

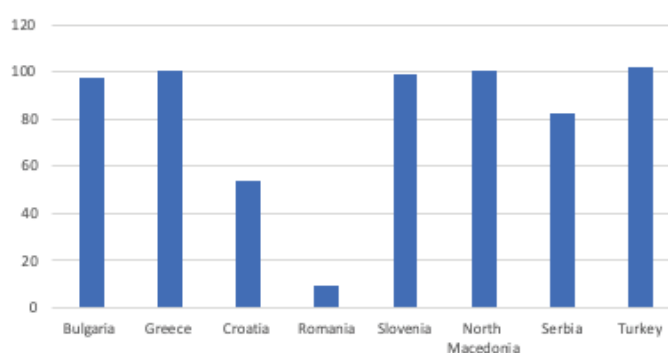
GAS Markets in SE Europe

Natural gas is a relatively new fuel for SE Europe, while a number of countries, especially in the West Balkans, do not yet include gas in their energy mix or they are using minimal quantities. In two key regional countries, in terms of infrastructure and consumption, gas was introduced in late 1989 in Turkey and in 1996 in Greece. But also in the case of the ex-COMECON countries in SE Europe gas was not widely used, since priority was given to much cheaper and locally available lignite with USSR preferring to sell most available gas quantities to Germany and other European countries in exchange of hard currency. In Slovenia, gas also came late when Russia decided that the country could become a key junction for shipping gas to Italy. In this sense, gas markets in SE Europe are still undergoing a development phase.

Today, the gas sector in SE Europe faces significant challenges which are mainly related to the ongoing process of market transformation within the EU but also as a result of global developments, where the fast rise of LNG is testing market norms. The market structure, in terms of ownership and regulation framework, being under consideration for a long time, is currently changing in many countries. The role of the state is reconsidered and the level of privatization and liberalization of gas markets shapes the business environment in each country, creating new opportunities for market players, especially in the retail sector. In the case of Turkey, for example, the presence of new market entities, as a result of the privatization process, illustrates the magnitude of change that the gradual introduction of competition has brought about. Elsewhere, in Greece, where the gas market is fully liberalized, we have seen a radical shift in terms of imports, now dominated by cheap LNG, and huge changes at consumer market level.

As far as the EU member states of the region are concerned and those of the Energy Community, the main challenges include reform efforts for improving the gas market model in line with EU thinking and directives, while drawbacks can be seen in the continuing dominance in many countries' public gas markets structure, the absence of market competition and the lack of diversification of gas supply.

Gas Import Overdependency in SE Europe (2017)



Note: Albania, Cyprus, Montenegro and Kosovo do not produce, import or consume natural gas.

Source: Eurostat

Gas Production and Consumption in Selected SEE Countries (2008, 2018 and 2025e)

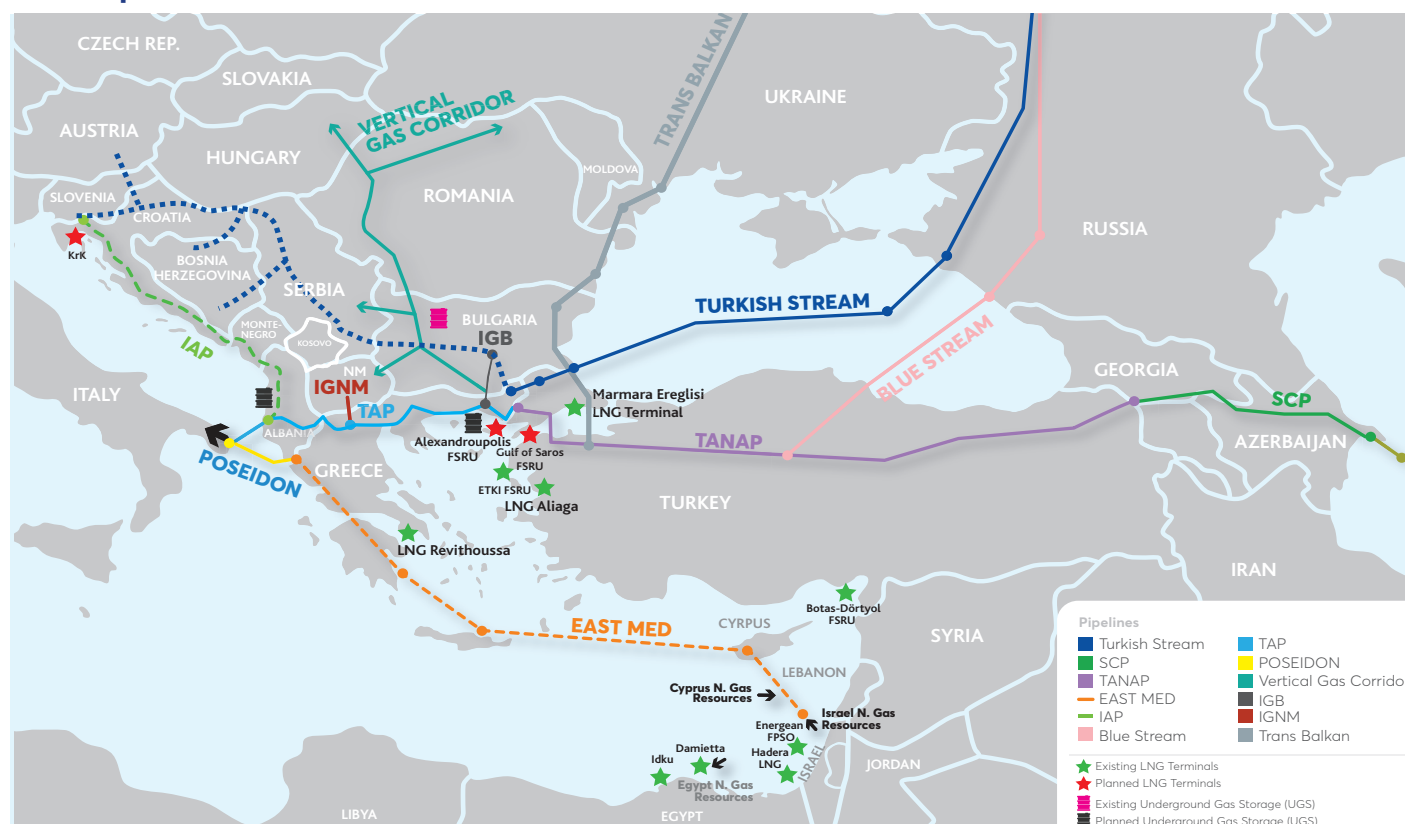
Country	2008		2018		2025e	
	Gas production (bcm/y)	Gas consumption (bcm/y)	Gas production (bcm/y)	Gas consumption (bcm/y)	Gas production (bcm/y)	Gas consumption (bcm/y)
Albania	0.02	0.02	0.1	0.09	0.01	0.22
Bosnia and Herzegovina	0.0	0.31	0.0	0.24	0.0	0.45
Bulgaria	0.31	3.5	0.01	3.04	0.21	4.3
Croatia	2.03	3.1	1.28	2.48	1.52	3.3
North Macedonia	0.0	0.05	0.0	0.18	0.0	0.6
Greece	0.0	4.25	0.1	4.87	0.0	6.0
Kosovo	0.0	0.0	0.0	0.0	0.0	0.0
Montenegro	0.0	0.0	0.0	0.0	0.0	0.0
Romania	11.2	16.9	10.26	11.97	10.02	14.1
Serbia	0.25	1.92	0.45	2.93	0.51	2.8
Slovenia	0.0	0.51	0.0	0.8	0.0	1.07
Turkey	1.03	36.9	0.51	49.64	0.73	56.0
Total	14.84	67.46	12.71	76.60	13.00	88.84

