

# SOUTH EAST MED ENERGY & DEFENSE

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THE ANALYSIS INSTRUMENT FOR THE STAKEHOLDERS

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## AN EAST MED ENERGY CORRIDOR GUARANTEES EUROPE'S ENERGY SECURITY

Interview with  
Harris A. Samaras,  
Chairman and CEO of Pytheas  
International Investment Bank



### About Harris A. Samaras

An Economist and presently the Chairman & CEO of Pytheas, an international investment banking organization, Mr. Samaras has also worked with the Bank of America Group, Thomson Financial BankWatch, and Moody's Investors Service. His research and extensive publications in these areas, range across practice rather than theory, economic and business thought, entrepreneurship and geopolitics.

Ever since the discovery of **Tamar** of 10 trillion cm gas capacity, in January 2009, the **Leviathan Reserve** in December 2010, of a 22 trillion cm capacity of natural gas within the Israeli EEZ and of **Aphrodite** within the Cypriot EEZ in December 2011, with stocks of 4.2 trillion cm of natural gas, East Mediterranean region acquired new interest. The discovery of the **Zohr Reserve** in Egypt, in December 2016, provided totally new data about the "capabilities" of the wider region. 2019 is expected to be a milestone year after the production and commercial exploitation of all these reserves begins.

Mr. Harris A. Samaras, Economist and Chairman & CEO of Pytheas, an international investment banking organization, in his interview describes the opportunities for E.U. which, only within a few years, could partially but significantly relieve its energy dependency to Russia and Turkey. As it also could in the medium to longer term succeed its complete energy independence. He, also, stresses the significance of T.A.P. to the energy security of Greece, the Balkans and eventually Europe as well. Finally, he poses some eloquent questions about the "lukewarm", as he says response to the region's bully, Turkey...

### What does the Trans Adriatic Pipeline (TAP) project mean for Greece and the Balkans? What does it mean for Europe?

Any form of additional supply of a competitive energy source that increases diversity and minimizes dependence is a plus. Not only for Greece and the Balkans, but also for the rest of Europe. More of particular significance is for **European energy security**.



The TAP brings new gas through a new route which is unquestionably a good thing. Greece has contracted a not bad 1 bcm/y (corresponding to about 20% of its current demand). A €1.5 billion much needed foreign direct investment and the only pipeline option that runs through Greece. The 10 bcm/y export capacity of the TAP **is indeed a positive energy development** for the Balkans, it fills some of the void however, for the overall needs of the region it is somewhat negligible. I could probably better characterize it as complimentary. We also need to understand that other than the 1 bcm/y that is contracted by Greece, 8 bcm/y are secured by Italy. The remaining 1 bcm/y by Bulgaria. It is acknowledged that the Pipeline is designed with **Physical Reverse Flow** allowing gas from say Italy, to be diverted elsewhere.

There are of course additional advantages, such as job creations, related economic development and so forth. Also, if and when the capacity is doubled (by installing two additional compressor stations) **there are interconnectivity options**, provided that gas in the wider Caspian region is increased. One needs to look though at the bigger picture and how the energy landscape is shaped.

The source for TAP is from the Azeri Second Shaz Deniz field in the Caspian Sea, via the South Caucasus Pipeline Expansion (SCPX), through Georgia to Turkey via the Trans Anatolian Pipeline (TANAP), through Greece and Albania, across the Adriatic Sea to Italy. While the EU is even more gas dependent on Russia (Gazprom has delivered 193.9 bcm in 2017, 8% higher than 2016), the Arab "Spring", the war in Syria, the Russia-Ukraine conflict and ISIS, made things even more complex. In essence, gas supply security has decreased, while import dependence increased in areas of high political risk or high transit risk.

Additionally, it is important to take into consideration that **Brussels blocked** South Stream and has been resisting other projects such as Nord Stream 2. And then there is Turk Stream, Rus-

sian gas to Turkey, and then possibly to Southeast and South Europe and beyond. Easy to deduct from facts and the tangible relevant developments, that Greece, the Balkans and Europe **remain energy dependent** on one hand to Russia and will on the other be soon dependent to Turkey. **A "hostage" situation that I am afraid does not contribute to EU Energy Security!**

#### **But do Greece, the Balkans and subsequently Europe have any other alternatives?**

They certainly do. To be more precise the EU does. Oddly, however, the EU seems to **voluntarily turn a blind eye** to a tangible solution, which to my point of view could only within a few years partially but significantly relieve EU energy dependency to Russia and Turkey. As it also could in the medium to longer term allow Europe to be completely energy independent. But before I elaborate, I will need to briefly address the **concern about Turkey** by making a few statements or rather raising a few questions: Does anyone in a right state of mind truly believe that any pipe route via Turkey could ever promote EU stability and EU energy security? Isn't it more than likely that **Europe will become a hostage** to a country (Turkey) that is itself unstable and a bully towards both the EU and all its neighbours? Could those that deliberately push for such routes (via Turkey), at current geopolitical conditions, considered to be anything else but enemies of Europe? Think about it.

