



13TH SE Europe Energy Dialogue

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Conference Overview and Conclusions *Rapporteur's Report*





13th SEE Energy Dialogue, Thessaloniki, 16/17 June 2022

Conference Overview and Conclusions -

Rapporteur's Report by John Roberts

In his opening remarks the Chairman of IENE, Costis Stambolis, observed that “since 2019, when the last SEED conference took place, we had some major developments at IENE as we managed to expand the partnership base of the Institute by including all 13 countries of the so-called core area of the region. With at least one partner in each country the Institute is now in a much better position to address the challenges which lie ahead and tackle all the different energy issues faced in the region. So, IENE now has partners in 13 countries including Bulgaria, Romania, Serbia, Croatia, Bosnia & Herzegovina, Montenegro, North Macedonia, Kosovo, Albania, Turkey, Israel, Cyprus and Greece. Branching out to Austria, Slovenia, Hungary and Egypt is in our immediate plans”.

"Today", continued IENE's Chairman, "we are back with the 13th edition of this major regional energy event which right from the start it was conceived as a unique gathering spanning the entire energy spectrum. A gathering of interested energy professionals and company executives willing to commit their efforts in strengthening cooperation between all different countries in the region, improve understanding and foster closer energy links by overcoming year old problems, historic differences and social antipathies. Have we succeeded in this ambitious goal?"

“Yes and no” Stambolis replied to this rather rhetorical question. “In a practical sense, as far as energy matters are concerned, we have indeed managed to bring round the same table almost all countries in the region. In a political sense maybe, we have not managed as much” IENE's Chairman pointed out. “And this is understandable because the SEED is not a political forum. Also, because politicians, although they could, they choose not to get involved with forums like ours. But when they do they get astonished on how effective the regional network which IENE has established over the years can be”.

“In the course of the last 15 years a lot has changed in terms of energy market structure and operation”, underlined IENE's Chairman. “Market liberalization, which was once an elusive dream, is now considered the norm with electricity and gas market competition well established at retail level in most countries. And although admirable progress has been achieved in yearlong problems related to market operation as a result of the brewing crisis over the last 12 months priorities have changed once more”.



Summing up the present situation the Chairman of IENE observed that, “Following speedy recovery from the coronavirus pandemic and global energy demand recovery, energy markets, long before war in Ukraine, had started to upend. This had become particularly obvious in the case of Europe since the summer last year. Today global energy markets are on the edge, with mounting supply problems in oil, gas and electricity. Prices appear to be spiraling out of control. Europe, energy wise, is in a truly perilous situation; far worse than other parts of the world. Energy security has returned as number one priority in energy policy as governments are obviously concerned with the very real possibility that uninterrupted energy flows can no longer be taken for granted. Hence, the choice of theme for this year’s Energy Dialogue, is **“Energy Security, Market Integration and Sustainability in SE Europe”**, as we wish to draw attention to the three main challenges confronting the regional SE European energy markets”.

The Conference was structured along ten main sessions with the following headlines: Session I: Global and Regional Overview, Session II(a,b): The War in Ukraine and Europe’s Energy Dilemmas, Session III(a,b): Diversifying the Regional Gas Market: Alternative Gas Routes, LNG and Biomethane, Session IV: The War in Ukraine and Energy Security Implications for SE Europe, Session V: Networks, Energy Storage and Innovations for Higher RES Penetration, Session VI: Energy Efficiency First: Global Dimension and Regional Prospects, Session VII(a,b): Electricity and Gas Market Integration in SEE, Session VIII: The Green Agenda and Decarbonization Challenges in SEE, Session IX: Enhancing Hydrocarbon Exploration in SEE, Session X: Energy Investment Challenges

There was a point at the end of some heated discussion in Session 2 when **Charles Ellinas**, Senior Fellow, Global Energy Center, Atlantic Council, turned to his fellow panellists and proclaimed: “None of us challenges climate change”. It was a crucial statement since much of our discussions had revolved around the issues of fossil fuel supplies, particularly gas, and the infrastructure required to deliver them to market.

This was of, course, a consequence of the way in which President Putin’s invasion of Ukraine on 24 February has forced the European Union in general, and South East Europe in particular, to confront two massive energy problems simultaneously: the need to control and reduce fossil fuels to curb carbon emissions and the need to ensure supplies of oil and gas required to compensate for supply reductions from Russia.

