

EU's Anti-Fossil Fuel Policies are set to have negative impact on SE Europe's Gas Sector

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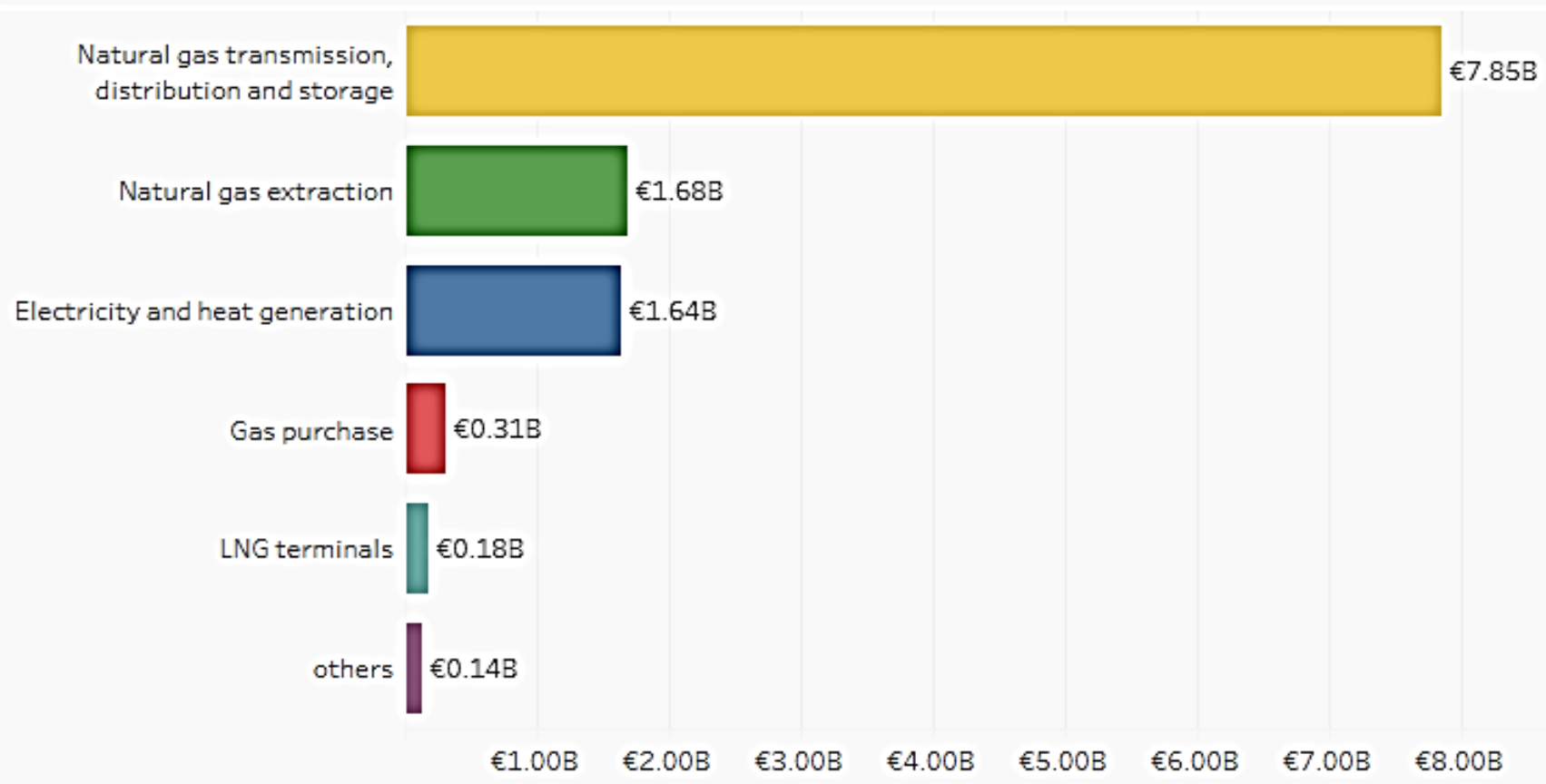
- The growing popular belief of imminent environmental catastrophe due to Climate Change and the resulting dogma of “climate emergency” is distorting discussion on energy policy and pursued strategies

- EU’s political elite appears to have totally embraced a Climate Action approach in laying out the bloc’s latest energy strategy, as this is spelled out in the “Green New Deal for Europe”.

