Southern Gas Corridor Developments & Its Importance to Europe

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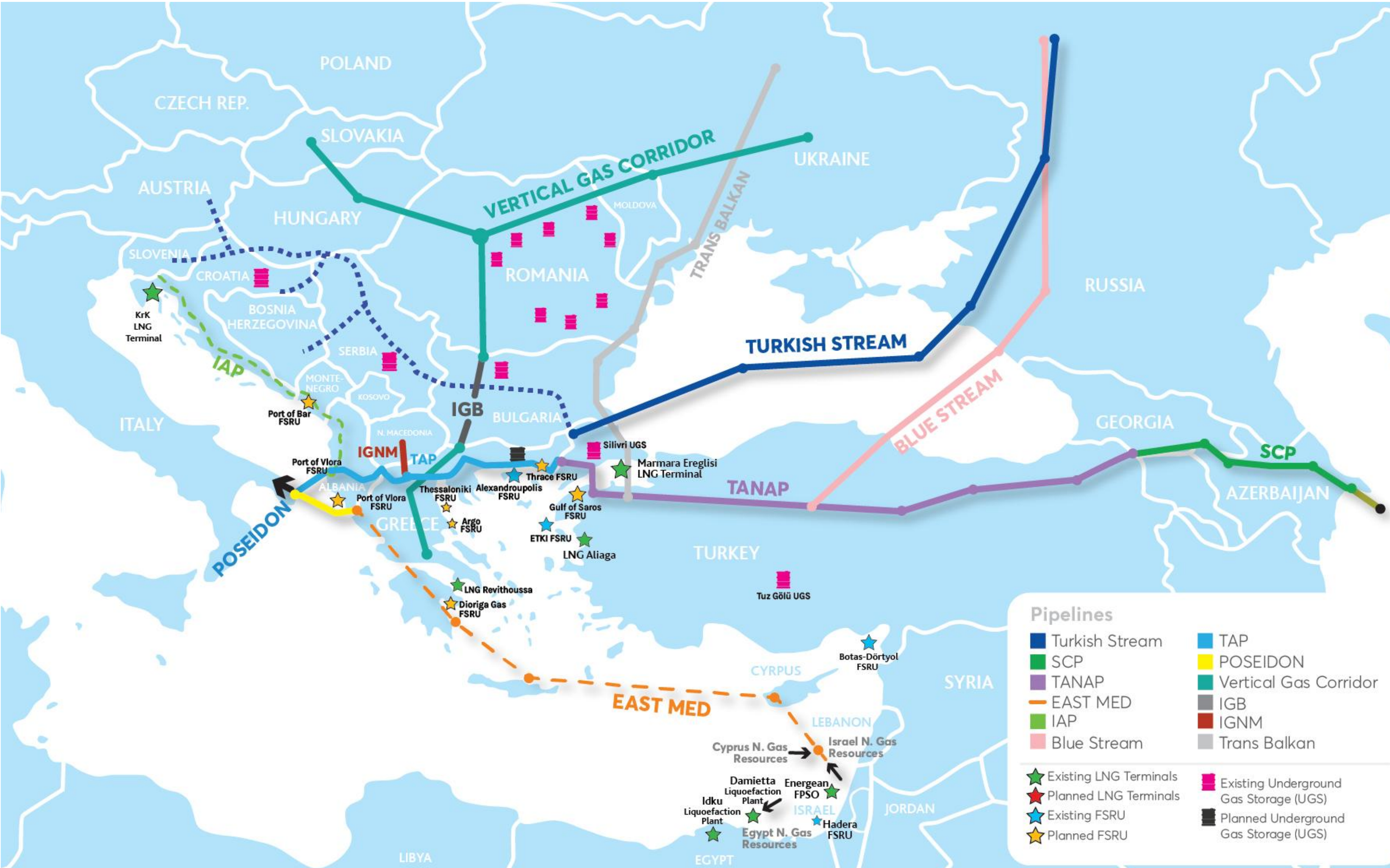
Talking Points

- Five years have now passed since the South Corridor came into operation. Primarily destined to ship Caspian gas to Europe via Türkiye, Greece, Albania, landing in south Italy and from there onwards to the main European network. The South Caucasus-TANAP-TAP system delivers some 14-16 bcma.
- Since then, a new gas corridor has entered into operation, namely the TurkStream, which delivers Russian gas to Türkiye and to SE Europe, including Bulgaria, North Macedonia, Bulgaria, Serbia, Hungary and Slovakia. In essence, this is a parallel operation of gas flows from East to West, and in the broad sense also forms part of the South Corridor concept (Only that now EU does not like the smell of Russian gas because of geopolitical considerations). In between them, TANAP-TAP and TurkStream deliver some 25 bcm to European destinations annually.
- At the same time, we have a proliferation of gas interconnections, branching off the South Corridor and add on FSRU facilities. So, our original South Corridor becomes an Expanded South Corridor (see map)
- A latest development concerns coordinated efforts by SEE's Independent Gas Transmission System Operators to develop the so called "Vertical Corridor", which will move gas from the south (Alexandroupolis) to the north (Hungary/Ukraine). Following the start of operation of the IGB in October 2023, this ambitious project is starting to take shape and form.
- Today, the EU faces two big issues, with regard to gas supplies from the East. What to do with unwanted but necessary Russian gas? A road map for phasing out deliveries by 2027 or earlier is now being discussed at high level in Brussels.
- A second issue is EU's unwillingness to encourage companies in its member countries to sign long term contracts (15+ years with Azerbaijan), although extra gas supplies from the Caspian region will be clearly required, especially if Russian gas is completely banned. SOCAR and the government of Azerbaijan need to see sound commitments - in the form of actual contracts - before committing any new investment in developing new fields in the Caspian. The EU leadership and Brussels bureaucracy appear unable or unwilling, or both, to put aside their green energy preoccupations and consider market realities. If there is no radical revision of totally misguided current thinking (which considers gas as stranded asset), sooner or later there is going to be yet another gas supply crunch in Europe.

The Expanded South Corridor (Source: IENE)



The Vertical Gas Corridor (Source: DESFA)

The Alexandroupolis FSRU (Source: Gastrade)