The overwhelming conclusion to be drawn from these two dilemmas was simple: energy security is back. It is once again a driving force in overall EU policy and in the national policies of many EU member states. This led **IENE’s Chairman** to openly wonder, “Can we afford to guarantee continuous energy provision while at the same time pursuing largely unattainable



and expensive green policies? These are no doubt hard choices and present major challenges which will be hotly debated in the sessions to follow”.

The conference took place against a very difficult background. As it opened, Gazprom announced that it was cutting supplies through its Nordstream 1 pipe to Germany by 60%, citing problems in getting compressors repaired because of international sanctions against Russia. On the second day, France disclosed that it was no longer receiving direct gas supplies from Russia and analysts were noting that the supplies of LNG and the capacities of regasification facilities might well prove insufficient to enable EU customers to make up for the absence of some 22 bcm that would normally reach them via Nordstream 1. The Nordstream reduction, together with an explosion on 8 June cutting deliveries from the Freeport LNG facility in Texas for at least three weeks, means the ability of many EU members states to build up their storage levels to 80% of capacity by the start of November is currently very much in doubt.

Moreover, of course, there are questions concerning the timing of the Nordstream reduction, with the early impacts felt just as the heads of government of Germany, France and Italy, and the President of Romania, were visiting Kyiv to demonstrate their continued support for Ukraine. To many, the Nordstream reduction was a clear political act, with **Frederick Bernthaler**, of the Central European Gas Hub in Vienna, saying the cut-off to France was “tightening the noose around Europe.”

The constraints imposed by Russian and US supply reductions prompted **James Watson**, Secretary General, EUROGAS, to ask “do we believe in the REPowerEU plan”. He noted that one version in March had envisaged a 100 bcm cut in EU consumption by the end of 2022, more than a quarter of the EU’s 2021 consumption of 379.9 bcm, while a subsequent version initially seemed to anticipate only a 50 bcm cut and perhaps this meant the plan was starting to look realistic.

Ukraine, as Charles Ellinas pointed out, “brought home the enduring importance of fossil fuels.”

There were other elements that came back as well. Both Watson and **George Polychroniou**, Executive Director Strategy & Business Development at DEPA Commercial, cited the need for long-term contracts, with Watson saying: “We have to recognise that we are going to have long term contracts again. Long term contracts will have to be part of the equation, otherwise that gas will simply go to China.” What’s more, Watson declared: “We have to start building things today. We need to sign contracts today.”



Supply pipelines, not just interconnectors, were back on the agenda, Watson argued. He singled out presence of the East Med Pipeline, intended to carry gas from the Eastern Mediterranean to Greece and Italy, on the EU's list of Projects of Common Interest (PCI). This means, he said, that "the EU is still committed to financing pipelines."

Then there were the fossil fuel resources that, in a pre-invasion context, when renewables were clearly prioritised, were considered unlikely to be developed. The North Sea, Watson argued, could produce much more gas, with the Netherlands sector alone capable of producing some 200 bcm. However, he added, it's much more expensive to develop than Russian gas "but that's the new normal."

If this provided hope for those like **Shkelqim Bozgo**, the Managing Director of SEA Consulting, who considered that Ionian Adriatic Pipeline (IAP) to connect Albania with Montenegro, Bosnia-Herzegovina and Croatia might also be back on the agenda as a proposition worthy of serious assessment, it still left two key questions left unanswered. The first was where would the money come from the pay for new pipelines? The East Med line is costed at €6-10 bn and the IAP at around €600m. The second is what would be the supply sources for new or expanded infrastructure, notably for the prospective doubling of capacity in the Southern Gas Corridor from 15 to 32 bcma from Azerbaijan to Turkey and from 11 to 22 bcma in the Trans Adriatic Pipeline (TAP) from Turkey to Italy.

Bozgo argued "Now we have a business case for South to North gas flows: in South East Europe, and thus a business case for IAP. Supporting factors included an FSRU terminal at Vlore, just 30 kms from the TAP line, and potential development of small scale LNG or CNG, along with gas to power. However, Bozgo cautioned, market integration was not working, but "is still in progress." And while there were plans for new corridors through which hydrogen could be distributed within the European Union, there was still a "black hole in western Balkans."

