

Concluding Remarks
by M. KARAMIHAS
DEPA S.A. Executive Vice President

Mr. Chairman, Ladies and Gentlemen,

A lot of very meaningful issues have been presented and discussed during this year's GIE Conference. These will be more specifically summarized by Mr. Joosten, the GIE President.

At this concluding stage of the Conference all I would like, is to share with you a few basic ideas connected with the future gas development in South East Europe. I am pleased that I have the opportunity today to address such a distinguished audience.

As our speakers outlined yesterday and today, compared with other mature markets, a large part of the SE European market is still at an emerging stage of development. It poses, therefore, a challenge to put the right foundations for the Gas Industry in this area on the correct footing from the beginning. The growing importance of gas for power generation is no doubt adding to the complexity of the problem.

European gas prices are rising to new peaks this winter. During this period of high demand, oil-linked contracts will be adjusted accordingly due to the high oil prices of 2005. However, in spite of high prices and forecasts for low economic growth, the European gas demand continues its upward trend and this year it is expected to reach 560 billion cubic meters. Gas companies are searching for new gas supply sources and investigating means of increasing existing capacities in order to satisfy the forthcoming challenges in demand.

During the presentations and discussions several important projects were proposed for gas transit through the region. All of them have their own merits and will tend to bring more gas to the region, a very crucial step towards establishing the gas industry in the area.

To realize all these plans, an enormous investment is required in the coming years, not only in gas supply and distribution, but also in power generation, both sectors closely interrelated.

In the gas sector the rising demand is putting new projects to supply gas to Europe on the agenda. Investments are associated with production, with pipelines, with LNG liquefaction and receiving terminals, as well as storage facilities and interconnectors among the EU Countries. Investment funds will have to be properly allocated considering that all these projects have a long pay-back period.

To this end, the creation of a stable and clear business environment, which will be appealing to investors is an important prerequisite. It is worth mentioning the initiatives of both the World Bank and the European Union on the Energy Community of Southeast Europe, both focusing on evaluations and targets along the lines I just mentioned.

The recently signed Treaty for the creation of an Energy Community in the region is a decisive step towards integration within the ongoing process of the enlarged Single European Market.

However, we are only at the beginning of ambitious plans and have a lot to choose from, correct and implement in the course of adjustment to the

Community Directives, Codes and Regulations. In this respect, it is worthwhile expressing some basic concerns:

- Over-regulation should be avoided. A growing regulatory complexity may slow down liberalization and delay corporate decisions which could deter investment – exactly the opposite result of what the Commission wants.
- It is assessed by a number of decision makers that market forces are not sufficient to reduce costs, bring to the picture needed new capital investments, and enhance security of supply. The risks created by market forces must be mitigated. For these reasons, an effective dialogue and cooperation is needed among European authorities, national governments, regulators, and all relevant bodies.
- The future of the European energy industry still presents a number of uncertainties. Market liberalization under the constraints of security of energy supply is a much longer and more complicated process than initially anticipated. It implies competition and cooperation at the same time between the political sphere and private corporations.
- Energy diversification aside from decreasing dependence on the dominant energy sources is an appropriate answer to the numerous uncertainties of the future, including the evolution of international energy market prices and the need to assess the external costs associated with any energy technology.

- In the light of the ongoing process of integration, the Commission should continue to search for the right compromises among conflicting interests and between short- term profits and long-term benefits resulting from the liberalization of the energy markets.

Despite of the challenges I just mentioned we have every reason to be optimistic for the future outcome. I believe that all the entities represented here, companies, institutions, associations etc., working toward a common goal, and even competing in certain aspects, will deliver progress, growth and overall a positive outcome. After all, this is what is expected by the people of this region.

Closing my brief speech, I would like to thank the speakers for their excellent and comprehensive presentations, the participants for their presence and for the fruitful panel discussions.

On behalf of DEPA, I wish you all every success in your future endeavours.

Thank you