

# EU Infrastructure Package, Cyprus Potential Role & Probable Projects

2<sup>ND</sup> CYPRUS NATURAL GAS CONFERENCE  
20&21 JUNE 2013  
NICOSIA



**GEORGE SHAMMAS**  
CHAIRMAN

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# European Energy Policy

## EU OBJECTIVES

**Promotion of  
competition**

**Security of  
Supply**

**Protection of  
the  
Environment**

## 3<sup>rd</sup> EU Energy Package – Legislative framework

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The aim of the third energy package is:

- ❖ the creation of a fully operational **internal electricity & NG market** with enhanced **competitiveness**,
- ❖ the **secure supply** of electricity & NG that is of vital importance for the development of European society,
- ❖ the implementation of a **sustainable climate change policy**,
- ❖ the provision of a **real choice for the consumers** in all EU countries, that will help to keep prices as low as possible and increase standards of service and security of supply.

# 3<sup>rd</sup> Energy Package

## Directives

**2009/72/EC** concerning common rules for the internal market in electricity

**2009/73/EC** concerning common rules for the internal market in natural gas

## Regulations

**713/2009** on the establishment of the Agency for the Cooperation of Energy Regulators **ACER**

**714/2009** on conditions for access to the **network for cross-border** exchange of electricity

**715/2009** on conditions for access to the **natural gas transmission** network

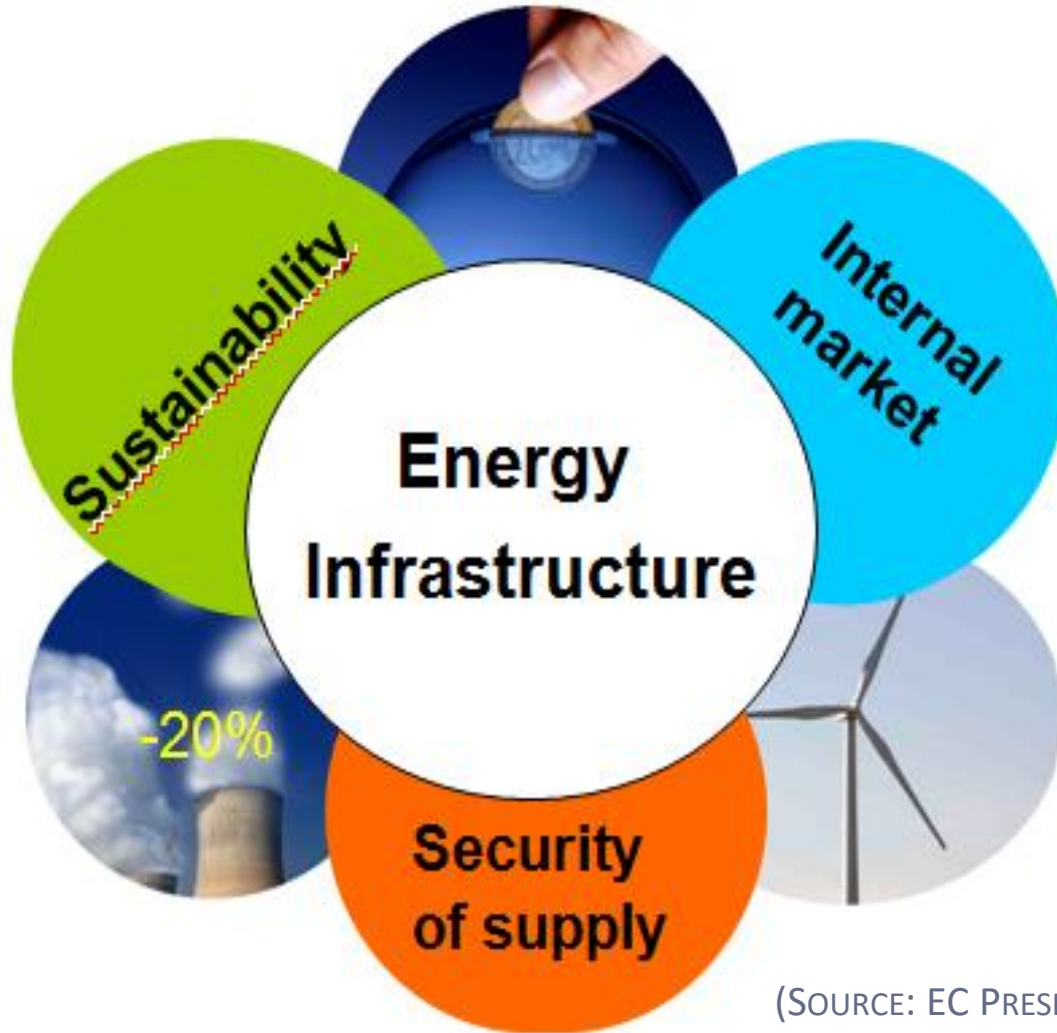
**994/2010** concerning measures to safeguard **security of gas supply**

**1227/2011** on wholesale energy **market integrity and transparency (REMIT)**

**347/2013** on guidelines for **trans-European energy infrastructure**

# Energy Infrastructure

The heart of EU energy and climate policy goals



Included under the flagship initiative “Resource efficient Europe”



(SOURCE: EC PRESENTATION TO NRAS)

# Conclusions of European Council – June 2013

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- ❖ The internal energy market should be **completed by 2014** – Emphasizes the significant contribution to the three pillars of EU energy policy,
- ❖ Stresses need for **consistency on policies** – Renewable, energy efficiency, internal energy market and future goals,
- ❖ Notes that EU policies should consider **small isolated energy systems**,
- ❖ Confirms commitment on urgent implementation of the third energy package and other Regulations,
- ❖ Underlines importance of **target models** for Electricity and Gas,
- ❖ **Highlights the role that Energy Infrastructure plays in the completion of the Internal Energy Market**,
- ❖ Stresses the **Rights of Consumers** etc.