Now, last February, according to ENI's CEO Claudio Descalzi, the discovery of Cyprus' Calypso gas field could be **bigger than Egypt's Zohr**. "At a minimum", he stated, "the field will be a Zohr tie-in, with a stand-alone Cyprus LNG project a real possibility". Egypt's Zohr gas reserve (gross mean resources) is 850 bcm.

**But what happened?** Turkey, last February, sent over its "mighty" navy and forbade ENI's vessels to proceed with additional drilling. All in the internationally recognized Exclusive Economic Zone (EEZ) of Cyprus – note that, the devel-

opment of oil and gas resources in the Cypriot EEZ abide to the UN Convention of the Law of the Sea (UNCLOS) which Cyprus ratified in 1988. So, ENI's vessels withdrew.

**What more happened?** The European Commission, with a rather late and **"lukewarm" reply**, asked from Turkey to, "respect the sovereignty of all EU member-states and refrain from any actions that might damage good neighbourly relations". A couple of weeks later, early March, the EU "suggested" to Cyprus that it should not exercise a veto against an additional €3 billion funding (for Syrian refugees) to Turkey. Late March at a meeting held in Varna of Bulgaria with Turkey, the EU in an ingratiating manner asked Turkey to behave... At the same time and within the last few months, certain EU-member countries, signed contracts of hundreds of millions Euro to sell weaponry and other related to Turkey. Why such a reaction by the EU? I leave it to your readers to draw their own conclusions...

Another Cyprus gas field, the Aphrodite, has a gross mean average of 198.2 bcm of natural gas. Furthermore, ExxonMobil along with Qatar Petroleum, are currently performing exploration drilling in Block 10 south of the Calypso gas field. Additionally, and while Israel's Leviathan gas field has a mean of 620 bcm, last December, Israel, Cyprus, Greece and Italy, signed a provisional agreement to jointly develop a pipeline project, The **East Med Pipeline**, with an aim for completion by 2025.

Egypt and Cyprus maintain strong ties in the field of energy since 2009, with an aim to use **Cyprus as a bridge for exports to Europe**. Tripartite summits in 2014, 2015 and 2017, between Cyprus, Egypt and Greece were focussed on the development and exploitation of the hydrocarbon reserves that lie in the Eastern and South-eastern Mediterranean. Moreover, without excluding Lebanon's gas reservoir prospects – the U.S. Geological Survey estimates that the Levantine Basin could hold more than 9,600 bcm – Greece's hydrocarbon potential should not be ignored. On the contrary! While Greece's exploration seems to finally be under way, scientific estimates indicate gas reservoirs that **may be even larger than those in the Levantine Basin**, especially south of the island of Crete

Consequently, **the EU does have other alternatives**. First, however, it has to stop turning a blind eye to Turkey's illegal and hostile actions and has to **react tangibly and promptly**. Cyprus' hydrocarbon discoveries – Cyprus is an EU member state – provide for the EU an immense energy opportunity. The EU has to realize it and act accordingly that the hydrocarbons discovered in Cyprus (the





significant discoveries) are not just a Cyprus issue. The hydrocarbons that are scientifically estimated to exist in Greece are not just a Greek issue. They are issues of primary importance for the whole of the European Union. **An East Med Energy Corridor**, that would avoid non-EU countries, would guarantee an uninterrupted energy supply source for the EU, of the EU!

And let's not exclude Israel from this

equation; a proven ally with significant hydrocarbon discoveries, that is geopolitically stranded and surrounded by hostile to Israel nations.

**But why would the EU behave in such a manner against the interests of an EU-member state and subsequently to EU itself?**

This is a question that you should direct to the EU Commission...

## 3rd Cross-Border Cooperation perceived as building a multilevel cooperation in SE Europe

The 3rd Ministerial Cross-Border Cooperation between Greece, Bulgaria, FYROM and Albania will take place in Thessaloniki, on May 3-4.

Cross-border Cooperation is an initiative of the Greek Foreign Minister Nikos Kotzias, that kicked off in April 2016 and continued with the 2nd Summit in October 2017. In addition to the participation of the Foreign Ministers of the four countries, the Ministers of the Interior attended it too, while at the 3rd Session the Ministers of Transport of the countries will also be added.

The strengthening of regional stability and multi-level cross-border cooperation between the Balkan southern countries, can be reached by reinforcing dialogue and by exploring further cross-border cooperation prospects for coordinating and addressing common challenges, such as the refugee and immigration crisis, terrorism, crime, natural disasters, etc.

The creation and development of a positive agenda through joint action, solidarity and understanding on one hand will help the convergence of countries and on the other it would remove the suspicion that exists with the chronic problems inherited from the past.

The participation of the Ministries of Transport at the 3rd Ministerial Cross-Border Cooperation meeting strengthens the positive agenda of the talks and proceeds with the implementation of plans for better interconnectivity, trade, transport, tourism, energy, as well as joint actions to find common solutions for common problems.

