

In view of the crisis of the relationship with Russia, which is the main supplier of gas to Turkey, Ankara is stepping up efforts to diversify gas sources. Turkey's natural partner is Azerbaijan, which together with Turkish companies is building TANAP. Azeri President Aliyev and Turkish PM Davutoglu have already announced that construction will be hastened and finished before 2018. After the finish of TANAP, the amount of Azeri gas received by Turkey will increase from the current 6.6 bcm to 16 bcm (25% of the Turkey's total gas consumption). This will reduce Turkey's high dependence on Russia, which currently accounts for about 55% of Turkish demand (compared to 10% from Azerbaijan).

Is the Caucasus the next battlefield between Russia and Turkey? *links to full text in Greek*
To Vima (Weekly newspaper; circulation 45,000; 140,000 on-line unique daily visitors) – 29.02.2016

Article speculates as to whether rising tension between Azerbaijan and Armenia over the disputed Nagorno Karabakh region, threatens to escalate into a proxy war between regional rivals Turkey and Russia. Article concludes with a quote from Richard Giragosian, Founding Director of the Regional Studies Centre in Armenia: "A return to war in Karabakh threatens to implicate much bigger regional powers, including Turkey, Russia and Iran. In case of renewed hostilities, this could affect the operation of energy pipelines," referring to TANAP and Baku–Tbilisi–Ceyhan oil pipeline. (Note: Verbatim of an article in Turkish newspaper Hurriyet Daily News from February 29)

Industry news

Construction of Nord Stream 2 redundant *links to full text in PDF in German*
Frankfurter Allgemeine Zeitung (German national daily newspaper; circulation 380,000; 1 million on-line unique daily visitors) - 03.03.2016

The construction of the controversial Nord Stream 2 is not necessary for the energy security of the EU. This also extends to all other planned large pipeline projects that are to carry gas from Russia or other regions to the EU – thus also the EU promoted Southern Gas Corridor. This is the conclusion of a gas market study commissioned by a consortium led by the Berlin Foundation Agora energy transition and the environmental association WWF, which will be presented in Brussels on March 3. The authors concluded that the existing transmission system of the EU is sufficient to supply the member states with gas, even in a case of supply disruptions from third countries. Only in the Southeastern European states some connecting lines would have to be built to decrease the dependence on Russia.

The key to EU energy security is not more pipelines, but the expansion of renewable energy sources and of energy efficiency, said Imke Lubekke from WWF. If the EU expands its gas pipelines and LNG terminals as it is planned, the EU might build up large overcapacity. €11.4 billion might be wasted. According to the study, the plans for development of gas infrastructure are based on a miscalculation of the EU demand. The existing LNG terminals are used only at 32% and the pipeline capacity is used at 58%. In addition, the demand of gas has dropped by 23% in the past five years. If the EU wants to achieve its climate goals, it will lead automatically to a further dramatic reduction of gas demand.

Energy Union depends on efficiency and security - Sefcovic *links to full text in English*
Natural Gas Europe (News portal; 8,000 unique daily visitors) - Drew Leifheit – 03.02.2016

In the wake of the adoption of the energy security regulations just a couple of weeks ago, EC's head of Energy Union Sefcovic addressed the participants at the Natural Gas Europe event "The EU Strategy for LNG and Gas Storage" in Brussels. He said that the LNG and storage proposal set out by the EC has an impact on energy security and efficiency – two dimensions which are crucial for the success of the Energy Union. Gas consumption is set to remain at roughly the same level - 380-450 bcm/y.

MEP Buzek, who chairs the Industry and Energy Committee, discussed the place of gas in the scenario that Europe's electricity market is based on renewable sources. "We don't have any other reliable backup better than gas, so this is good news for you". A reliable electricity market, according to Buzek, requires security of gas supply for gas-fired power stations. "We need to make gas supply more secure; more diversified". Speaking about the Nord Stream 2 (NS2),

Buzek said, "We've got some problems with NS2, and it's not easy to accept, and from the point of view of the European Parliament it is not acceptable".

