



**Bulgarian  
Energy  
Holding**

# **Investing in Southern Gas Corridor supply infrastructure**

March 2014

## Strategic rationale of ongoing investments

Sources diversification + gas market flexibility

Connect Bulgarian / SEE gas markets with complementary supply sources - Caspian Region, Middle East, East Med and LNG (through existing/new terminals in Greece and/or Turkey);

Infrastructure build-up to secure SEE access to Southern Gas Corridor

Coordinated development of regional interconnectors to build up the SEE supply system from the Southern Gas Corridor;

Achieve a functioning regional supply system

Diversified gas, imported to Bulgaria via IGB (BG-GR), can be transited into SEE countries taking advantage of other interconnections, such as IBR (BG-RO), IBS (BG-SER);

Bring relevance to EU North-South strategy

Interconnectors being developed secure the strategic relevance of the North-South supply strategy being sponsored by EU, hence their PCI status



## IGB Interconnector – pivotal for achieving a functioning South to North regional supply system

### Project Description

- ▶ IGB's infrastructure consists of a 32", 182km cross country pipeline between Komotini, Greece, and Stara Zagora, Bulgaria. Approx. 31 km of the route is in Greece and 151 km in Bulgaria. Its capacity is planned for up to 3 bcm/y, with a capability for capacity upgrade to 5 bcm/y by adding a compressor station.

### Shareholding structure

- ▶ ICGB AD is a project company incorporated under Bulgarian law for the purpose of developing, designing, financing, building and operating the IGB pipeline.
- ▶ ICGB AD is 50% owned by Bulgarian Energy Holding (BEH) EAD and 50% by IGI Poseidon SA (a company equally controlled by DEPA SA and Edison SpA).

### CAPEX

- ▶ EUR 210 million (to be updated at completion of Technical Design)

### Funding

- ▶ Shareholders ready to activate either options - full equity financing or equity + project finance;
- ▶ European Energy Programme for Recovery (EEPR) grant of up to 45 Mln. EUR (~20% of CAPEX) in accordance with EC Decision C(2010)5813;
- ▶ Bulgarian State Guarantee available within 2014 for BEH EAD share of project costs;
- ▶ As PCI, IGB has access to Connecting Europe Facility in relation to possible future upgrades

In light of future use of TANAP- TAP by Caspian Producers, IGB Pipeline can be developed as the SEE entry point from the Southern Corridor by relying on its excellent location;

ICGB AD and Trans-Adriatic Pipeline AG proceeded to signing a Cooperation MoU in December 2013



## IGB on track to close main permit granting procedures and secure commitments on long-term transportation capacity within 2014

### Status of engineering & permitting

- EIAs in Bulgaria and Greece were completed in 2013 following process by law which took ~2 years;
- FEED and design of pipeline easement in Greece completed by end 2013;
- Engineering of the pipeline easement strip and AGI sites in Bulgaria completed at beginning of 2014;
- Installation Act application process activated in Greece;
- Permitting process for easement strip and AGI sites in Bulgaria ongoing; Completion of approvals for Technical Design package expected by Q3 2014;
- Services for land acquisition and ROW to be activated by April 2014

### Commercial & regulatory process

- Exemption Application under art .36 of 3<sup>rd</sup> EU Gas Directive submitted at the end of 2012;
- Non-binding phase of Market Test completed by Mid 2013 with received requests from shippers, plus 1 independent TSO applying for connection;
- ICGB completed the development of terms and conditions of binding Bidding Phase of Market Test & submitted them to SEWRC & RAE at beginning of March 2014;
- Regulatory approval process for Market Test binding phase ongoing;
- Subject to NRAs approval, ICGB ready to complete binding long-term capacity reservations within Market Test by Q3 2014 and finalize Exemption Application

## **Conclusion: investment support from key 3<sup>rd</sup> parties remains crucial for regional gas projects**

- Consistent political support from the concerned governments is a major factor in completing ongoing cross-border investments and securing the funding – investors need security and predictability in terms of permit granting and regulatory approvals;
- The political support from the EU institutions is key for the initiation of regional investments in gas infrastructure – the EU institutions have a coordinating role in the interaction between local governments, energy regulators, lending institutions, gas producers and infrastructure investors;
- EU grant financing and the availability of flexible lending options targeted to specific risks of each project increase the strategic relevance of such investments, ease the financial burden on the regional energy companies and contribute to the commercial competitiveness of proposed gas transportation options