Republic of Bulgaria
Ministry of Foreign Affairs

IENE Regional Conference

Energy Security and Gas Supply in SE Europe

New Gas Supply Sources and Transit Routes

The Geopolitical Importance of the Regional Energy Cooperation

Ambassador Lachezar Matev

Vienna March 2015

SEE Energy Security

Target

Reality

Solutions

SEE Energy Security

Fundament - Integrated

Liberalised

Diversified

Liquid

Competitive market

SEE – Weakest Link
in the European Energy Security Architecture

SEE Gas Markets

vulnerabilities & constraints

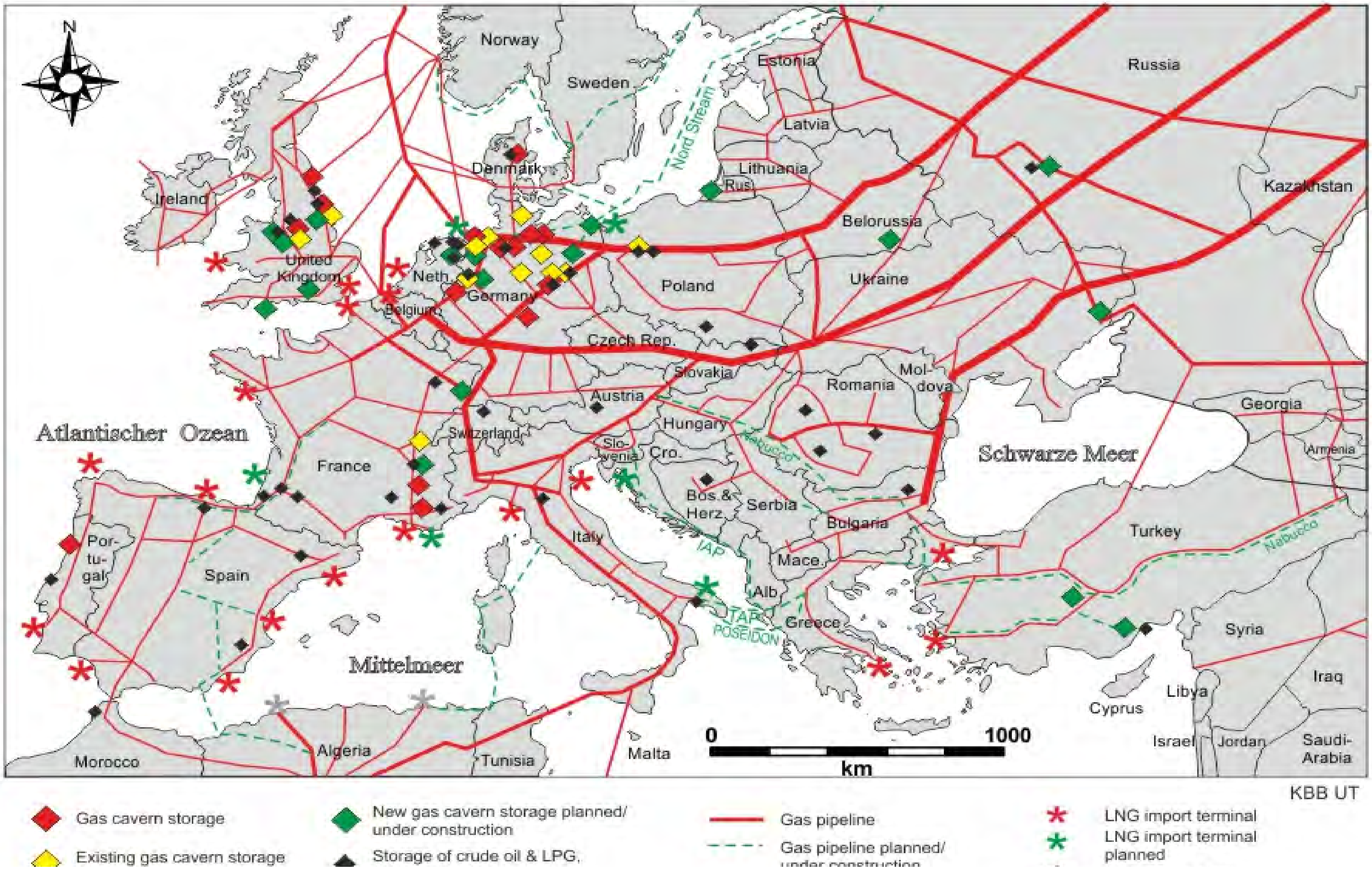
- Single-source import dependency
- Low level of physical interconnection, Lack of infrastructure prevails
- Still national with limited integration
- Limited competition at regional level
- Indigenous gas production unable to meet regional demand
- SEE the most vulnerable to gas supply crises

Challenges in energy context

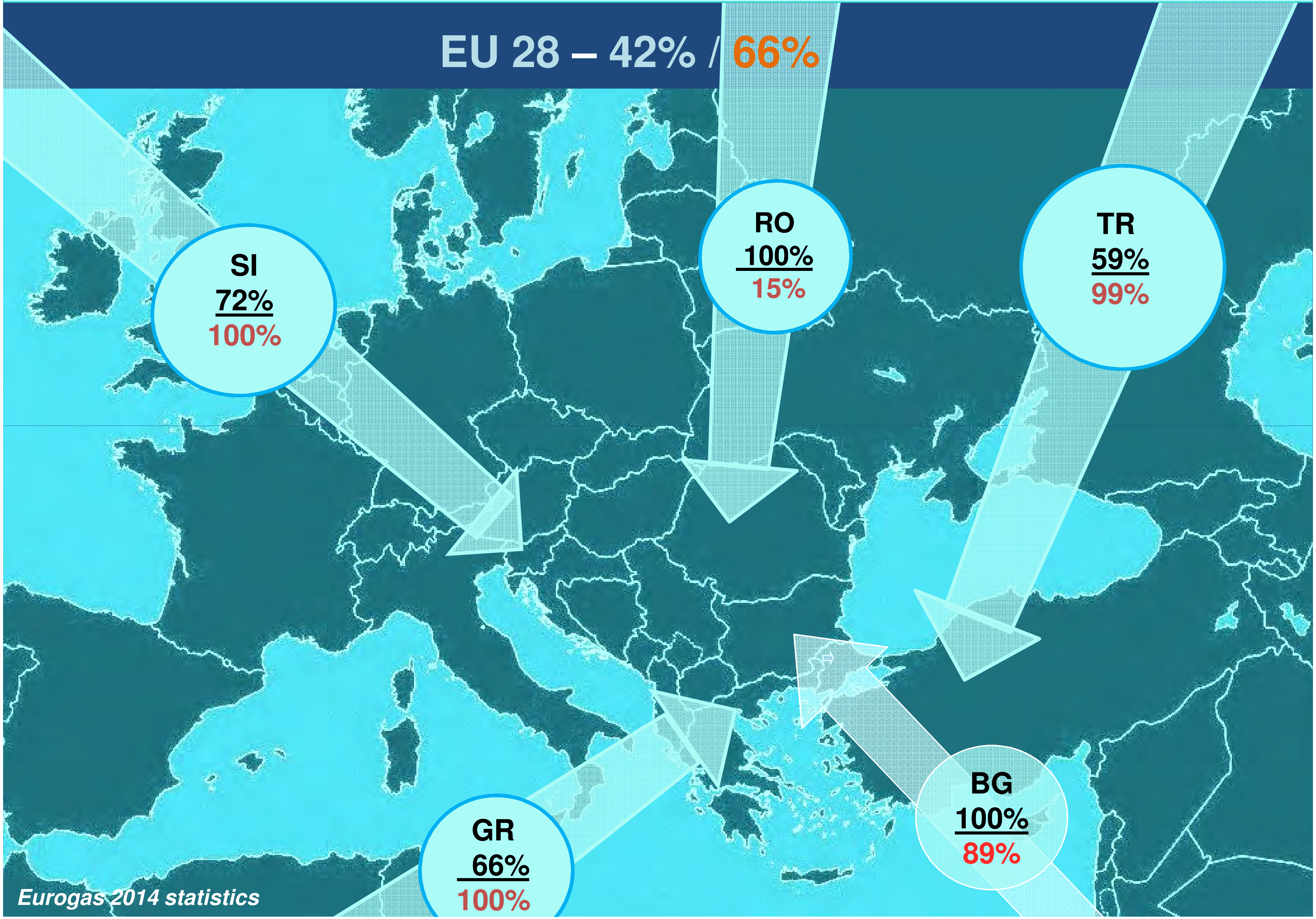
- Diversification
- Expansion and modernisation of infrastructure
- Connectivity /Cross-border interconnections
- Competitiveness
- Prices
- Low Investor interest
- Financial capacity
- Lack of negotiating leverage

