



The impact of the SGC on the regional European and Turkish gas market

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The SGC moving ahead

- The construction stage of the SGC segments have been entered into force making SGC the most advanced new project.
- The EU recognized SGC as an important component in achieving the objectives of its 2020 Strategy. The EU included the SGC as one of its four priority gas corridors.
- The SGC will have its input in sustainability of energy supply in Europe with providing additional volumes of gas coming from new sources.



SDII Gas Key Offtakers

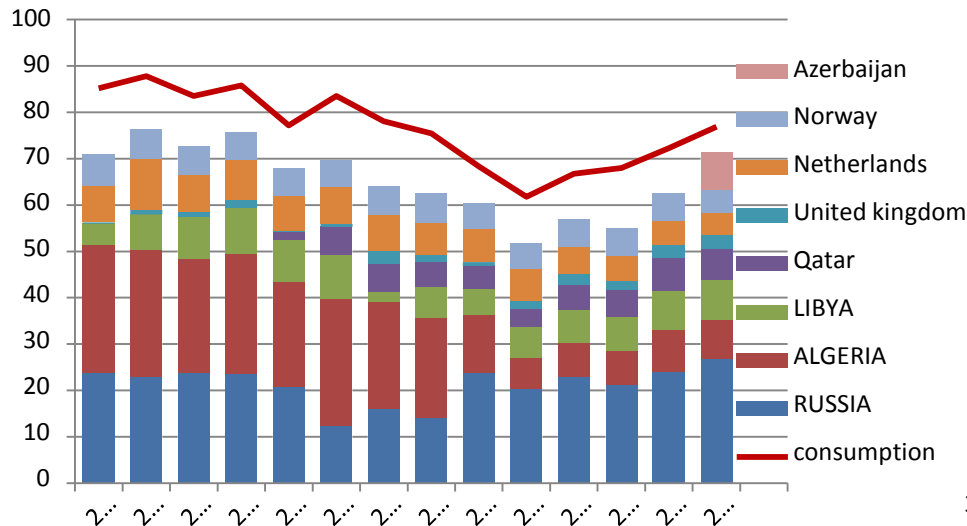
SD2 gas price is competitive. GSPA was signed for 25 yr with 9 European gas buyers and for 15 yr with Botas -10+ bcm EU ACQ + 6 bcm to TUR. LTCs creates more predictable margins for the sales.

OVERVIEW OF SHAH DENIZ II GAS BUYER		GAS PURCHASES (BCM PA)
	Shell Energy Europe Ltd	0.95
	GDF SUEZ SA (ENGIE)	2.64
	E.ON Global Commodities SE	1.44
	Gas Natural SDG, SA	0.99
	Hera Trading Srl	0.30
	ENEL Trade SpA	0.48
	BOTAS	6.00
	DEPA Public Gas Corporation of Greece SA	1.00
	Bulgargaz EAD	0.94
	AXPO	1.44
Total		16.18

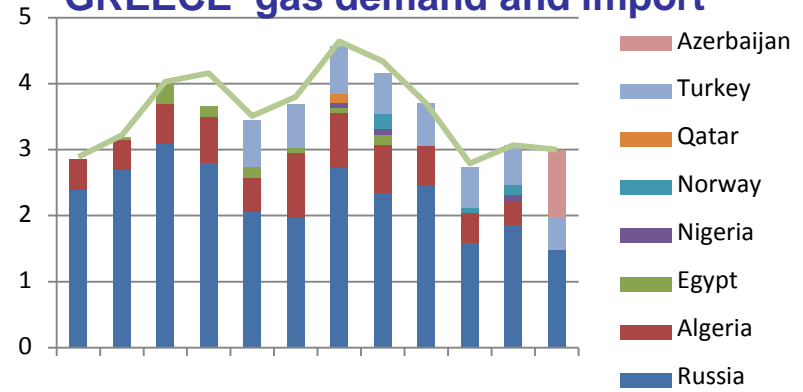
The SGC can be a game changer in the 3 countries

- Italy: 38% of Gazprom exported volume (21.1 bcm in 2016)
- Greece: 40% of Gazprom imported volumes (2.5 in 2016; LTC with Gazprom expires in 2026)
- Bulgaria: 36% of imported volumes (2.6 in 2016, LTC with Gazprom expires in 2022)

