

**22<sup>nd</sup> NATIONAL ENERGY CONFERENCE**  
**“Energy & Development 2017”**  
**Athens, 23-24 November 2017**

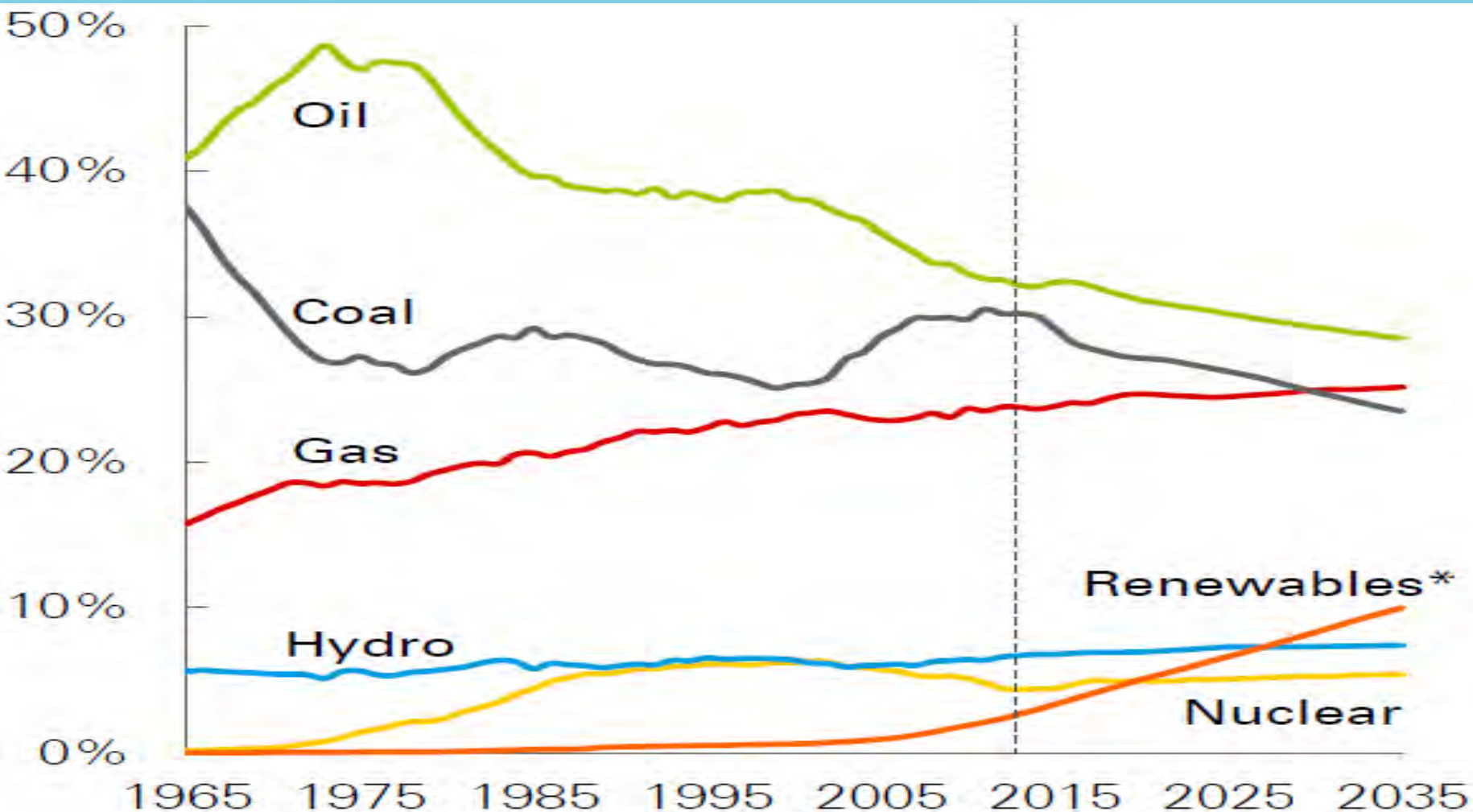
**“Strategies to cope with energy transition challenges and adapt to new gas market reality”**