Greece will be represented by Greek Foreign Minister Nikos Kotzias, Deputy Minister of Citizen Protection Nikos Toskas and Transport Minister Christos Spirtzis. Bulgaria will also include Foreign Minister Ekaterina Zaharieva and Interior Minister Valentin Radev, from the FYROMacedonian side there will be Foreign Minister Nikola Dimitrov, Deputy Minister of Interior Magdalena Nestorovska and Government Transport Policy Advisor Jasminka Kirkova. Albania's Foreign Minister Ditmir Bushati, Deputy Minister of Interior Rovena Voda and Deputy Minister of Infrastructure and Energy Artan Shkreli will also participate. On the sidelines of the 3rd Cross-Border Cooperation meeting, there will also be bilateral meetings between Ministers.

The interest is focused on Nikos Kotzias' meeting with Nikola Dimitrov as the consultations for the solution of the name issue are at a critical point. Of particular importance is the meeting of the Greek Foreign Minister with his Albanian counterpart Ditmir Bushati, as the discussions on the demarcation of the EEZ between Greece and Albania are in progress.

## Turkish merchant vessel collided with Hellenic Navy's gunboat "Armatolos" in Aegean



The Hellenic Navy General Staff on Friday the 4<sup>th</sup> of May, announced that the Turkish-flagged merchant ship "Karmate" approached and collided with the Hellenic Navy gunboat "Armatolos" in the sea south-east of Mytilene in the early hours of Friday morning.

According to the announcement, there were no injuries or serious damage and no pollution of the marine environment as a result. Noting that the Turkish ship had been in violation of navigation rules for avoiding collisions at sea, it added that the Greek side will take all the necessary

steps for the imposition of penal and civil sanctions on the basis of international maritime law.

After striking the Greek gunboat, the "Karmate" increased speed and sailed toward the nearest Turkish shore, ignoring attempts by the "Armatolos" to hail it on the radio.

Coast guard authorities and NATO authorities have also been alerted to the incident, which took place during a planned patrol by the "Armatolos" during the NATO operation "Aegean Activity" to combat migration flows in the Aegean.

# SNAM SpA has been selected as “Preferred Investor” for DESFA’s privatization

## Greece’s growing importance as Energy Hub for Italy

Marco Florian - Southern Balkans Coordinator  
Institute for Economic & Legal Reform



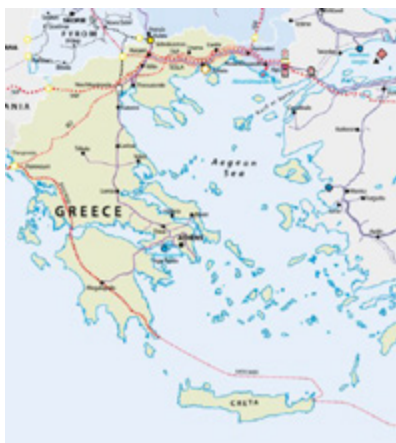
On April 16<sup>th</sup> the Greek Government chose the Consortium led by the Italian Company SNAM SpA as the “Preferred Investor” for the privatization of the 66% of DESFA SA. With an improved offer for a total of 535 m€, the Consortium will acquire DESFA shares from the Hellenic Republic Asset Development Fund SA (31%) and the remainder from Hellenic Petroleum SA (35%). Advisors in the operation where Lazard for SNAM, while the Greeks hired Alpha Bank and Alantira.

SNAM already holds a significant presence in Greece, being a 20% shareholder in the TAP pipeline, thus **expanding its strategic role in the Greek NG market**. The other Consortium’s members, where SNAM holds the 60% of shares, are the Spanish ENAGAS and the Belgian FLUXYS with a 20% of shares each. A further 300 m€ **are expected to be invested by SNAM in Greece**, within a DESFA development plan for more than 1,5 Bn€. The acquisition will be banking leveraged and a pool of Greek and international banks have been involved by the Consortium, to secure a non recourse financing package, according to SNAM’s press release of April 19<sup>th</sup>. The Greek Government retains the nomination of the DESFA Board President and a power of veto on domestic and overseas projects.

The privatization has received a **positive feedback by the market**, with analysts at Credit Suisse, Banca IMI and Kepler Cheuvreux underlining the possibility of synergies for SNAM with the South-North Corridor. SNAM’s plans have been discussed by the Greek PM Alexis Tsipras and its CEO during their meeting in Athens on April 28<sup>th</sup>. The operation has been commented by the Greek Energy Minister George Stathakis, who highlighted the importance of the agreement.

### The acquisition of DESFA and future developments in Greece

Greek Natural Gas demand grew in 2016 of an impressive 21% YoY, signaling the need for more investments in infrastructures and contemporarily the possibility to increase the Greek strategic position and energy balance, by the implementation of existing and likely offshore reserves. The gas reserves estimated in the Herodotus fields South of Greece can thus become **a factor of unprecedented economic and strategic growth** for the country. Combining national profits with the hosting of a number of strategic infrastructures (rigs, pipelines, LNG stations), **Greece could play a central role** in the energy policy of the EU and especially of Italy.



