

## **Speaking Points by Mr. Spyros Paleoyannis**

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### **“AN EXPANDED SOUTHERN GAS CORRIDOR”**

- ✓ Southern Gas Corridor (SGC) consists of SCPX-TANAP-TAP gas pipelines, currently under construction and aims to transport Azeri gas from Shah Deniz II field to Europe.
- ✓ SGC is only capable to transport limited gas volumes to Europe in the phase one, mainly due to limited gas availability for the time being and TAP's transport capacity. More specifically only 10 bcm per year will be transported to Europe from 2021 onwards, plus 6 ,0 bcm to Turkey from 2019 onwards. Worth to mention however that TAP's capacity is easily expandable to 20 bcm per year.
- ✓ Nevertheless, given the significant share of natural gas in the European energy mix and the continuously declining indigenous gas production in Europe, SGC, even with its limited supply capacity, will play a key role towards its gas sources and transport routes diversification and thus will significantly enhance its energy security.
- ✓ Some 15 bcm of transport capacity in TANAP remains for the time being unutilized and there is no visible utilization scenario for the next years. Arguments that the remaining excess capacity of TANAP will be used for additional supplies to Turkey seems to be invalid since gas demand (especially in Turkish power generation sector) is expected to fall the next years, because of concerns over possible future high oil and gas prices and the extremely high country's dependence on Russian gas as well as due to official policies to promote indigenous produced lignite, nuclear energy and RES penetration.
- ✓ Due to the completely unforeseeable and mostly against the international law behavior of Turkey, there are crowing concerns over the Turkish control of many gas transit options via its territory.

- ✓ During the last years there were some important developments both upstream i.e. the significant gas discoveries in SE Mediterranean and a number of new gas supply projects announcement/construction i.e. the East Med pipeline, the Turkish Stream, the expansion of Revithousa's LNG Terminal and the Alexandroupoli's FSRU.
- ✓ At the same period, some other expected developments such as additional gas supplies through SGC from Iraq, Turkmenistan, Iran either have delayed due to wars in the region and the persisting instability in the Middle East or have simply proved a midsummer night's dreams.
- ✓ In the beginning of 2017, Gazprom officially announced its willingness to use TAP to deliver gas to Europe after the Turkish Stream completion.
- ✓ In view of all the above developments in the region, including the new gas supply projects under development or already under construction, SGC may be redefined to include also new potential gas supply sources and/or to connect with other gas supply pipelines to transport gas to main European markets.
- ✓ IENE has already made recently a relevant proposal.
- ✓ Although such a perspective seems rational and meets the interest of many European countries and consumers there is not a simple issue. There are contradictory arguments at least for some of the potential options of an expanded SGC, due to certain geopolitical and not only interest.
- ✓ Let's have a more detail focus in the potential options for an expanded SGC system:

#### Options including TANAP

- a) The possibility SGC to transport more Azeri Gas

Such a perspective, although by far the most preferable option from SGC supporters' point of view, doesn't seem realistic to happen prior to 2025 the earliest.

- b) The possibility SGC to transport Turkmen gas

Despite the last year's progress towards an agreement for the Caspian Sea legal regime among the 5 Littoral States it also seems unrealistic to expect Turkmen gas to flow via SGC to Europe in the near future.

- c) The possibility SGC to transport Iran and/or Iraqi gas

The ongoing civil conflicts in Syria and the long-standing instability in the broader Middle East region allows only limited expectation for such a perspective the next many years.

- d) The possibility SGC to transport SE Mediterranean gas

Although such a perspective has the strong back-up of certain global players the latest developments including the recent deal for Israeli gas exports to Egypt and the expected deal for Cypriot gas exports also to Egypt, limit drastically this possibility

#### Options excluding TANAP

- e) The possibility SGC to include also East Med pipeline and transport SE Mediterranean gas to Europe

Despite the technical, geopolitical and financial challenges such a perspective has certain advantages for Europe and has resulted to include East Med pipeline to PCI's list. East Med pipeline would transport Eastern Mediterranean gas to Europe either through TAP or IGI Poseidon pipeline.

- f) The possibility SGC to transport gas (LNG) via Revithousa Terminal and/or Alexandroupolis FSRU

Provided that price attractiveness and local interconnections to SGC have been secured, such a perspective could be considered as realistic

- g) The possibility SGC to transport Russian gas delivered at the Turkish-Greek borders by Turkish Stream

As it was mentioned above, an intention for the use of TAP capacity has officially expressed by Gazprom, while, at the same time, the Russians also promoted the possibility to transport their gas through an expansion of the Turkish Stream via the Greek territory using the proposed ITGI/IGI Poseidon pipelines.

It is important to mention that although they are fully understandable the strategic/geopolitical objectives of the two major global players (i.e. USA and Russia) as well as the fact that they often use energy as a political weapon we do not agree with the argument that Turkish Stream threatens EU's economic and political security simply because is a GAZPROM's project.

EU should continue its gas sources and routes diversification policy in order, within certain rational financial limitations, to create condition for more and more gas supply options. To this end, an expanded SGC, with eastern Mediterranean gas or even with Russian gas will be not necessarily a bad development. Instead, the more viable gas supply pipeline projects the better for the European energy security, economy and society.