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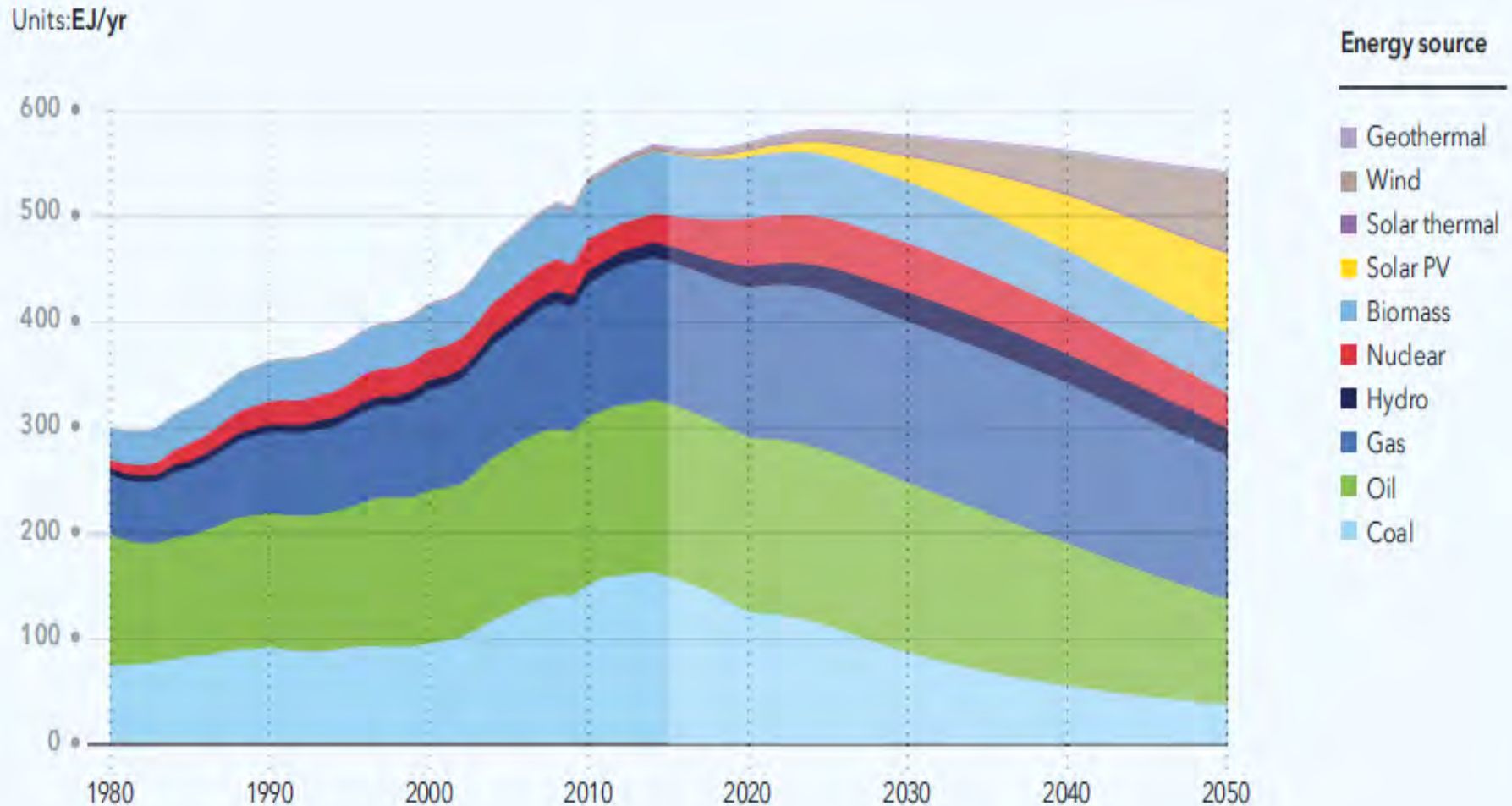
# Energy Transition and the Gas Industry



Oil “shocks”, revolutionary technologies and climate change policies have brought serious changes in the energy mix the last 50 years