**Due to the very strategic position of Greece and Italy**, being primary cargo unloading points, there are many infrastructures to be enriched. The two countries could become also LNG Bunkering hubs, offering a low cost/low emission fuel refueling number of facilities (aground or afloat) for the ships on the route, from-to Europe and vice versa. The substitution of other marine fuels like heavy oil, marine diesel oil (MDO) and marine gas oil (MGO), would significantly contribute to

the Greek and EU CO<sub>2</sub> reduction targets. In all this, SNAM being a leading company in the development and promotion of LNG plants, Small Scale LNGs, Compressed Natural Gas (CNG) and Biomethane, plays a strategic role in the strengthening of the Greek energy efficiency and independency. The use of LNG and CNG will allow **the widening of NG reach throughout Greece**, also in those parts of the national territory currently not served by the main distribution network, including islands.

This will integrate perfectly the development plan of the Greek Gas Network, granting a full territorial coverage and the increase of CO<sub>2</sub> reduction policies targets. CNG and LNG can also boost CO<sub>2</sub> emissions reductions in mobility (GMobility). Also in this field, SNAM offers a particular expertise and know-how, through the **specific agreement signed with ENI** to create a network of LNG/CNG refueling stations along the Italian Highway network. It is worth to note **SNAM’s commitment to Greece** with the signature, on July 24<sup>th</sup> 2017, of a Memorandum of Understanding (MoU) with EDA THESS, one of the main gas infrastructure corporations in Greece. The MoU is aimed to develop opportunities in the distribution infrastructure managed by the Greek company, in view of the **upcoming final phase of the market opening**.

### Greece’s importance to Italy and its energy security

Greece confirms its position as strategic and preferred location for major and infrastructural investments, including the energy, logistics, communications and food industries. Almost all the main Italian energy players **have significantly invested in Greece**, where also the major EPC contractors have a strong market position. Italy and Greece signed an agreement at Corfu in 2017, to strengthen the collaboration in the field of energy, of EU



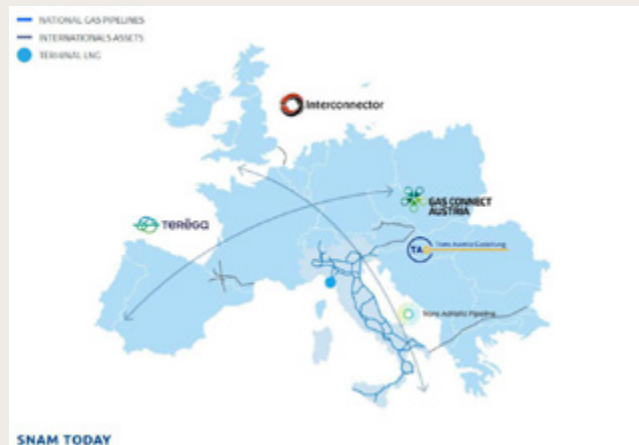
## SNAM in Figures

**S**NAM SpA is the Acronym for Società Nazionale Metanodotti (National Company for Gas Pipelines). It is an Italian company incorporated in 1941 in Milan (Italy) with the purpose of the construction and operation of pipelines and the distribution and sale of gas. In compliance with the Italian PM Decree of May 25th 2012, Snam exited from the orbit of ENI SpA, with the 30% of stocks (minus 1) being acquired by the Cassa Depositi e Prestiti (CDP SpA), the largest Italian investment bank (420 Bn€ assets managed in 2017), whose 83% of the share capital is owned by the Italian Ministry of Economy and Finance, the 16% is held by various banking foundations, while the remaining 1% is in treasury shares.

During its more than 75 years long history, Snam has achieved a **position of leader in Europe in the natural gas**

**market.** First in Europe by transport network size (over 32,500 km in Italy, about 40,000 Km with international subsidiaries) and Natural Gas storage capacity (16.7 bn c.m. in Italy and about 20 bn c.m. with international subsidiaries), Snam manages the first liquefied natural gas (LNG) plant built in Italy and is a shareholder of the country's main terminal. The company develops a comprehensive development strategy based upon its foreign subsidiaries in Austria (TAG and GCA), France (TIGF), the United Kingdom (Interconnector UK) and TAP in Greece and Albania.

Snam is also **the company most involved** in projects for the creation of the



Energy Union. It's new development plan has been upgraded to a total of 5.2 Bn€ investments (from a previous total of 4.7 Bn€), focused on improving the Italian network and its **connections with European infrastructures.** FY2017 numbers are equally impressive with a declared 2.560 Bn€ Revenues, 1,336 Adjusted EBIT and Adjust Net Profits of 845 m€.


goals and to improve the reliability of supplies of hydrocarbons and power. **Three main natural gas pipelines will pass through the Greek territory,** the TAP (Trans Adriatic Pipeline), the ITGI (Interconnection Turkey-Greece-Italy) and the EastMed via Israel and Cyprus respectively, bringing natural gas to Italy. The capacity of the three pipelines together is estimated in 30 Bcm, that **makes for up to the half of the Italian consumption.** ITGI and EastMed will share the IGI Poseidon pipeline.



