

The Case for a Gas Trading Hub in SE Europe

12th Annual European Gas Conference 2019

Vienna Marriott Hotel
January 28-30, 2019

Talking Points by Mr. **Costis Stambolis**,
Executive Director
Institute of Energy for SE Europe (IENE), Athens

European Gas Hubs and Exchanges (I)

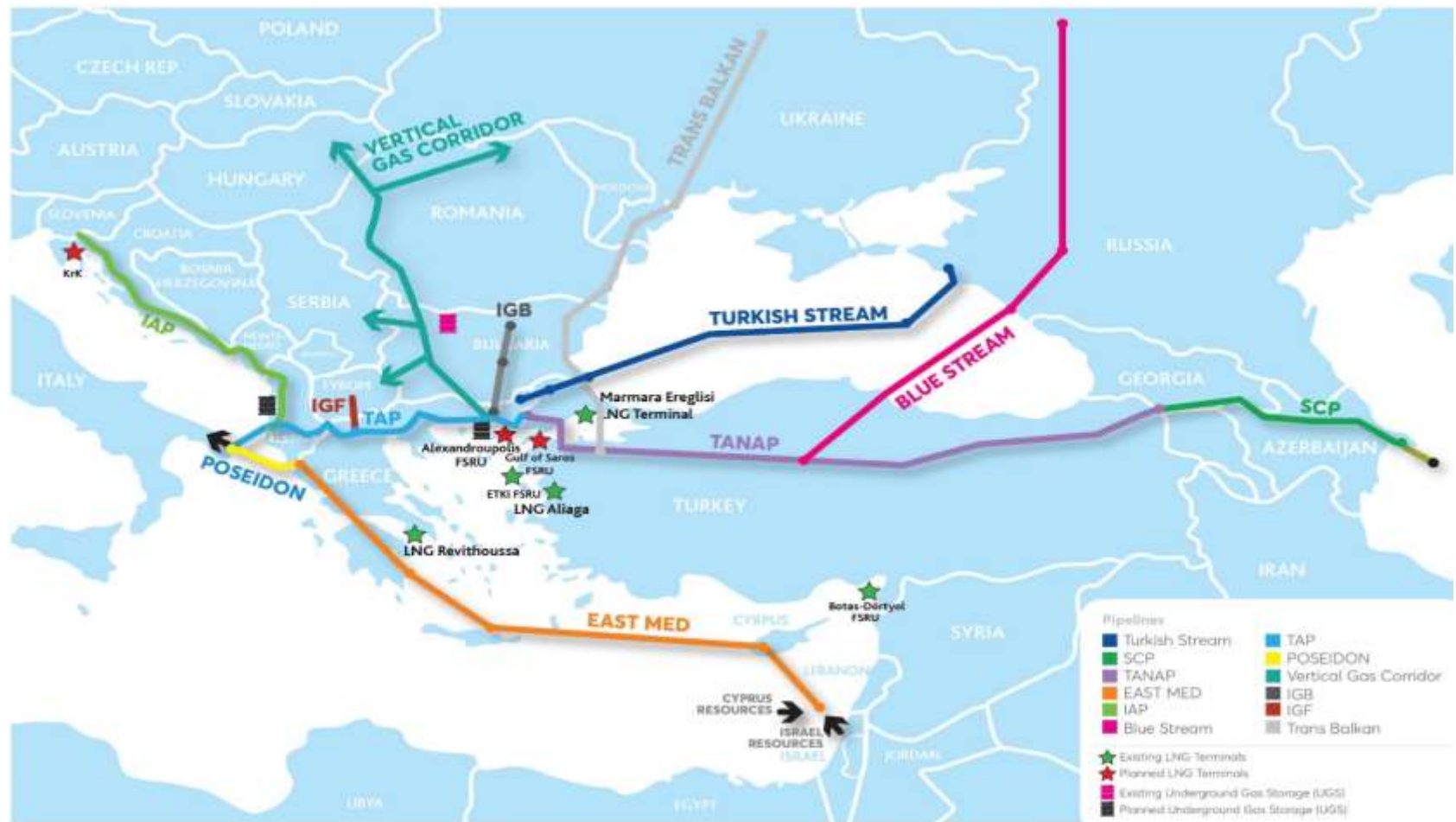
- Today, there is not a single gas trading hub east and south east of Vienna whose CEGH could act as a benchmark and pivot for promoting gas trading in the region.