SEE Gas import Dependence – strategic vulnerability

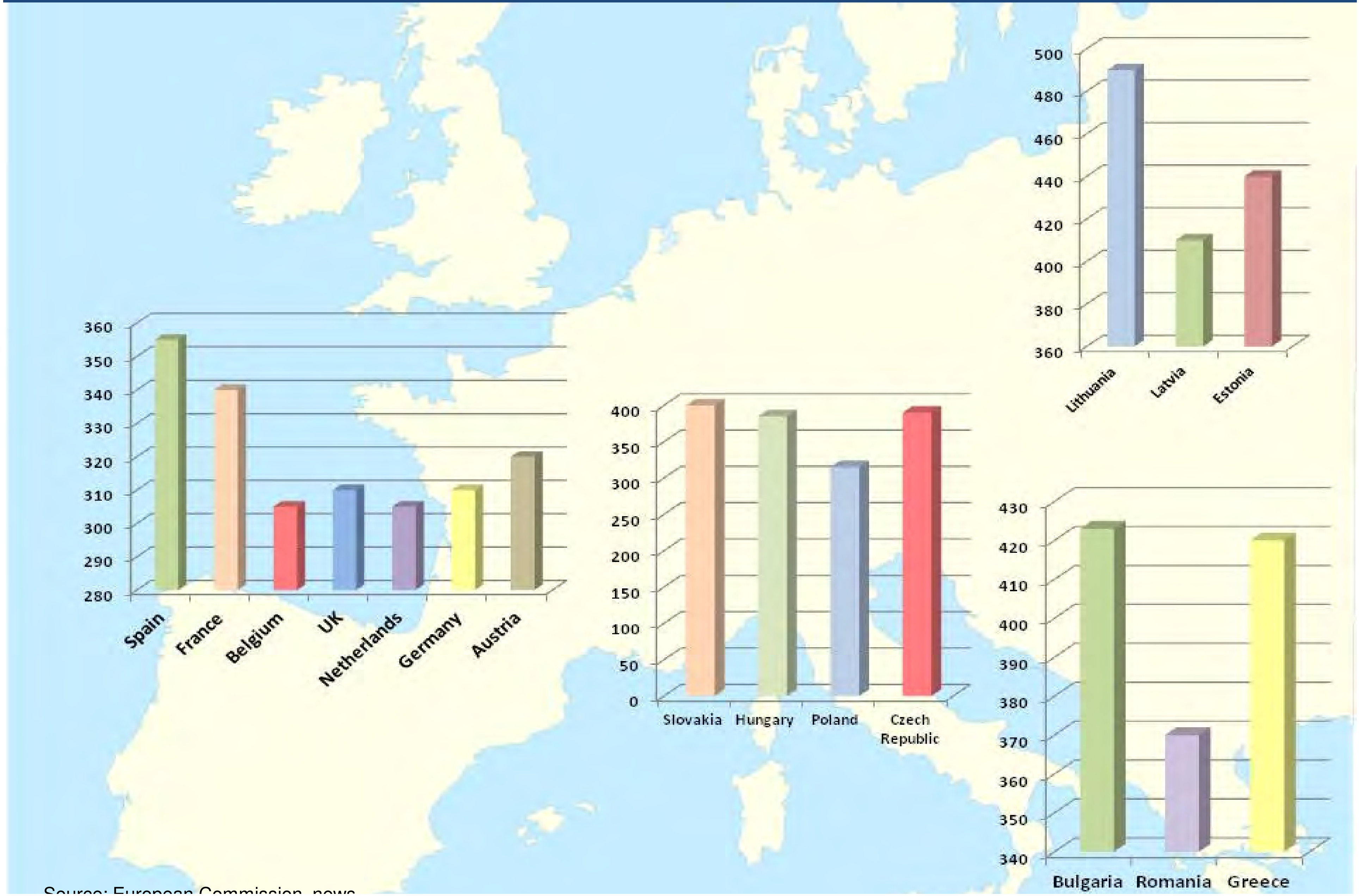
Traditional East-West EU Supply Dependence