One of the key questions was asked by **Evgenia Gusilov**, an IENE Partner and Director of the Romania Energy Center in Bucharest: "What are the signals necessary to ensure long-term investment." This highlighted the paradox that the requirement for major investment in such elements as LNG regasification terminals – for which Watson considered a Marshall Plan approach was necessary – was that they would have a long term future. The Ukraine invasion certainly means there's an immediate future for such investments, but there are real questions as to whether the private sector is prepared to make such investments in view of its current seeming preference for buying back shares and paying out high dividends to shareholders while there are also questions as to whether the EU's climate change policies will support long term investment in extensive and expensive gas development and infrastructure.



This brought up another criticism of the European Commission's manner of developing energy policy. **Leo Drollas**, a UK based economist and independent energy consultant, argued that the Commission relied too much on modelling. "Using modelling to attain an objective is always dangerous. Brussels has to pay more attention to what is needed at various times and not deal with 2040 or 2050". Given the potential for market changes before then, Drollas continued, "who knows what will happen in 2040 or 2050?." Drollas concluded: "Modelling is one thing, practicality is another."

He was backed in this by various speakers, who argued in particular that renewable energy policy was not delivering practical results and that "one should not make long term energy policies in the middle of a crisis." Likewise, there were arguments that existing EU policies concerning the development and encouragement of renewables were not working, although it could be argued that they were not working yet but they were nonetheless on the right track.

There was a considerable range of discussion on fuel supplies. **Tim Yeo**, Chairman at the UK based New Nuclear Watch Institute (NNWI), argued that nuclear power was required for baseload as solar and wind power were intermittent. Greek participants argued their country was well suited to nuclear, hinting at the prospect of small nuclear plants with a reference to the suitability of islands as locations for nuclear plants. There was an argument for biomass on similar grounds, that it was the only renewable that could generate electricity 24/7. Actually, there was another such source, geothermal, noted by **Tamer Emre**, the Director of Market Operations at the Energy Exchange Istanbul (EXIST). Turkey was a leader in geothermal and its potential was very considerable indeed, Emre said.

Specific elements

A host of subjects drew repeated attention.

Energy Security and Climate Change

The balance between the immediate requirement for energy security and the need to tackle climate change was at the heart of a question posed by IENE's Chairman, **Costis Stambolis**: "do we want electricity and gas now, or are we prepared not to have electricity and gas because we are afraid the next several years will see the biosphere collapse." Moreover, Stambolis noted, SE Europe faces higher energy security threats because of its proximity to conflict zones, refugee routes and vulnerable energy infrastructure. At the same time, the region included countries with particularly high levels of energy poverty

Evgenia Gusilov considered we were on the cusp of history. "We are witnessing a watershed moment, a fundamental change in the energy architecture of Europe, brought on by Russia's



aggression in Ukraine. Energy supply relations forged over decades are breaking down and new ones are forming. This is a hugely disruptive moment, which is painful for everyone, but which will ultimately accelerate processes that would have taken decades to complete (such as energy transition). The ripple effects of Russia's war in Ukraine are manifold: higher energy prices, the convergence of several crisis (in natural gas, electricity and now also in the oil market), higher inflation, rising cost of living. All this hurts our pockets - big time!."

Gusilov argued that while Russia's behaviour in Ukraine is so appalling that European countries are prepared to suffer just to express their opposition to Russia's actions, the consequences were expensive. "Decoupling from Russian energy is not some pleasure, it involves headache, seeking new suppliers, concluding new contracts, paying a higher price for the deficit created on the EU market by the removal of Russian barrels or natural gas volumes." So far, Gusilov argued, Europe has been lucky so far in terms of the availability of LNG due to China's lockdowns and reduced economic activity. But, she warned, "things may not be as easy going in the second half of 2022."

Market Integration

There was a major focus on market integration, and considerable debate concerning the ability of markets to deliver responses to the challenges of climate change and invasion-prompted fossil fuel shortages. Frederick Bernthaler, addressing the issue of price volatility, put it this way: "How can we oversee our energy system when we are so dependent in just one producer?"

There were repeated comments that integration was slower than necessary and that there was a need for a balancing market. **Dr. Ioannis Kambouris**, Chairman & CEO of the Thessaloniki based Southeast Electricity Network Coordination Center (SEleNe-cc), bemoaned the lack of a biomethane market – and also asked one of the most pertinent questions at the conference: How do networks maximise social welfare? There was no clear answer given, other than that this was a problem that had to be effectively addressed if Europe in general, and South East Europe in particular, were not to see an alarming spike in energy poverty next winter, with all the trauma attendant on increased illness and death resulting from household inability to pay for gas or electricity.

