

New transit routes and trading opportunities in SEE and Turkey

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Agenda



- 01** From the Trans-Balkan line to TurkStream
- 02** The TurkStream corridor
- 03** Non-Russian gas sources and new trading opportunities
- 04** Conclusion



From the Trans-Balkan line to TurkStream

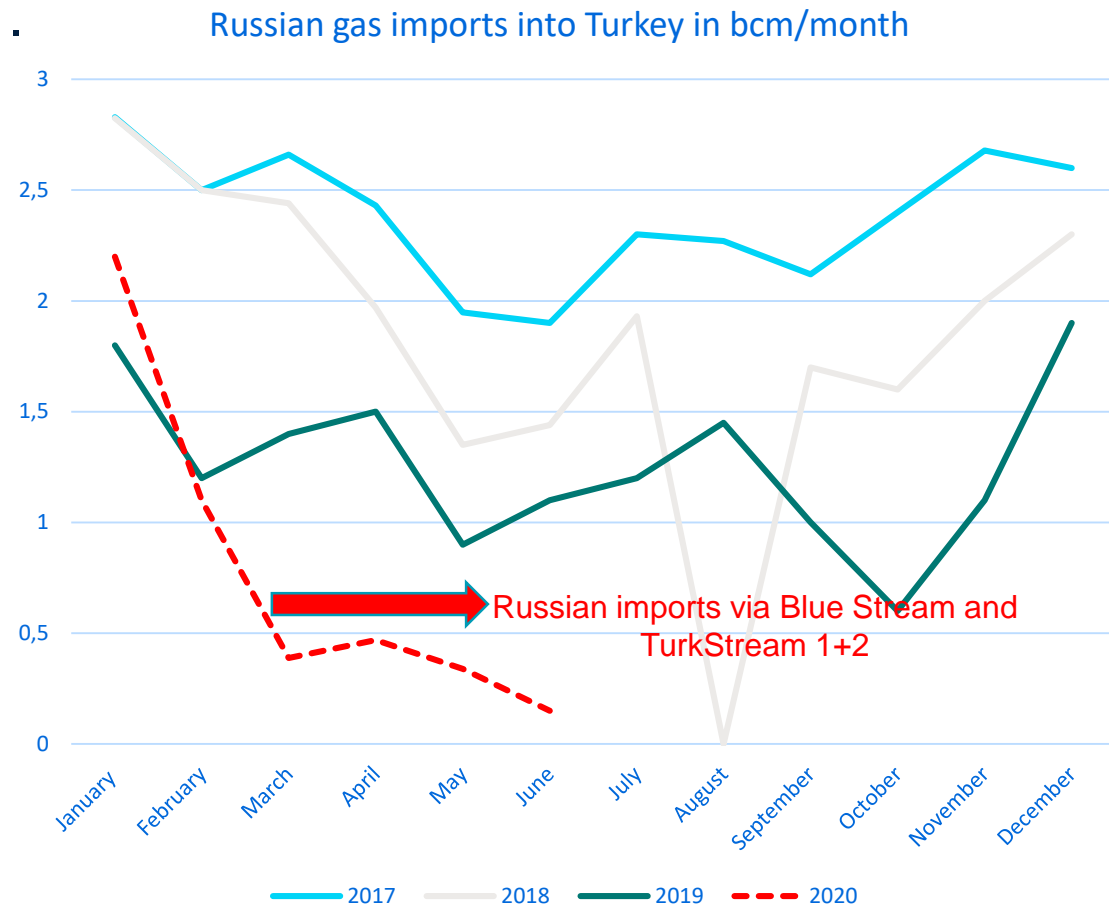
In 2020, Russian gas which had been historically shipped to south-east Europe and Turkey via the Trans-Balkan line were diverted to the newly-built TurkStream1 and 2 corridor

5 TRANS-BALKAN PIPELINE





The decline of Russian exports to Turkey



Russian gas imports have started to decline in the past three years as Turkey has ramped up LNG imports as a lever in price negotiations with Gazprom