# Connecting Europe Facility

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A package of proposals adopted by EU to achieve the goal of single Internal Energy Market:

- ❑ The regulation on guidelines for trans-European energy infrastructure No 347/2013 initially proposed in 2011 was finally adopted on the 17th April 2013
- ❑ This Regulation lays down guidelines for the timely development and interoperability of priority corridors and areas of trans-European energy infrastructure
- ❑ CERA contributed through ACER during the development process of this Regulation



# Energy Infrastructure Regulation

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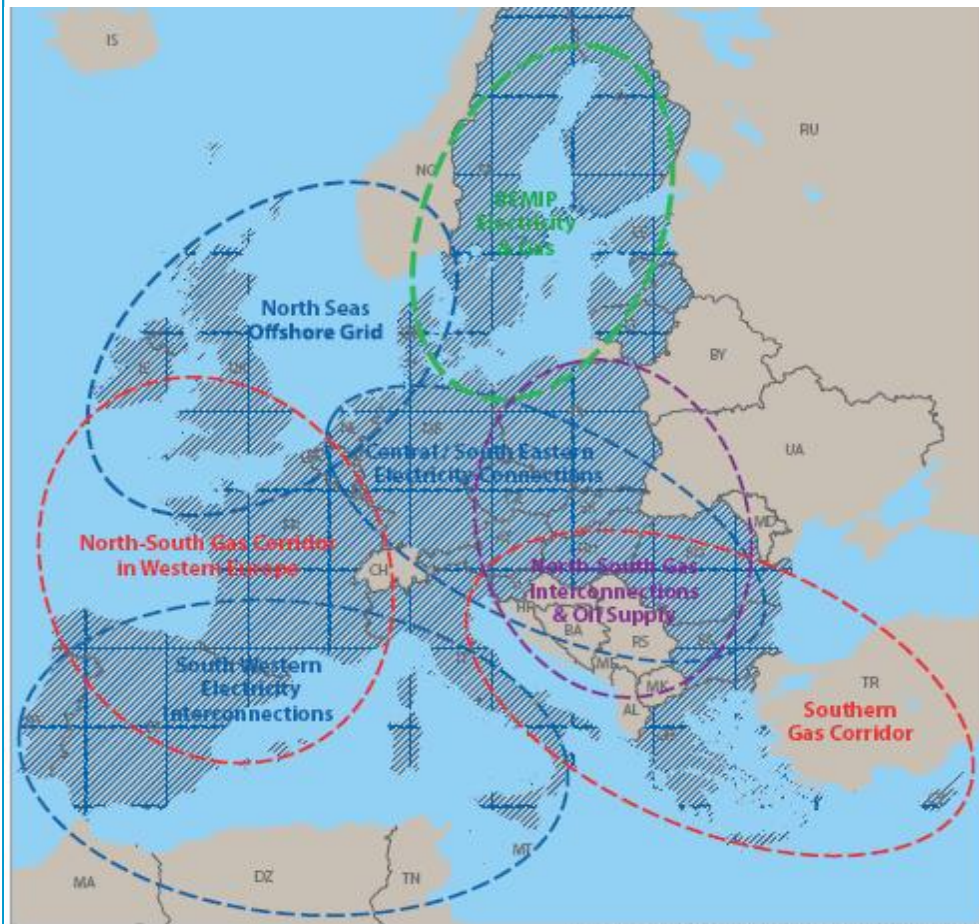
- ❑ Under Connecting Europe Facility
- ❑ Three Sectors: Energy – Transport – Communication
- ❑ Regulation on the Guidelines on Energy Infrastructure is strongly promoted by EC
- ❑ Facilitates Licensing & Project Development procedures
- ❑ Funding support: 9,1 bln € will be given to support Energy Projects of Common Interest (PCI)

# EU Energy System Investment Needs by 2020

- ❑ Total Investments in **Electricity and Gas Sectors** over **1 Trillion €**
- ❑ Power Generation around 500 bln € (most on RES)
- ❑ Transmission & Distribution around 600 bln €
- ❑ Electricity Transmission 140bln €
- ❑ Gas Transmission 70 bln €

(Source: EC)

# Infrastructure Priorities



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- Natural Gas
- Electricity
- Electricity and natural gas
- Oil and natural gas
- Smart interconnected grids in the EU