In general, there was a strong view concerning the need to increase integration and to ensure fairer prices – and to cover the premiums necessary to pay for such insurance policies as LNG terminals, FRSU acquisitions and revamped or new interconnectors such as the IAP.



Storage

There were constant reminders of the need to focus on energy storage in order to balance the region's current mixed reliance on fossil fuels and renewables and to ensure maintenance of an effective transition to a renewables based low-carbon future. We can't do without large-scale energy storage, as **Dr Stella Zacharia**, Head of Energy and Regulation, Terna Energy SA, declared. She was immediately followed by **Mr Zisimos Mantas**, Head of Project Development and Licensing at Greece's Motor Oil, who reminded us that Motor Oil was actually developing battery storage.

Martin Georgiev, CEO of Bulgaria's National Electricity Company cited the practicality of integrating the use of renewables with pump storage backup. Georgiev detailed developments at Bulgaria's pump storage and hydropower system at Chaira, the biggest pump storage and hydropower plant in Europe, where an expansion to raise availability of power from 8.5 hours in generating mode to 20 hours and from 10.7 hours to 22.5 hours in pump storage mode is currently in the works.

Yannis Vougiouklakis, Director of Strategy for PwC in Greece, argued that Greece required a support scheme for electricity storage facilities and grid connections, along with a framework for licensing and operations. Likewise, **Dr. Mustafa Tiris**, General Manager of TDinamik Energy in Turkey, said that while Turkey was looking to secure 50% of electricity from renewables in 2040 as part of its drive for a carbon-free energy future, there was a need for development of energy storage systems.

The use of buildings for energy storage was touched on by a number of speakers. **Roman Matkiwsky**, Director for Energy & Infrastructure at the Black Sea Trade & Development Bank, Greece, noted the use of offices for energy storage. **Costas Balaras**, Research Director at IERSD-NOA, Athens, expounded on the Sustainable Cities initiative which was helping to curb emissions in cities such as Irbid in Jordan and Sousse in Tunisia. Regulations concerning business buildings and decarbonising building stock would help the EU to meet its emissions targets, Balaras said, but it was also crucial to reduce demand and to promote energy efficiency. "Minimise demand; otherwise the problem is insoluble," Balaras argued.

Ms. **Boyana Achovski**, Secretary General of Gas Infrastructure Europe (GIE) said that switching to LNG offered an immediate 23% reduction in greenhouse gas emissions – and that, looking forwards, there would be further reductions with the advent of bio-LNG and then synthetic LNG. These would contribute to reaching zero greenhouse gas emissions in 2050.



Carbon Capture

Dr Katerina Sardi, Energean’s country manager for Greece, stressed the need for carbon capture and storage (CSS) and outlined Energean’s project for a small scale CCS plant at Prinos capable of handling about one million tonnes of Co2 . She added that CSS should be tied in with hydrogen development. At present, she said, hydrogen is three times more expensive than gas, and there is no supporting infrastructure – which was the situation for renewables 20 years ago.

Investment – and cash

The discussion on investment needs took place against the background of the loss of investment in infrastructure and refineries that preceded the crisis as Europe increased its focus on renewables. Consideration of investment itself prompted renewed attention to that ever present concern: money. Costas Balaras noted that in the first 100 days of the Ukraine war (24/02 to 03/06), Russia had earned €93bn from sales of oil, gas and coal. The EU accounted for around 61% of these sales, worth about €57 bn. Balaras noted that despite a 23% drop in export volumes, Gazprom revenues this year were so far twice as high as in 2021. Was it not time to deprive Gazprom of this income, or could the EU simply not afford to do without at least some Russian gas?

There were arguments on both sides, but no one openly raised the possibility that this might be a somewhat academic dispute should the current reduction in Nordstream 1 deliveries prove to be the precursor to a total or near total curtailment of Russian gas supplies.

Less attention was paid to supply and the dilemma of how to marry the timeframe required to cope with the energy consequences of Russia’s invasion of Ukraine and the very different timeframe required to tackle climate change. As James Watson put it: How do you expect financiers to put up money for projects if the Commission’s rhetoric is that this is only needed for five years?

