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Introductory Remarks by Mr. Costis Stambolis, Executive Director of IENE

Dear Colleagues,

Dear Delegates,

Please allow me also to welcome you to this year's "Energy Dialogue" event and to make few introductory remarks prior to starting the formal part of the proceedings. It is indeed a great pleasure to welcome to Thessaloniki so many old friends who have been very faithfully participating in this important regional event since its inception back in June of 2007. I am really thrilled with your warm response. May I also welcome many new faces and newly arrived colleagues from the energy fraternity. I look forward meeting you all over the next two days and hearing your news and impressions from this event which we have planned with great care in order to give each one of you a floor for voicing your views and concerns on the way energy is used, and will be used, in our broad geographic area.

However, before proceeding with these introductory remarks I am sorry that I must report some sad news about two esteemed and dear colleagues who recently passed away. The first one Mr. Costas Alexopoulos, a prominent Athens based mechanical-electrical engineer who was Senior Associate of our Institute and member of our Energy Efficiency committee and a member of WEC's Greek committee and very active in WEC's regional affairs. Costas passed away last April after a long illness. But we also lost our dear friend Dr. Petar Poptchev another senior Associate of IENE who had been very supportive of our work from his position as Bulgaria's Ambassador at large for Energy Security and Climate Change, and I believe one of the first diplomats in the EU to hold this title. After his retirement from the diplomatic service in 2012 we developed even closer co-operation and in November 2014 Dr. Petar Poptchev chaired our first Energy & Geopolitics Roundtable meeting in Sofia. We at IENE, shall certainly miss a lot both colleagues and we will always remember them with great admiration and affection.

Now, looking ahead to two full days of presentations and discussions I wish to expand somewhat on the special topic of this year's "Energy Dialogue", which is **"The Quest for a New Energy Balance"**. As we all know over the last two years, we have been witnessing certain fundamental shifts in the global energy scene, most noticeably in the oil and gas markets. Starting with the oil markets we have

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seen an oil glut building up progressively since August/September 2014 culminating at times in excess supply over demand as high as 2.5-3.0 mb/d. The prevailing explanation being the spectacular rise in USA and Canadian oil production, thanks to shale oil and shale gas, which has enabled both countries to increase oil production by 5.0 mb/d for USA and 1.3 mb/d for Canada. The immediate impact being the lessening of demand for crude oil imports in North America and hence the increase of inventories and oil storage at sea.

At the same time the decision by Saudi Arabia and some of its allies in OPEC to defend their market share, rather than an upper price zone, by refusing to lower their production (see OPEC's historic meeting of November 2014) intensified friction between producers and led to a collapse in the price of oil which by early 2016 had retreated by almost 70% compared to June 2014. This huge price adjustment, as was expected, affected negatively the prices of gas which in their turn impacted electricity wholesale prices. Over the last 3 months we have seen crude oil prices partially recovering due to a combination of factors including reduced production in North America, outages in Nigeria, and Canada and continued armed conflict in Libya and stabilization of Saudi output; with Iran's gradual return to the global markets insufficient to undermine the rebalancing between supply and demand now taking place. Thus Iran has completely dispelled fears of contributing alone to an unprecedented global oil glut.

But allow me to observe the rebalancing now taking place in the global energy market is not just limited to quantitative realignments of produced and consumed oil and gas volumes but involves a much broader perspective. This is to be found in the equally impressive rise of RES and their determined entry into the energy mix of several countries, with RES not always competing with coal and lignite- the energy currency of SE Europe- but on several occasions displacing gas. With the gas market itself in search of a new balance as global demand is slowing, as the latest IEA data reveals, and with LNG coming out strongly to compete with piped gas, thus increasing its share in global gas supplies.

Obviously the new price regime we are experiencing, roughly at 50% of the value of the previous period 2010-2014, is the visible external trace of what is actually happening, where market dynamics follow their own intricate rules not easily discernible to the untrained eye.

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As far as our region is concerned the new energy price regime is helping (a) gas markets to consolidate or even expand their position in the energy mix, (b) electricity markets to complete their arduous path towards liberalization and competition, (c) RES to adjust to a more pragmatic market environment and break their disastrous dependency on subsidized tariffs, (d) oil and gas exploration to proceed by focusing on the exploitation of really commercially viable deposits.

Far from being settled or in state of delicate balance energy markets in SE Europe are vibrant while offering plenty of opportunity for further development and rewarding investment. The global rebalancing now taking place in the energy markets will eventually work in favour of our regional energy market. I am sure that over the next two full days of presentations and discussions we shall see many examples and shall have ample demonstration of these opportunities in our region.

I wish to thank you for your attention as I would also like to wish everybody a nice stay in Thessaloniki and an enjoyable conference.