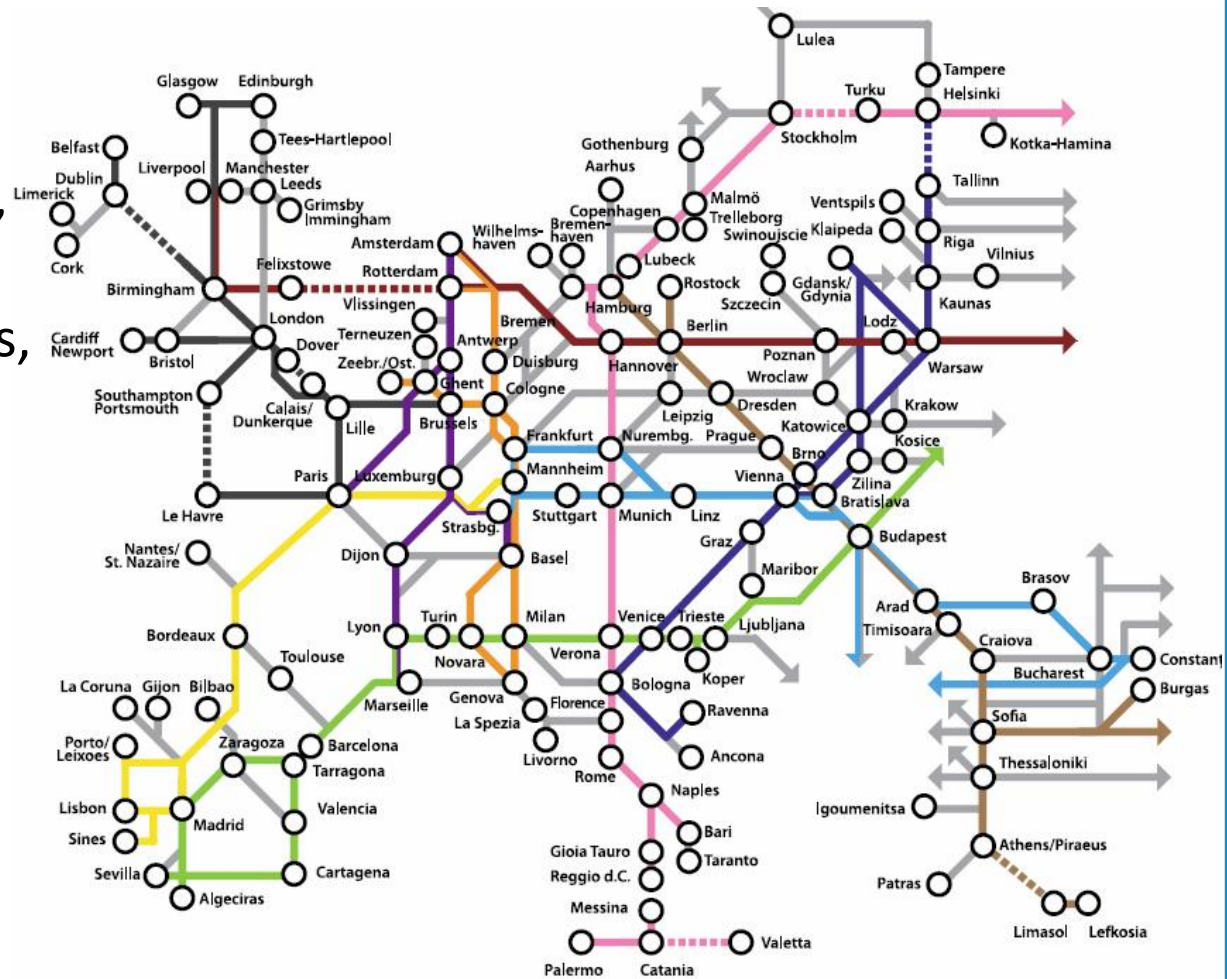
The EU Infrastructure regulation established twelve Regional Groups ('Groups').

The decision-making body of each Group shall adopt a regional list of proposed **projects of common interest (PCI)**.

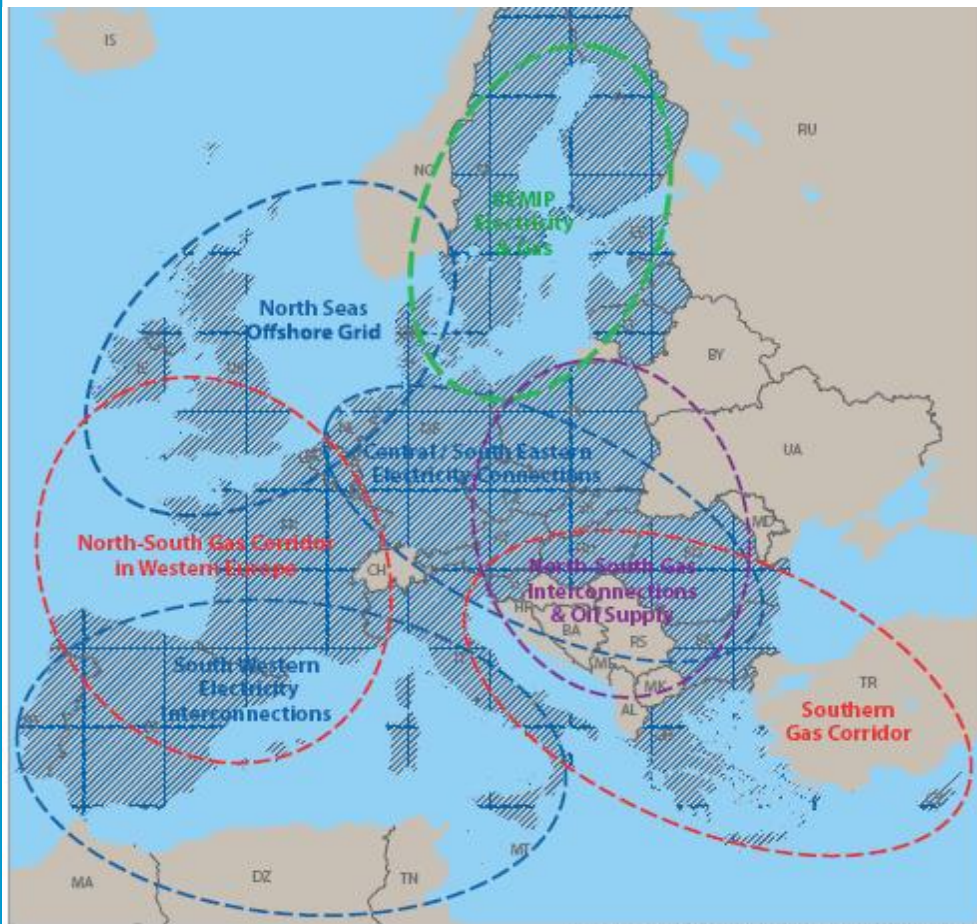
The first **Union list of PCIs** shall be adopted by 30 September 2013.