European Gas Hubs and Exchanges (II)

- There are a number of nascent Gas Trading Hubs in SEE which include those in:
 - Greece
 - Turkey
 - Bulgaria
 - Ukraine
 - Romania
- According to EFET's annual scorecard 2018, the most advanced regional gas trading hub is the one in Greece (HTP) in view of the volume traded, free access, transparency and full compatibility with European norms.
- As it is shown on the map and table which follow the SEE region is slated to receive (and trade) increased gas volumes over the next ten years. Hence, the ground is set for the emergence of two or more fully fledged gas hubs.
- Substantial new gas quantities are anticipated in the region over the next 24 months from TAP, Turkish Stream, Alexandroupoli FSRU and Revithousa LNG terminal.

An Expanded Southern Gas Corridor



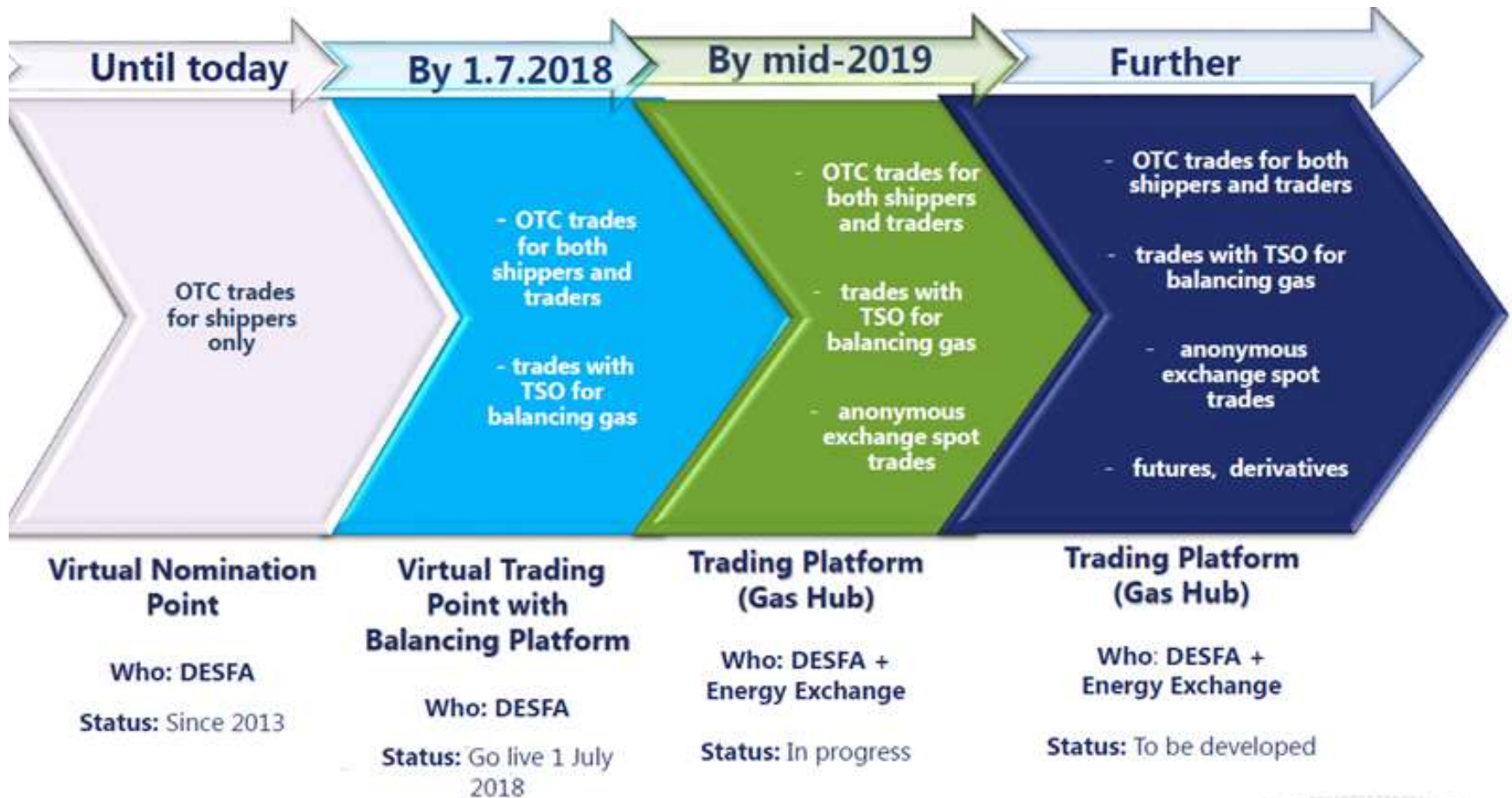
NB.: The TANAP has been completed, while TAP and Turkish Stream are under construction, with IGB at an advanced planning stage with FID already taken. The IAP, the IGI Poseidon in connection with East Med pipeline and the Vertical Corridor and the IGF are still in the study phase. Blue Stream and Trans Balkan are existing pipelines.

