

14th SE Europe Energy Dialogue

Session VI : Energy Security and the Strategic Role of Gas

Presentation by Max Vauthier, Managing Director LNG Value Ltd

Good morning Ladies and Gentlemen,

My name is Max Vauthier, I am the Managing Director of LNG Value Ltd, a long-standing company providing advisory services to global public and private entities regarding LNG Transactions and LNG infrastructure along the full value chain.

I would like to focus my presentation around the following observations:

First observation

It is important to remind of what happened in the critical period of 2022:

- LNG has played a key role in the SE Europe region during that period by replacing Russian pipe gas to a great extent and ensuring uninterrupted gas supply. The terminal of Revythoussa in particular, extended rapidly with an FSU, has played a major role and operated at full capacity;
- Overall gas imports in Greece have increased by 11% despite a fall of 19% in domestic consumption, the difference allowing for crucial exports to the Balkans which have increased four-fold to 2,5 bcma
- LNG has brought during that period a/ a drastically reduced dependence on Russian gas, standing previously at up to 88% in the case of Bulgaria and Serbia, down to levels below 50% on average, b/ a diversification of gas sources of supply, with LNG supplies in Greece covered at 51% from the US but also from Algeria, Egypt, Nigeria, Oman,... c/ a direct connection to global LNG/gas markets, even if at the expense of temporary very high spot prices.

Second observation

The medium/long term Greek and Balkans projected gas demand following this critical period has triggered a flurry of new LNG Projects (FSRUs) in addition to the one in construction in Alexandroupolis (Dioriga Gas, Mediterranean Gas, Thessaloniki, Alexandroupolis 2) as well as plans for new terminals in Albania and Montenegro. Taking also into account that LNG/gas could be imported by existing Turkish terminals, and if all these terminals were built (which is doubtful), the overall projected regas capacity in the region would exceed 25 bcma by 2030 compared to an overall regional demand estimated at 30 bcma.

Third observation

There are a number of challenges for the full development of the above LNG imports development scenario:

1/ Infrastructure: additional investments would be needed (terminals, storage, pipelines, compression stations, etc) over and above what is already planned by grid operators, in particular under coordinated cross-border projects;

2/ FSRUs: the availability of existing readily available FSRUs is now becoming very restricted and newbuilds would be costly and with long delivery time

3/ Financing; EU funding for gas infrastructure is becoming increasingly difficult while bank (debt) financing will depend on long term commitments from gas offtakers and infrastructure capacity holders. Significant equity will be needed on a cross-border regional basis.

Fourth observation

On the (reasonable) assumption that the above challenges will be overcome to a great extent, LNG will play an increasingly strong role in the region:

1/ LNG will ensure stable / base load supply to the region for a large portion of its needs and provide security of supply over time from diversified sources

2/ LNG will connect permanently the regional gas market with the international gas/LNG market (and particularly, in virtual mode, with the North-West European market), ensuring competitive pricing

3/ LNG will magnify the advantage provided by the region's geographical position which is at the cross-roads of major LNG routes through the Suez Canal and at equi-distance from the two largest LNG producers, ie: the US and Qatar;

4/ LNG will allow the region to benefit from the planned development of important gas reserves in South East Med (Egypt, Cyprus, Israel,...)

5/ LNG infrastructure will provide storage capabilities for both short term / peaking needs (onshore and operational storage) and for long-term /strategic storage (floating units).

6/ LNG will also contribute to the development of cross-border flows and therefore of the development of a liquid and unified regional gas market through hubs and exchanges.

7/ LNG will contribute to intra-regional cooperation (joint purchases, joint projects and investments for storage, interconnectors, etc)

In conclusion, LNG has played fully its major role during the critical year of 2022 by addressing the regional supply needs. In the future, it is expected to play a strategic role in terms of stable energy security and diversification of supply, and more generally contribute to the development of a unified and competitive regional gas market.