# Project of Common Interest (PCI)

**Project of common interest** means a project, which can be one or several transmission lines, pipelines, storage facilities, or installations falling under the energy infrastructure categories which is necessary to implement the energy infrastructure priority corridors and areas



# Southern Gas Corridor



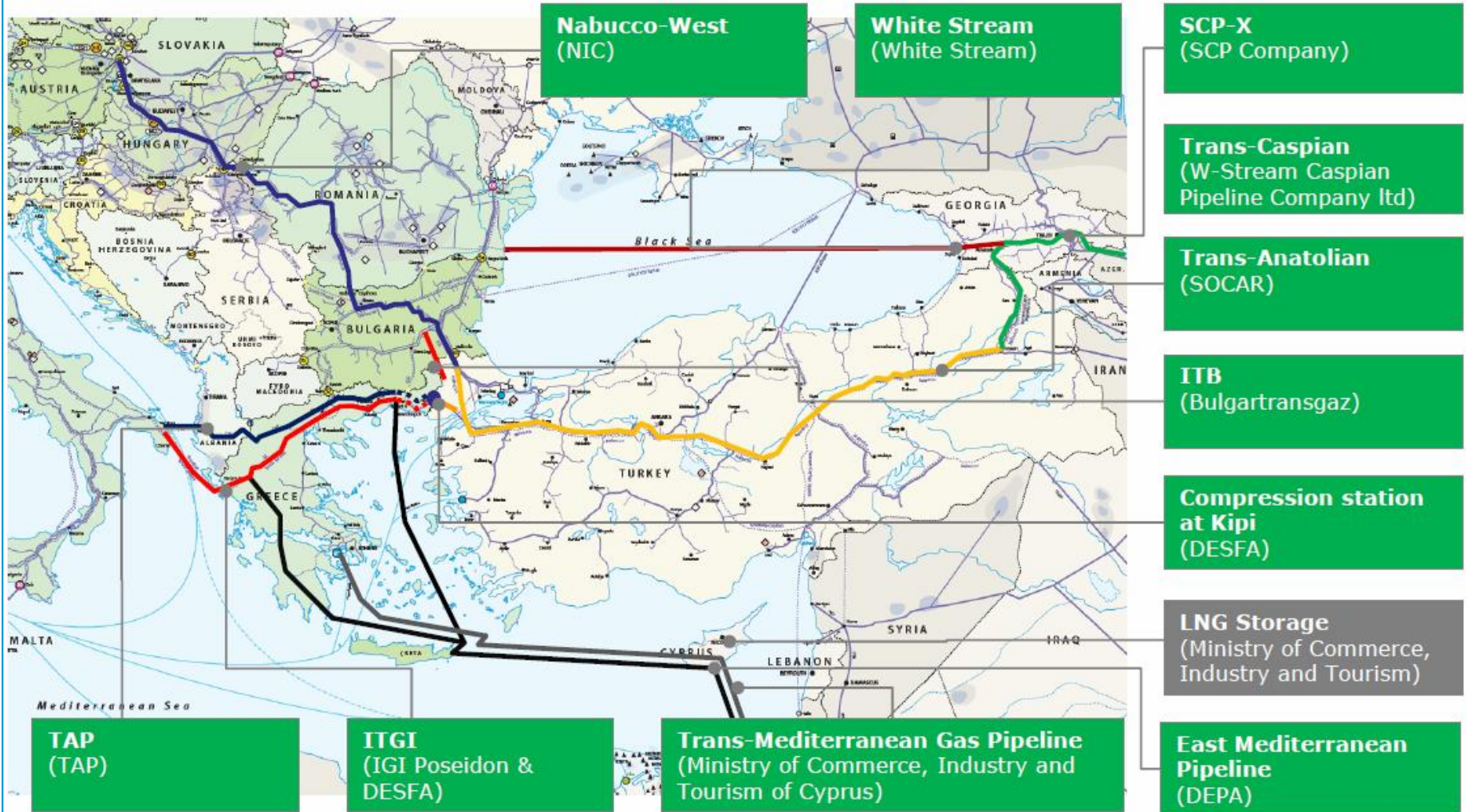
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- Natural Gas
- Electricity
- Electricity and natural gas
- Oil and natural gas
- Smart interconnected grids in the EU

Cyprus, within the context of the EU Infrastructure regulation, has been included in the Southern Gas Corridor ("SGC") for the transmission of gas from the Caspian Basin, Central Asia, the Middle East **and the Eastern Mediterranean Basin to the Union** to enhance diversification of gas supplies

Member States concerned: Austria, Bulgaria, Czech Republic, Cyprus, France, Germany, Hungary, Greece, Italy, Poland, Romania, Slovakia, Slovenia

