

**Opening remarks by Goghan Yardim in IENE presentation of the
“SEE Energy Outlook 2021-2022” hosted by the
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Mr. Ahmet Turkoglu CEO of Energy Exchange of Istanbul EPIAS Mr. Costis Stambolis Chairman of IENE Institute of Energy for southeast Europe.

Ladies and gentlemen and distinguished participants,

I am very glad to say a few words about the presentation of “Energy Outlook of Southeast Europe 2021-2022” during energy turbulent times in the world.

As we are in the energy transition period, mainly to renewable energy which is largely driven by a recognition that global carbon emissions must be brought to zero, fossil fuels are the largest single source of carbon emissions moving towards sustainability through increased integration of renewable energy in our daily life.

The support given to the green policy resulted in the decline of coal usage, especially hydrocarbon exploration and production investments, and in the lack of financing for these investments.

The year 2020 started with the pandemic, but contrary to expectations, there was a rapid exit from the pandemic with the positive effect of vaccines, however, the harsh and dry winter we experienced in early 2021, emptied Underground Gas Storage facilities. The droughts we have experienced in the Southern Hemisphere, the increase in China's, Brazil's demand for LNG, Russia's failure to send enough natural gas to Europe, and the inability to fill the

underground gas storage in Europe, brought the supply and demand together at high prices in the natural gas market. The shale gas revolution in the USA and the positive developments in LNG technology and LNG liberalization (new supply & demand factors) transformed natural gas from a regionally priced commodity to one where pricing is increasingly global. As a result, oil indexation is being phased out and being replaced by gas-on-gas pricing. Gas to gas competition made natural gas prices much more competitive for years till July 2021. The events we experienced last year increased energy prices in the world. The globalization and liberalization of the gas market could not respond to these unexpected events, that I explained above, in time, because hydrocarbon investments had fallen, and the supply didn't react to the demand. Unfortunately, Russia's military action or war against Ukraine was not prevented by the hopes waiting to bloom for the year 2022. The war led to embargo decisions against Russian hydrocarbons. These decisions do not cover Natural Gas as yet. There is a partial embargo on oil. The majority of people in countries belonging to the Western world aimed to get rid of Russian Hydrocarbons and to be freer of energy resources.

Europe is rightfully developing policies for independence from Russian hydrocarbons, particularly natural gas. RePowerEU policies again highlight green policies and recommend that they are accelerated. The plan of "RePowerEU", EU commission presented on 18of May asking 300 billion Euro injection and again stressed double urgency to transform Europe's energy system by reducing the import of fossil fuel (now from Russia) and tackling the climate crisis. Of course, there are other measures. There are critics of this plan. You Mr. Stambolis also criticized the plan by saying, *"Squaring the circle, "My speech, however, is not about criticizing the European Commission.*

Dependence on Russian gas is higher in South-Eastern Europe than in other parts of Europe, where income and solvency are poorer than elsewhere in Europe. Rising energy prices put the middle class in more difficult conditions and undermine the public. The future is not promising in the short term not only in energy but also in foodstuffs. Bulgaria did not accept Russia's new payment policy and Russian gas is already cut off. Likewise in Poland and Finland. LNG with FSRU is one of the quickest solutions.

I do not think that efforts to achieve energy independence that do not consider new natural gas projects and do not consider nuclear projects will be successful in the medium term. In this respect, resources should be allocated to new natural gas exploration, production and transmission, and LNG projects. Many people believe and trust US LNG.

There are discussions about gas availability in North America. I read an article that says, *“The two fields (Marcellus and the Hayneville) are in the process of plateauing and will begin to exhibit declines in the next several years according to our- **Goehring & Rozencwajg (G&R)** analysis) alone represent almost 40% of US supply, and the production growth from these two fields are critical for fulfilling future increase in US natural gas demand”*. So, investments in exploration and production work in hydrocarbons are critical.

Efforts are being made to make use of the existing LNG terminals in Southeast Europe. There are 4 LNG Receiving Terminals in Turkey, one in Greece, and one in Croatia. Ways to send LNG from these terminals to Ukraine, other than Poland, are being considered. New LNG receiving terminal projects are expediting. I am sure Mr. Costis Stambolis will mention all of them. The TANAP pipeline is operational. Increasing the capacity of this line, expanding the South

Corridor for Israel and KRG gas, and new LNG terminals in the region are important. Turkey will commission its fifth LNG Terminal in Saros by the end of this year. Considering the investments in Underground Gas Storage (USG) and LNG terminals capacity expansion projects in Turkey made of importing more than 50% of daily gas demand was secured. Governments and private entities are becoming increasingly involved in the LNG business and we will monitor the consequences of this shift over the coming years. However, I have doubts if this shift will bring stability to energy prices without Russian gas in the liberal gas market rules. So, government interventions might be required.

In this context, it is important to increase the capacities of electricity and natural gas connections in Southeast Europe and to build and develop new capacities. Increasing energy trade between the countries of the region and realizing the investments that will provide this without delay will undoubtedly contribute to the development of countries in the region and will bring stability and peace. In this respect, the “2022 Energy Outlook” study is important in terms of taking a picture of the current situation of countries in our region and the new plans it brings on very timely. I believe that the report shall serve as a tool for developing more cooperation, and stability for security and prosperity in our region.

Thank you very much