Leo Drollas made a similar point with regard to shale oil development . There was a huge disparity between the current price of \$110 a barrel and an actual production cost of \$40 a barrel, but no investment boom. This was because, Drollas said, “shareholders simply want to see a return on existing investment .”

Drollas had more to say on the vexed question of energy prices, noting, as did many others, that “Petrol and diesel price hikes impact everyone.” In just one year, gasoline prices had gone up 90% on wholesale markets; diesel by 100% in the Mediterranean and jet fuel by 120% in one year. He noted how important Russia was as a major exporter of diesel and of vacuum gasoil (used for middle and lighter distillates) and that the response to Russian actions was



massive investments in alternative energy sources. The European Union, he said, has been taking decisions to decrease gas use “in a knee jerk reaction” and replace with renewables. However, Drollas cautioned, “Putin is not going to be there forever. The situation is going to change; the war will end at some stage; discussions will change. We can’t set in stone and go for these fairly expensive investments without pondering what might happen.”

Infrastructure

Ms. Boyana Achovski, made the case for investing in alternative gas routes, LNG and biomethane and in projects that would diversify the regional gas market. “Infrastructure is a challenge,” she said; new transportation capacity investments are needed. Today, she argued, we cannot actually manage all the volumes we anticipate that we need.

Infrastructure was also at the heart of one of the most fascinating presentations, that of **Professor Andrey Konoplyanik**, an adviser to the Director General of Gazprom Export LLC and the only Russian taking part in the conference. Konoplyanik delivered a balanced presentation notable for the practical manner in which he addressed a key question: just how effectively can LNG from the United States – and, indeed, from other LNG suppliers – compensate for reduced reliance on Russian gas, as envisaged by the European Commission.

“How will this LNG best enter Europe to substitute Russian gas supplies, since LNG comes at the coastline and Russian delivery points are in the mid-continent? What consequences will this have? Who will benefit and who will lose?” Konoplyanik asked. He presented a slide showing six choke points within Europe that limited LNG flows from the coast to inland markets. But Konoplyanik also showed how this could be overcome, through innovative use of existing pipelines, including reversing the Trans Balkan Pipeline traditionally used by Gazprom to carry Russian gas to Turkey, Greece and other regional destinations, and by utilizing gas storage in Ukraine. “Here is the most important point: if/when re-gasified US LNG (through yet to be fully developed “North-South” corridor within East Europe) reaches the Ukrainian gas transit corridor, it can use available capacities of this corridor in a west-bound direction from Western Ukrainian underground storage.”

Konoplyanik made two key points concerning what he considered to be current US, and perhaps EU, policy to kill Russian competition. “*To kill the competitor number one,*” he said, requires the EU to cut off Russian gas in Europe by putting ‘security of supplies’ issues on top of the political agenda. The actual price of such actions was immaterial.

“*To kill the competitor number two,*” he said, means to diminish global European competitiveness beyond energy, by substituting cheaper Russian pipeline gas with what he termed more costly ‘freedom molecules’ of US LNG at the burner tip in the EU. Konoplyanik argued this will increase the energy costs for European manufacturing “and will diminish its



global competitiveness while providing a market for US LNG and thus supporting US domestic industries.”

It was a pity there was no US presence to answer these questions or counter Konoplyanik’s arguments.

Affordability

It was striking how many presenters raised the issue of affordability, not only in terms of large scale investment but in terms of ordinary household spending. In western Europe , **Ms. Liana Gouta**, Group Director Energy Policy and International Affairs, Hellenic Petroleum argued, some 60% of households could afford to buy a new car but in Central, Eastern and Southern Europe the level was generally around 20% – and that was before any consideration of the higher costs of electric vehicles.

But there was still a more basic issue. Time and again speakers focussed on the need to have mechanisms in place to ensure we got through next winter. **Professor Ionut Purica** of the Romanian Academy and World Energy Council, spoke of the need to factor in human costs, the cost of living, affordability.

Quite clearly, **John Roberts** noted, current high energy prices are impacting on demand raising concerns about demand destruction amongst both residential and industrial consumers. It is a worrying thought that the policies and practices of today – and whatever changes are made in the next few months – may well be judged by the number of excess deaths next winter amongst households who simply cannot afford to pay the cost of conventional gas or electricity and lack access to alternative fuels and have only the most basic means to improve their insulation and energy efficiency.