# Projects in the Southern Gas Corridor



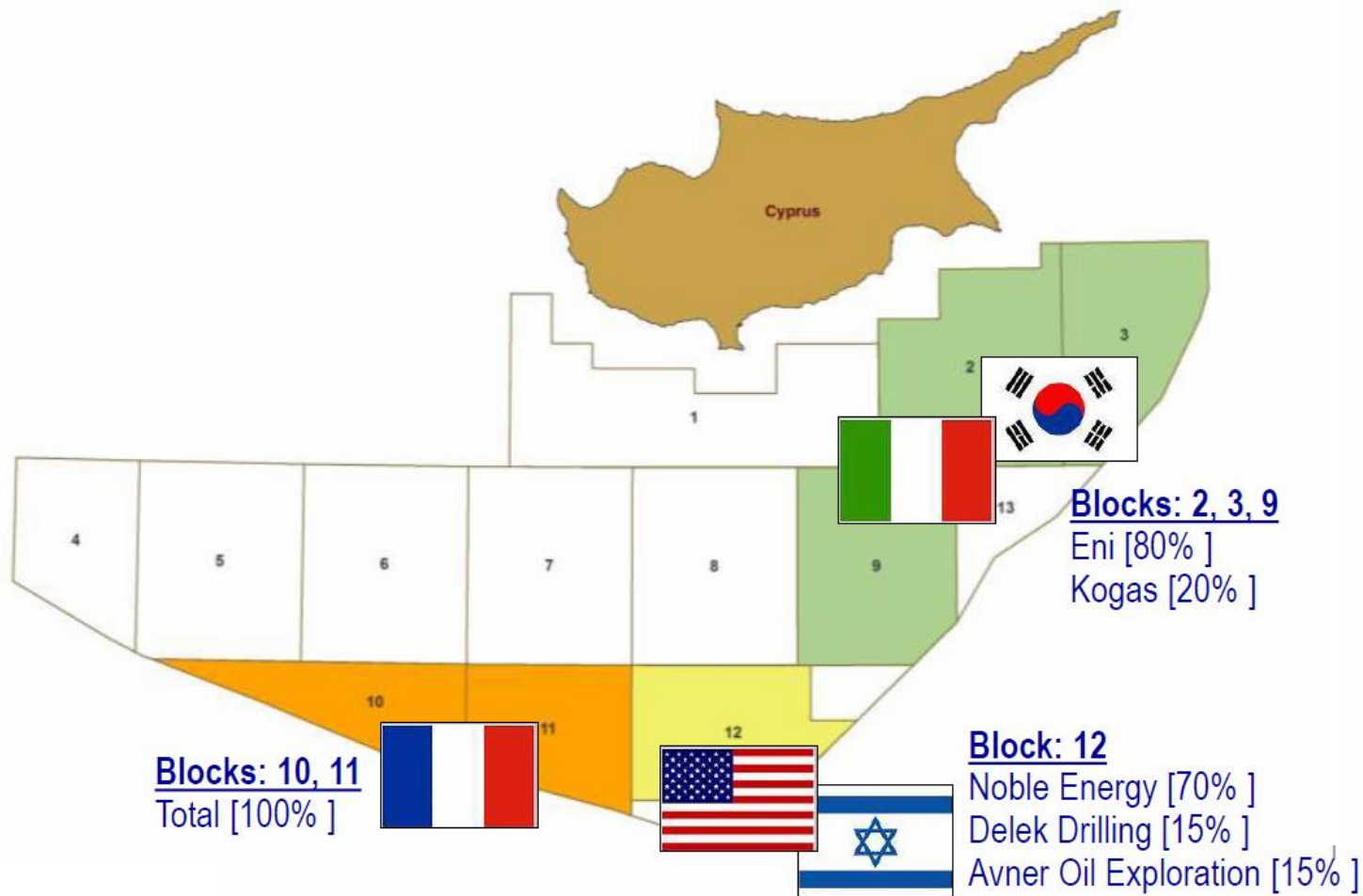
(Source: EC)

# Cyprus New Era –HC exploration potentials

- ❑ In December 2011 the success of the first well offshore Cyprus was announced. The field was estimated to hold at least **7 trillion cubic feet of natural gas**. An appraisal well is currently under development.
- ❑ The confirmation of the presence of significant quantities of natural gas reserves in the EE Zone of Cyprus, signals the start of a new era for Cyprus, an era during which Cyprus must claim a key position in the regional energy map and can be transformed into a **regional energy hub**.



# Exploration licenses – 1<sup>st</sup> & 2<sup>nd</sup> Round



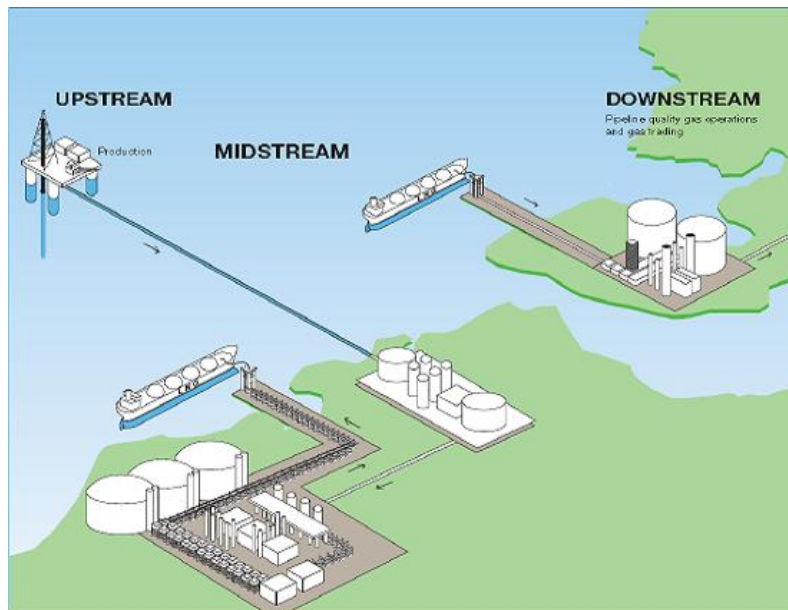
(Source: MCIT)



# Cyprus Liquefaction Plant

It is estimated that Cyprus internal market would consume less than 1 bcm of gas per year.

Therefore, Cyprus needs to exploit its reserves by developing **an LNG export terminal**.



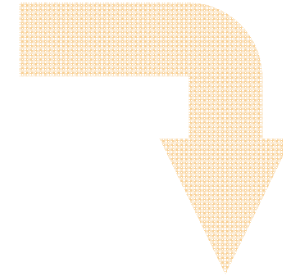
LNG Chain

This ambitious project presents technical, financial and commercial challenges that have to be handled professionally in order to be successful.

Through the development of the **LNG Liquefaction plant** the key objective of the transformation of Cyprus into a regional energy hub in the Southern eastern Mediterranean will be accomplished.