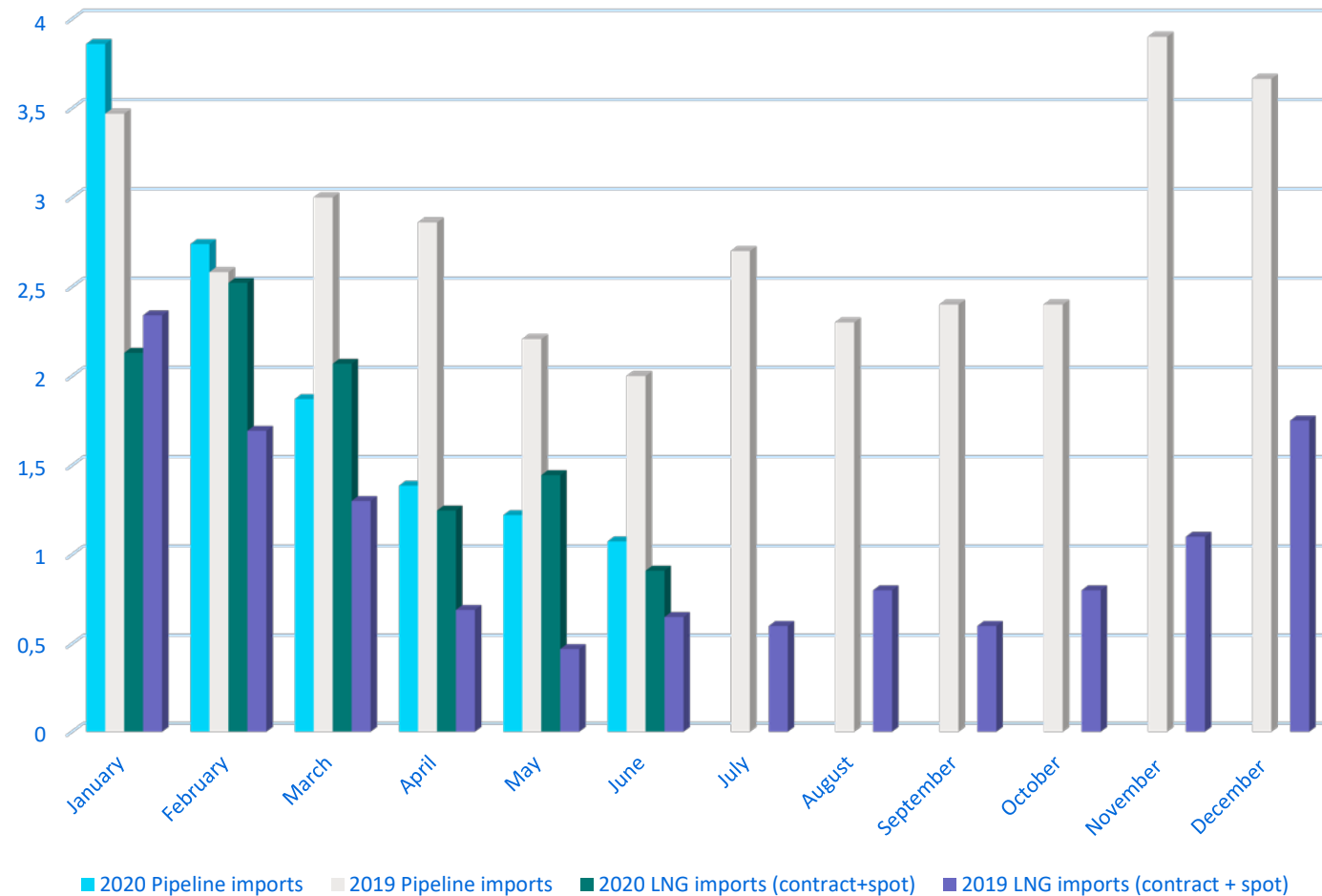
The decline was also linked to an arbitration award for Gazprom over a previous price discount which Turkish private importers dispute

Economic decline and generally warmer weather also contributed to the decrease in Russian off-takes in Turkey

TurkStream: A game changer?