**The importance of the Eastern basin will increase** with ENI's exploitation of onshore and offshore fields in Cyprus, Egypt and Lebanon, via LNG. To this purpose Italy is building and authorizing a number of regasification plants. One in Greece and others could be on the way in Cyprus, Israel and Egypt. **One exploration area in the Gulf of Patra** has been assigned to Edison SpA. The oil reserves in the whole area are estimated

in 80 to 100 million barrels. There is, also, the interconnecting 500 MW 400 kV power line, the HDVC, which runs from Greece to Italy. The HDVC has been used to import to Italy up to 2,5 TWh per year, as a maximum balance, which equals to the 5% of the total Italian power. In conclusion, Greece offers further opportunities of investment, exploration and EPC:

- Further oil & gas concessions with particular focus to the **offshore reserves of Crete, and the Epirus Offshore and Inshore oil fields.**
- New pipelines and power connectors to connect new concessions to the Italian mainland.

- More investments in the production of power, both from fossil or renewable energy sources. The Greek National Center for Renewable Energy estimates a total need of about 20 Bn€ in new investments needed by the Greek economy. 15 Bn€ of which destined to the Renewable Energy Industry and 5 Bn€ to the Fossil Energy Industry. A further 5 Bn€ are programmed for the reinforcement of the national power grid.
- Strengthen collaboration in joint R&D and application programs for energy efficiency, production, intelligent consumption, I-Mobility and CPL/GNL mobility;
- Achieving economies of scale and scope with joint activities. 

## DESFA's future role

**D**uring the conference titled «Energy Transition: European and Global Perspectives», representatives of the three companies that turned out to be the preferred investors for the majority of DESFA's share capital, Marcelino Oreja Arburua, Chief Executive Officer, Enagas, Maria Rita Galli, Senior VP, Business Development, Snam, Arno Bux, Chief Commercial Officer and Fluxys offered, a first hint of their plans for the future of the company and for the development of natural gas infrastructures in Greece.

The **Enagas CEO, Marcelino Oreja Arburua**, pointed out the

importance of strengthening the gas infrastructure in SE Europe, while also highlighting the development of small-scale LNG applications.

For its part, the **vice president of Italian Snam, Maria Rita Galli** noted that the company's goal is to make Greece an energy hub by exploiting its geostrategic position, adding that the improvement of DESFA's infrastructure will bring more gas flows, will benefit consumers.

**Fluxys Commercial Manager, Arno Bux**, said his company continues to be very active in the LNG regasification segment and is seeing significant room in shipping growth.



## EU-TURKEY RELATIONS

# Playing for time...

Giuseppe Trezza – Adviser for International Relations of the Italian Senate

In spite of the several problematic issues between EU and Turkey, both sides decided not to give up their positive relations. That was the pivotal aim of the EU and Turkey summit which has been held in Varna last March 25th. As Donald Tusk stated: *"Our meeting today demonstrated that while our relationship is going through difficult times, in areas where we do cooperate, we cooperate well. We reconfirm our readiness to keep up the dialogue and consultations and to work together to overcome current difficulties with a view to unleashing the potential of our partnership."*

But besides this consonant declaration of common purposes the relation between Turkey and the Europe is nowadays in **the deepest crisis then ever** since 1963. The crisis should also be an instrument to better deal with the political problems and to foster the consciousness that EU-Turkey relations cannot end now with the word "NO". First of all, because of the geographical proximity which is just a mirror of the geopolitical interests and troubles that interconnects these regions of Eurasia, in the perspective of a common security strategy. The **migration crisis** has simply shown this interdependency in a dramatic way: if there are wars, there are refugees who escape to Turkey and then to European countries. For that reason both sides are stressing the need of this agreement, even if public opinion, in Europe as well as in Turkey, is strongly protesting against it, **without suggesting an alternative solution**.

For actually, there is not any other solution than trying to regulate the flows of migrants and refugees through such kind of bilateral or multilateral agreements. This is the reason why both sides are accusing each other: to use **the agreement as an instrument of political blackmail**. The truth is that both Turkey and European countries are blackmailed by their internal oppositions to develop good relations and share any kind of agreement. Whereas in

Europe this opposition to maintain good relations and integrate Turkey in the EU comes from a particular political area, in Turkey it **is part of the state itself**.

In the last two years Erdogan's policy towards Europe and the Western world has been **very aggressive and provocative**, especially with countries, like Germany, Austria or the Netherlands, which host a large community of Turkish citizens. The Turkish President tried to move his faithful AKP-supporters in Europe against the national governments and the European Institutions, which he accuses to have betrayed Turkey because of the so long waiting to join the EU and the conditions of "double standards", in comparison with every other country which has eventually joined the Union.