Dependence on Russian gas - % of total net gas import 2014



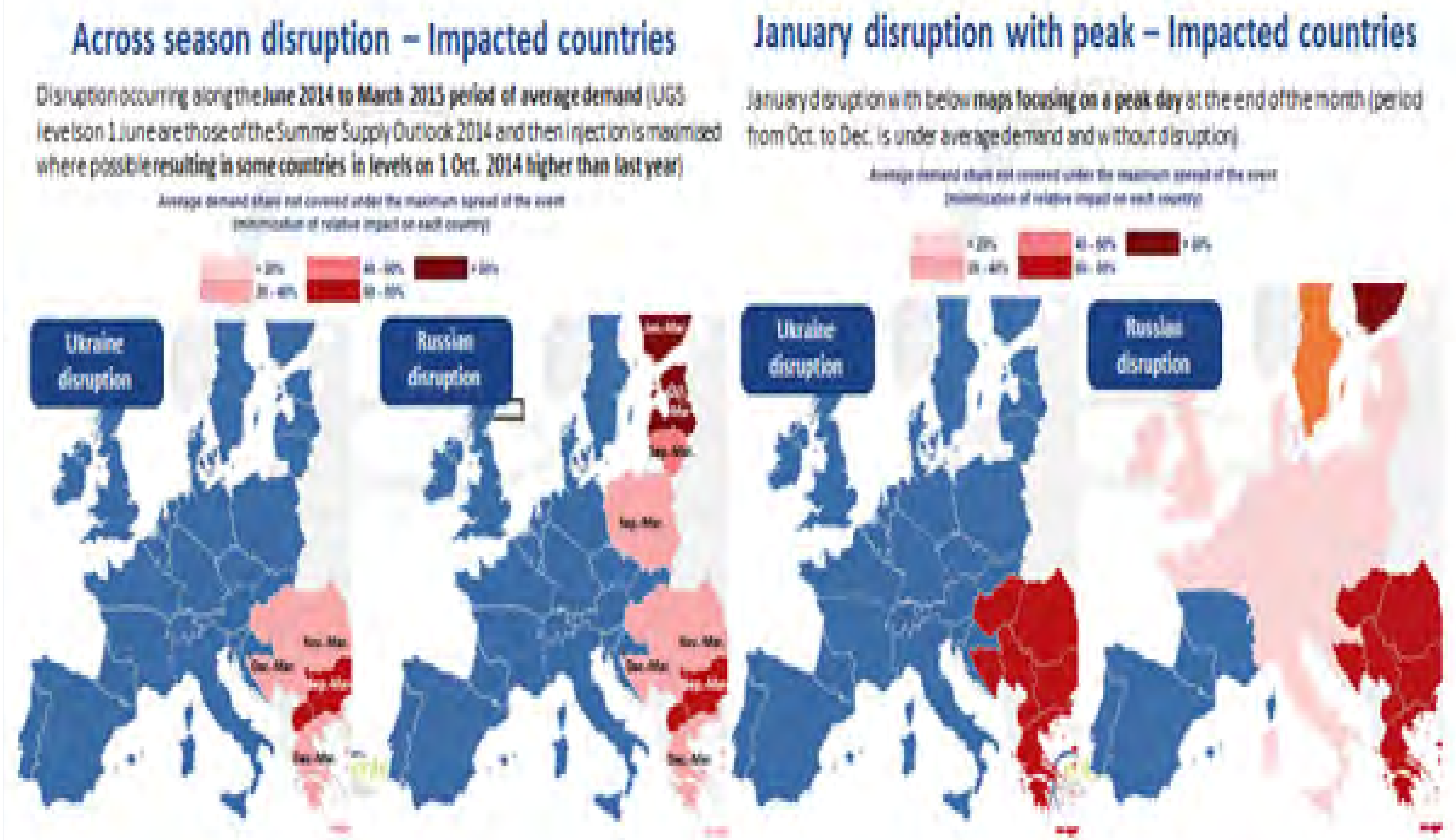
Average price of gas to the EU
SEE Price Vulnerability – Link % Dependence/ Price



Source: European Commission, news

Supply disruption /Possible crisis

SEE highest/strategic vulnerability



ENTSO-G / **European Energy Security Strategy** {COM(2014) 330 & Stress Tests 2014

SEE Strategic diversification potential for Europe

- Southern wing of Europe is the strategic perspective route for diversification and gateway for additional supply from the ME, Eastern Mediterranean, Caspian region, the Black Sea , Africa etc.

- With the interconnectors to them and to all neighboring countries, Bulgaria, Romania and Greece are natural connection route to WB and CE.

Is SGC solution for SEE Opportunities

What is TAP potential for covering the demand in CSEE ? *Italy - West E*

***When* – after 2019-2020**

How SEE countries couple with the SGC

Supply and opportunities

Role **Bulgaria – Romania - Greece**

for developing **SGC potential** and

CSEE long term gas supply

Opening the Southern Gas Corridor
TAP's/ Tanap's opportunities for Bulgaria

- Reverse flow on the Kula - Sidirokastro Line (KS line)

  Market test performed in early 2013
- Interconnector Greece Bulgaria (IGB)

  Market test performed in mid 2013.

DEPA's vision-Greece a new gas gate to SEE Physical and pricing gas hub in the region

Benefits for SEE – IGB pivotal role for the market

Sources Diversification

IGB will connect SEE with supply sources from Caspian, Middle East and East Med via Greece/Turkey; and from various producers via existing LNG terminals in Greece and Turkey.

Security of Supply Enhancement

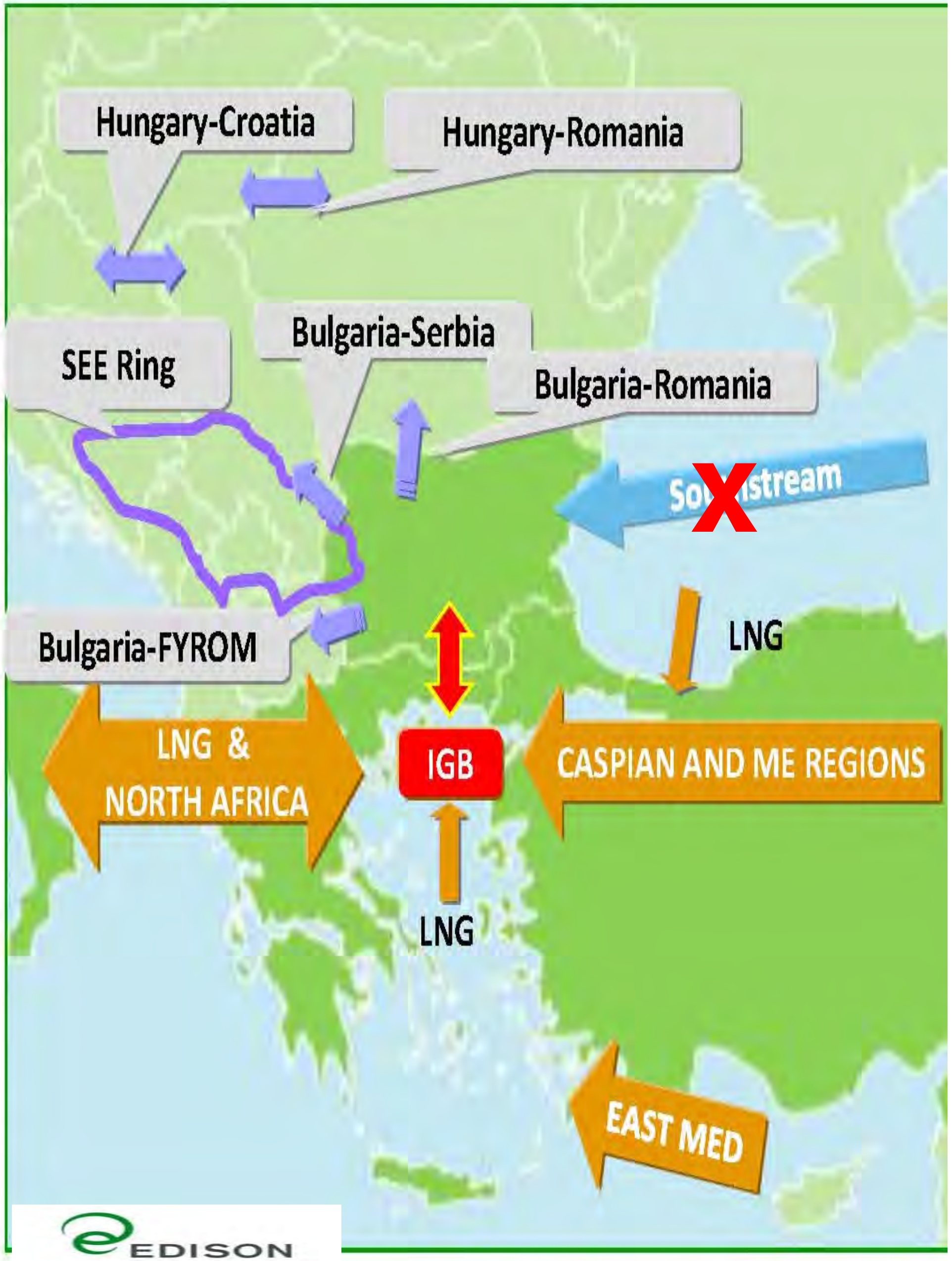
The capacity of the pipeline will assure a 100% back up for the Bulgarian gas system and new entry/exit points for all the interconnected gas systems.