Pipeline and LNG imports in Turkey in bcm/month in 2019 and 2020



71%

Year-on-year increase in LNG imports in Turkey in the first half of 2020

-27%

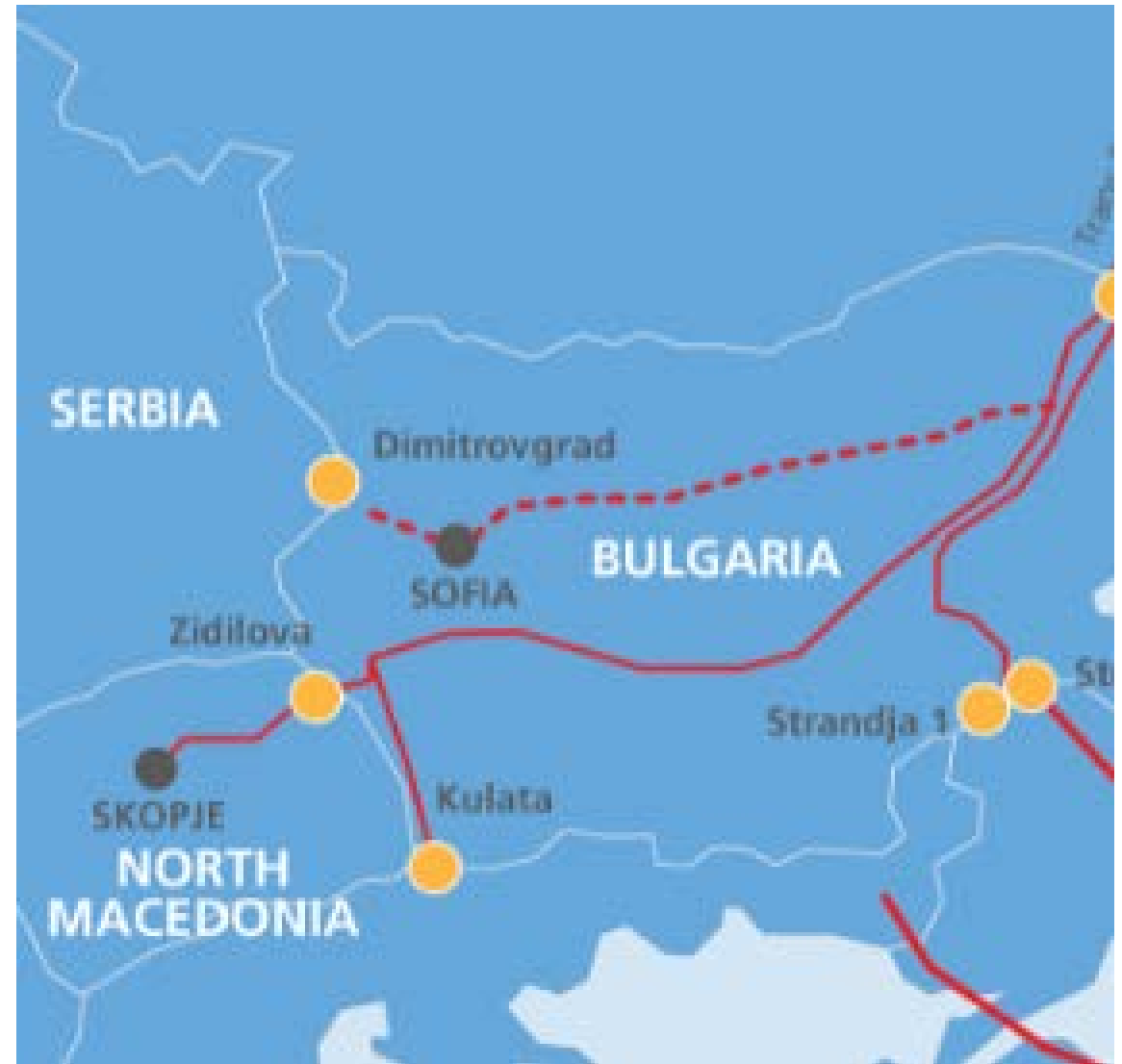
Year-on-year change in combined pipeline imports from Russia, Iran, Azerbaijan