Gazprom's Medvedev, EU's Vestager to hold antitrust settlement talks next week - sources *links to full text in English*

Reuters (News agency; 3.3 million on-line unique daily visitors) - Foo Yun Chee and Alissa de Carbonnel – 02.03.2016

Gazprom's deputy CEO Medvedev will meet the EU competition chief Vestager in Brussels on March 9, signalling progress in resolving antitrust charges against Gazprom without a regulatory fine. The Russian state-controlled company is fighting accusations of overcharging customers and blocking rivals in eastern Europe, practices which the EC say breach the bloc's rules ensuring a level playing field. Gazprom is seeking to avoid a fine, which under EU rules could be up to \$7.6 billion, equal to 10% of its 2014 revenue, and settle the charges with concessions.

Nord Stream 2 should be stopped: Ukrainian president *links to full text in English*

Turkish Maritime (News portal; 15,000 unique daily visitors) – 02.03.2016

Russia's Nord Stream 2 project must be stopped as it undermines Ukraine's efforts to strengthen relations with Europe, Ukrainian president Poroshenko said during a meeting with EC vice president for the Energy Union Sefcovic in Kiev. "Nord Stream 2 is a political project and it must be prevented. Supporting it means punishing the efforts of Ukraine for Europe," said Poroshenko.

Novatek said to seek approval to send gas to EU via Gazprom *links to full text in English*

Bloomberg (News agency; 3 million on-line unique daily visitors) - Elena Mazneva - 02.03.2016

Novatek, Russia's second-biggest gas producer, renewed attempts to get the right to export its gas to Europe. Novatek seeks to ship fuel to Europe, paying a commission to state-run gas export monopoly Gazprom, in a plan to compete with Norwegian gas, an official said. No decision has been made, Kremlin spokesman Peskov said. Novatek could boost the nation's gas exports by 2.4 bcm/y, or about 1.5% of Gazprom's current supplies to the EU.

Egypt's gas bonanza sourced in Cyprus' EEZ *links to full text in English*

Cyprus Mail (Cypriot daily newspaper; circulation 2,000; 9,000 on-line unique daily visitors) - Elias Hazou – 02.03.2016

The gas in Egypt's Zohr field originated in geological formations within Cyprus' Exclusive Economic Zone (EEZ), Energy Minister Lakkotrypīs said. Based on new geological data compiled by foreign consultants, Lakkotrypīs revealed there is now evidence that the Eratosthenes Seamount, inside the Cypriot EEZ, is the source of the gas that currently lies in Egypt's massive Zohr play, discovered last summer and estimated to hold some 30 tcf of gas. New geological surveys strongly suggest there are a number of targets around Eratosthenes with a similar morphology to Zohr's, Lakkotrypīs said.

Croatia may opt for floating LNG terminal *links to full text in English*

Reuters (News agency; 3.3 million on-line unique daily visitors) - Igor Ilic – 02.03.2016

Croatia might initially choose to construct a floating instead of land-based LNG terminal in the northern Adriatic to make it operational more quickly, the government said. "The government will give the highest priority to this project. At the beginning the focus will be on a floating terminal as it is cheaper and can become operational in two years," it said in a statement after a meeting between Croatian Deputy PM Karamarko and U.S. energy envoy Hochstein, who voiced interest in the project.

Natural gas crashes as Japan demand wanes, Australia supply takes off *links to full text in English*

CNBC (U.S. broadcaster; 1.5 million on-line unique daily visitors) - Huileng Tan - 02.03.2016

Natural gas prices have crashed to 17-year-lows in the past week, underscoring burgeoning supply in the global market just as U.S. exports its first ever shale gas cargo. Japan, the world's largest importer, is restarting its nuclear reactors after the 2011 Fukushima disaster, with three out of 43 reactors brought back online since August and more expected to come. This does not bode well for Australia, which has pumped more than \$160 billion in LNG investments just before the oil prices went down 70% since the summer of 2014.