Flexibility and Further supply

Through Italy-Greece interconnection, it will guarantee to SEE access to gas supply and flexibility of the Italian market.

Interconnections To SEE Gas Markets

Diversified Gas, imported to Bulgaria via IGB, could be transited to other SEE Countries taking advantage of national networks and other interconnectors, such as IBR (BG-RO), IBS (BG-SER).



Turkey strategic transit & supply country for EU
Physical and pricing gas hub in the region

2005-2006 BG Interconnections priority

INTERCONECTIONS ESSENTIAL PRECONDITION FOR ENERGY SECURITY

<u>Goal – to create SEE regional gas market</u>

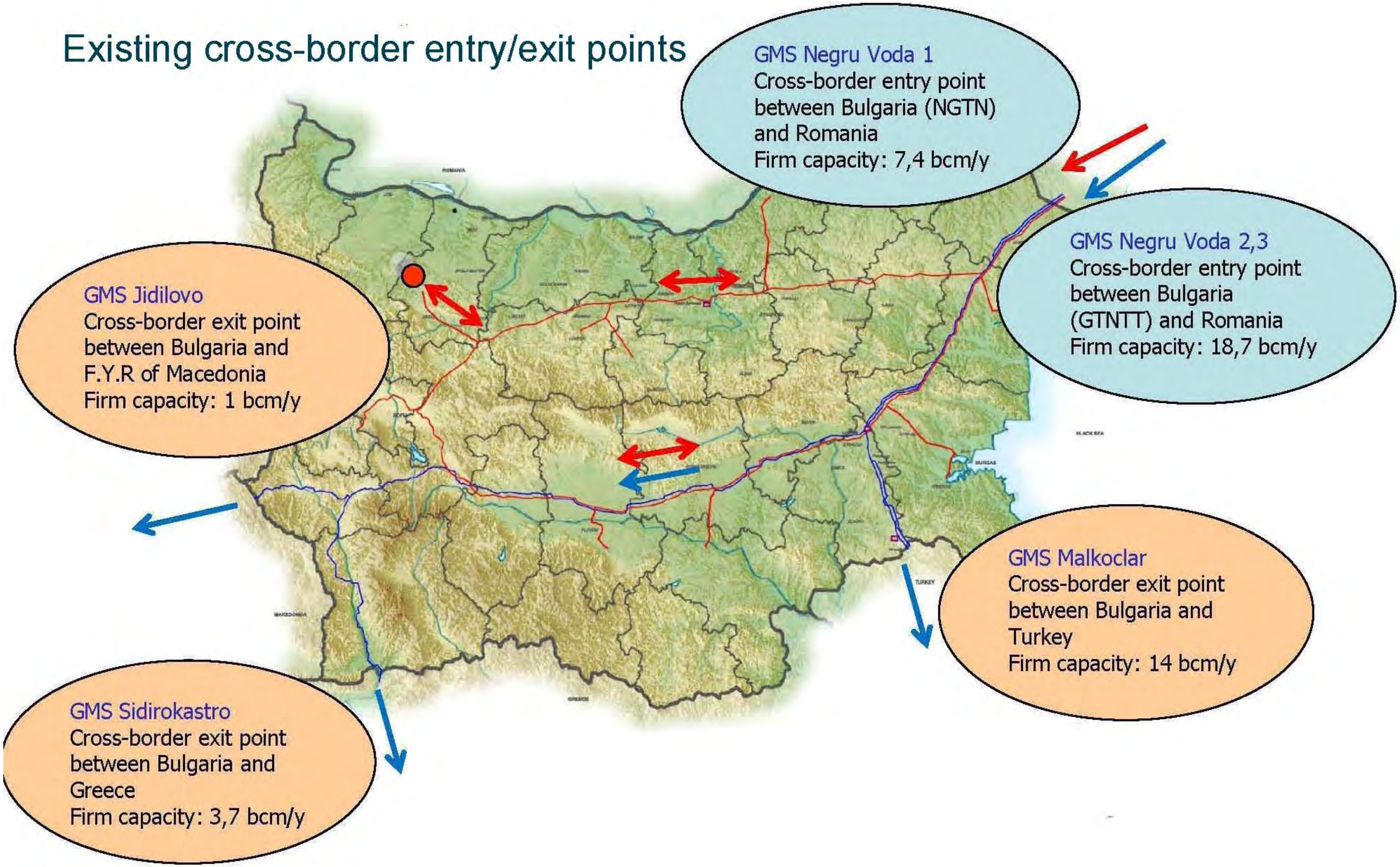
- **Liberalised**
- **Integrated**
- **Competitive**

- **Infrastructure** (*Based on interconnections)*
- **Diversification & Security of supply**