The TurkStream corridor: opportunities and challenges

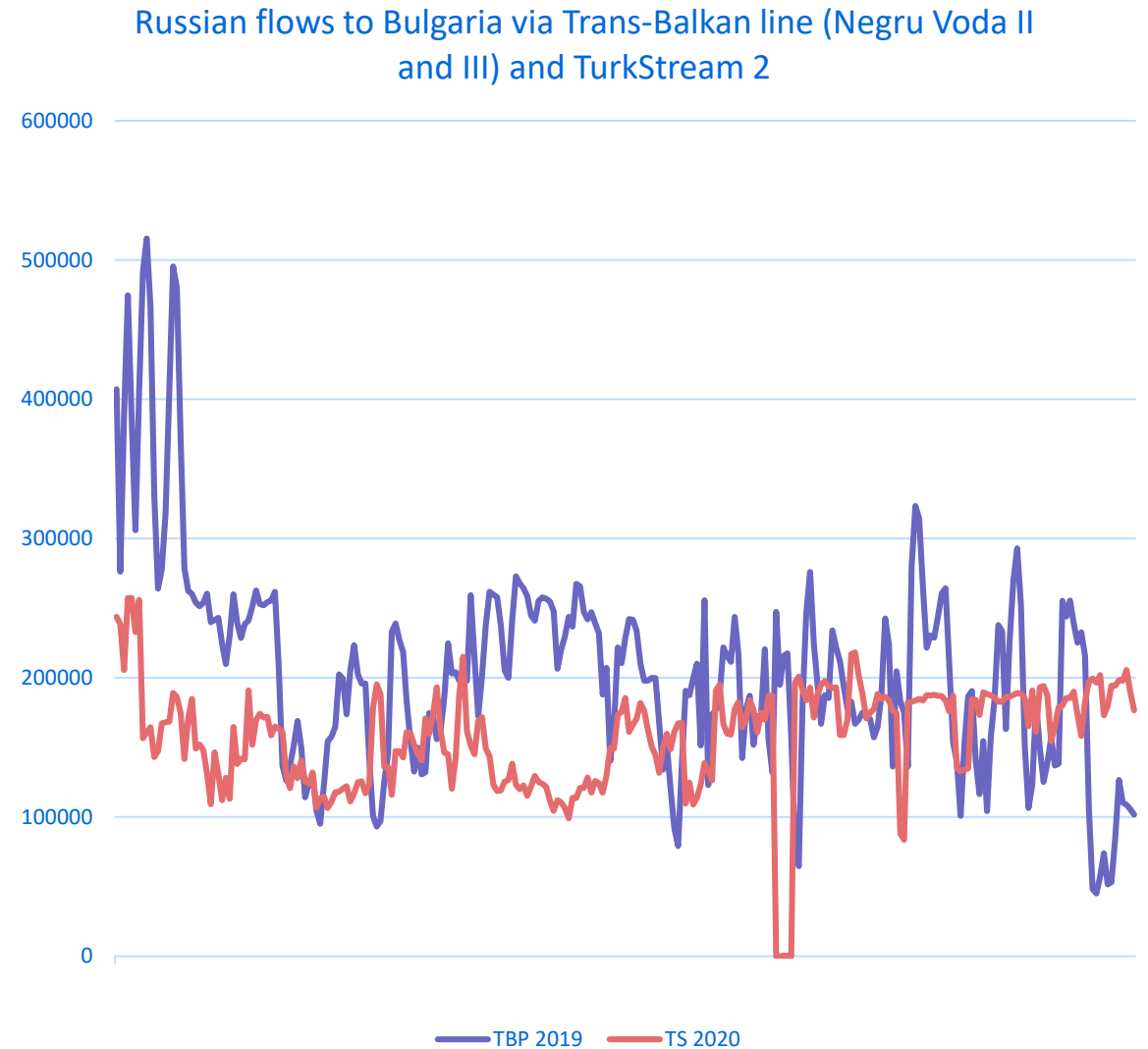
Bulgaria confident over TurkStream link completion but...

- Russia's Gazprom expects to ship gas from Turkey to Serbia and Hungary via a new leg built in Bulgaria linking the east of the country to the Bulgaria-Serbian border.
- The Russian producer has already booked 90% of the capacity on the Turkish-Bulgarian border at Strandja 2 and 100% of exit capacity from Bulgaria to Serbia.
- The Bulgarian government says the 400km line would be completed by mid 2021
- However, questions are being raised about the impact of potential US and European sanctions that may be announced later this year