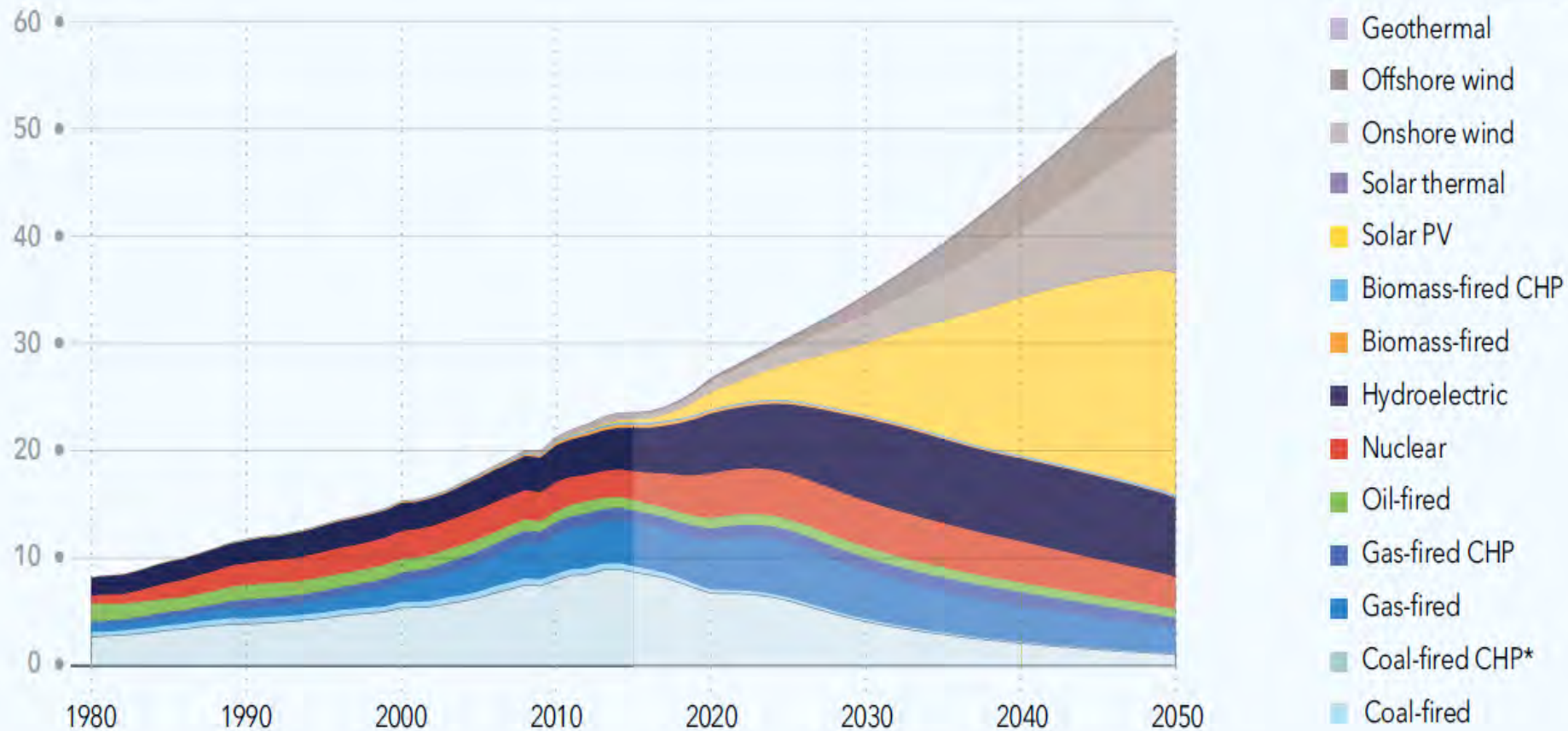


# Ambitious EU's GHGs reduction targets will cause further radical changes to its energy mix by 2050 and put at risk traditional energy firms