Sources: IENE, IEA, 10-year Development Plans of gas TSOs

Over the last 10-12 years, we have seen the emergence of a number of projects involving the construction of major, and smaller, gas pipelines across SE Europe. Most of these projects have evolved around the so-called South Corridor, through which gas from the Caspian region would be channeled to energy demand European markets, via several countries in SE Europe.

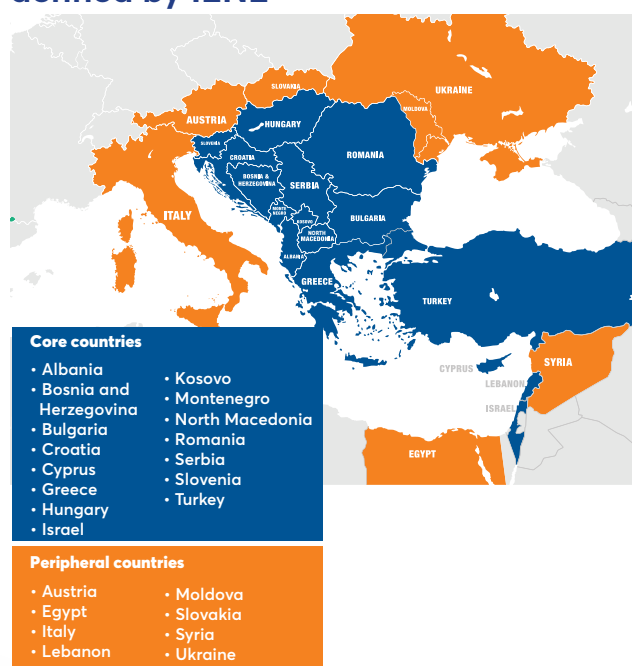
Some of these projects, grand in formulation and ambitious in terms of deliverable gas volumes, have collapsed (e.g. the Nabucco pipeline), while others have been mothballed (e.g. the ITGI route). Other grandiose schemes such as the South Stream, although strictly speaking outside the remit of the South Corridor, but of relative importance, have been cancelled and pushed aside mostly due to political considerations, part of the never ending East-West (read USA/ EU-Russia) wrangle. In view of a preponderance of new regional projects, recently completed or under development, it is time to redefine the South Corridor, as already proposed by IENE, by including all different routes and gas supply sources. Therefore, an Expanded South Corridor, as shown in the following map, may be considered and defined as such, to include all major gas trunk pipelines, LNG terminals and FSRUs.

The Expanded South Corridor



NB: The TANAP has been completed, while TAP, Turkish Stream, BRUA 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.
Source: IENE

The SE European Region as defined by IENE



Who are we?

The Institute of Energy for SE Europe (IENE) is a non-profit organization active throughout South East Europe, focusing on energy policy and analysis but also on information dissemination. IENE aims to promote a broader understanding of the major energy and environmental issues in the region.

A key objective of the Institute is to contribute towards the implementation of the European Union's sustainable strategy which combines economic and social development, security of supply, environmental protection and climate change mitigation.

Further information on the Institute, its mission and vision and its various activities can be found in www.iene.eu