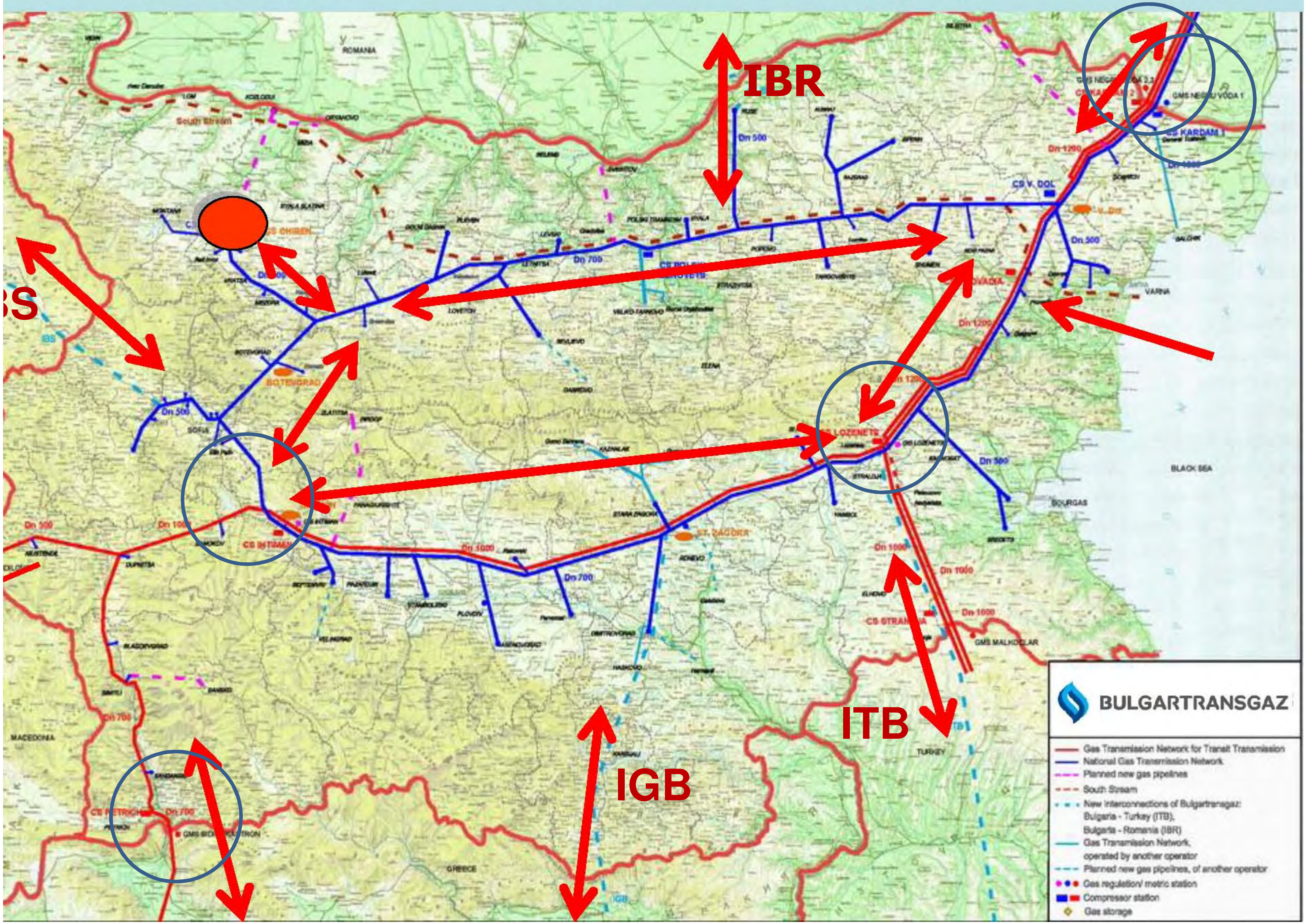
- Pursued by Bulgaria as a priority at the highest political level + Southern Corridor .
- The integrated and liberalized SEE gas market further be integrated to the North - South EU energy infrastructure axis in Central and Western Europe and become an integral part of the future single EU energy market.

Gas infrastructure on Bulgarian territory

Existing cross-border entry/exit points



Diversification of gas flows after completion of planed projects 2013-2017



Major SEE problem – competing interests

Post South Stream developments clearly demonstrated

- No country would like to be final delivery destination only
- Each country competing to become transit or trading one
- Each country would like to become a hub
- Each country would like to take advantage of its own geopolitical potential

2015 - Vertical gas corridor

- New approach
  - ❖Pooling together
  - ❖Geopolitical advantages each country
  - ❖Unleash regional potential
  - ❖Connectivity, Coordination, Cooperation, Coherent approach, Solidarity

2015- Vertical gas corridor ?

Refocusing

- Infrastructure development - PCI
- Interconnection of the countries' gas systems,
- Create storages, LNG, capacity to receive alternative gas
- Network rehabilitation, multidirectional flows