...Russian flows to Bulgaria have been falling

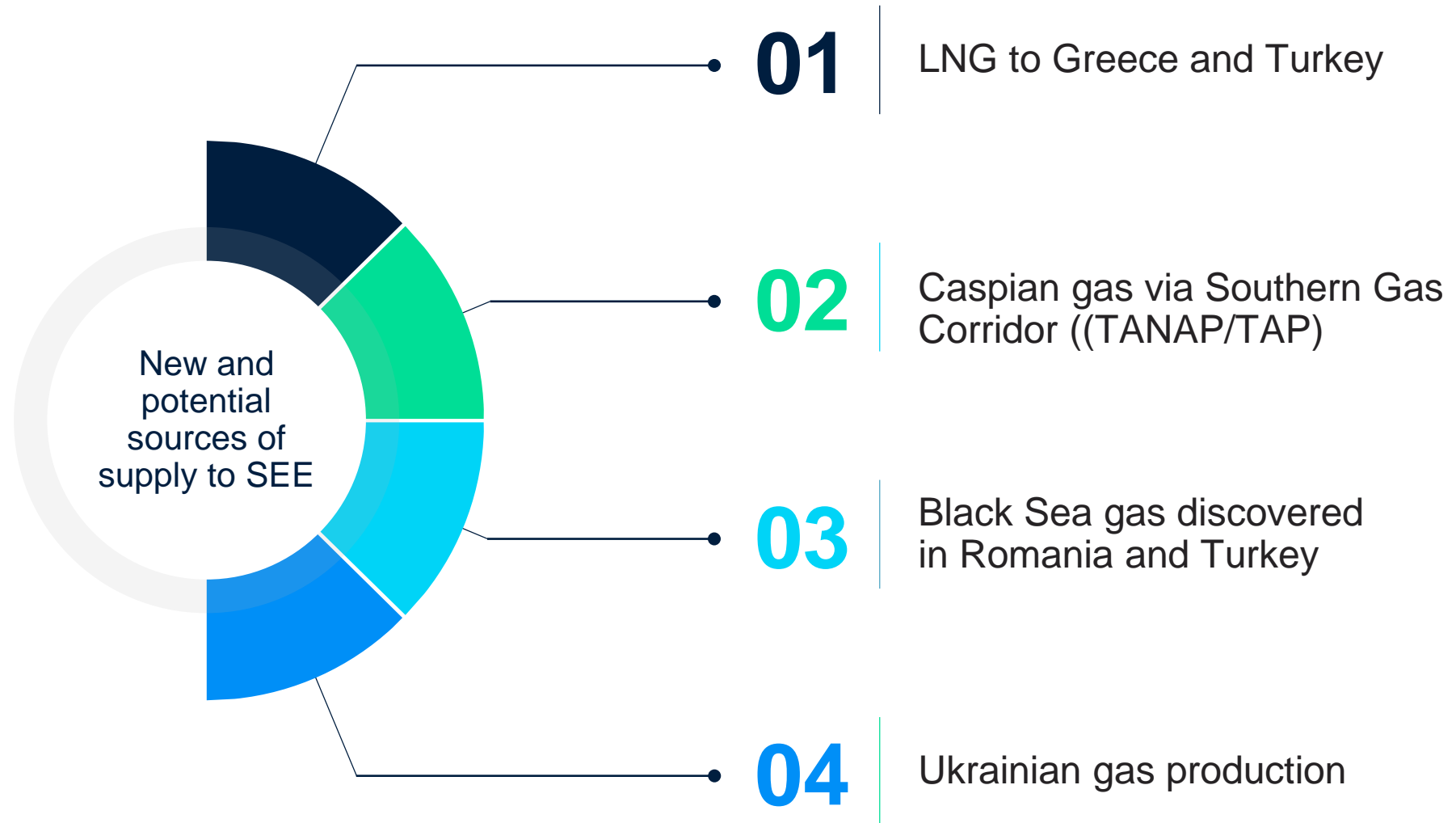
- Russian gas exports to Bulgaria, Greece and the Republic of North Macedonia dropped from 55TWh in the first nine months of 2019 to 42TWh over the same period in 2020.
- The drop in demand was largely linked to more LNG volumes imported into Greece and exported regionally but also to falling demand related to emergency measures to counter the Coronavirus pandemic
- Even so, Greek Mytilineos concluded a ten-year deal with Gazprom in 2020. The volumes are not known. In 2019, Mytilineos off-took 0.6bcm from Russia.





