

**Introductory Remarks by Mr. Costis Stambolis, Executive Director  
of IENE and Conference Co-ordinator**

Your Excellency Mr. Minister,

Your Excellencies, Dear Ambassadors,

Dear speakers from overseas,

Dear IENE members,

Ladies and Gentlemen,

We have once again gathered here, at the hospitable "Eugenides Foundation" in order to be informed of the latest developments of the domestic and international energy sector, to discuss and exchange views, to analyze and, also, to contemplate on the appropriate political decisions and market reforms that need to be made.

From my part, and before the speeches and presentations begin, I would like to focus on the topic of this year's conference. I believe that everyone knows that today there is a lack of co-ordination within the government and also between the government and other authorities, both in the formation and implementation of a national strategy as well as in market operation. Greece's energy sector has been recently suffering from a series of missives, arbitrary actions, poorly devised initiatives and incompetence in foreseeing even the simplest developments to come. Thus, the Minister or the Deputy Ministers themselves very often are obliged to take action before things worsen even further. This is an unfair and time-consuming situation, as the present political leadership of the Ministry of Environment, Energy and Climate Change (YPEKA) does not lack vision and, moreover, they have proven to be capable of setting targets and delivering them, for the benefit of the market and of the consumers. However, administrative inefficiency and lack of basic political instinct by certain officials has impeded and delayed the efforts of the Ministry.

At this point, I would like to praise the Minister, Mr Yannis Maniatis, for his high moral standards, his industriousness, his vision and his persistence, in moving forward at a steady pace and many times defying the so called "political cost", for taking innovative steps and for attracting international attention to Greece's energy sector, in a difficult conjuncture, where most foreign investors have turned their back to Greece, as if she were a totally bankrupt country with no future. However, one single person, as Minister Maniatis, however efficient, he cannot fulfill his duties if the whole country is to progress, if he is not supported by an effective administration and by the market institutions.

At this point, please let me refer to some very vivid examples starting from the need of securing cash liquidity for the electricity market. A year ago, the deficit of the Operator of the Electricity Market (LAGIE S.A.), who is responsible for the daily clearance of the market, rose sharply. The government, as it ought to, solved the problem by readjusting the feed-in tariffs paid to renewable energy producers and also by raising the Special Duty for RES charges for the consumers. However, before the market even started to recover from these deficits, the Public Power Corporation (PPC), which still remains the dominant supplier in our still largely closed electricity market, was unable to collect bills in arrears from its customers, due to the continuing recession. Thus, PPC is unable to collect the Special Tax for the Reduction of Gas Emissions (ETMEAR), the lignite fee, the PSOs etc. and, consequently, cannot transfer such sums to the Independent Power Transmission Operator (ADMIE S.A.), which, in his turn, pays the Operator of the Electricity Market (LAGIE) so that the producers - both conventional and RES - can be paid off. Then the well-known domino effect occurs. ADMIE, who is in charge of collecting the fees of the Special Account for RES from the suppliers, is burdened with overdue debts. And in the meantime, the government is trying to sell ADMIE, as part of the privatization process.

However, liquidity is a major issue for an electricity market like Greece's, which operates a pool-like system and relies on natural gas for a significant portion of power generation. Last year we witnessed the domino which affected even Greece's Public Gas Corporation S.A. (DEPA S.A.), which is the main gas supplier in Greece and which pays on a monthly basis for imported gas on fixed terms. The country almost

ran out of natural gas and it was, once again, the political leadership's intervention that solved the problem at the very last minute, although such action was not foreseen by the legislation.

The second example refers to the high industrial energy cost, being one of the highest in Europe, which harms the competitiveness of Greek industry and thus affects negatively the country's exports and production. Measures proposed by the government including money refunds to the industry remain inactive as they interfere with the emission rights auctions. However, this inflow is necessary for LAGIE in order to cover the deficit of its RES account while the government is unable to lower the special taxes on natural gas which were imposed two years ago, thus making gas extremely expensive for the industry to operate as it relies heavily on natural gas for most of its production.

A third example is that of the recent decision by Greece's Gas Transmission Operator (DESFA) to exclude the mature project of the Greece-Italy interconnector (IGI) from its 10-year development plan for the national gas system, while the Public Gas Corporation (DEPA) has actively promoted the project by including it in the EU's PCI list. The exclusion of IGI, however sends the wrong message to investors, while, at the same time, weakens substantially the government's efforts to make Greece one of the key players in European energy supply. It is quite obvious that someone has been trying to pull the carpet under the government's feet.

The exhausted natural gas field at South Kavala and its conversion into a permanent underground gas storage facility is yet another example of problems of this kind. A project trapped within the jurisdiction of the Hellenic Republic Asset Development Fund (HRADF) for three years now, which, although it lacks the necessary know-how, has arbitrarily decided that the project is not economically viable and, thus, will not be promoted. And all this, while the government has been mobilized (as part of an EU drive) to secure alternative energy sources for natural gas supply, because of the crisis in Ukraine and of the EU Directives and legislation. HRADF is not only annulling the government's policy, but is also putting obstacles in the country's efforts to fulfill its obligations within the framework of the broader ongoing EU energy security planning.

We can certainly refer to many more examples of arbitrary decisions and interventions stemming from certain factors aiming to decrease or abolish the supervisory and executive role of the State. However, the lack of a long-term energy planning and co-ordination and, also, of a mechanism functioning in a way that will ensure the enactment of the government's decisions is leading us towards a dead end, which will inevitably lead once again to a "fire extinguishing" approach.

Let us not be totally pessimistic, however, because, despite the lack of coordination and besides all these setbacks, we cannot underestimate the positive steps that have been made during recent years with lots of efforts by the Ministry, the Regulatory Energy Authority and other institutions regarding hydrocarbon research, energy efficiency, RES and the improvement of the regulatory framework in the energy sector. There has been, indeed, progress in all these fields, which makes us reasonably optimistic that investments will eventually come when finally Greece enters the course of development.

Unfortunately, in spite of latest steps towards the right direction the energy sector in Greece is giving a negative impression, a kind of a puzzle of unconnected pieces, while IENE is certainly not the suitable organization that can dictate solutions. This is a procedure that requires a comprehensive approach with a long-term vision and collective action. IENE, however, if asked, will eagerly participate in such an effort. However, the Institute is currently offering a useful and well-organized forum for dialogue on the crucial issues of the energy sector, like today's annual "Energy and Development" conference, to which I would like to welcome you all.

From my part, I would like to sincerely thank everyone for their participation in this year's conference and wish you all a fruitful dialogue.