Australian LNG production is expected to grow 50% by 2020 even as certain producers cut capital expenditures and reduce spending on upstream activities. Demand in China is also tapering off with LNG imports falling 1% in 2015 - the first time on record. Competing energy sources such as coal and renewables are also curbing demand, spurring discussions about contract terms. In an oversupplied market, BMI Research expects LNG contracts to evolve toward a cargo-by-cargo contract model rather than one based on traditional contracts spanning 15-20 years.

Report - 03/03/2016

SOCAR

The oil and natural gas of Azerbaijan remains an attraction for foreign investors

The oil and gas industry of Azerbaijan remains the most important sector for investment in the country, despite low oil prices internationally. Besides, the country has vast recoverable oil and gas reserves, with most of them lying in the Caspian Sea. Several investors are turning their eyes on other natural gas and oil deposits in Azerbaijan, apart from the "Shah Deniz II", the "Azeri-Chirag-Gunesli" and the "Abscheron" gas fields. Investors are now interested in the further exploration and development of the rich natural gas deposits "Umid" and "Babek". It is noted that most of the gas deposits are under the management of the State Oil Company of Azerbaijan Socar.

The oil and natural gas of Azerbaijan remains an attraction for foreign investors , naftikachronika.gr, 2016-03-02

Evangelos Venizelos referred to Greek privatisations

During his speech at an event held by the Hellenic-American Union, former PASOK President Evangelos Venizelos spoke about the privatisations, noting that there are two different policies colliding. On the one hand, a desperate effort is made to complete privatisations such as the one of the Piraeus Port Authority, and on the other hand there is a discussion about the future of the Athens International Airport. The same applies for the Hellenic Gas Transmission System Operator (DESFA) and Socar, the TAP project and the new hydrocarbons' market. Mr Venizelos stressed that the financial and credit system is the first thing that investors are looking into before investing.

Evangelos Venizelos referred to Greek privatisations , evenizelos.gr, 2016-03-02

Evangelos Venizelos: The problem of investments is political and social , liberal.gr, 2016-03-02

TAP

Meeting of Panos Skourletis with EBRD on energy issues

Greek Minister of Environment and Energy Panos Skourletis had a meeting yesterday with a representation of the European Bank for Reconstruction and Development (EBRD). The EBRD will emphasise on the sectors of natural gas, energy interconnections and hydrocarbons in the Greek energy sector for the period 2016-2020. On his part, Mr Skourletis referred to the projects in progress, the plans and the targets of the Ministry, in order to further develop the energy sector, tackle energy poverty, reduce the prices to the benefit of households and businesses and strengthen energy security. Mr Skourletis also referred to the TAP and IGB pipelines, the upgrading of the LNG terminal in Revithousa, the interconnection of the islands with the electricity system of mainland Greece and the plan for the interconnection of the electricity network of Greece, Israel and Cyprus. Furthermore, he

focused on the target of extending the internal natural gas network, estimating that the potential and the needs for the extension are huge.

Meeting of Panos Skourletis with EBRD on energy issues, AVGI, 2016-03-03

Energy issues on the focus of Skourletis' meeting with EBRD, euro2day.gr, 2016-03-02

The possibilities of financing energy infrastructure was the object of the meeting of Panos Skourletis with a representation of EBRD, xrimatistirio.gr, 2016-03-03

Meeting of Skourletis with EBRD for the financing possibilities of energy infrastructure, toxwni.gr, 2016-03-02

Interest of EBRD for the energy projects, RIZOSPASTIS, 2016-03-03

Energy upgrading in the meeting of Skourletis with EBRD, tovima.gr, 2016-03-03

The possibilities of financing energy infrastructure on the focus of the meeting of Panos Skourletis with EBRD representatives, imerisia.gr, 2016-03-02