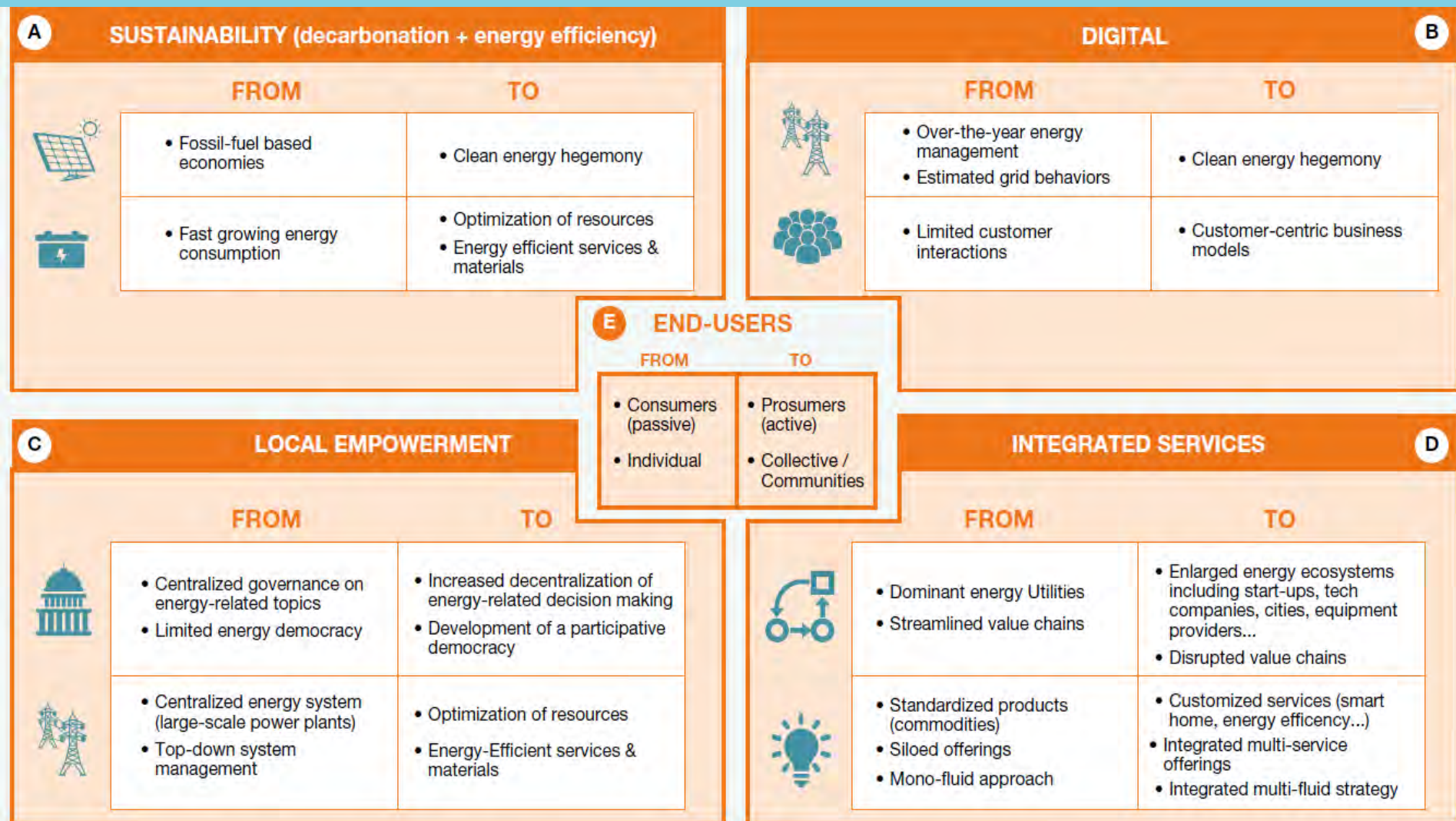
## ...especially in regard to power generation sources