# Cyprus Liquefaction Plant

## Main Strategic Goal of Cyprus

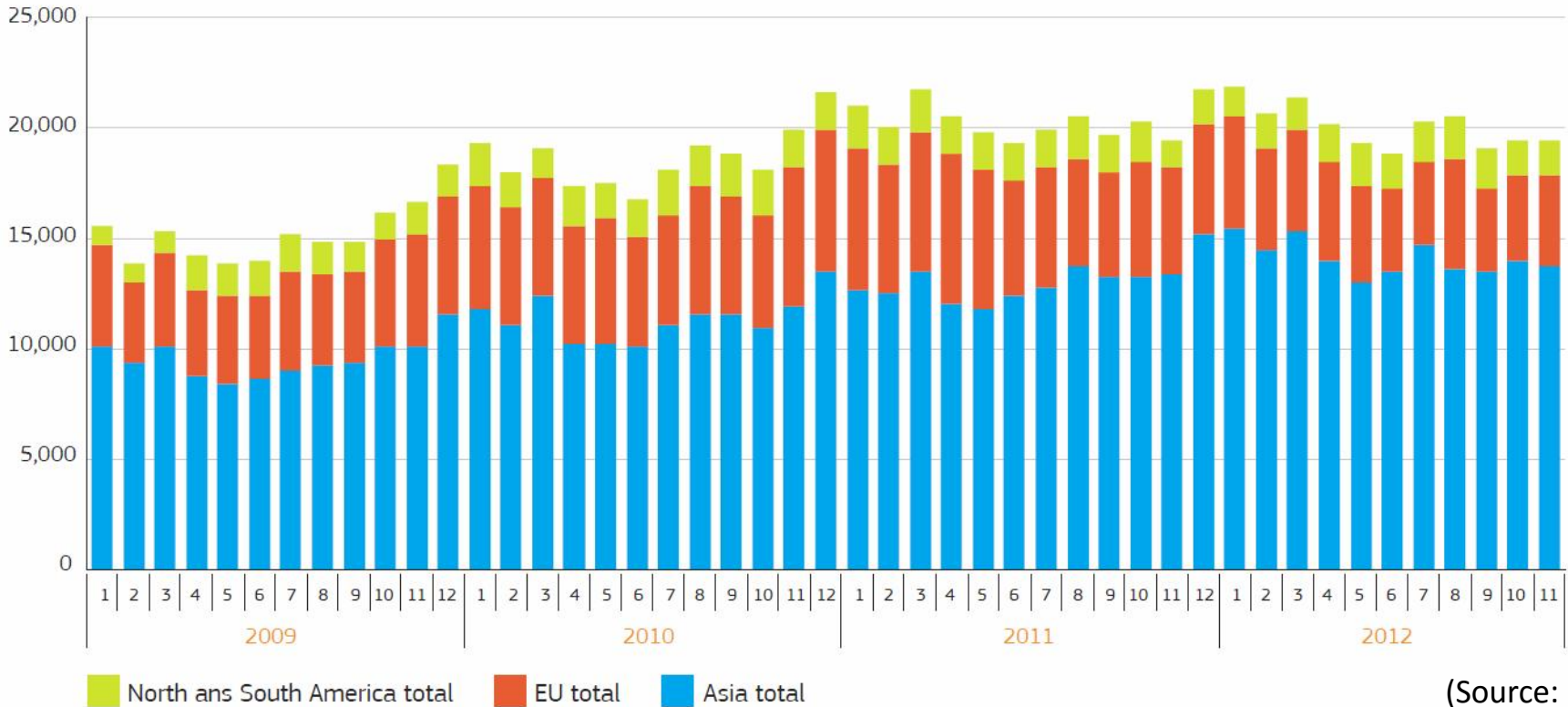


### IN LINE TO EU POLICY

- Diversification of Energy Supply
- EU Security of Supply,
- Flexibility,
- Storage

