



22nd
World LNG
Summit & Awards

29 November – 2 December 2022
Grand Hyatt Athens, Greece



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*LNG Exchanges with **Konstantinos Nazos, Chief Energy Management & Trading Officer, Public Power Corporation S.A***

- **Why LNG is key to the energy security to the region?**

A global energy crisis was under way, long before Russia invaded Ukraine earlier this year. But the war has advanced regional energy problems and Europe, in particular, is in dire straits.

There are two scenarios analysed regarding gas imports in Europe. In the worst-case scenario, Europe will stop completely gas intakes from Russia, following EU decision to replace completely Russian NG within the next 2-5 years, or in a better case scenario a further reduction on gas imports from Russia by midwinter will be imposed. In both scenarios energy security can be achieved either by reducing demand or by alternative energy sources.

The demand reduction is not considered a sustainable and feasible option in view of the wider economic sustainability and growth of EU industrial sector.

On the other hand, quantities produced from alternative sources are not sufficient to cover the demand while also operational lifetime of many coal fired power plants is almost exhausted.

Furthermore, LNG offers the users sufficient freedom and the ability to import quantities from all over the world at any time either by short-medium-long contracts or with spot contracts covering current needs and upticks. In contrast, pipeline gas requests usually fixed long term contracts with the suppliers that are not flexible and cannot be adjusted to market needs and shocks.

Taking into consideration all the above-mentioned it is concluded that LNG seems to be a key agent for enhancing energy security in the region, with producing quantities that deemed to be sufficient for the next years.

- **What are the themes to frame market development in 2022/23, and what are the associated risks?**

Taking in mind the complexity of a global market such as the LNG and Natural Gas market with many interactions, it is inevitable that many aspects frame market development in 2022/2023.

In case Russia decides to cut off pipeline gas supply to Europe, then the LNG demand will rise as an alternative source. Adding a possible cold winter in Asia and Europe, high demand will further put



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upward pressures to prices. The lack of storages in Asia is also expected to support the increase of JKM. In order to cope with high LNG prices Asia is expected to move to fuel oil and coal usage.

Another issue that frames the market is the high LNG quantities from Russia that still enter the EU apart from the UK. In case that these quantities stop being traded in Europe, market will change dramatically.

One of the major components for the relevant market development will be as well the overall development of Europe's facilities and LNG infrastructures. In the present moment although Europe is oversupplied with LNG, however to inefficient infrastructures many ships are waiting in the ports in order to be allowed by the system and the facilities to unload. Thus, these ships are acting in a way as floating storages. As a result, the price for hiring a tanker to transfer LNG is the highest ever seen. Furthermore, the long storage period of LNG in tankers leads to huge spreads between pipeline gas and LNG, as pipeline Natural Gas is priced with current indexes while LNG quantities are bought long before.

Analysing deeper the situation in Europe it should be mentioned that Greece, Italy, Poland, and Lithuania are expected to witness a sizeable uptick in LNG imports. Furthermore, through a shared FSRU, Finland and Estonia will start importing LNG in 2023 too, while in Turkey the Black Sea Sakaraya project is expected to come on line producing about 3.65 bcm on an annualized basis. As a result, LNG imports could drop in Turkey by more than 10%.

Finally, the surge of renewable energy is expected to characterize the market within the next years.

• **How can energy security be balanced with decarbonisation pledges?**

Having said all the above-mentioned, energy security at the moment seems to attract more attention in relation to the overall decarbonization strategy. Furthermore, in order to achieve decarbonization you have to secure diversity in energy sources. Thus, in the future efforts to replace LNG by blue and green hydrogen, biomethane and other fuels with less or neutral carbon emissions will be more intensive.

• **What do you consider the key disruptors to LNG through to 2040?**

- Tankers consuming LNG emit only 20% less CO₂ emissions.
- A possible isolation policy from China to USA as in 2017 is expected to affect LNG demand.
- Many efforts and policies tend to replace in the long-term LNG with blue/green hydrogen. Thus, stakeholders seem unwilling to invest money in new LNG regasification and production facilities.
- The overall growth of storage/batteries technology which is expected to act in a competitive manner towards LNG.
- Demand destruction: Growing countries (i.e India, Pakistan, Bangladesh) are expected to be unable to afford the heightened spot LNG prices.

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- The annual production capacity of LNG builders is not sufficient to cover trade demand volumes, since many of the ship building yards have already been booked by large traders for years ahead, limiting further any remnant yard capacity.
- LNG fleet is unlikely to comply with new IMO carbon efficiency regulations enter force in January.
- Weather impact: Hurricanes/ floods often affect LNG infrastructures in the USA.
- Prices for hiring LNG tankers to transfer quantities are record high.
- Any fundamental changes in the market design of electricity markets will significantly affect the commercial use of LNG in power generation.

• How can LNG stay affordable, reliable and abundant?

LNG is a product traded in the global market and there are many variables from which the market is affected. Thus, regional and small-scale changes can have minimum impact to the whole LNG market.

In order to achieve affordable, reliable and abundant LNG quantities, EU has to build the necessary infrastructure allowing all EU members to access international LNG markets either directly or via other Member States. Furthermore investment and enhancement of the domestic production (i.e fields in East Med) should be supported in order to make the region resilient.

The more efficient use of storage facilities would also play a key role. EU should improve the operational rules on the cross-border use of storage. It is also important that Member States optimize the use of gas storage across borders by creating regional preventive action and emergency plans.

At the same time building of new LNG facilities at the moment requires 2-3 years to be concluded, while the previous years more than 5 years were required. Thus, the increasing demand will be served more efficient, making LNG a reliable and abundant source of energy.

Finally, EU as a whole should work closely with international partners, to promote free, liquid and transparent LNG. This means engaging with current and future suppliers and with other major consuming countries to ensure that LNG can be traded freely on global markets, both under normal market conditions and in the event of external shocks.