Units: PWh/yr





# Megatrends in the energy sector amid energy transition

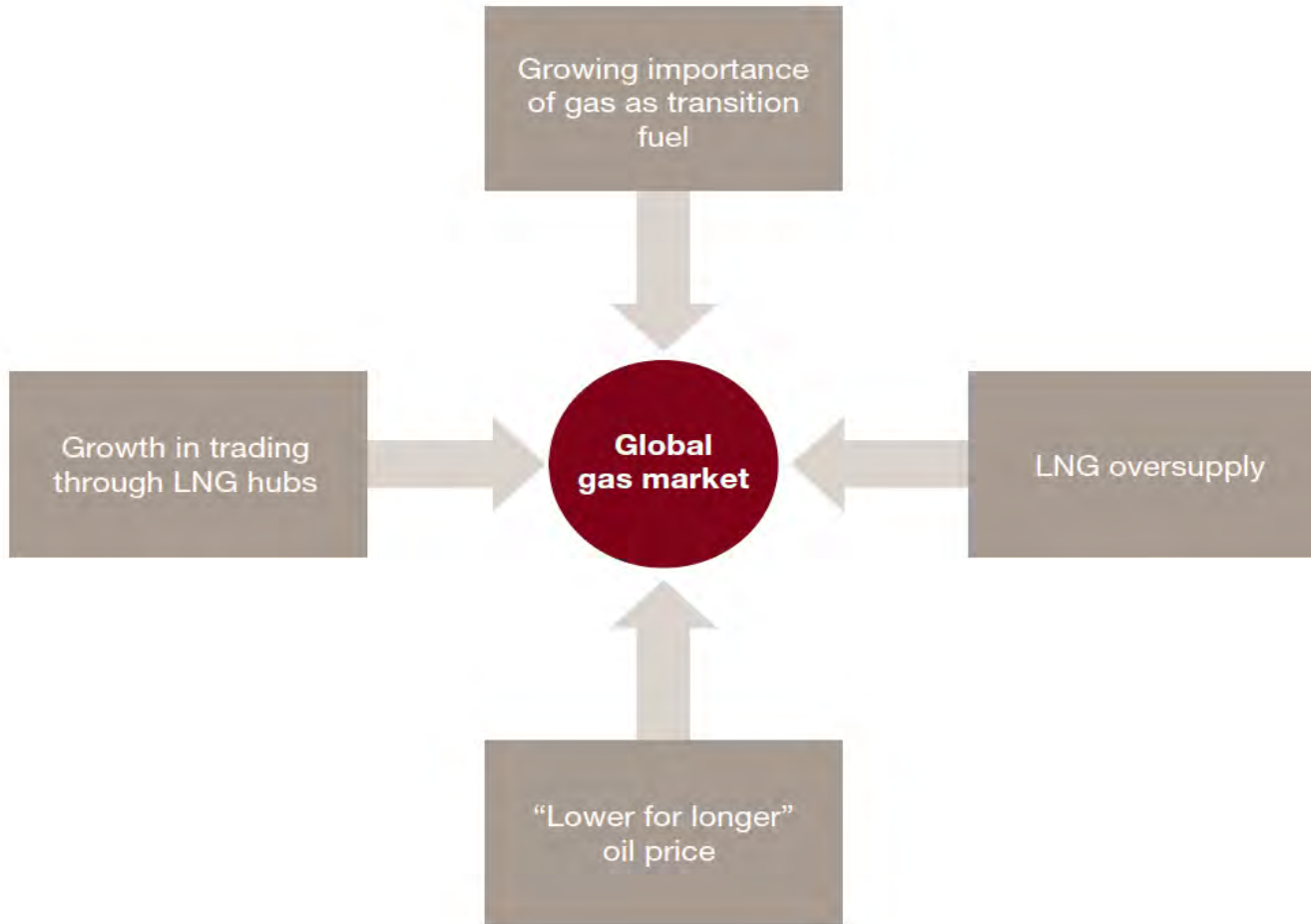




## Energy transition and changing business environment transform the gas industry and gas markets

- More globalized and liberalized gas markets
- From national state-owned to global private energy companies
- Growing importance of LNG-based trade
- Forward and backwards integration movements across the gas value chain
- From long-term gas supplies arrangements to gas-to-gas competition and short-term/spot transactions via traded hubs
- From traditional gas companies to digital integrated multi-services energy companies

