Honourable Minister, Ladies and Gentlemen,

I would like to begin by thanking Minister PAPACONSTANTINOU and his staff for organising this press conference. I would also like to express my gratitude to the Ministry of Environment, Energy and Climate Change and Greece’s delegation to the OECD for their co-operation throughout the entire review process.

As Executive Director of the International Energy Agency, I am here to present the findings of our review of Greece’s energy policies. I will focus on climate change mitigation, security of energy supply and, most of all, on how energy policy can help stimulate economic growth. You will also hear our key recommendations to the government.

But first, let me explain the background of this review.
Each IEA member country is reviewed regularly, every five to six years. The previous Greece review was conducted in 2006. Our review team consisted of experts from IEA member countries, the European Commission and the IEA secretariat.

The review team met with officials from a number of ministries and other government bodies and representatives from the energy industry as well as NGOs. The team assessed Greek energy policies in accordance with the IEA’s Shared Goals, which are a set of policy objectives agreed by all member countries. They support the broader objectives of energy security, economic growth and environmental protection.

Let me now turn to the Greek energy policy. I’ll start with security of supply.
Greece imports practically all the oil and gas it needs, and security of supply is one of the key objectives of the Greek energy policy.

The supply sources for natural gas are diversified, as Russian gas is imported through the Greek-Bulgarian entry point, while the Greek-Turkish entry point allows Greece to import gas from the Middle East and the Caspian region. The LNG terminal adds flexibility to the gas import system. During the January 2009 Russia-Ukraine gas supply crisis, this diversity helped Greece cope better than other countries in the region.

Gas use is projected to grow to 2020 and Greece seems to have sufficient capacity to accommodate this growth. However, the growing peak demand may pose challenges. Greece is therefore right in trying to further diversify import routes and sources, while expanding LNG import capacity.

Also crude oil and oil products sources are well diversified and Greece is taking measures to increase its indigenous oil production. Greece has also been compliant with the IEA 90-day stockholding obligation since the end of 2004.

Turning to emergency response mechanisms, Greece is encouraged to finalise the adoption of the Joint Ministerial Decision on the National Emergency Plan which had for a long time remained as a draft.

Let us now move on to discuss how energy policy can boost economic growth.
Now, we all are fully aware of the challenges Greece is facing. Many other IEA member countries have gone through tough times too. Think for example of our Member countries from Eastern Europe and the economic transformation they went through after the implosion of the Soviet empire. A crisis often occurs when necessary decisions have been delayed for too long. Coping successfully with the crisis often means pain in the short term, however this pain is normally necessary to embark on a path for a sustainable recovery.

“Now, what does this have to do with energy policy?”, some might ask. Quite a lot, in fact. We believe energy policy could make a significant contribution to economic recovery in Greece.

Three areas are particularly attractive in this regard.

First, energy market reform. Increasing competition and reducing the role of the state in the energy sector should add efficiency and dynamism to the Greek economy. This, in turn, should help generate self-sustained employment and prosperity for the country. Eventually, more jobs will be created than lost.

Second, renewable energy production. Greece has a large potential for wind and solar energy and is rightly determined to increase its use. The renewable energy sector also provides opportunities for new employment and industrial development, in particular if linked with R&D activities.

Third, energy efficiency improvements. Doing more with less. Large untapped potential remains in several sectors.

Let me now discuss these three areas in more detail.
The Greek electricity and natural gas markets have long been dominated by two state-controlled companies - the Public Power Corporation PPC and the Public Gas Corporation DEPA. The IEA urged Greece to reform its energy sector already in the 2006 Energy Policy Review. Increasing competition to make the sector more efficient is now even more necessary than then. It is therefore very welcome that the Greek Parliament has in August 2011 adopted a law to this end.

In the electricity sector, a strong and independent regulator is needed to mitigate PPC’s dominance, ensure a fair treatment for independent power producers and provide regulatory certainty for investors.