Anticipated Gas Consumption (bcm) in Selected European Countries (2020, 2025 and 2030)

Country	2020	2025	2030
Austria	7,5	7,3	7,1
Bulgaria	4,0	4,2	4,3
Greece	5,0	5,2	5,41
Croatia	3,7	3,8	3,9
Hungary	11,0	10,5	10,0
Italy	71,3	79,2	83,8
FYROM	0,1	0,1	0,13
Romania	13,0	13,5	13,5
Slovenia	1,2	1,2	1,3
Slovakia	7,0	7,2	7,3
Serbia	2,2	2,25	2,3
Turkey	60,0	65,0	70,0
Ukraine	35,8	36,0	36,5
Total gas consumption	221,8	235,45	245,54

Source: European Commission

Proposed Road Map for the Development of a Natural Gas Hub Based in Greece



Hellenic Trading Point (I)

- Considerable progress has been achieved over the last 18 months by the Hellenic Gas Transmission System Operator (DESFA) in establishing a gas balancing point and trading platform.
- On July 1, 2018, DESFA went ahead with the Creation of the electronic balancing platform and the Virtual Trading Point:
 - Enabling Transmission Users to submit one (1) re-nomination of the natural gas quantity to be delivered to/offtaken from the National Natural Gas System
 - Full implementation of the “entry/exit” capacity booking system
 - Amendment of the natural gas reselling scheme so that resale is performed only on the Virtual Trading Point
 - Investigation of alternative ways to handle Unaccounted-For-Gas (UFG)
 - Introduction of different prices for the financial settlement of the DIP of the Transmission
 - Users in case of positive or negative imbalances, respectively - implementation of different pricing of the DIP depending on the amount of imbalance quantity
 - Gradual reduction of the imbalance tolerance levels up to their elimination, pursuant to the provisions of article 50 of the Regulation

Hellenic Trading Point (II)

- Today, DESFA's Gas Trading Platform is firmly set on the course in becoming a fully fledged gas hub, known as Hellenic Trading Point (HTP).
- The full activation of the Hellenic Energy Exchange (HENEX) by October 2019 is expected to augment and strengthen the trading aspects of HTP by facilitating "gas future" trading, etc.
- HTP could well emerge as SEE region's leading gas trading hub since by 2020/2021 will have access to increased liquidity, while offering full transparency and market accessibility.