Europe is now at the end of a tour de force of electoral dates which lasted more than one year, starting with the Dutch election and following with the French, German, Austrian and Italian ones (i.e. four among the historical promoters of the European Union). In all these electoral competitions the sovranist parties strongly campaigned against Turkey, EU and Islam. Their ideological proximity to Putin's Russian global policies has reached an alarming tension with the worsening of the Syrian crisis, which actually is showing the **strategical weakness of Russia** in the Middle East theatre. Those parties challenged the traditional Euro-Atlantic identity of Europe. But at the moment they are in a stake, because of the missing of a strong Russian counter power and the rising of a new American perspective contrasting Russian influence in the Middle East and the Mediterranean.

The shift of power in Syria **affected as well Turkey**, which after the brief and weak understanding in Astana with Russia and Iran, perhaps realized that it can have better conditions and shared perspectives with the traditional Western allies. Besides of that, it is to consider that Turkey is claiming in northern Syria individual interests

which are problematic either for the Western and for the Russian-Iranian coalition. Anyway in the international and multilateral perspective, even the most critical opponent of a Turkish-European (and American) common strategy is aware that **any other solution is worse than cooperation**.

Although the EU is still condemning the worsening of the human rights stand in Turkey and the disproportionality of the measures taken after the coup, **reiterated its full support for the country's democratic institutions**. The main and essential request is the immediate upheaval of the emergency state. But Erdogan is not willing to accept any limitation to his growing authoritarianism, as this would certainly mean the end of his staying in power in Turkey. At the same time president Tusk expressed concerns about Turkey's recent actions in the Eastern Mediterranean and Aegean Sea, which **EU leaders described as "illegal"** at their recent EU summit in Brussels. Turkey is claiming a certain number of Aegean islets, **belonging actually to Greece (i.e. European Union)** and located just opposite of its coastal region, **in order to participate in the distribution of the new energy sources** beneath that part of the Mediterranean. Even in these last two issues, democratic institutions and energy matters, dialogue and cooperation would be the best tools for understanding instead of provocation, which is just used to enforce the Turkish nationalism and the fear of a Turkish intervention in the Aegean.

On the other hand, what Turkey expects from the EU are the customs union agreement, visa liberalisation, and acceleration of financial assistance to Syria, as well concrete steps with regards to combating what Ankara calls "terrorism". **More than 20.000 Turkish refugees are now hosted as asylum seekers in European countries**, among them over 2.000 in Greece and almost 10.000 in Germany. All those persons are considered by Ankara terrorists and enemies of the State. This problem of the Turkish opponents will have no solution until Erdogan beware his power; it means that Europe will be even more confronted with allegations of hostility by the AKP regime.

Those are the reasons why in every occasion Turkish-European diplomacy **is ending with a nothing done**, but even without lifting the perspective on the common interests, which are indeed stressed again by both partners. This is **a way to play for time** with the problems in the agenda when no one, neither Turkey nor the European leaders, is strong enough to find a rational solution. The main risk of this wasting time attitude is that dramatic events (such as a worsening of the violence in Syria or an accident in the Aegean Sea) will change the situation **in a real clash and military confrontation**, instead of a definitive opening for upcoming and not unrealistic negotiations to join the Union. 



# Big U.S. investments in strategic sectors of mutual interest



The U.S. Ambassador in Athens Geoffrey R. Pyatt, has stated in numerous occasions that the friendship between Greece and the United States has never been

stronger. The two countries have reached a very special moment in their bilateral relationship, and the U.S. want to continue to build on this momentum.

Addressing the Hellenic Association for Energy Economics at a conference titled “Energy Transition: European and Global Perspectives”, Pyatt called Greece “a very important partner” for the Washington agenda.

Energy security - as he said - makes countries less vulnerable to external pressure, especially when there are examples like that of Russia, which has used the “**weapon**” of interruption of supply as a tool to consolidate its policy 55 times in the past. In this context, the U.S. ambassador opposed the Nord Stream and South Stream pipelines, stressing that they are yet another tool in the hands of Moscow.

Geoffrey R. Pyatt stressed that U.S. imports of liquefied natural gas (LNG) could make a significant contribution to the diversification of supply both for Greece and for Europe, recalling the statement by Greek Prime Minister Alexis Tsipras during his visit in the U.S., that Greece will become the third U.S. shale gas importer in Europe. At the same time, he pointed out that his country **supports the emerging role of Greece as an energy hub in the SEE region.**

As a result, American companies are finding opportunities in Greece and there is big U.S. interest for investment in strategic sectors of mutual benefit, such as

the Alexandroupolis port and the related F.S.R.U., while “Onex Shipyards” re-opened the Syros shipyard under new U.S.-based ownership.

## American base in Alexandroupolis: A helicopter base or something bigger?

With NATO and US facilities present in Bulgaria and Romania, as well as the soon to be constructed Floating Storage Regasification Unit (F.S.R.U.), it seems that the port of Alexandroupolis is acquiring a new strategic role.

