



EASTERN MEDITERRANEAN cygas

NEW FRONTIERS

MAXIMISING BUSINESS OPPORTUNITIES



**5-7 SEPTEMBER 2012,
LONDON, UK**

THE NEED TO DEVELOP THE INTERNAL GAS MARKET

Cyprus has an isolated energy system, *dependent entirely on imported petroleum products* → needs to diversify its energy sources

Cyprus' accession to the European Union → comprised *new obligations and constraints* concerning emissions and the environment



Cyprus needs to Contribute to the EU 20-20-20 Target by *Reducing emissions and increasing efficiency*

Market conditions → economic growth is directly related to an increase in the **demand for energy**

WHAT DO WE NEED?

CYPRUS NEEDS

an environmentally friendly energy system which will ensure Security of Supply and will provide consumers with a qualitative service at the Lowest Possible Cost

ENERGY POLICY



THE CYPRIOT LONG TERM STRATEGIC PLAN IS ALIGNED WITH THE EUROPEAN UNION DIRECTIVES AND ENERGY STRATEGY AND IS BASED ON THE FOLLOWING 3 PILLARS:

Security of energy supply

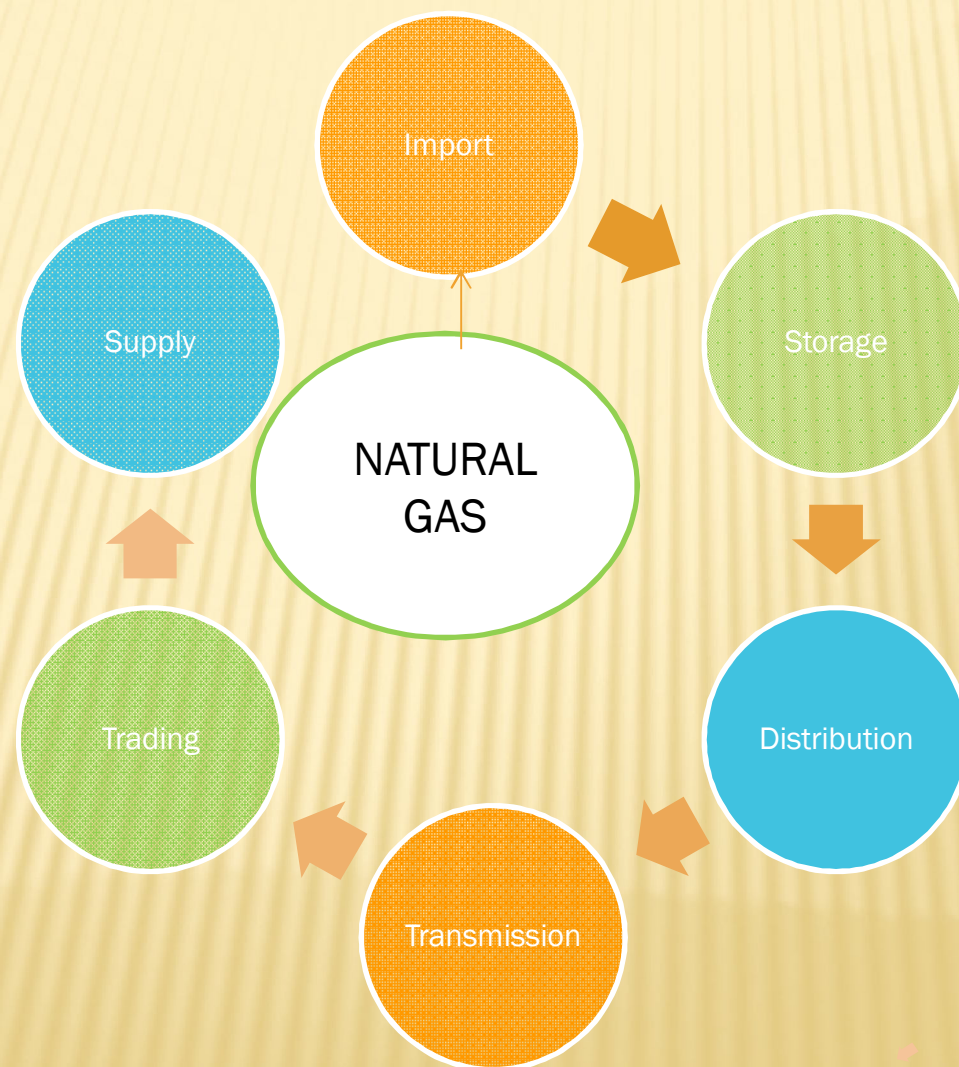
Increasing the competitiveness of the Cypriot economy

Adherence to environmental commitments.