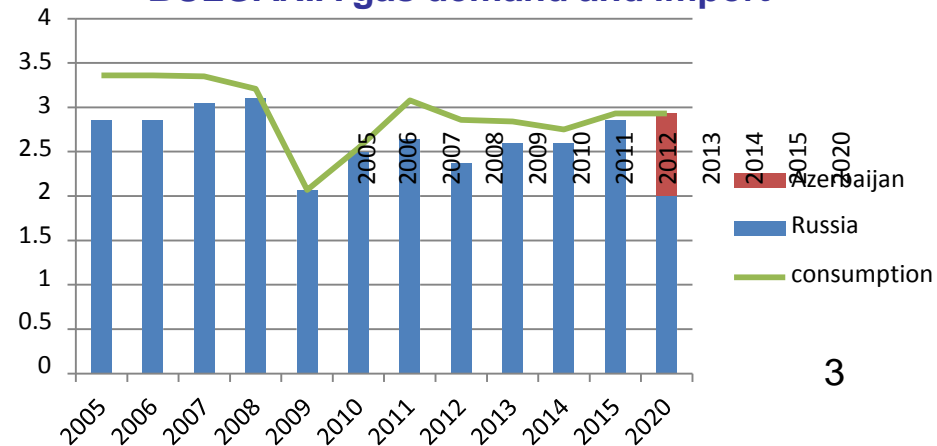
ITALY gas demand and import



GREECE gas demand and import

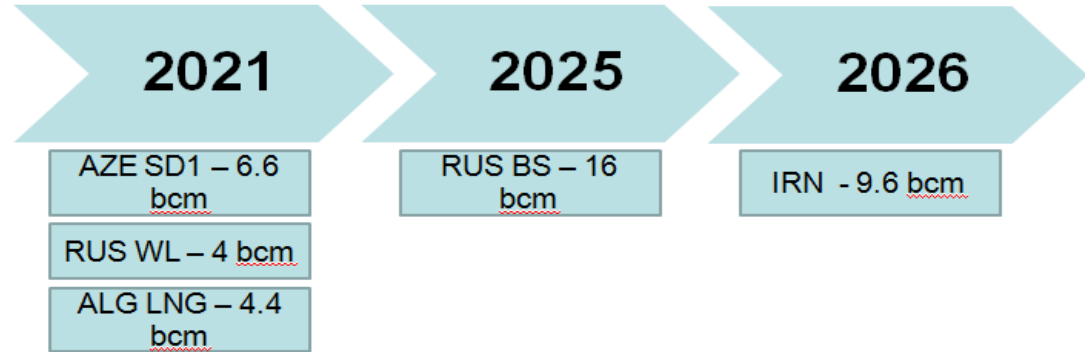


BULGARIA gas demand and import



Turkey's gas demand slowed down

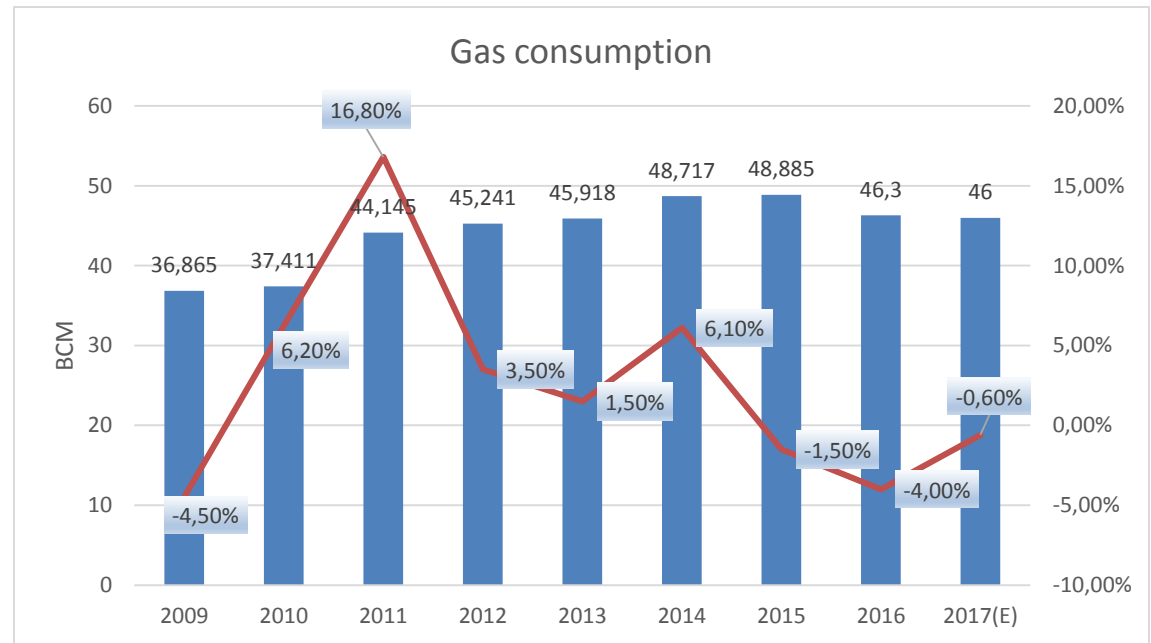
Expiry of the LTCs



- Extension with SD1 under ?
Subject to availability of gas;
Extension with Gazprom most likely; Extension with Iran most likely, subject to price agreement

- Expansion of daily entry point send out capacity from current 253mn m³/d to 473mn m³/d by 2024 will strengthen Turkish importers hands in negotiations of new contracts. This will also boost the competition in the market.