Developments for an American base in Alexandroupolis are at an advanced stage. It seems that the US wants to establish a helicopter base in the area or perhaps something more major and more complex, such as an interim base for other existing facilities in the Balkans. Available information indicates that part

for transportation of material to and from Americans bases in the Balkan Peninsula. The strategic position of the port was on full display last year, when elements of the U.S. Army’s 10th Combat Air Brigade used it as a staging area for helicopters and cargo returning back to the U.S. from Romania.

Recently, the Deputy Commander of the U.S. Army’s 21st Theater Sustainment Command, Brigadier General Maiocco was in Greece to visit and to see firsthand the potential to develop this strategic infrastructure of Alexandroupoli. In any case, it is a move that to a certain extent, also serves the Greek side, as the US decides to have a presence in an area which is nationally sensitive for Greece.

## Why the Americans invest in “Syros Shipyards”

The acquisition of the “Syros Shipyards” by “Onex Shipyards”, a Greek-American investment scheme, is seen by high level diplomatic and government sources as a move with a **strong geopolitical symbolism.** The interest shown by the US Embassy in Athens for the promotion of this particular investment can not be regarded independently of the fact that Greek shipbuilding facilities have been the focus of interest by major players in the industry.

Experienced observers, point out that Syros has a strong symbolism due to the

**traditional interest shown by Russia** for a possible presence on the island. Moscow has also exhibited similar interest for other areas in the Greek territory such as Alexandroupolis. According to some sources, a high level executive in the



of the port of Alexandroupolis will become a helicopter support and assembly centre. The aim is to serve the requirements of US forces in the Eastern Mediterranean and the Balkans. At the same time it appears that the port will also satisfy requirements


Ministry of National Defense favoured the acquisition of “Syros’ Shipyards” by a company of Russian interests - an interest that eventually did not progress. A strong interest had also been shown, although it failed to solidify into a substantial proposal, by Chinese groups.

Asked why “Onex Shipyards” chose to locate in Syros, Panos Xenocostas, the head of the group explained that this shipyard possesses a number of very interesting features. Firstly, its **geopolitical interest** differs to that of the “Elefsina Shipyards”, as it is essentially located in an offshore area, making it more attractive in cases of **defense equipment repairs**. Judging

by the big interest of the US Embassy in Athens, Washington is attaching great importance to the completion of this investment. It is also clear, as pointed out by informed sources, that the “Syros Shipyards” may, under the new owner, **attract naval vessels from NATO countries for repairs**.

There is no doubt that with the US Navy exhibiting intense activity in the Mediterranean, US vessels would be able to be repaired in Syros, as well as vessels from other NATO member states. At the same time, since the new owners are not aiming to take on defense contracts (as had been the case with the “Skaramangas Shipyards”

that had been endowed with orders from the Greek Navy), no reactions are expected from the European Commission.

The new owners’ goal of course will not be to be limited to defense equipment repairs. Even more interesting is the fact that “Syros Shipyards” shall be able to accommodate the requirement for repairs of **floating hydrocarbon exploration and exploitation rigs**. The wider Eastern Mediterranean region has attracted major companies such as Italian Eni, American ExxonMobil and French Total, without excluding others in the future. Syros can offer proximity when a repair requirement appears. 



In September 2017, at the conference “**1st Oil & Gas Forum**” on energy issues held in Alexandroupolis, the American ambassador in his speech said that “these initiatives in Northern Greece (TAP, Alexandroupolis FSRU and the IGB) as well as the upgrading of the Revythoussa LNG terminal in the South, create the infrastructure for the introduction of new natural gas sources to Europe... and mitigate the influence of (traditional) suppliers (i.e. Russia)... I am proud to say that US suppliers of LPG, are entering the European market for the first time, and could constitute an important factor in promoting energy security”. In other words, the US ambassador clearly stated that the United States are in every way promoting the diversification of Europe’s energy supplies from Russia, and that they support every effort that, among other things, may also “bring” American natural gas to Europe.

#### **The Alexandroupolis F.S.R.U.**

The “official history” of the Alexandroupolis FSRU (Floating Storage Regasification Unit): begun in 2011, when Greece’s RAE (Regulatory Authority for Energy) first expressed a positive opinion on the request by the Kopelouzos group (Gastrade), for a

license to create a floating installation for the reception of liquefied natural gas, its subsequent regasification and its forwarding to the National Natural Gas System (NNGS), for distribution to consumers inside (mainly power plant operators) and outside Greece (Bulgaria). The supply to Bulgaria even then aimed to making her **independent of Russian natural gas**. It should be noted that the Kopelouzos group, via ENELCO, had already obtained two Permits for the construction of corresponding power plants of around 800 megawatts in the Alexandroupolis industrial area.

Several years have passed since 2011 and today the establishment of power plants in Alexandroupolis no longer presents any business interest. A large part of the electricity to be produced was destined for export to Turkey, which, due to its very high growth rates at the time, was “thirsting” for electricity. Since then, the energy sector in Turkey “has taken off” and managed to cover its needs, turning the country from a buyer to a vendor of electric power with Greece as the main customer.