# World LNG Imports by Region

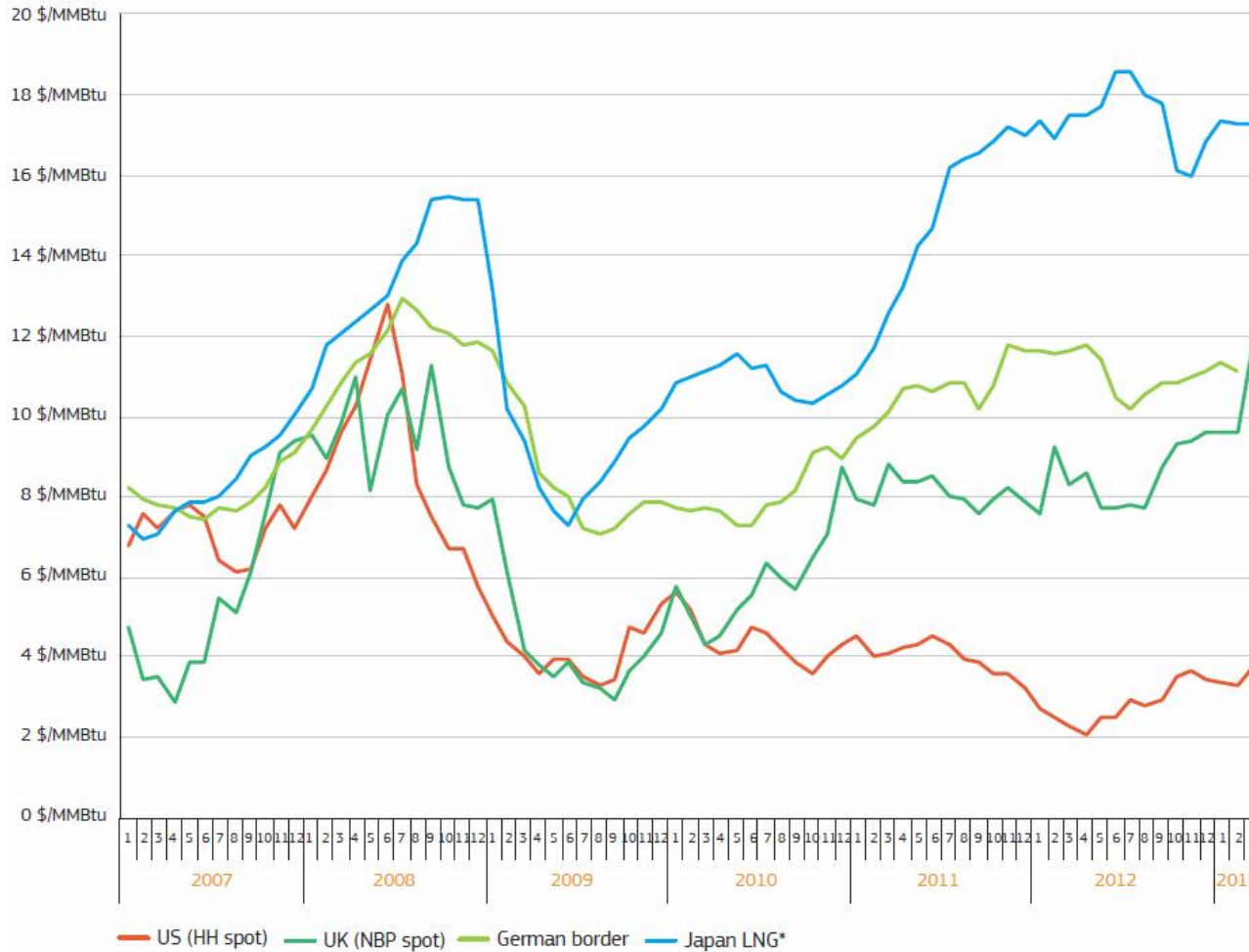
thousand metric tonnes



(Source: EC)

In absolute terms, the **Asia-Pacific region increasingly depends on global LNG supplies**, a trend that has intensified over the period 2007-2011 with near doubling of Qatari supplies. EU stable demand – Supply Shortage expected after 2025

# International Market - Wholesale Gas Prices



(Source: EC)

**Divergence between US and other global wholesale prices for natural gas since 2010**

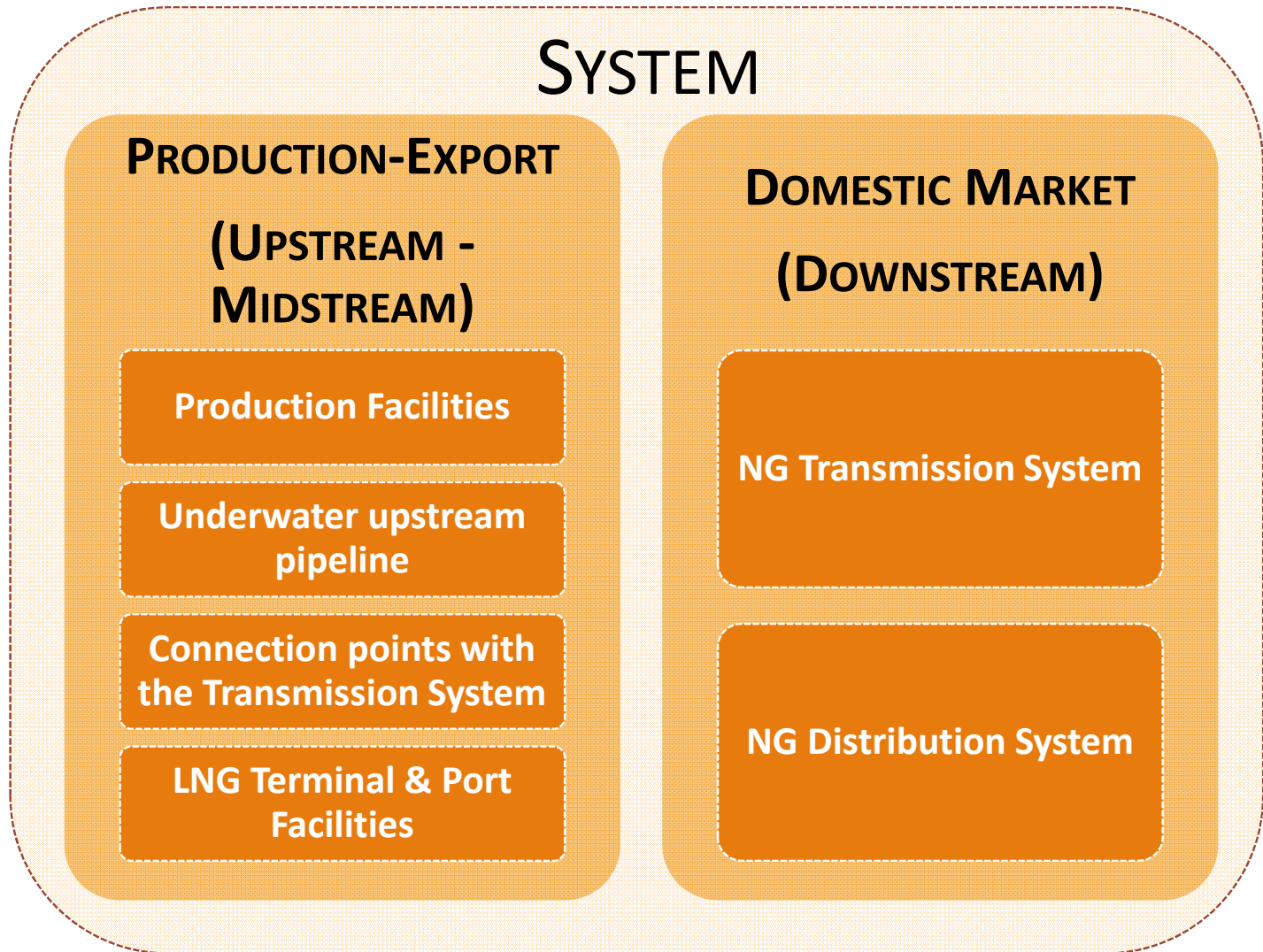
# LNG Prices in Spain, UK, Japan & Korea



