



DESPITE THE ECONOMIC CRISIS, GREECE IS BECOMING AN IMPORTANT HUB IN THE ENERGY SECTOR

GREECE has a liberalized energy market which has evolved during the last decade into an energy hub and represents an important sector of the country's economy. Alliances with major European, American and Asian companies on electricity and gas agreements have positioned Greece as a point of reference in the wider area, which has brought about the continued implementation of energy projects of geopolitical importance by some of the largest global economic players.

Despite the current economic crisis and its impact on the Greek economy, a number of recent developments and significant reforms in all sectors of the economy have put Greece on a new course and have kept energy at the forefront of the economic recovery. New legislation, privatizations, petroleum exploration, investment incentives, and a highlighting of Greek energy projects by the European Commission compose the current picture of energy in Greece and have kept the focus and interest on investments in energy.

PRIVATISATION OF ENERGY COMPANIES

One of the main tenets of IMF/EU economic assistance to Greece is the complete liberalisation of the energy market, both in terms of regulation and ownership. As such, the Greek government is in the process of privatizing its stake in a number of energy companies, including the Public Power Corporation ("PPC"), the Public Gas Company ("DEPA") and Hellenic Petroleum ("ELPE"). A tender has also taken place for the state's shares in the National Natural Gas Transmission System Operator ("DESFA"), which will be privatised as a part of an unbundling process from DEPA, who is its current sole owner. In addition, PPC Renewables, a wholly-owned subsidiary of the PPC which develops, owns and operates all renewables-related projects of the PPC, as well as other units of the PPC will also be privatised. The exact format of the privatisation of the PPC and its assets is expected to be decided in the first quarter of 2013.



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PLANNED ENERGY PROJECTS

The European Commission has, within the framework of the consultation of the energy infrastructure package, set out a list of projects to be considered as potential "Projects of Common Interest" (PCIs). This package shall include a proposal for a Regulation on guidelines for trans-European energy infrastructure, and a proposal for a Regulation on the Connecting Europe Facility covering Energy, Transport and Telecommunication infrastructure, and is expected to play a significant

role in intra-European energy cooperation and coordination. This list of projects which may qualify as PCIs is very important, as a number of the projects which will be included in the final list, are expected to have all necessary regulatory measures passed and the necessary financing obtained as early as 2014.

While it is not certain yet which projects will make the final list, the following projects can be considered to be of increased importance and likely to be fully realized:

In the field of Natural Gas:

- The Trans Adriatic Pipeline (TAP), an 800km pipeline whose entry point shall be the end-point of the existing Interconnector Turkey-Greece (ITG), and which will pass through Greece and Albania to Italy.
- The Underground Gas Storage at South Kavala, through the conversion of a depleted gas field. The underground storage site is owned by the Greek State and the concessionaire has not been defined yet.
- The Interconnector Greece-Bulgaria (IGB), a project with a 2014 construction date. This 180km pipeline has a projected capacity of 3 bm3/year and will be

expandable up to 5 bm³/year, while it will also have bi-directional gas flow possibility.

- The Trans-Mediterranean Gas Pipeline, which will transport natural gas from the Levantine Basin into Greece's Natural Gas Transmission System through Cyprus. The proposed pipeline will have a total length of 1,400km and could allow for reverse flow. It would be accompanied by the relevant project infrastructure facilities, including three onshore compressor stations - in Cyprus, Crete (Greece) and mainland Greece.

In the field of Electricity:

- The Connection of Crete to the National Power Grid of Greece via an underwater cable, for the transmission of the power output of thirty three (33) wind parks, with a total planned output of 1,077MW.
- The Attica-Crete-Rhodes connection, a new high-voltage direct current subsea cable with a capacity of 2,200MW, starting in Attica and reaching Rhodes via the islands of Crete, Kasos and Karpathos.
- The Agios Georgios and Pyrgos Pumped Storage Complex, which will be two upper reservoirs with an annual energy production of 264,000 MWh/year.
- There are also various projects proposing the interconnection of islands (such as islands in the Northern Aegean, the Cyclades and Crete) to the mainland grid system, and which are promoted by the Independent Power Transmission Operator and by RES developers, as there are also various proposals for the construction of various new substations and the upgrading of older ones.

Amidst the economic uncertainty which Greece has been recently facing, the highlighting of these projects is of great significance as it keeps energy in the forefront of economic investment in Greece.

HYDROCARBONS RESEARCH

Another area where significant activity is currently taking place is in the research, exploration and exploitation of hydrocarbons. While Greece has had the necessary legal framework concerning these matters in place for many years, it only recently started taking steps towards the advancement of hydrocarbons by amending the framework to a more investment-friendly approach. This is very important because, with only 0.5% of the petroleum used being locally produced, a better balance of imported and locally produced petroleum can signify greater national energy independence.

Recently, the Greek State assigned, following an open tender procedure for which eight of the world's biggest seismic survey companies expressed their interest, to a Norwegian company under the name "Petroleum Geo Services the right to conduct seismic and geological research for oil and natural gas reserves

in four areas in western and southern Greece. The interest expressed by the global industry's most important companies bodes well for the interest to be expressed later when the drilling stage draws near. The first revenues for the state are expected after the completion of the seismic survey and once the companies have depreciated their investment. The Greek State is entitled to exploit the findings of the research, which will be made available to the market (drilling companies), and the surveying firms will be sharing their earnings with the Greek State.

Based on the results, Greece plans to call a bidding round for oil and gas exploration in the related areas in mid-2014. The plan is for the first drilling to take place within 2014 and for the first revenues from oil reserve exploitation to come before the end of the decade. The estimated revenues for the State are expected to amount to €10-15 billion, depending on the quantity and quality of reserves.

In July 2012, Greece also called a bidding round for three oil and gas offshore and onshore explorations in the western part of the country and the area south of Crete. It received bids from companies such as Hellenic Petroleum, UK-based Chariot Oil and Gas, as well as Schlumberger which teamed up with local partner Energean Oil and Gas.

The drilling for oil and natural gas reserves in Greece may not only increase the country's revenues but can also help end its dependence on oil and gas imports, on which it spends billions of euros each year.

CONCLUSION

Despite the current financial crisis and unlike other sectors of the economy, the energy field continues to experience increasing growth with the full support of the Greek government and of both domestic and foreign private investors. Initiatives taken by the government to ease the regulatory framework and to comply with the European directives on the complete liberalisation of the market, along with the positive reaction of investors to large scale investments opportunities in energy, define the energy market in Greece today. ■

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