Chart 1: Number of transactions at the NNGTS virtual point

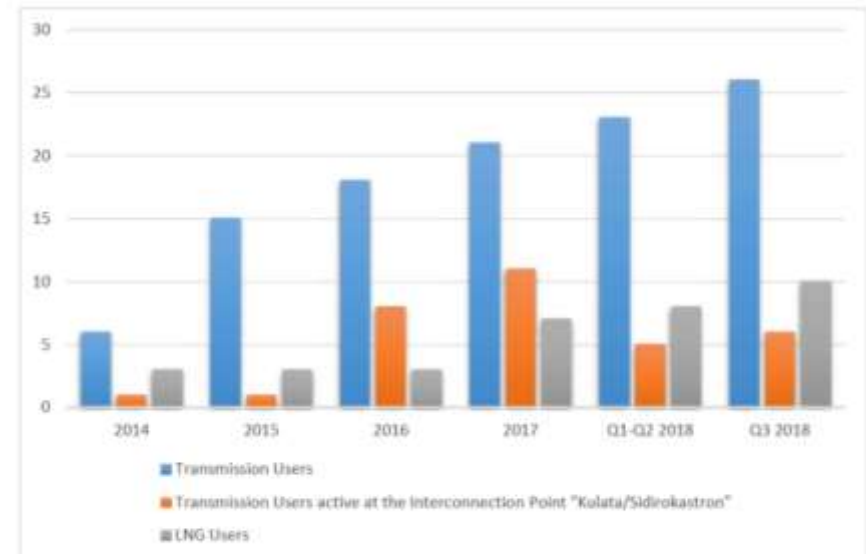
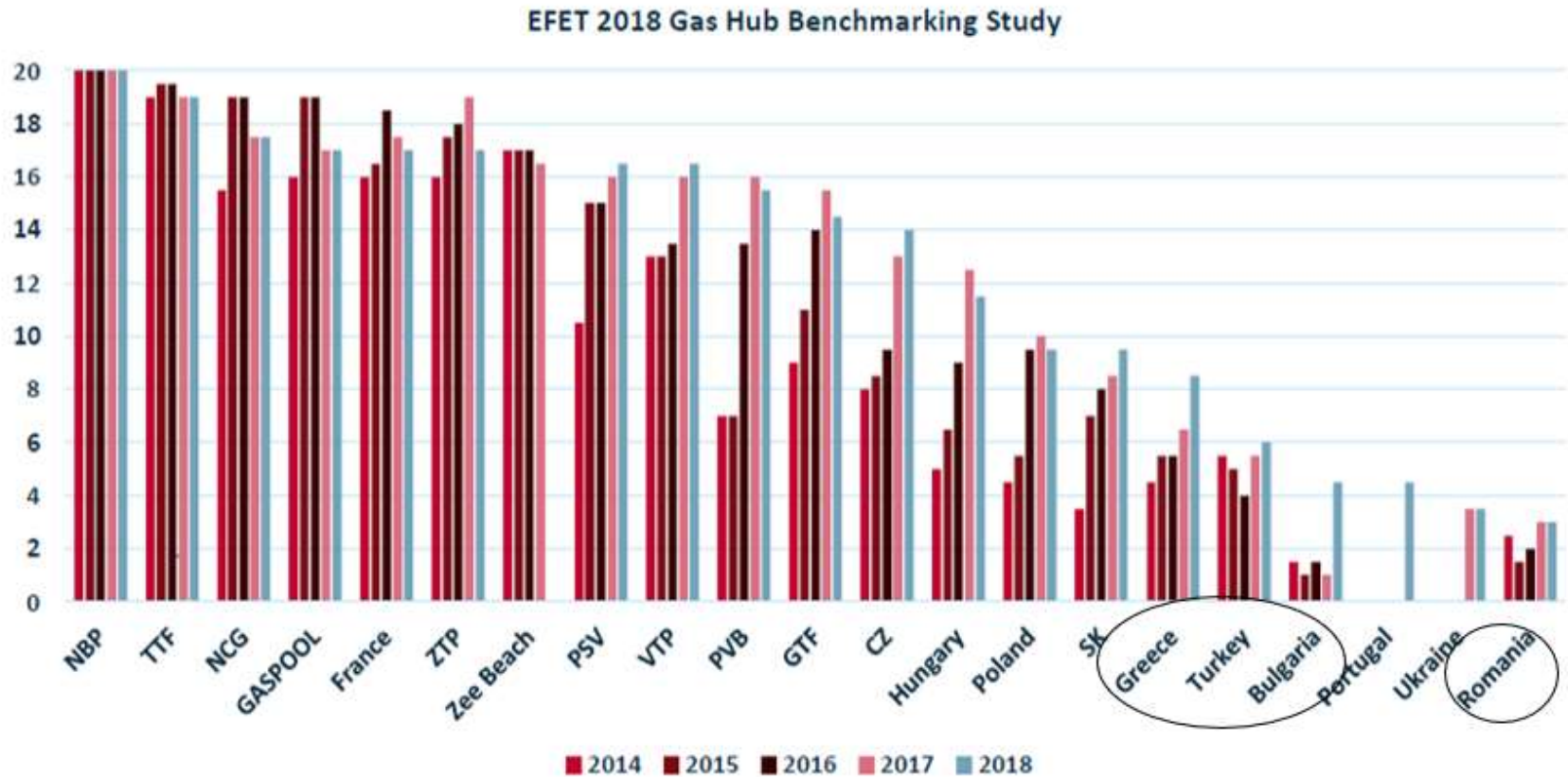


