	▼
<b>German GASPOOL</b>					
Day-Ahead	37.60	6.32	15.85	-2.46	▼
July	40.80	6.85	17.20	+1.18	▲

## European gas price trends



# Conclusions



## **Greece can become a Regional Gas Trading HUB – East Med**

- Establishment of new and improvement of existing Interconnections – Physical
- Integration of Local Markets – Commercial
- New sources of supply
  - Greece is 60% direct and 20% indirect dependent on one supplier with Constrained (infrastructure and market) LNG or P/L alternative

## **Boosting Competition**

- Existing situation which makes potential new market entrant uncompetitive
  - Constrained P/L therefore single dependency on one source (LNG - a global commodity not related to the region)
  - Presence of a super Dominant player
- Changes in the Landscape
  - Size – from Super Dominant Local Players to more efficient modern structured regional market participants
  - Strategic Direction – from country focused to extrovert regional players
- Alignment of the stakeholders to the direction of opening up the market
  - Regulatory, Legislative, Gas Release (Distrigas, E.On/GDF, BOTAS)

## **Benefits for the Market**

- Competitive cost of product
- Widen the scope with access to more markets (East Med)
- Gas Exchange – Liquidity – Trading opportunities