Non-Russian gas sources and new trading opportunities

Non-Russian gas supplies



Trading opportunities along the Trans-Balkan line

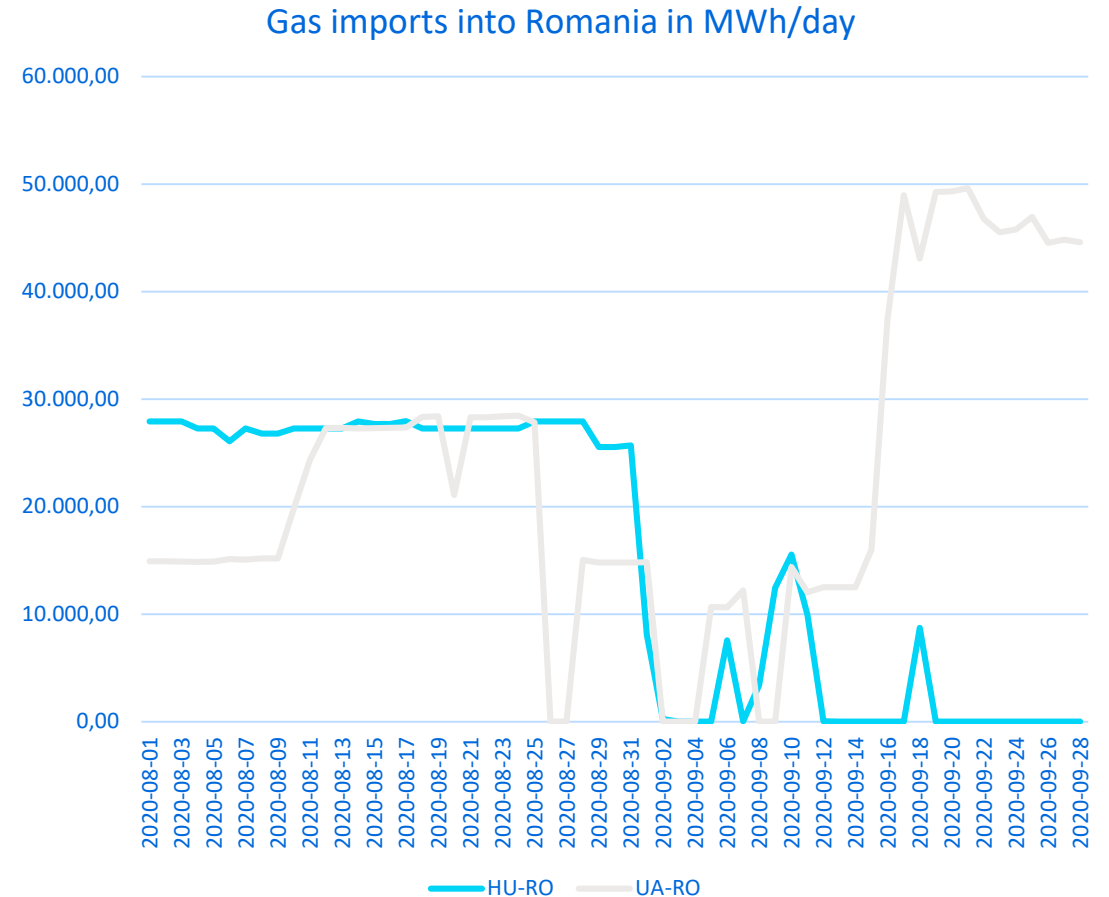
- Strandja 1, the former exit point for Russian gas to Turkey is now used in spot exports from Bulgaria to Turkey. The first company to be allocated capacity was Bosphorus Gaz, a former Gazprom affiliate. The company is thought to have imported some 10mcm in September 2020.
- Although Romania still has a long-term transit contract with Russia's Gazprom for T3, a third line of the Trans-Balkan corridor, all three lines have been mostly idle since flows were diverted to TurkStream 1 and 2.
- Reverse flows are now possible along the Trans-Balkan line. Some 12 companies have signed transmission contracts with the Republic of Moldova and at least one, ERU, a Ukraine-based company started exports to Romania as well as imports from Greece along the Trans-Balkan line in the summer of 2020.

ICIS TRANS-BALKAN PIPELINE



...New flow patterns in south-east Europe

- Import patterns into Romania are changing amid fears that a large supplier which had been booking capacity on the Hungarian border is likely to default on debt.
- Companies are now using the Ukrainian route as a backup for imports into Romania.
- There are increasing calls from Romanian and regional companies on the Romanian TSO, Transgaz, to sign an interconnection agreement for another key interconnector, Mediesu Aurit on the northern Romanian-southern Ukrainian border to allow the direct flow of gas, bypassing Moldova





In sum:

- South-East Europe and Turkey's overwhelming reliance on Russia has been declining despite Gazprom's efforts to build TurkStream and create a new transit corridor independent of Ukraine
- Bulgaria remains committed to complete its leg of TurkStream to ensure Russian gas could enter Serbia and Hungary by 2021. However, there are questions regarding the impact of potential US and European sanctions on this section of infrastructure.
- Although the Trans-Balkan line has been lying almost empty since volumes have been diverted to TurkStream2, companies across the pipeline have been exploring opportunities to establish new trading opportunities and access alternative sources of natural gas or LNG.

Thank you!

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