- *Evolves in*

"Vertical Gas Corridor" Initiative

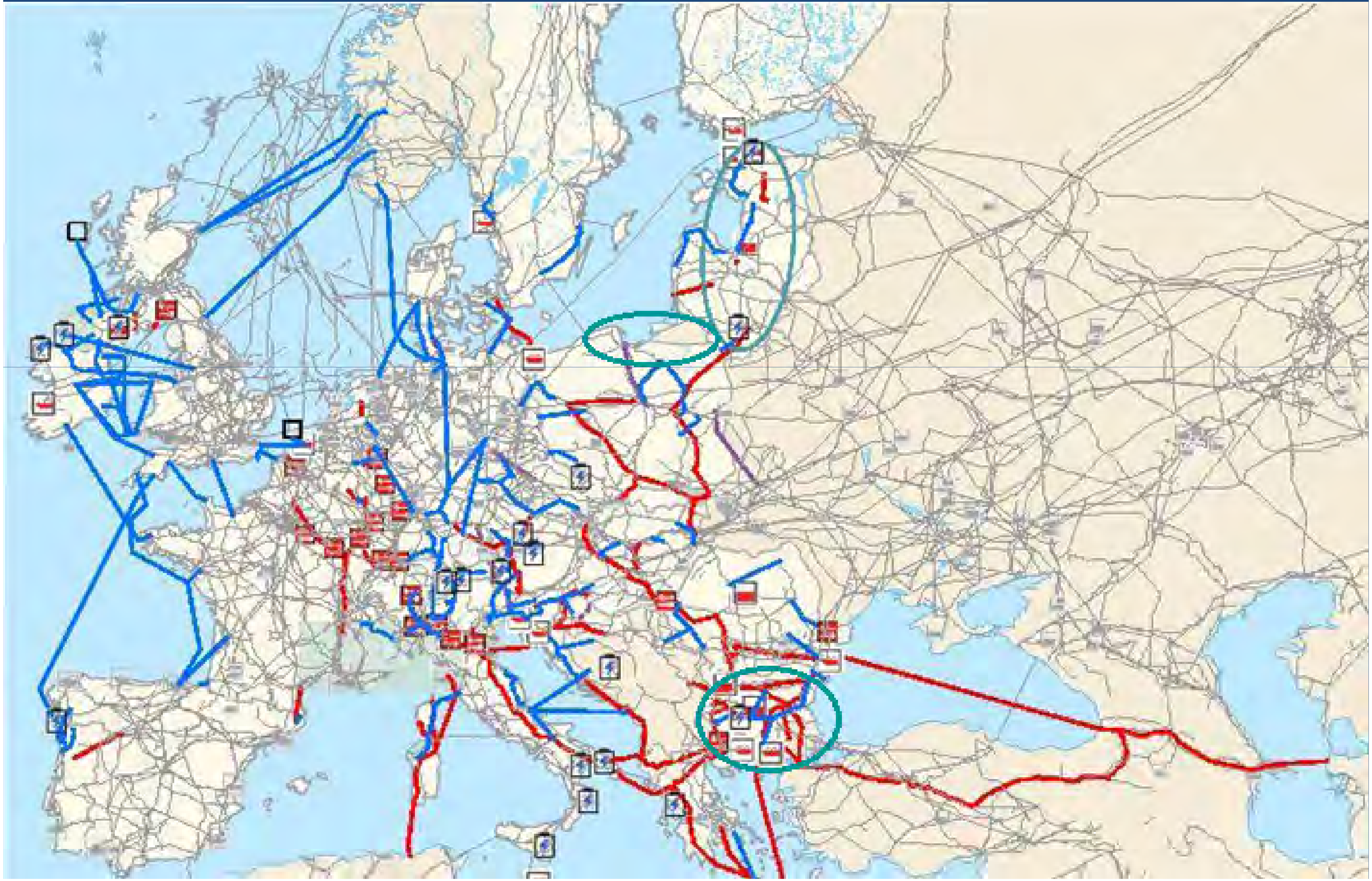
SEE Europe - Vertical Gas Corridor

Greece Gateway-LNG, TAP, EastMed, Africa

Romania – Black sea resources, AGRI, shale

Bulgaria – national ring, connectivity, UGS

Projects of Common Interest (PCI) Opportunities Possible linking the SEE, CE , Baltic

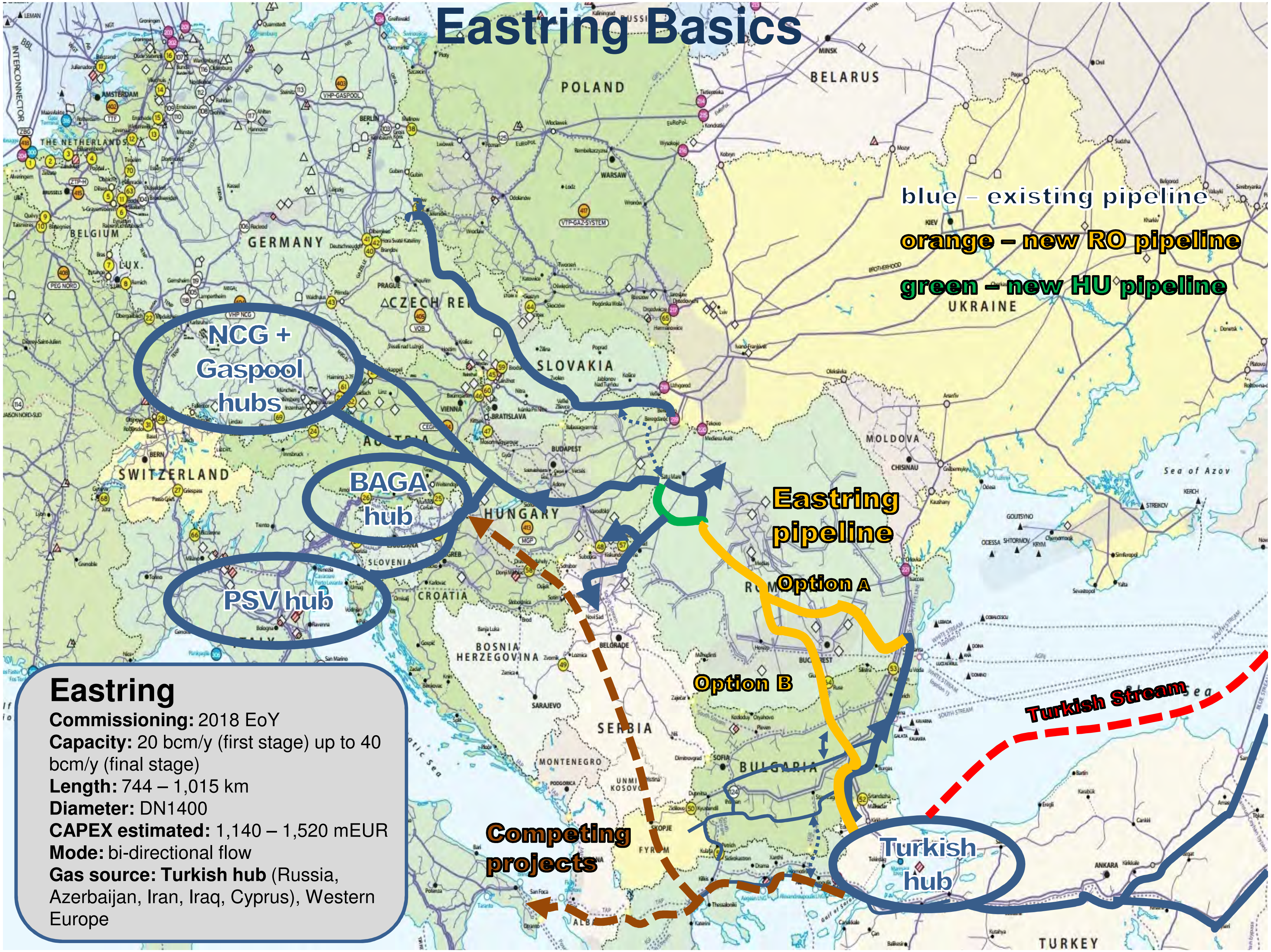


Completing the Vertical gas corridor
Possible connection of SEE, CE, Baltic markets

- Give much needed refocusing on the more immediate and accessible options
- Create better market opportunities and facilitate implementation of joint strategies based on shared management and use of resources
- Open ground for a coherent regional effort to jointly address energy security challenges
- Should further lead to efficiency gains, increased investors’ confidence and interests in the SEE energy sector
- Provide for improved competition environment in the gas and energy markets

Turkish / Eurasian stream - Part or killer of SGC ?

