

Planned Trans-Adriatic Pipeline at crucial stage

The Swiss electricity producer EGL has been planning to build a gas pipeline from Turkey to Italy. But the project faces heavy competition.

| by Ioannis Michaletos

The EU, as is well-known, is trying to become less dependent on Russian gas imports by sourcing gas in Central Asia, which is to be brought to Central Europe through the planned Nabucco pipeline. Nabucco runs through Turkey and should then be branching off north to Austria. Late last year, a deal was announced between Turkey and Greece to build what is in effect a southern branch of Nabucco, a pipeline that will run from the Turkish-Greek border through Greece and on to Italy. This Turkey-Greece-Italy (TGI) pipeline, or Southern European Gas Ring Project, is intended to carry 11.6 billion cubic meters of gas annually when it is ready in 2012.

Less well-known are the plans of the Swiss energy group EGL to build what is called the Trans-Adriatic Pipeline (TAP), which is aiming to deliver gas from Iran and Central Asia to Italy. TAP, which like TGI is in effect a southern branch of Nabucco, is intended to run from the Greek city of Thessaloniki along Northern Greece, to Albania. From there a 117 km subwater pipeline should deliver the gas to the Brindisi port of Southern Italy. The capacity is estimated at 10 billion cubic meters per annum. Costs are estimated at €1.5 billion.

TAP, a direct competitor of TGI, was first announced in 2006. Armel Le Jeune of the Gas Statistics Department of the International Energy Agency (IEA), welcomes the TAP-initiative. 'Diversity is fundamental to a sound and secure

functioning of markets. TAP will provide Europe with better access to the natural gas reserves in the Caspian region, Russia and the Middle East and is supported by the European Union. It opens up a fourth natural gas import route for natural gas to Europe alongside sources in the North Sea, Russia and North Africa'.

But now that TGI is forging ahead, it is unclear whether TAP will be built after all. Early in 2007, EGL announced that it had made a 25-year deal with the National Iranian Gas Export Company (Nigec) to deliver 5.5 billion cubic meters of gas per year. The value of the deal was said to be between €10 and €22 billion. Nigec, however, says the deal is still under negotiation. 'The Iranian gas export pipeline projects are under negotiation with regional and international buyers and investors', says the press office of Nigec. 'Iran plans to export gas to the European Union via the existing pipeline in Turkey or via a pipeline which is under study, as well as using the Nabucco pipeline.'

Elias Karydogiannis, Vice Chairman and Managing Director of EGL Hellas, declares that 'currently, we are in a very delicate stage of the project'. According to Karydogiannis, EGL has already acquired the necessary permits in Italy and Albania. He expects the situation in Greece to be settled soon.

In February, TAP got a big boost when StatoilHydro signed into the project. The Norwegian company sees the pipeline as a

good outlet for gas from the Shah Deniz field in Azerbaijan, in which it holds a 25.5% stake. Still, EGL will not make a final investment decision before the second half of 2009.

Ioannis Soukiouoglou, an independent energy consultant and experienced industry manager, assesses that 'until mid-2007 EGL's project was expected to commence in 2008, but it seems that certain technicalities and possibly other external factors will delay the original planning of the company'.

For EGL, the motivation to build TAP is its involvement in Italy's power sector. EGL is building various power plants in Italy: in Ferrara (360 MW), Calenia (740 MW) and Rizziconi (740 MW). In addition, it has plans for gas power plants in Morano (740 MW), Molise (740 MW) and Salerno (740 MW). Karydogiannis estimates that the amounts of gas needed for the Italian power plants is at least 5 bcm a year. ■



Trans-Adriatic Pipeline route.