- New projects – TANAP and TurkStream will ensure supply security and favorable price. LNG import price for Turkey is the most expensive.

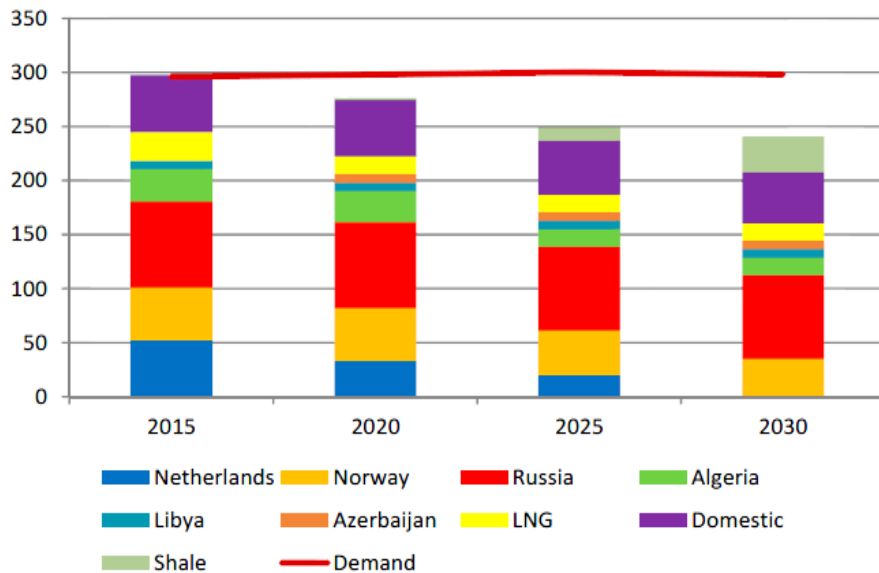


Source: EMRA, author

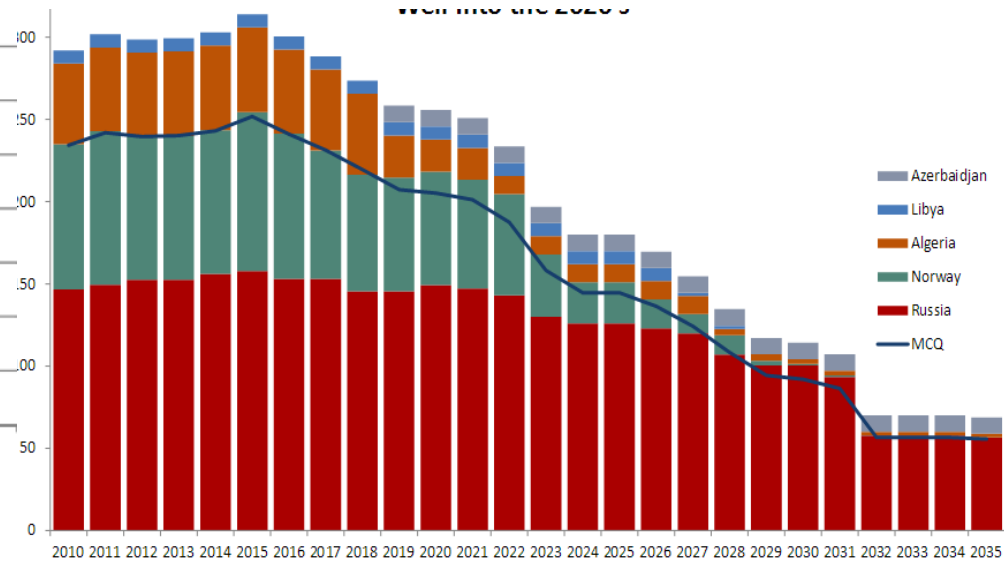
The EU market: gas from new source is needed to substitute production loss and phased out LTCs

- If even the demand is static in Europe by 2030, additional volumes of gas will be imported from new sources due to production loss and expiration of LTCs
- By 2030 the conventional gas production loss will be around 110bcm. European demand for additional gas imports could be 152 bcm by 2025 and 215 bcm by 2035.
- Even with some contract renewals new gas still needed in Europe by 2020.

Forecast of European gas supply/demand



Expiration of EU 28 import contracts, BCM



Source: Cediqaz LT Contracts Database

Concluding remarks

- The market is secured for 25 yrs in Europe and 15 yrs in Turkey amid market turbulences. The SGC is in advantageous position due to binding agreements in place.
- Despite the financial crisis in energy market, financing the project seems not to be an issue to the partners and AZE
- There is a good niche in Turkey and Europe to import more pipe gas after 2020 and this gas will not come rom the traditional sources.





THANK YOU!

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