- An open war against Fossil Fuels including Natural Gas has been declared in total disregard to until recently stated policies and agreed commitments (e.g. PCI gas projects, drive to encourage wide scale use of gas for domestic and industrial needs, etc.)

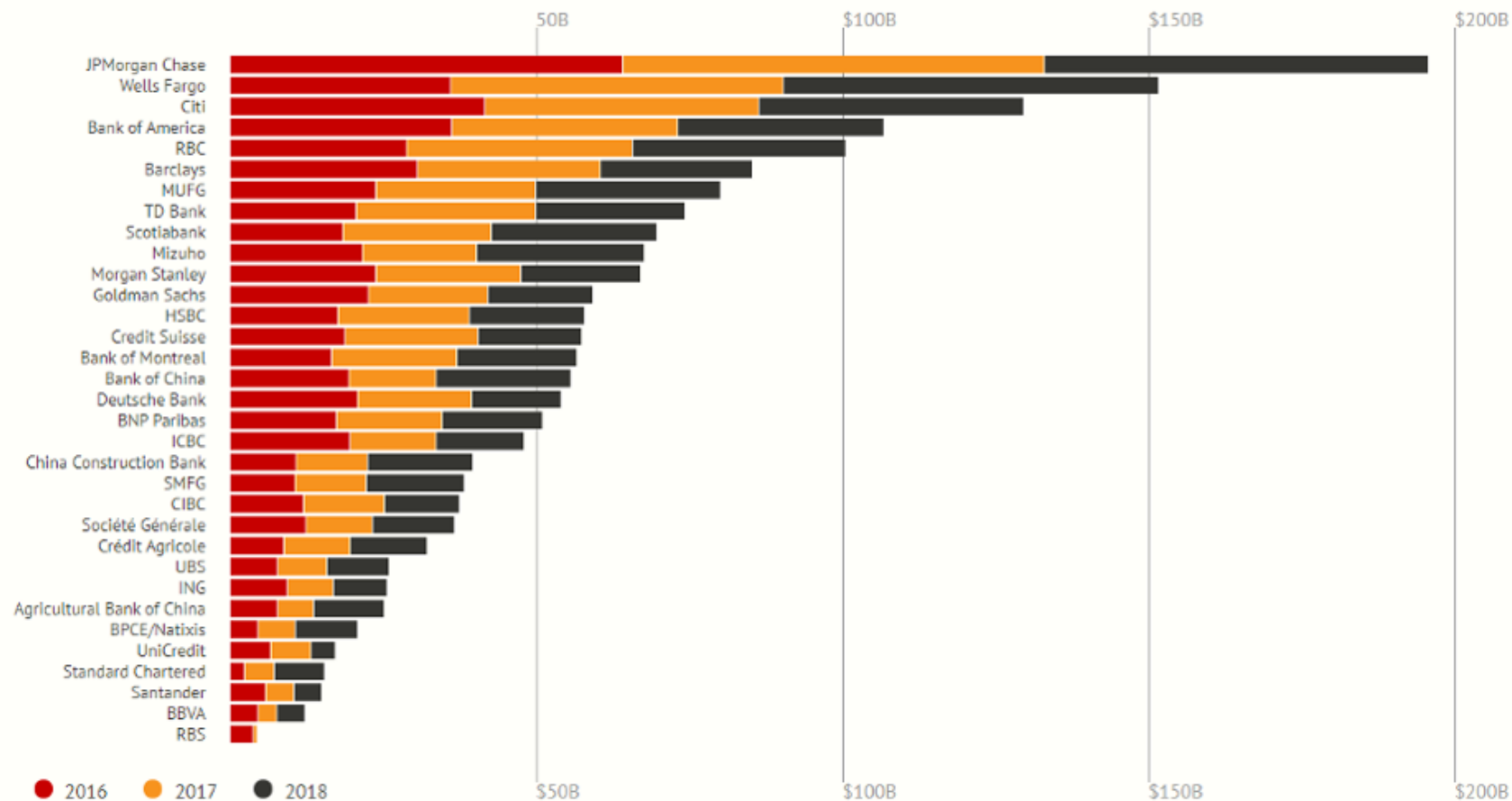
- EIB's decision of November 14, 2019 to suspend all funding to Fossil Fuels projects, including gas, as early as the end of 2021, has set a bad precedent.
- As EIB is the foremost EU lender and a trend setter at that, it is expected that the Bank's example will soon be followed by EBRD, but also by major commercial banks in Europe.