The EU and the US are distancing themselves from the revival of the South Stream

The EU and the US are distancing themselves from the revival of the South Stream gas pipeline for the transmission of Russian gas to Europe via Greece and Italy. The reservations of Brussels and Washington were expressed just a few days after the signing of a memorandum of understanding between Greece's Public Gas Corporation, Italy's Edison and Russia's Gazprom for the utilisation of the Greek-Italian pipeline as the main vehicle for the transmission of Russian gas to Europe. European Commission Vice-President Maros Sefcovic and US Special Envoy and Coordinator for International Energy Affairs Amos Hochstein participated on Wednesday in the second intergovernmental congress on the Southern Gas Corridor in Baku, Azerbaijan. Mr Sefcovic told Russian news agency Interfax that the memorandum signed in Rome "is just a declaration, a common approach and a common position. We reserve the right to assess the efficiency of the project". He also disputed that the Greek-Italian pipeline makes financial sense, making it clear that Brussels is not going to undertake any costs for new gas carriage infrastructures, opting instead for the use of the existing network with supplementary projects of lower cost. On his part, Mr Hochstein was clearer in disputing the new route, insisting on resolving the question of supply security rather than the diversification of sources. Meanwhile, he praised the role of the Southern Gas Corridor, which includes TANAP and TAP pipelines.

The EU and the US are distancing themselves from the revival of the South Stream, KATHIMERINI, 2016-03-03

Reactions by the EU and the US in the transfer of Russian gas through the ITGI, reporter.gr, 2016-03-03

Reservations of EU-US for the revival of the Greek-Italian pipeline, kathimerini.gr, 2016-03-03

Michalis Gosliopoulos attends an event of "Keletron Love for Children" organisation

"Keletron Love for Children" organisation honoured its volunteers and cut its Greek New Year's Cake at Esperos palace hotel. The event was attended by TAP AG Community Liaison Officer for Western Macedonia Michalis Gosliopoulos.

Michalis Gosliopoulos attends an event of "Keletron Love for Children" organisation, fouit.gr, 2016-03-02

Event of the organisation "Keletron Love for Children", sentra.com.gr, 2016-03-03

EUR 32 million will be given to three Regions by TAP AG

TAP AG will give EUR 32 million to the three Regions that will be crossed by the TAP pipeline (Western Macedonia, Central Macedonia, Eastern Macedonia and Thrace) for Corporate Social Responsibility (CSR) projects. This was made known after a meeting of Greek Minister of Environment and Energy Panos Skourletis with representatives of TAP AG and the Regional Governors of the above Regions. According to information of "ERT Kozani", some EUR 7 million will concern CSR projects for the regional units of Kozani, Florina and Kastoria, while the Regions of Central Macedonia and Eastern Macedonia and Thrace will be given EUR 10 million each. Some EUR 5 million will be kept in a joint "money-box" for all three Regions.

EUR 32 million will be given to three Regions by TAP AG, ert.gr, 2016-03-02

Mihalis Veriopoulos: TAP, IGB and LNG terminals upgrade the role of Greece

Speaking at the second "Southern Gas Advisory Council" in Baku, Greek Secretary General for Energy and Mineral Resources Mihalis Veriopoulos said that Greece is turning into a strategic energy hub for the benefit of all the Balkan states, and possibly beyond. As Mr Veriopoulos underlined, this is achieved through the construction of not only the two major gas pipelines TAP and IGB, but also through the existing liquefied natural gas terminal at Revithoussa and the new LNG terminal in Alexandroupolis.

Mihalis Veriopoulos: TAP, IGB and LNG terminals upgrade the role of Greece, energia.gr, 2016-03-03

Mihalis Veriopoulos: Southstream is crucial for the energy security of Europe, capital.gr, 2016-03-02

NATURAL GAS

Anastassios Kallitsantis in favour of the use of natural gas

Speaking at the Delphi Economic Forum, Hellenic Association of Independent Power Producers President Anastassios Kallitsantis said that the private electricity production units that use natural gas as fuel are offering important advantages. This is because natural gas is the only fossil fuel that can be used for bridging the gap between the present and the global target for a carbon-free economy in 2050. Mr Kallitsantis said that Greece could become an energy hub through the pipelines carrying natural gas from the Caspian and Iran.