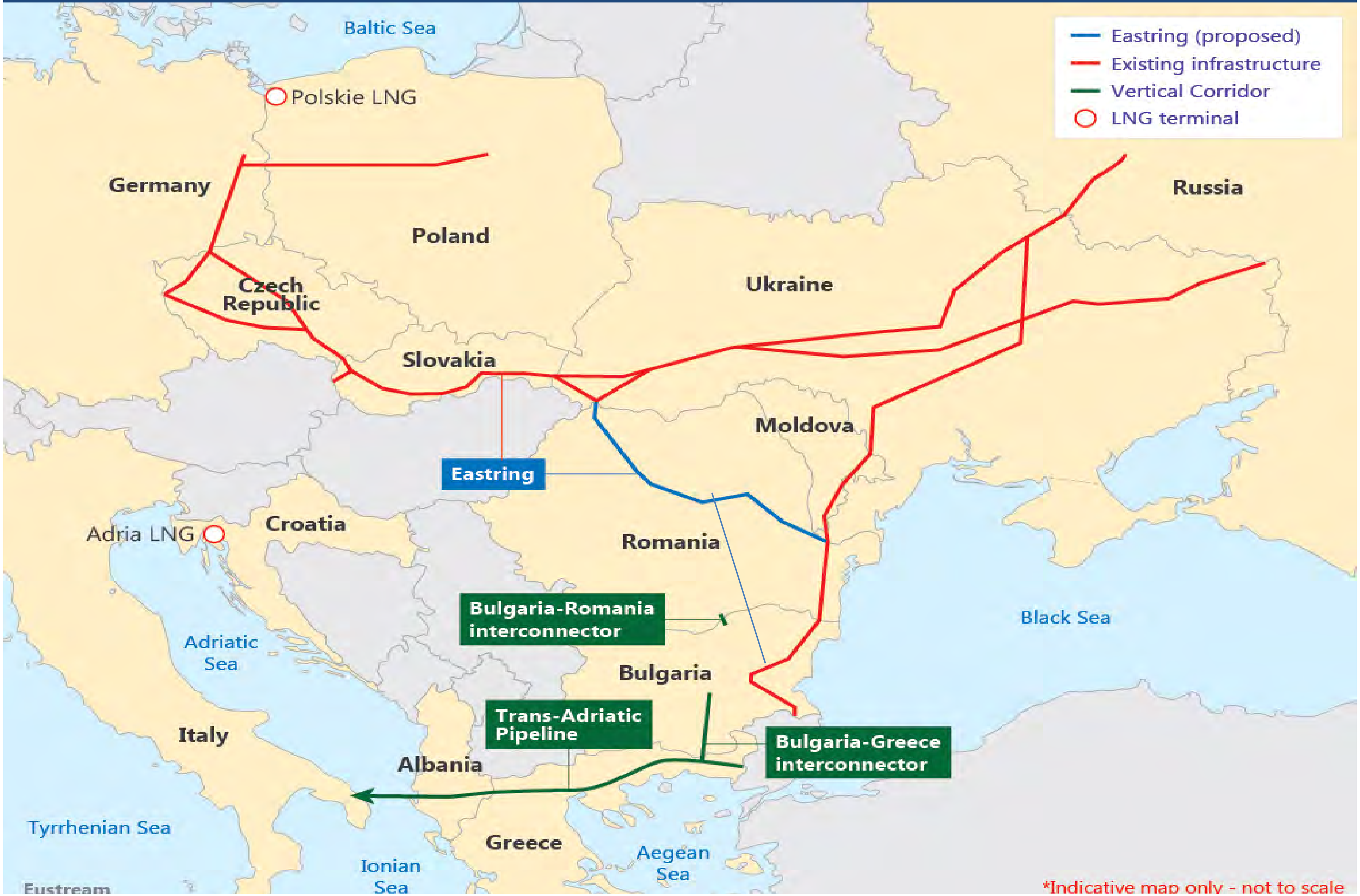
Eastring Basics



Eastring

Commissioning: 2018 EoY
Capacity: 20 bcm/y (first stage) up to 40 bcm/y (final stage)
Length: 744 – 1,015 km
Diameter: DN1400
CAPEX estimated: 1,140 – 1,520 mEUR
Mode: bi-directional flow
Gas source: Turkish hub (Russia, Azerbaijan, Iran, Iraq, Cyprus), Western Europe

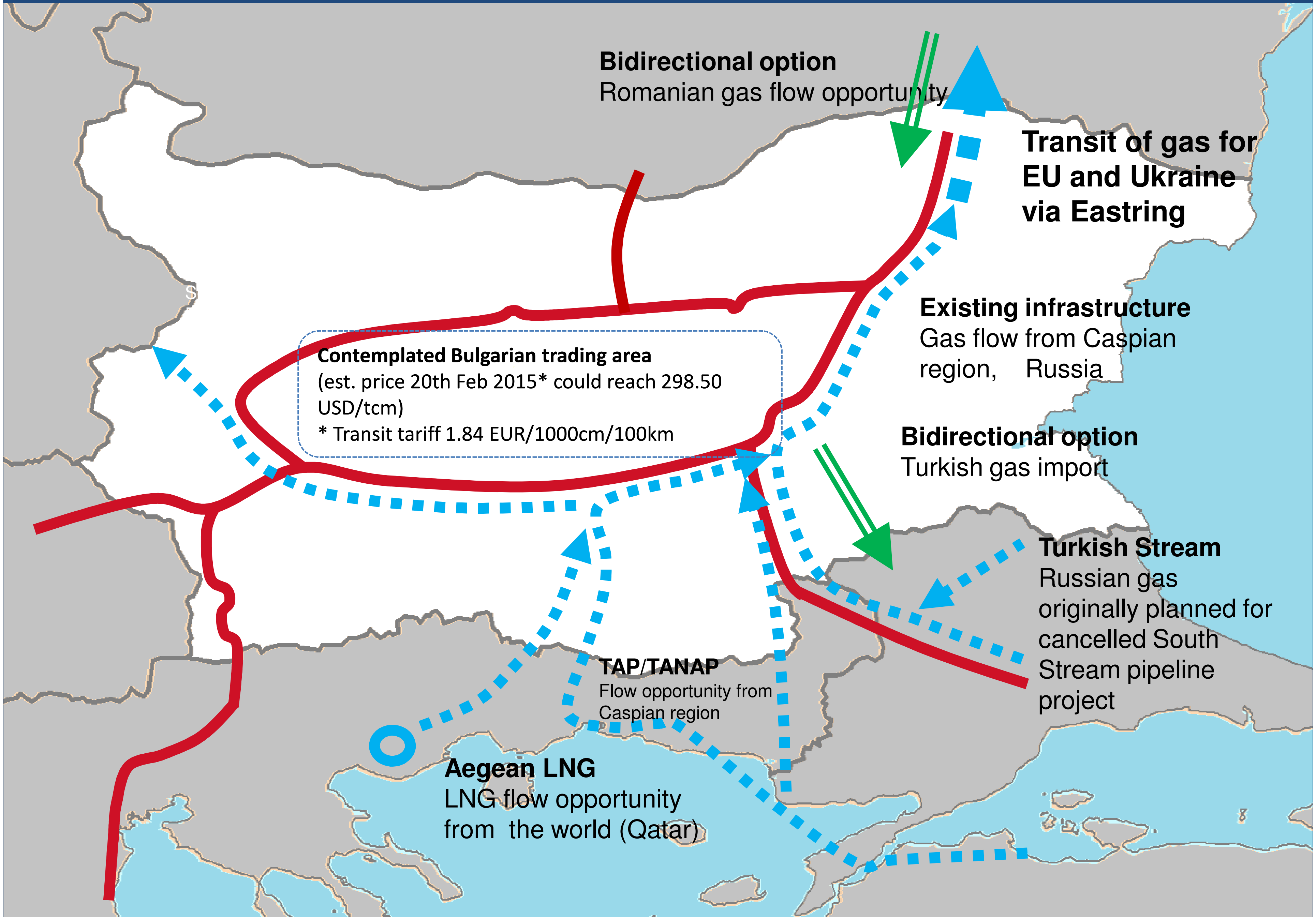
Eastring & Vertical corridor
converging or competing ?