EIB fossil fuel lending 2013-2017, categories of projects, EUR billion



- EIB's decision to phase out fossil fuel funding may have small immediate impact for oil and gas exploration companies angling for a loan, as they obtain their core funding from commercial banks mostly outside Europe, but it is indicative of the battle now raging against fossil fuels by UN and EU driven bureaucracies.
- EIB's share in the financing of fossil fuel projects is rather small since between 2013 and 2017, Bank lent €11.8 billion to fossil fuel projects. That may seem substantial, but more than a dozen banks lent a larger amount last year alone. JP Morgan Chase extended \$62.7 billion in fossil fuel financing in 2018, while the second-biggest lender, Wells Fargo, lent \$61.4 billion.

TOTAL FINANCING FOR ALL FOSSIL FUELS BY YEAR, 2016 - 2018, IN US DOLLARS



- EIB's decision is bound to have a very negative impact on the development of natural gas projects in the SE European region, where approximately €40bn is required over the next 10 years for hundreds of new projects in the 14-country core group which IENE tracks. Unlike the rest of Europe, gas infrastructure in SE European countries is still under development, especially as natural gas has until recently been widely promoted by the EC and governments as substitute to coal powered generation.
- EIB's decision has come under sharp criticism since it not only ignores the geopolitical realities in the region related to natural gas exploration, production and utilization but is also undermining economic development prospects in this poorer part of Europe. In addition, EIB's decision, a mirror of EC thinking, is highly discriminatory against SE Europe.

The Expanded Southern Gas Corridor



NB.: The TANAP has been completed, while TAP, Turkish Stream and IGB are under construction. The IAP, the IGI Poseidon in connection with East Med pipeline and the Vertical Corridor and the IGF are still in the study phase. Blue Stream and Trans Balkan are existing pipelines.

Total Anticipated Investment in the gas sector^{*(1)} in SE Europe^{*(2)} 2020-2030

<u>Country Investments</u>	Scenario A	Scenario B
Main and branch pipelines	€ 18.000	€ 26.000
Gas Storage facilities		
LNG Terminals		
Town Grids		
<u>Cross border pipelines</u> ^{*(3)}	€ 8.000	€ 16.000
Total	€ 26.000	€ 42.000

^{*(1)} These figures do not cover investment in the upstream sector

^{*(2)} SE Europe Core Countries: Albania, Bosnia & Herzegovina, Bulgaria, Croatia, Cyprus, Greece, Hungary, Kosovo, Montenegro, North Macedonia, Romania, Serbia, Slovenia, Turkey

^{*(3)} It includes 18 interconnector pipelines and the East Med – Poseidon project

- In practical terms, EIB's decision can be devastating – unless reversed - for European gas industry, which as early as next year, should start seeking alternative financing not only for new projects but also for expanding and maintaining existing infrastructure facilities.

- So, no more funding from EIB or EBRD and soon from major commercial banks for new underground gas storage facilities, new LNG terminals (land-based or FSRU), domestic or industrial grid expansion and certainly no funding for major gas transmission pipelines or liquefaction plants.



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Thank you for your attention!

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