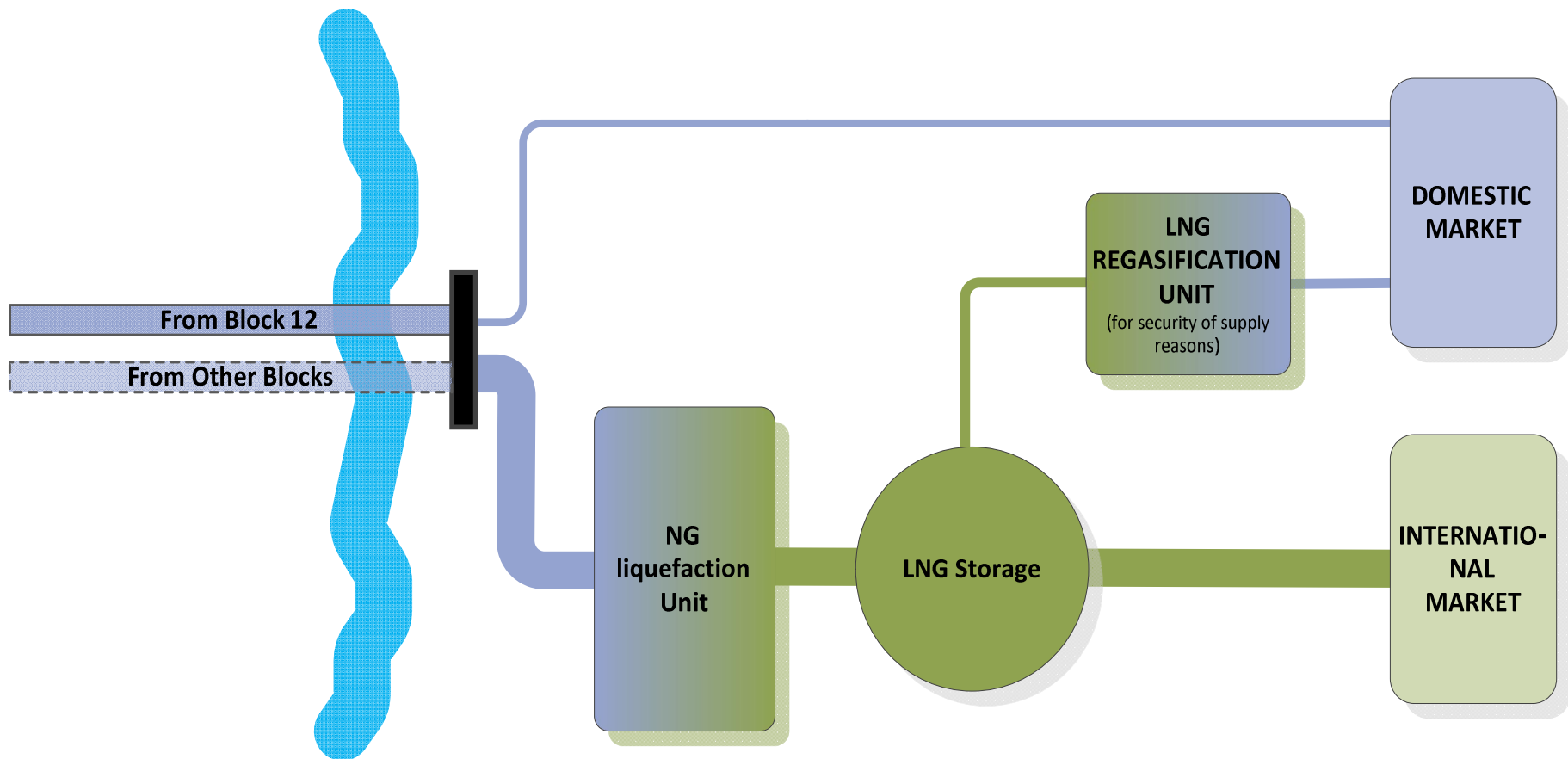
(Source: EC)

The premium offered by Japan for LNG imports represents a continued incentive for exporters. Producers located near the Suez Canal are well-positioned to be the swing suppliers to both Asian and Atlantic basins.

# NG Sector - Necessary Infrastructure



# NG Sector - Necessary Infrastructure



# Regulatory Framework

CERA, in order to **ensure a safe, transparent, viable, effective and well functioning NG market** and in order to **protect the consumers and the public interest** exercises regulatory oversight to all of the following:

- Owner/Owners and/or Operator/Operators of the national transmission and distribution system,
- NG supplier/suppliers to the domestic market,
- Owner/Owners and/or Operator/Operators of the storage facility (only the section used to meet of the domestic market needs),
- NG undertakings.



# Law Implementation, regulatory regime and organization of the internal gas market

CERA is currently undertaking a study for:

- ❑ the implementation of the national Law for regulation of the Gas Market,
- ❑ the development of a transparent regulatory regime and
- ❑ the organization of the internal gas market.

The study will lead to the **development of a detailed Action Plan** of all necessary steps to be taken by CERA in order to develop, organize and ensure independent regulatory oversight of the national internal Gas Market including a time schedule of required steps.

In addition, it will **facilitate the organization of the internal gas market**, covering the issues of the potential for setting-up wholesale markets for gas and an appropriate sales framework for domestic gas supply.

It will also set the measures to **safeguard security of gas supply** under the Regulation 994/2010.

# Conclusions – Next Steps

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- ❑ **Developing the LNG Terminal requires prompt decisions and signing all required MOUs and other agreements on time**
- ❑ **Signing the MOU with NOBLE, DELEK & AVNER for the LNG Terminal next week initiates the development phase**
- ❑ **Key issue: Decision on Contracting strategy for FEED/EPC – Will determine time schedule and cost of Project.**
- ❑ **Successful LNG Project Development – Transforms Cyprus into a regional energy hub and an energy and political bridge between EU and Middle East Countries.**

# EU Infrastructure Package, Cyprus Potential Role & Probable Projects

THANK YOU FOR YOUR ATTENTION



**GEORGE SHAMMAS**  
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