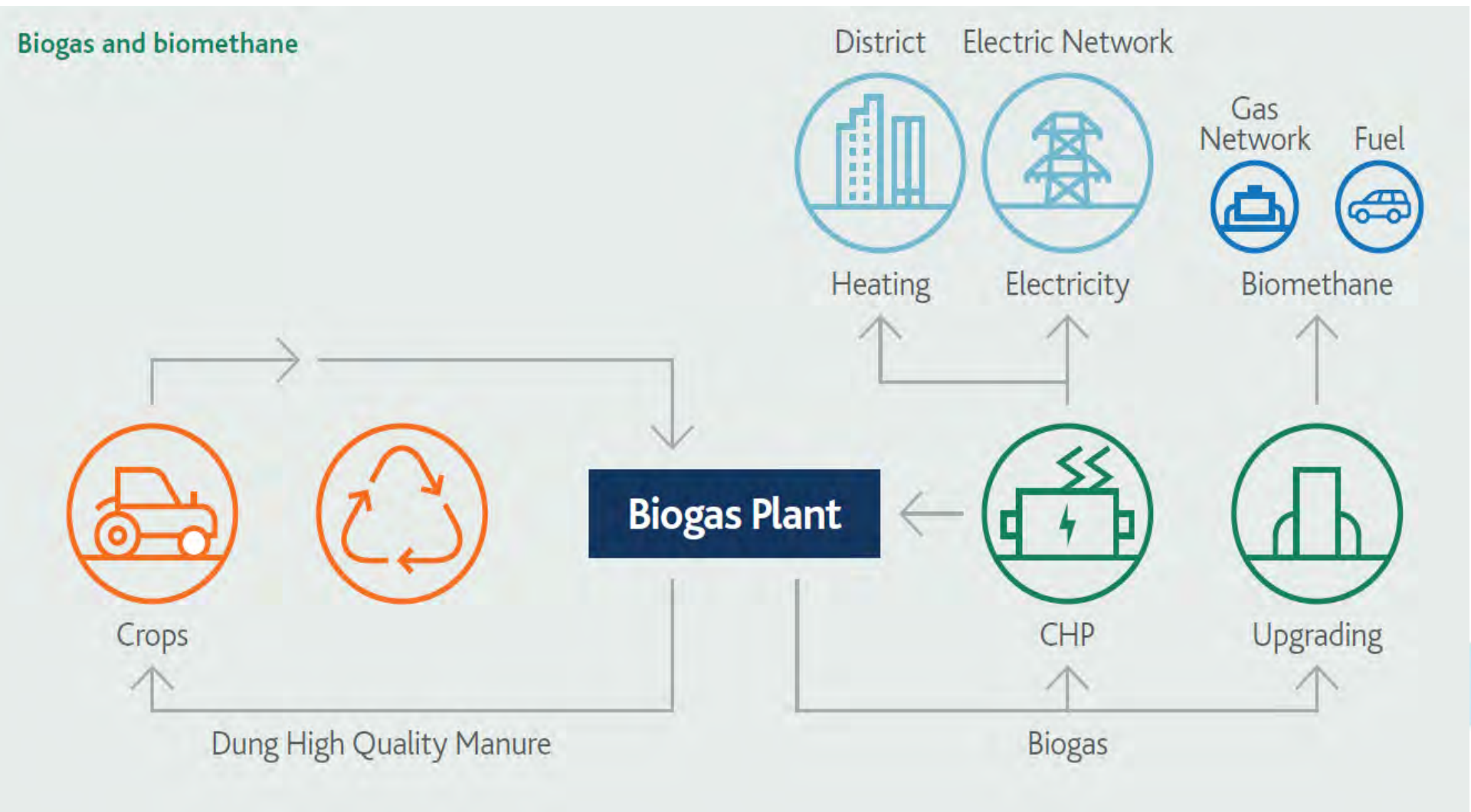
# The new complimentary to RES role of gas and the LNG boom are navigating the transformation of the gas market