THE NATURAL GAS MARKET

- According to EU Directives Cyprus qualifies and is classified as an Emerging Market for Natural Gas and also as an Isolated Market.
- Unlike the electricity sector, which has been liberalized since 2004, the gas sector, will follow a fully monopolistic model for a period of at least 10 years.
- The Natural Gas Public Company (DEFA), set up and controlled by the state, is the **Sole Distributor**, of any form of Natural Gas, in Cyprus i.e. DEFA is totally responsible for the Cyprus Internal Gas Market.
- In view of recent Gas Discoveries by Noble Energy (USA) in Block No 12 in the Cyprus Exclusive Economic Zone, DEFA is currently in discussions with the Government to widen its role and activities.

DEFA'S ROLE IN DEVELOPING THE INTERNAL NATURAL GAS MARKET



DEFA SCOPE OF WORK

- I. To secure sufficient Natural Gas supplies, at the lowest possible prices, to cover the needs for Electricity Power Generation (Phase “A”) and subsequently supply Industries, Hotels and Households.
- II. DEFA is also responsible for developing the necessary GAS NETWORK infrastructure

The Gas Network will initially consist of 3 pipelines connecting the Gas Import Hub with the three existing downstream Power Stations. The estimated cost for “Phase A” of this project is around €60m. Towards this cost DEFA has managed to Secure a €10m grant from EU under the European Economic Programme for Recovery (EEPR).