Anastassios Kallitsantis in favour of the use of natural gas, NAFTEMPORIKI, 2016-03-03

The Commission withdrew an appeal against Greece on energy efficiency

The Commission withdrew its appeal against Greece for non-compliance of the country with the directive on energy efficiency, as the directive has been incorporated in the Law 4342/15, since last November. The Energy Efficiency Directive was adopted in 2012 and had to be incorporated into Greek law until 5 June 2014. As the case was pending until mid-2015, the European Commission resorted to the European Court, threatening Greece with a daily penalty of EUR 29,145.6. "Today we are in the implementation phase...and already four

ministerial orders have been issued", the Greek Ministry of Environment and Energy announced yesterday.

The Commission withdrew an appeal against Greece on energy efficiency, IMERISIA, 2016-03-03

TOP GREEK NEWS

All media extensively report on the speech of Greek Finance Minister Euclid Tsakalotos before the ECON Committee of the European Parliament yesterday, focusing on his hints against the IMF. Mr Tsakalotos supported that the IMF is responsible for the delays in the first review of the Greek programme, as it insists on the undertaking of fiscal measures and on the imposition of cuts in pensions. He also made clear that the Greek government does not connect the review with the refugee issue and it does not intend to ask changes in the targets. However, Mr Tsakalotos asked the institutions to take into account any deviation that will be proven to be the result of the refugee crisis. Meanwhile, Hellenic Parliament President Nikos Voutsis called yesterday all the political forces to contribute to the timely completion of the review, while he accused the creditors of holding a punitive stance towards Greece. Also, Greek media report on yesterday's secret meeting of leading officials of the institutions in Brussels, in an effort to reach a compromising solution that will allow the return of the institutions' mission chiefs to Athens. The Greek side did not participate in the meeting, as it was expected. The institutions' representatives made an effort to overcome their differences concerning the reforms requested from Athens, in order for the review to be unblocked. It is noted that the European creditors examine the possibility of "freezing" the IMF's role until the discussion for the Greek debt relief and the completion of the review from the "European Troika", in an effort to lift the dead-end in the negotiations. According to this scenario, the IMF will monitor the review as technical councillor, but it will not intervene, asking for measures and obstructing the procedure. In other news, several media report that the responsibility for the conduction of the tender concerning the granting of the television licenses was transferred from the Greek National Council for Radio and Television (NCRTV) to the Secretariat-General of Information and Communication (GGEE), after a relevant decision of Greek State Minister Nikos Pappas. According to Mr Pappas' decision, the tender will concern the granting of four licenses, which will be used for the transmission of exclusively high-definition content. Also, Greek Alternate Minister for Migration Policy Giannis Mouzalas spoke at yesterday's meeting of the Central Union of Municipalities in Greece. Mr Mouzalas acknowledged that Greece is becoming a reception, rather than transit, country for migrants, noting that the refugee crisis will last two-three years. Meanwhile, according to Greek Foreign Affairs Minister Nikos Kotzias, Greece can withstand up to 150,000 refugees.

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European Commission - Press release

State Aid: Commission approves agreement between Greece and TAP allowing new gas pipeline to enter Europe

Brussels, 3 March 2016

The European Commission has found the Host Government Agreement between the Greek authorities and the Trans Adriatic Pipeline to be in line with EU state aid rules. The project will improve the security and diversity of EU energy supplies without unduly distorting competition in the Single Market.