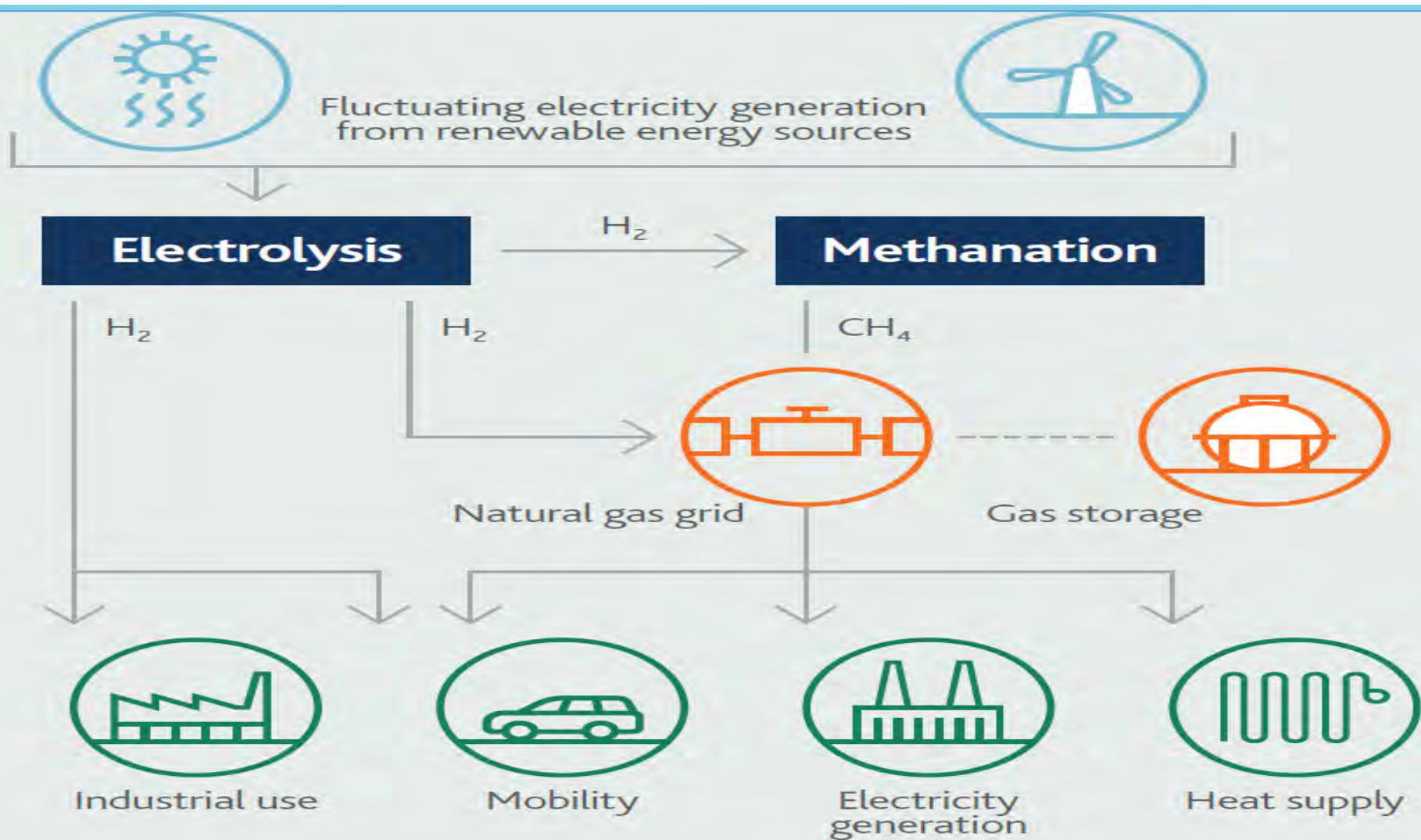
Source: Strategy& analysis



# The gas industry has started efforts towards Its decarbonization by using biogas and biomethane



## ...and by using renewable power to produce hydrogen and syngas



# **The Way Forward for the Greek Gas Market and the Challenges for the Participants**

# Natural gas is an ideal transition and back-up fuel







**Gas can effectively cope with energy efficiency and climate change policies and simultaneously to meet the competitiveness challenges**



**in all sectors of the Greek economy and the society**





## The wholesale gas market in Greece

- Despite positive developments both in the legislative and regulatory regime during the last years the wholesale market is still not functioning properly at national (but also at a regional) level
- The most important barriers and inefficiencies are:
  - ✓ The existence of long-term take-or-pay supply contracts (mainly at DEPA's portfolio), accompanied with long-term capacity reservations at the entry points
  - ✓ Incomplete regulatory regime, particularly in regard to transparency and wholesale price formation mechanisms
  - ✓ The Greek Virtual Trading Point (VTP) is still at its infant stage and thus there is absence of a real gas exchange and/or forward market, as well as lack of any capacity/balancing platform to support a functioning short-term secondary gas/capacity market. The above are also valid at a regional level.
  - ✓ Non-competitive and/or market based balancing procedures
  - ✓ High transmission tariffs, accompanied with complexity in transactions with TSO and market participants
  - ✓ Insufficient market monitoring and absent or flawed data/information dissemination by market facilitators (TSO, DSOs, Regulator)

## The retail gas market in Greece

- The retail gas market is still dominated by EPAs and DEPA while access to distribution gas network in many geographical areas is still limited or simply impossible
- DEPA, besides its (nationwide) supply license has also a 51% stake in EPAs
- Eligibility of domestic consumers will start in Jan 2018
- Regulated end-user's gas prices for non-eligible customers
- Distribution Code and Tariffs Regulation Code haven't tested yet in practice
- Capacity booking and capacity allocation procedures in distribution networks are in their infant phase
- Relatively high distribution (and transmission) system tariffs
- Supply Code is still under preparation
- Unclear public service obligation for retail market participants lead to limited consumers protection
- Lack of smart metering and clear supplier switching procedures
- Consumers cannot find easily information on gas prices and/or other useful data to choose freely their suppliers

