

Introductory Remarks by Costis Stambolis, Executive Director, IENE

On behalf of the Institute of Energy for SE Europe, I wish to welcome you to this one day regional conference, convened ad-hoc by IENE, to examine latest developments in the gas sector in SE Europe and their relationship to energy security.

The participation of so many distinguished speakers, panelists and delegates in today's event confirms our foresight in organizing this event at this particular time juncture and place, in Vienna, in the heart of Europe.

But before saying anything else let me introduce my co-chair Mr. Hans Hutta, of the ICM, a long standing associate of IENE with whom I worked closely on the organization of this event. Indeed we are grateful to Hans for his unequivocal support in this endeavour and for sharing with us our vision for bringing closer the region's key players in an open, frank and unbiased dialogue on the major energy issues related to energy security.

Before handing the floor over to our first speaker let me summarize some observations which I think are pertinent to today's meeting.

- The continuing destabilization of the Ukraine and Moscow's decision to distance itself further from the West- read last Thursday's decision of Russia to leave NATO 's CFE Treaty- are pointing to a growing political economic conflict which will take time and a huge effort to repair.
- This rift is not at all useful when conducting energy business in oil and gas.

- Europe will continue to increase its share of imported gas simply because its own resources keep diminishing. Therefore European companies will need to import more Russian gas and not less through existing and planned infrastructure
- Gas is expected to play a much greater role in EU's energy strategy of secure, sustainable, competitive and affordable energy (see Energy Union Package proposals)
- European Commission's concerns on EU increasing its dependence on Russian gas supplies are to a certain degree justified as diversity of suppliers provides greater security. But EC's handling of its new found awareness and the formulation of specific strategies for curtailing Russian gas imports is already inviting controversy and disagreement between member countries. Furthermore, such an approach is against globally accepted trade norms and practices.

Finally, let me outline the importance of the SE European region, and the East Mediterranean in particular (from where future gas supplies for the EU could be released in the long term), which lies in its geopolitical settings:

- (i) Its proximity to the Middle East, North Africa and Eurasia
- (ii) Its role as an enlarged and fully operational East- West energy corridor

Furthermore, three main parameters are influencing geopolitical developments in SE Europe itself:

- Oil & Gas Exploration and Production
- Gas Supply and Transiting

- Gas Storage and Gas Trading

In today's conference we shall limit our discussion on the last two subjected areas.

Please further note that in preparation of today's conference IENE has prepared and distributed a background paper on "**The Natural Gas Sector in SE Europe**" which I hope you have found useful.