Vasilikos
Power Station

• 50.5 km
pipeline

Moni Power
Station

• 12 km
pipeline

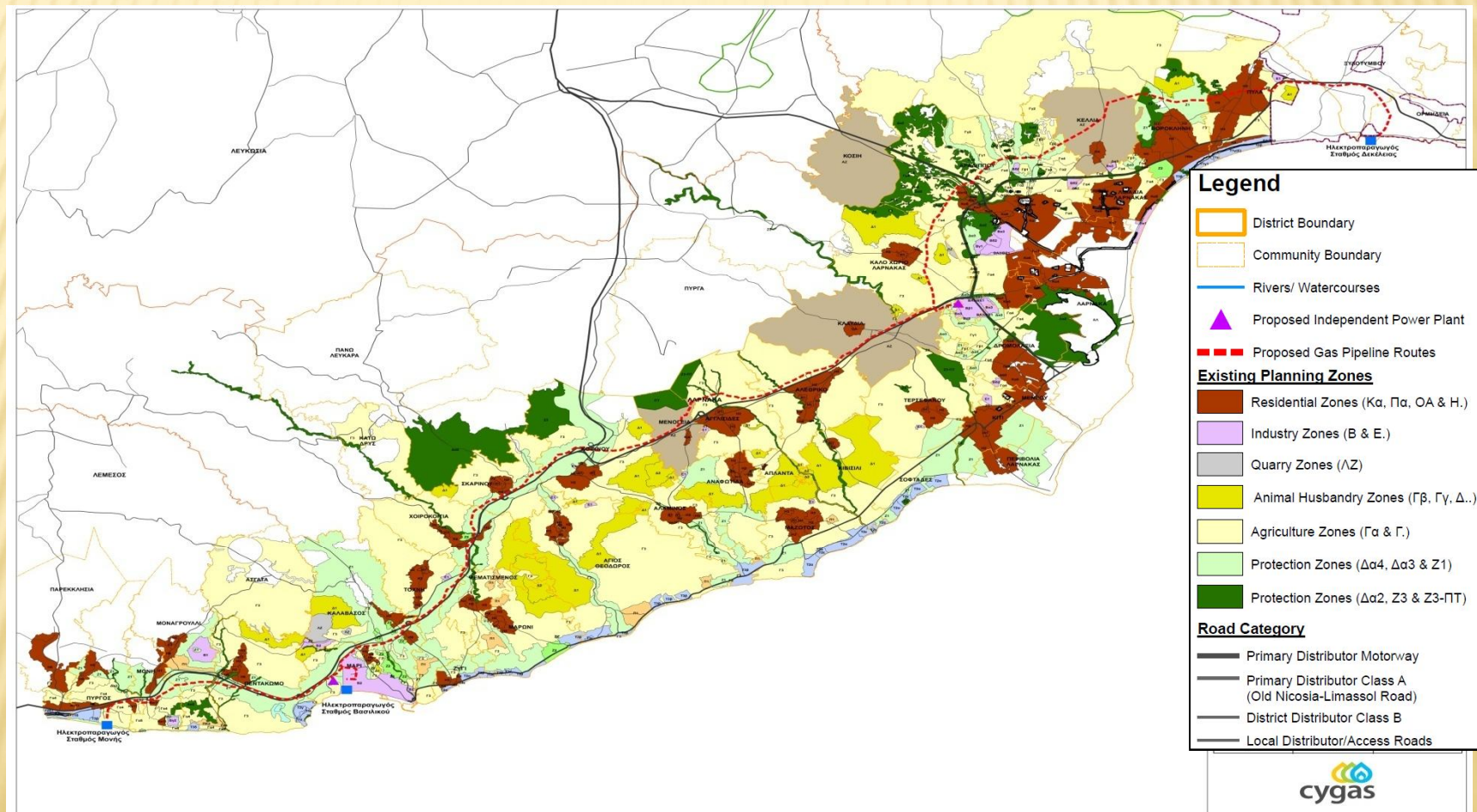
Dhekelia
Power Station

• 20 km
pipeline

THE SELECTED ROUTE (FOR PHASE “A”)



THE SELECTED ROUTE (SHOWING TOWN PLANNING ZONES)



THE WAY FORWARD

Pipeline Network Project.

- Regardless of the Supply Source of Natural Gas, technical work on the Pipeline Network Project is progressing uninterrupted.
- The strategic planning regarding the Gas Infrastructure Network remains unaffected and a Public Consultation with all affected communities took place on 06/06/2012.
- The gasification of the island (Phases "B" and "C" connecting the Receiving Terminal to Industries, Hotels and Households) will be an on-going process and it is expected to cost over €500 million.

Financing the Project.

- Apart from Technical work, DEFA is in close contact with European Investment Bank (EIB) and other Commercial Banks regarding the funding of the Pipeline Network Project.

INVESTMENT OPPORTUNITIES

The recent Natural Gas Discoveries in Cyprus Plot 12 open up a range of possible Investment Opportunities in the Cyprus Energy Sector :

1. Exploration (2nd Licensing Round, 11th February 2012 – Closing Date 11th May 2012- 15 Proposals were submitted)
2. Submarine Pipeline(s)
3. Liquefaction Plant(s)
4. Cyprus Internal Natural Gas Distribution Network
5. Electricity Power Generation
6. Use of Natural Gas in Transport (buses, cars, etc.)

WHY CYPRUS

1. *European Union Member State since 2004 and Euro Zone Member State since 2008.*
2. *Qualified and Multilingual Labour Force.*
3. *Lowest EU Corporate Tax Rate (10%).*
4. *FDI Track Record.*
5. *Macroeconomic Stability. (Deficit maintained within 3% SGP requirements for 2012)*
6. *Efficient Legal, Accounting and Banking Services.*
7. *Strategic Location in Middle East.*
8. *Advanced Telecommunications Network and Infrastructure.*
9. *Reputable International Shipping Centre.*
10. *Living and Working on the Island for all Seasons.*

1.EXPLORATION

- ✗ Block No 12 was awarded to Noble Energy during the 1st Licensing Round. Another 12 Blocks are the subject of the Second Licensing Round, offering big investment possibilities.
- ✗ 15 Proposals have been received, which were submitted by large companies around the world.

2.SUBMARINE GAS PIPELINES

- ✘ In order to transport the Natural Gas to Cyprus, from the Gas Fields, a 200km + submarine gas pipeline will be necessary. Estimated cost up to US\$2Billion.
- ✘ There is an opportunity for the Production, Laying, Operation and Maintenance of this pipeline, which is bound to have “third party access”.

3.LIQUEFACTION PLANT(S)



- ✘ Necessary to set up 1-3 Liquefaction trains 5MT/y each, (in modular form), in Cyprus, in order to liquefy gas reserves and export them to Europe, Asia, etc as LNG (Liquefied Natural Gas).
- ✘ The estimated cost of establishment of such an LNG plant is in the region of US\$10Billion.

4.CYPRUS INTERNAL NATURAL GAS DISTRIBUTION NETWORK



- ✖ The Government of Cyprus has created the Natural Gas Public Company of Cyprus (DEFA) which will be the sole importer and distributor of Natural Gas in Cyprus.
- ✖ DEFA is currently designing the inland gas distribution network. Very soon it will announce tenders for this Project. The gasification of the Island will be an on-going process and it is expected to cost over €500 million.

5.ELECTRICITY POWER GENERATION

- ✘ The Electricity Market of Cyprus has been liberalized (following EU Directives) and is open and free to competition.
- ✘ The Electricity Power Generation needs of Cyprus are quite high and increasing, while the Sector is still a monopoly!
- ✘ It is anticipated that the first Independent Power Producers will appear soon.

6.USE OF NATURAL GAS IN TRANSPORT

- ✗ The use of Natural Gas in Transportation i.e. Buses, other Vehicles running on Natural Gas and Gas Stations, opens up a new opportunity that needs to be addressed and exploited. This subject is one of the priorities that DEFA itself has set.
- ✗ *Thank you*

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