Domestic Resources

References to domestic production of traditional fuels were scarce. There was a comment that domestic production would be important for Romania, and possibly Bulgaria, while Evgenia Gusilov noted that “one piece of good news in all this gloom and doom is the start of production by Black Sea Oil & Gas in Romania's Black Sea offshore in mid-June which will add 1 Bcm/year to the domestic gas market, offsetting some of the decline observed in recent years Romania's domestic gas production.” But there was only a passing reference to Turkey’s Sakarya field, due to come online in 2023, while James Watson’s reference to North Sea production, previously noted, was an outlier.

The chief exception was, quite naturally, the Eastern Mediterranean. But while there were plenty of references, there was less substantive discussion of either current developments or



of the prospects for potential development of the East Med Pipeline. In this context, however, there was one striking comment from **Efthimios Tartaras**, a project geoscientist and management consultant with HHRM, a state controlled company established to manage the upstream sector. Tartaras called for a balanced approach to a carbon-free future energy development based on four pillars: natural gas development, CCS, offshore wind and hydrogen. He then added, with regard to Greece: “Conservative estimates point to gas reserves worth up to €250 bn.”

Energy System Architecture

Tartaras was one of many speakers who tackled what they called the architecture of our energy systems and the need to change this architecture. Our civilisation is based on energy, he said. There was a need to promote synergies between the oil and gas industry and new energy technologies and to think along a long term horizon when it came to financing projects. He spoke of the energy trilemma – Energy Security, Energy Sustainability, Energy Equity – saying: “The Energy Crisis is not short term” and arguing that “independence can only be achieved through development of domestic resources.” He added: “We strongly believe all energy resources should be exploited. Yes, we are pushing for carbon neutrality, but we need to develop natural gas.”

One of the moderators, Dr **Nicolas Farandouris**, Professor at the European Chair Jean Monnet, University of Piraeus, argued that the European Commission needed to take steps to fix what he termed “this non-functioning energy market.” **Costas Theofylaktos**, Secretary General of IENE and Chairman of the Energy Efficiency Committee, the chairman of IENE’s Energy Efficiency Committee, provided a specific example of market failure. “Is the energy model we’ve used over the last decade not working properly?,” he asked. “For example; a power plant producing electricity and all the thermal is going in the air.”

There was also a notable intervention from **George Kremlis**, Principal Advisor to the Greek Prime Minister on Energy Climate, Environment & Circular Economy. Kremlis stated: “The era of cheap energy has ended. We clearly need a new energy union.” He added that Europe required “a new energy architecture to be able to tackle all the energy problems we have been facing.”

Ms. Liana Gouta worried how would the manufacturing sector be able to deal with current market conditions. “In order to respond to the challenges, we need an enabling framework,” she said. Evgenia Gusilov was asked how the market would have to function to make it part of the Romanian energy security. She replied that the market need to provide the signals the private sector was expecting to receive. She declared: “We don’t have a clear view of what kind of industries we want to have – such as hydrogen. These questions were not raised, so therefore they were not answered.”



Professor **George Ioannou**, CEO of Greece's EnEx Group, spoke of the need to tackle non-market barriers, stressing the need for successful balancing markets and stating: "Most important: the need to increase market activity in order to ensure fairer prices". **Antonis Kontoleon (UNICEN)**, Chairman of the Board of Hellenic Union of Industrial consumers of energy, argued that the Greek electricity market still retains the characteristics of an oligarchy and that "the energy crisis magnifies the structural deficiencies of the market," not least through the continued use of lignite. Development of a full balancing market was still awaited. Professor **Pantelis Biskas**, of Thessaloniki's Aristotle University, Thessaloniki, also emphasised this point, saying there was a need for more entities to enter a balancing market to make it more competitive. He expected this to happen in next three to six months. He added there was also a need for energy storage, in the form of batteries, to improve balancing.

Russian Gas and the fuel mix

There was naturally considerable discussion about the future of gas in view of uncertainties concerning supplies from Russia. Charles Ellinas argued that getting rid of gas is going to be very difficult, the principal problem being the intermittency of renewables. "Renewables need backup and that means natural gas is becoming even more important," he said. Ellinas argued that the energy crisis predates Ukraine, not least because of Covid and financial constraints. But the measures being taken to decouple from Russian energy supplies were increasing Europe's dilemma.

Dr. **Pantelis Capros**, Professor of Energy Economics at the National Technical University of Athens and Chairman of IENE's Scientific Committee, noted "the soaring price of natural gas" whilst also making the argument that "The issue of gas origin is of much lower importance after 2030 due to low demand in all scenarios."