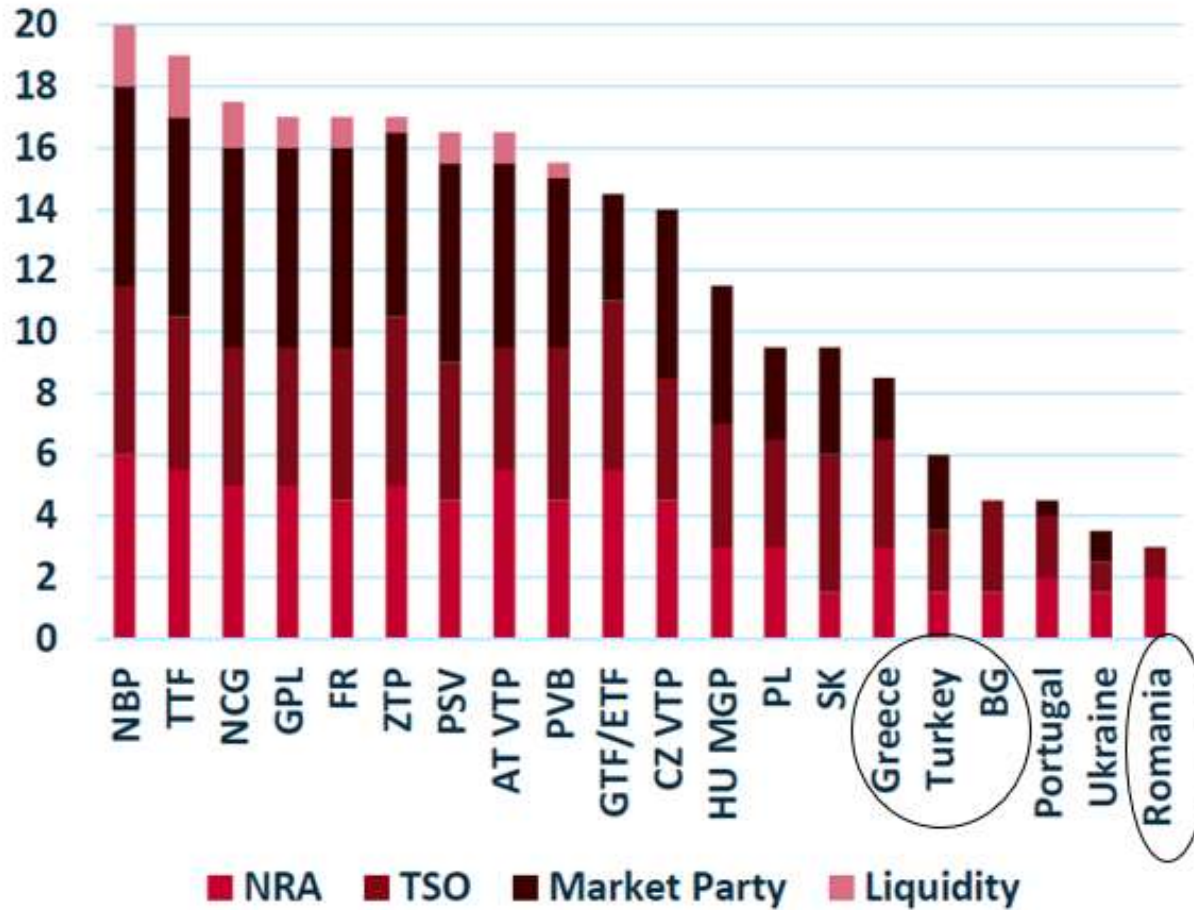
Chart 4: Evolution of the number of Transmission Users, of the number of Transmission Users active at the Interconnection Point "Kulata/Sidirokastron" and of the number of Liquefied Natural Gas (LNG) Users

Annual Scorecard 2018 Update



Source: EFET

Total Hub Scores 2018





What next?

- ❑ HTP to become a fully fledged Gas Trading Hub by IQ 2020 linked to EnEx.
- ❑ Bulgaria is expected to advance plans for a physical gas hub in Varna but considerable skepticism has been expressed by EC in view of huge costs involved ~ €3.0 billion and rationality of proposed scheme within present market constraints.
- ❑ Turkey is also expected to advance its plans for a fully fledged Gas Trading Hub following launch of spot gas trading by EPIAS on April 1, 2018. However, the Turkish Hub appears to be isolated from rest of Europe as cross border gas trading agreements are absent and exports – imports are 100% controlled by BOTAS.

**Thank you for
your attention**

www.iene.eu

cstambolis@iene.gr