Margrethe Vestager, Commissioner in charge of competition policy, stated *"Today's decision opens the way for a multi-billion infrastructure project in Greece. The Trans Adriatic Pipeline will bring new gas to the EU and increase the security of energy supply for Southeast Europe. The investment incentives offered by the Greek Government are limited to what is necessary to make the project happen and in compliance with state aid rules."*

Maroš Šefčovič, Vice-President responsible for Energy Union, said: *"Today's approval of the TAP agreement is an important step towards completing the Southern Gas Corridor. The Energy Union framework strategy of February 2015 identified this project as a key contribution to the EU's energy security, bringing new routes and sources of gas to Europe. Just on Monday, the Southern Gas Corridor ministerial meeting in Baku, which I attended, confirmed the determination of all participating countries and consortia to complete this key infrastructure project in time."*

The Trans Adriatic Pipeline is the European leg of the Southern Gas Corridor, which aims to connect the EU market to new gas sources. With an initial capacity of 10 billion cubic metres of gas per year, the pipeline will transport gas from the Shah Deniz II field in Azerbaijan to the EU market as of 2020. The Trans Adriatic Pipeline will run from the Greek border via Albania to Italy, under the Adriatic Sea. The builder and operator of the pipeline is Trans Adriatic Pipeline AG (TAP), a joint venture of several energy companies. TAP will invest €5.6 billion over five years in the project, of which €2.3 billion in Greece. The Greek authorities and TAP concluded a Host Government Agreement. This sets out how TAP will construct and operate the pipeline and defines the respective obligations of the parties. In particular, the agreement provides TAP with a specific tax regime for 25 years from the start of commercial operations. This may give the company an economic advantage over its competitors, who would not benefit from the specific tax regime, and therefore involves state aid in the meaning of the EU rules. The Commission assessed the measure under its 2014 Guidelines on state aid for energy and environmental protection (the "Guidelines"). The Guidelines state that such aid can be found compatible under certain conditions when it furthers objectives of common interest. The Commission found that:

- the project will contribute to further **diversification of European energy supply** sources and routes: it will bring gas from the Caspian Sea region and potentially the Middle East to the EU;
- **competition** on the European gas market will be increased thanks to the extra volumes of gas and new supply route;
- the construction of the pipeline requires substantial upfront investment over several years before any revenue will be generated. The project will be funded entirely by private investment and will generate revenues in its Greek part only from the tariffs paid by clients shipping gas on the pipeline. The Commission concluded that the project **would be unlikely to be carried out**

absent the aid;

- the aid is in the form of a specific tax regime that, depending on whether tax rates increase or decrease, will lead TAP to pay more or less tax than it would without the aid. If the rates increase the aid will be **limited to the minimum** tax benefit for TAP;
- in particular the scheme has a **built in adjustment mechanism** that limits the maximum benefit for TAP. If the Greek equivalent applicable tax rate were to rise or fall beyond 20%, an adjustment mechanism to recalculate TAP's contribution will come into effect. The Greek authorities will monitor this to ensure that TAP complies with the methodology and therefore the aid is limited to the minimum necessary.

The Commission therefore concluded under the Guidelines that the project's benefits in terms of increased competition and security of energy supply clearly outweigh any potential distortions of competition triggered by the state aid.

The Commission's agreement on state aid was one of the prerequisites within the Host Government agreement that still needed to be obtained before the Trans Adriatic Pipeline project could start.

Background

Trans Adriatic Pipeline AG is a joint venture company registered in Switzerland. Its shareholders are BP (20%), SOCAR (20%), Snam (20%), Fluxys (19%), Enagás (16%) and Axpo (5%).

The Trans Adriatic Pipeline is recognised as a project of common interest (PCI) in the framework of the EU's Trans-European Energy Infrastructure Guidelines. PCIs are aimed at helping create an integrated EU energy market and are essential for reaching the EU's energy policy objectives of affordable, secure and sustainable energy.

The Commission published its first list of PCIs in 2013. The list is updated every two years to integrate newly needed projects or to remove obsolete ones. The current PCI list was approved on 18 November 2015.

The non-confidential version of the decision will be made available under the case number SA.43879 in the State Aid Register on the DG Competition website once any confidentiality issues have been resolved. New publications of state aid decisions on the internet and in the Official Journal are listed in the State Aid Weekly e-News.