Dr. Capros considered that it is feasible to see EU consumption of Russian gas halved in 2023, driven down further in 2024 and that "It is feasible to get zero Russian gas already in 2025." This would come "mainly through a significant shift to LNG facilitated by an adequate adaptation of the pipeline system. "However, he did not elaborate on where the supply would come from.

Electricity and energy efficiency

High costs for gas and electricity naturally threw a spotlight on energy efficiency and on the need to broaden cross-border electricity connections., a subject addressed, inter alia, by both George Ioannou and **Milos Mladenovic**, Managing Director, South East Europe Power Exchange (SEPEX) in Serbia. Mladenovic spoke of a move to expand regional interconnection by encouraging existing power exchanges and DAM areas to promote cooperation throughout the Balkans and much of Central Europe. Ioannou noted improved electricity



interconnections between Bulgaria and Romania and Greece and Bulgaria. **Dr. Ioannis Kambouris**, Chairman & CEO, Southeast Electricity Network Coordination Center, Greece, spoke on the integration of EU electricity networks, and the way in which they “maximise social welfare”

Costas Theofylaktos emphasised the need for incentives for energy efficiency. “The most important is money,” he stated. **Roman Matkiwsky**, Director for Energy & Infrastructure at the Black Sea Trade & Development Bank, Greece, highlighted the role that EU regulations were playing in promoting energy efficiency. He particularly cited regulations “ensuring that all new buildings are solar ready and that domestic households are able to benefit from their own generation of solar energy.” In Greece, Matkiwsky thought, this could prove a game changer. He also noted the use of offices for energy storage.

Such comments commonly overlapped with discussions of various forms of renewables. Costas Theofylaktos noted the important role of hydro in the Balkans. **Ms. Anthi Charalambous**, Chair of the International Solar Energy Organisation of Cyprus, naturally expounded on the development of solar power in Cyprus, a subject reflecting the energy dilemmas Cyprus faces in view of the complexity of developing its offshore gas resources. Dr Capros, for his part, focussed on wind,, saying it “wind power operates much more than 28% of the time, and it is by far the cheapest way of making energy.”

For **Nicolas Sofianos**, IENE Partner and Chairman of IENE’s Renewables Committee, realism was the motif, with old energy sources seen amongst the new. There is, he said, “a need to replace, renovate old power plants; to deal with the real-world situation in South East Europe.”

Conclusions

The downbeat approach of so many speakers epitomised the atmosphere at the 13th South East Europe Energy Dialogue. **Kaloyan Staykov**, Chief Economist at Bulgaria’s Energy Management Institute, summed both the mood and the substance of the region’s current energy dilemmas when he declared: “I’m not very optimistic. It’s not the direction, but what the pace is and what path we are taking to reach our goals.”

Dr. **John Basias**, former Chairman and CEO of HHRM, gave us one of the most straightforward conclusions when he reminded us that it takes time to pass from one energy source to another. It took 40 years from the discovery of oil in Pennsylvania to the arrival of the motor car and 100 years before the last village in Greece received electricity in the 1960s, Basias noted.



Tereza Fokianou, President and CEO of Flow Energy and Environmental Operations SA and Chairwoman of IENE’s Upstream Committee, argued that there was a need for discussion to resolve paradoxical situations. The world would continue to need oil and gas for decades to come so oil and gas exploration and production, as well as CCS, had a key role to play. “I think that this crisis poses challenges to Greece, to boost oil and gas production and reduce dependence on high priced imports,” Ms Fokianou said. In terms of energy security and the avoidance of economic adversity, she argued: “we are left in a curious situation. On the one hand the government admits it needs more gas-powered supply; on the other, the government is putting our energy security at risk by relying purely on imports to meet supply.” In a comment that was applicable to almost all the subjects raised in Thessaloniki, Ms. Fokianou added: “We need an honest and open discussion on how we are going to meet our energy needs.”

Two conclusions seemed to stand out. The first was simply that South East Europe, and indeed, the rest of Europe, needs to prepare itself for what might well prove to be a very difficult winter indeed. The second was the comment of one participant that was echoed by many: one should not make long-term energy policies in the middle of a crisis. But then neither should one adopt short-term policies that have the unintended consequence of actually thwarting long-term objectives.