# Risks associated with energy transition and gas market transformation

## Short-term

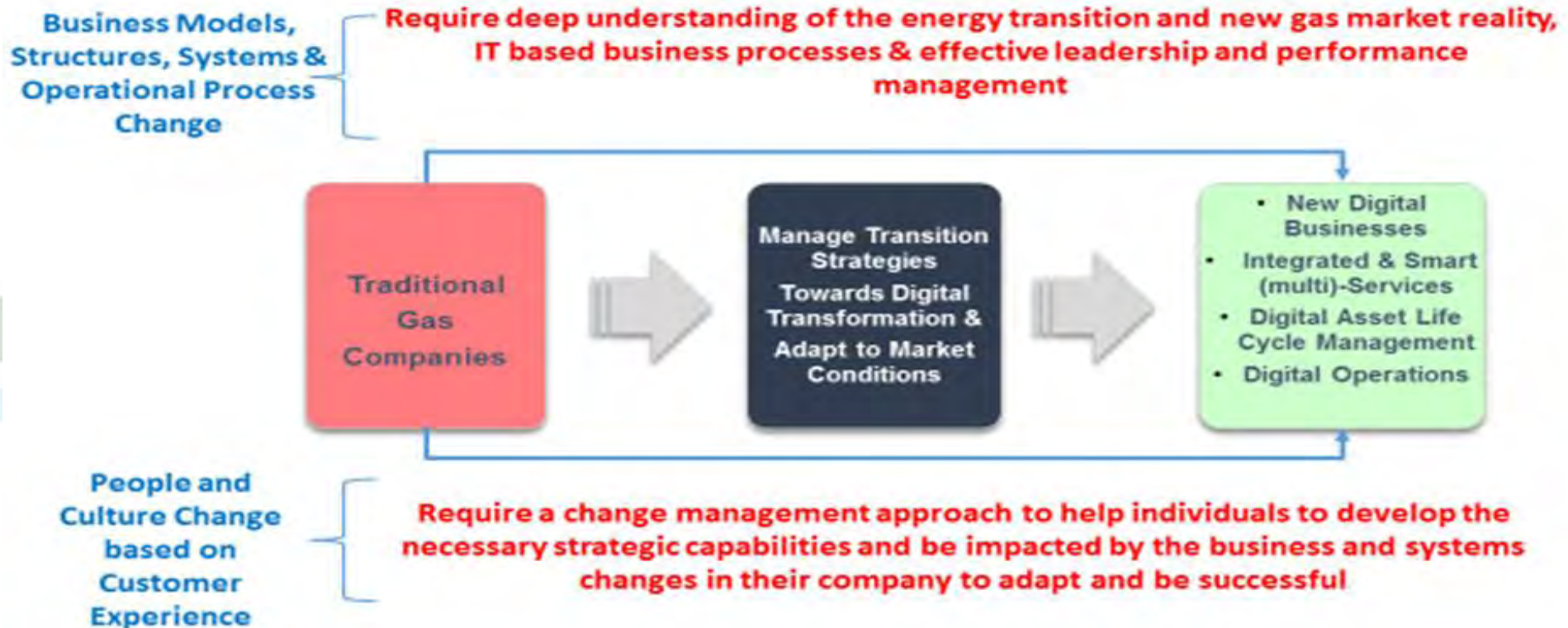
- Long-term contractual commitments risks
- Competition & market share risks
- Take-or-Pay risks
- Regulatory risks
- Assets under-utilization risks
- Profitability risks
- Financial risks

## Longer-term

- Business models' sustainability risks
- Decarbonization risks
- Digital transformation risks
- Innovation, performance & smart services risks
- Long-term competitiveness risks
- Growth & profitability risks
- Investments risks and
- Survival risks

# A Practical Framework for Digital Transformation

- Greek gas players should put digital at the heart of their transformation strategy in order to effectively adapt to new market conditions



- ❖ The gas industry faces many challenges on its journey to successful transition
- ❖ Although gas will continue to play a crucial role in the energy mix in the coming years neither the industry nor the markets will be the same and gas companies should effectively and timely adapt if they are to survive
- ❖ Natural gas is expected to play a key role as transition and back-up fuel for RES in the years to come towards a low carbon economy in Greece
- ❖ Despite the last years' positive legislative and regulatory developments both the wholesale and the retail gas market in Greece are not functioning properly yet
- ❖ Gas players should fully understand the new business environment and the associated risks and adopt effective transition strategies putting digital at the heart of their transformation in order to adapt to new market conditions



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**Thank you for your attention**

**Questions?**

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