



**Country:** Greece

**Population:** 10.9 mln

**GDP:** €184.5 bln (2016)

**Unemployment rate:** 23.6% (2016)

**Inflation Rate:** 1% (as of Jun 2017)

**Net Power Consumption:**

50,107 GWh (2016)

**Net Power Generation:**

41,556 GWh (2016)

**Gas Demand:**

3.83 bcm (2016)

**LNG Imports:**

0.58 mln t (2016)

**Crude Oil Imports:**

171.96 mln bbl (2016)

Sources: Bank of Greece, DESFA, EC, LAGIE, IMF



## Infrastructure Update

- IGB pipeline construction is expected to start mid-2018 with completion due in 2020<sup>1</sup>. Licensing process is progressing smoothly, capital raising is almost complete and Third-Party-Access (TPA) regulations are still pending. The consortium backing FSRU Alexandroupolis is aiming for FID by Mar2018.
- The construction of the Kafireas wind power complex located on the southern part of the island Evia has started with Enel. Once completed (production to start in Q1 2019), the new facility will have a total installed capacity of 154 MW and rank as the largest wind farm of Greece.
- The Public Gas Corporation (DEPA) plans to install soon a natural gas compressor unit at the TAP project's GBV21 Block Valve Station in Ptolemaida in order to supply the west Macedonia region with natural gas.

## Regulation Update

- Based on a relevant joint ministerial decision, the starting price of the Forward Electricity Product Auctions has decreased sharply by more than 5 euro/MWh to 32.05 euro/MWh — mainly due to the forward price of European Emission Allowances (EUAs). The reduced price is expected to facilitate the penetration of alternative suppliers other than PPC SA following the latter's commitment to reduce its share to less than 50% by 2020.
- PPC has committed to sell 40% of their lignite-fired power stations. The divestment process will kick off with a market test due in Oct2017 and is to be concluded by Jun2018. Further measures to liberalise the electricity market include the gradual expansion of the volume auctioned via NOME until 2020 and the implementation of the Target Model (early 2018).
- Deputy Minister of Economy & Development signed a ministerial decision, announcing the commencement of the licensing procedure for the Israel-Cyprus-Greece electricity interconnection project, EuroAsia Interconnector. A complete application dossier for issuing the permits for the project must be submitted within a two-year period.

## Politics & Macroeconomic Update

- Bank of Greece revised down its 2017 GDP estimates, with the economy seen expanding by 1.6% instead of earlier expectations for 2.5% growth. Despite the downgrade, the medium-term outlook remains favourable, conditional on the continued smooth implementation of reforms.
- Corporate and projects bonds are emerging rapidly over the last months as a promising scheme of financing Greek companies, e.g. Sunlight SA, Mytilineos Group and Terna SA, which have issued enterprise bonds. The success of the corporate bonds, considering that they have been oversubscribed, provide a clear signal of improved investor confidence in Greece.

## GEF Forward View

The key focus of the Government for the rest of the year will be privatisations. This includes a new round of bid submissions for DESFA (gas TSO), a market test for the sale of 40% of PPC lignite-fired stations and more clarity around the future ownership of DEPA. On top of this, a clear roadmap for domestic gas market reforms has to be finalised and agreed with the International Creditors, as well as the preparation for the launch of the Target Model. All these, matched with the existing indications for conclusively positive news about the IGB pipeline, establish a very promising foundation for the Greek energy sector for balance of 2017.

## Market Update

- In June a consortium comprised of ExxonMobil, Total and ELPE (Hellenic Petroleum) expressed its interest for hydrocarbon exploration & exploitation work, covering a huge offshore area southwest of Crete. In parallel, Energean Oil & Gas expressed similar interest in the Ionian Sea. The Greek Ministry of Energy approved both applications and will proceed to international tenders for the above areas due to be announced by end of August.
- Led by a recently appointed new board, EDEY, the Greek Hydrocarbon Management Company will pursue a 3-year plan to attract key petroleum companies, both local and foreign, for the exploitation of Greek hydrocarbons. To that end, existing seismic data will be reprocessed and new data will be accumulated with EDEY planning to sign new agreement with Norway's PGS that had previously conducted a seismic survey in 2013.
- Energean Oil & Gas is currently in discussions with Israel's biggest refinery and petrochemicals corporate group (Oil Refineries Ltd) and two subsidiaries for a new gas supply deal with a total sales volume of 39 bcm.
- According to the ongoing study on the impact of NOME on the Greek electricity market by the international consulting firm Poyry, the surcharge recently imposed to electricity suppliers in Greece eliminated their net profit margins and weakened competition. The early findings of the study showed that the net profit margins for electricity suppliers are between 2 and 3 euros per MWh. In addition, all suppliers would be incurring losses if the NOME auctions did not exist.
- In early June 2017, a huge landslide at a lignite mine in Amyntaio, in Western Macedonia, led to considerable damages and financial losses to the Public Power Corporation (PPC), which owns both the mine as well as the two power plants that are fed by it. The incident is facilitating the early retirement of those two lignite power plants, which were to complete their maximum working hours in 2019 due to environmental reasons.

<sup>1</sup> According to a briefing of the JV shareholders to the Greek and Bulgarian Energy Ministers