Hungarian Choice – competing with Eastring

Hungary negotiated competing supply route from Turkey via Greece-Macedonia-Serbia

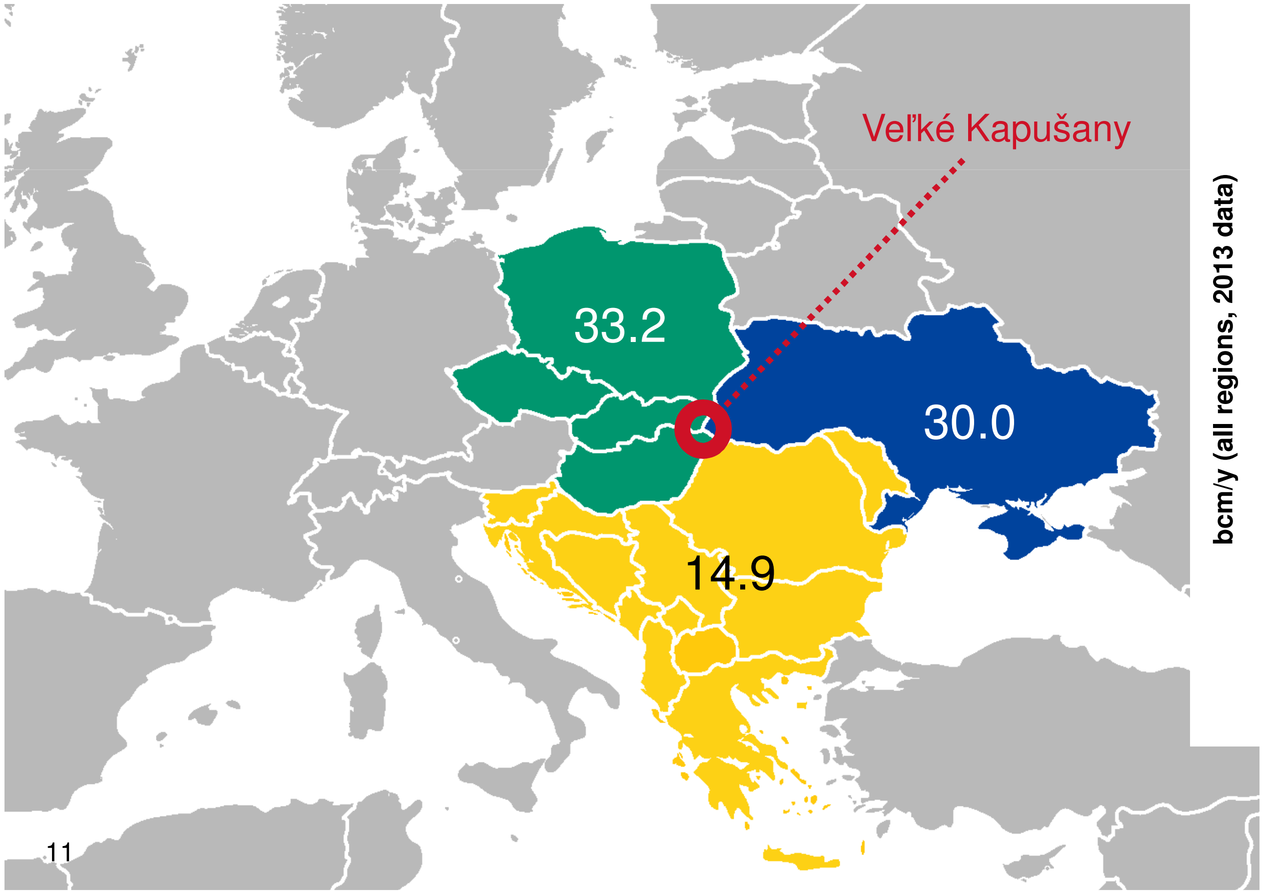
Bulgarian Transit perspective

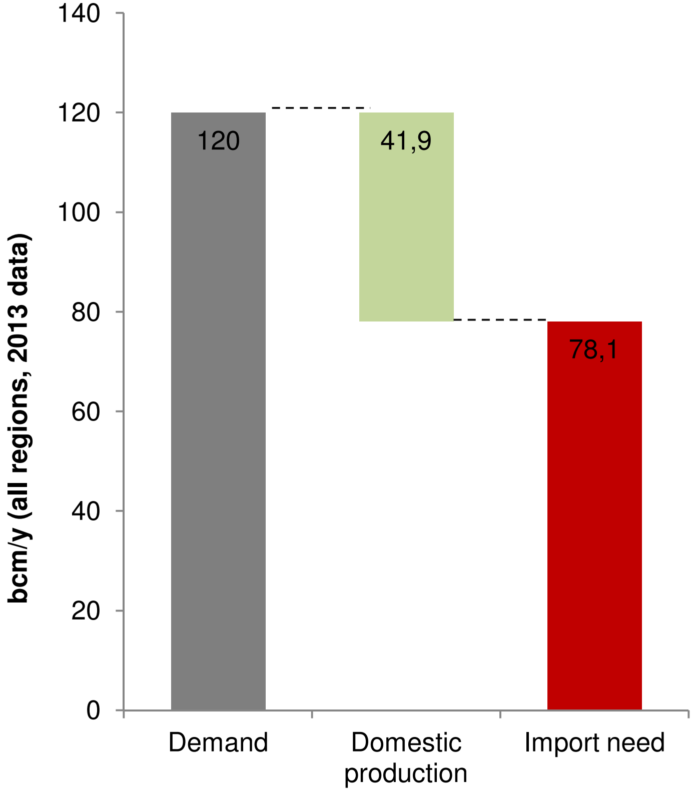


Gas Balance – Concerned Regions

Region [bcm/y]	**Demand**	**Domestic production**	**Import need**
V4	41.7	8.5	33.2
Balkan, Moldova, Romania	28.3	13.4	14.9
Ukraine	50.0	20.0	30.0
Total	120.0	41.9	78.1

Import need (in bcm/y)





www.eastring.eu
Promoted by eustream, a.s.

? The EC Response ?

How the Commission Responds to the SEE Energy Security Challenge?

Will (& How) EC support connection effort ?

Focused, Prioritised, Targeted approach to SEE Interconnections & supply

Creates the proper environment for EU/SEE countries to address this as win-win commitment

- Political
- Financial
- Logistical

support

Thank you for your attention!

- How realistic is to stop supply via Ukraine- at what price – contracts fixed delivery point
- Diversification Eastring – Russian gas to SEE – Slovakia 100% RF gas 2014 stat Eurogas
- North Stream – the same
- Could Gazprom use Ukr border as delivery point for EU?
- Gazprom – seeking TPA to TAP?
- What diversification Caspian – TS coming to same TAP HUB – higher volume of gas

IS PHYSICAL INFRASTRUCTURE SUFFICIENT ?

What else for FUNCTIONING MARKET ?

Need for gap analysis

- Demand – current and future projection /industrial and households/ = absorption potential
- Financing – investments – volume and constraints
- Legal and regulatory constraints to materialising investments
- Market Balances
- Time Frame
- Trade opportunities, mechanisms/Commercial viability
- Technical Parameters
- Risk analysis