At the same time, the launching and the upgrading of the Revythoussa LNG reception facility, which shall be operational in 2018, for the most part covers the Greek

market’s needs for additional quantities of liquefied natural gas, in an effort to further make the Greek market independent from Russia. So **Bulgaria remains the main “player”** for the absorption of the liquefied natural gas planned to arrive via the - planned - Alexandroupolis FSRU.

#### **The Interconnector Greece Bulgaria (I.G.B.)**

The interconnection with Bulgaria, with unwavering American support has taken, over the past years, **an exceptional potential**. Memoranda have already been signed between Bulgaria’s **Bulgartransgaz**, Hungary’s **FGSZ**, Romania’s **Transgaz** and Serbia’s **National Natural Gas System** operators for additional connections. The upgrading of existing connections from Bulgaria to Romania and Serbia and from Romania to Hungary have already been agreed. Naturally, all of the above have the “blessings” of the U.S. and always with the aim of gradually making energy in the Balkans (and not only) independent of Russia.

Therefore, for the present, the construction of the Alexandroupolis FSRU has very little to do with the Greek market. For the most part, it shall supply gas to



Bulgaria via the IGB and from there to **its neighbouring countries**. Plans have even been envisioned for **forwarding gas from the Alexandroupolis FSRU to the Ukraine!**

Consequently, the announcement at the end of February 2018 by GasLog, which owns 20% of Gastrade that the final investment decision for the Alexandroupolis LNG terminal would be postponed until the end of 2018, was not **“out of the blue”**. GasLog’s CEO Paul Wogan said that “we plan to begin the project in the second half of 2020 and we expect the final investment decision to be taken by the end of 2018”. The goal is for the decision initially and the project subsequently, **to keep pace with the construction of the IGB**, which according to the company is not progressing at the desired pace. At the same time, negotiations are under way for the Greek DEPA (Public Gas Corporation) and the Bulgarian BEH (Bulgarian Energy Holding) to participate in the investment scheme and the project.

A few days later at the end of February 2018 the ICGB (InterConnector Greece - Bulgaria) consortium CEO, Teodora Georgieva, said that 17 million Euros have been invested in the IGB interconnector pipeline project to date. She also pointed out that the project’s total estimated cost is 240 million Euros, excluding taxes, of which 220 million relate to capital expenditure.




Regarding the crucial issue of funding, Georgieva said it would be covered through foreign borrowing and financing by the shareholders. So far, a 45 million Euro loan from the European Energy Program for Recovery (EEPR) has been approved and another 110 million Euros have been guaranteed by the Bulgarian state. The consortium has also applied for funding from the ESIF (European Structural and Investment Funds), which must be approved by the competent authorities of Greece and Bulgaria, as well as by the European Commission.

#### 2018: “IGB’s year”

Therefore, although we are close to securing the financing for the IGB project, this has not yet been achieved. Dimitris Tzortzis,

DEPA’s new CEO, speaking at the Delphi Forum in early March, described 2018 as **“IGB’s year”**, because as he explained the tendering process for the Owners’ Engineer and the supply of pipes is underway. He also said that the request for tenders for the EPC (Engineering Procurement & Construction) construction contract shall be published in the next few weeks, while at the same time the financial structure of the project and the regulatory framework are being finalised.

So 2018 is indeed “IGB’s year”. We would add that it is the **“IGB’s and Alexandroupolis FSRU’s year”**, and would express the hope that construction of the former begins so as to also drive the latter which will transform the **sensitive region of Thrace into an energy hub** oriented towards the north. 

## Russia proceeds rapidly with the construction of the Turkish Stream pipeline

In the coming period, Gazprom is expected to move to the withdrawal of non-completed installations during the construction of the South Stream pipeline on Russian soil, according to a company announcement. **The course of implementation of the Turkish Stream pipeline** seems to be the cause of this decision. It has resulted in the removal of the Morshansk Gas Station’s Natural Gas Pressure Measurement and Adjustment Station and the ripping out of the 506-kilometre (506 km) bit which was part of the network, of the Pochinki-Anapa route, near the northern shores of the Black Sea.

According to the plan, the South Stream pipeline would transport 63 billion c.m. of gas annually from Russia



to the heart of Europe, Austria, under the Black Sea and through Bulgaria, Serbia, Hungary and Italy. However, **after intense pressure from the EU and the USA to the contracting countries, the project could not advance.**

Instead, Gazprom has decided to proceed with the construction of an alternative route, under the Black Sea, of the Turkish Stream pipeline, with a capacity of 31 billion c.m. of natural gas, bypassing

Ukraine. For start, this will serve exports of quantities of Russian natural gas to Turkey and then, possibly, to Europe. The construction of the first leg of the Turkish Stream pipeline **is expected to be completed in May**, as Alexey Miller, head of Gazprom said in a statement, during his visit to Ankara on April 3. According to Miller, they are following the initial timetable that wanted the pipeline to be set in operation in 2019.

**SOUTH EAST MED**  
**ENERGY & DEFENSE**  
THE ANALYSIS INSTRUMENT FOR THE STAKEHOLDERS

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