The government is considering to move the network assets of PPC into separate companies and later privatise them. This is a welcome idea. As PPC continues to supply more than 75% of the wholesale market, the government should also consider divesting a reasonable percentage of PPC’s power generating capacity. This would be better for electricity market development than simply reducing government ownership in PPC. At the same time, Greece should urgently eliminate the regulated tariffs that have often obliged PPC to sell electricity to end-users at a loss. End-user tariffs should fully reflect all costs.

Let me stress that greater competition in the electricity sector can reduce prices and help mitigate the costs of necessary network investments and renewable energy supports. It will also help attract new companies to invest in both renewable and flexible generation. This will be necessary in the transformation to a low-carbon electricity system.

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**Market reform - electricity**

- Strong, independent regulator needed to push for reform
- Crucial to reduce PPC dominance in generation, transmission, wholesale and retail
- End-user tariffs need to reflect costs
- New investors and power producers necessary for decarbonising the power sector
Natural gas is emerging as the fuel of choice for power generation, both to replace lignite and to support the expected large increases in variable generation from renewable sources.

We are glad to note that natural gas market reform is gaining pace. Since April 2010, independent suppliers and large customers willing to be self-supplied may import gas to the country and more than a dozen new players have entered the Greek gas market since then. The IEA congratulates the government for this reform as a necessary step in effective market liberalisation.

Yet, opportunities remain for reducing DEPA’s role in the market by taking some of the same measures as in the electricity sector. In particular, the government should review the role of DEPA as the majority-owner of current and future distribution companies, as it is unclear what net benefit DEPA’s dominance brings to the customers.
Greece has a large potential for renewable energy. In a remarkable improvement from the situation a few years ago, the government has adopted ambitious targets, policies and measures for increasing the use of renewable energy.

- The feed-in tariffs are more attractive;
- The licensing process is much shorter and less complex; and
- Public acceptance of renewable energy projects is set to increase, because local communities will receive more money from the projects.

These changes are very welcome, as they significantly improve investment conditions in the sector.

The government foresees wind power capacity to increase by 2020 far more than other renewable energy technologies combined. The plan is to connect Greek islands with abundant wind and also solar power potential to the mainland transmission network.

As the share of variable generation increases, careful planning is required both to ensure a smooth integration of new renewable electricity capacity into the grid and to maintain the reliability of the electricity system. To help balance variations in power generation, more hydropower and/or natural gas capacity and more interconnections are needed. Power system flexibility should also be increased by storage and demand response.
Experience from IEA member countries shows that improving energy efficiency typically offers large cost-effective potential for mitigating climate change, saving money and improving energy security.

The IEA encourages Greece to further tap into this low-cost potential, for example in the building and transport sectors. The government should also further strengthen the co-ordination and evaluation of its various programmes and projects.

Oil use could be a focus area for energy efficiency improvements. In Greece, oil use is high by international comparison and oil is the most important fuel in all end-use sectors. The government has rightly supported the gasification of the country, mandated renewable energy use for heating and promoted public transport, among other measures. At times of high oil prices and economic distress, intensified efforts to save oil and reduce its use would be a rational choice for government action.
Primary energy supply in Greece is the most carbon-intensive among the IEA member countries, because of the strong reliance on oil and lignite. The government is fully aware that this will have to change, also because of EU requirements, and is dedicated to greening the economy. The IEA strongly encourages this.

Greece is set to meet its Kyoto target for limiting the growth in greenhouse gas emissions from 1990 to 2008-2012. The government has introduced legislation and policies to further limit these emission to 2020, mainly in the areas of renewable energy, fuel switching and energy efficiency.

These efforts are welcome steps on the path to halving global emissions by 2050. Indeed, they are important for our common future. Cutting emissions by half by 2050 is required, so that we can hope to limit long-term global temperature rise to the sustainable level of two degrees Celsius.

Before moving to the key recommendations in our report, let me just show you one slide on what this 2050 target implies for energy technology globally.
The IEA projects that with current policies, global primary energy supply would increase over 80% from 2007 to 2050 and energy-related CO₂ emissions would double. To avoid this unsustainable outcome, we need a transition to a low-carbon economy on a global scale. The BLUE Map Scenario on this slide shows what it would take to do this.

First, improving energy efficiency is the most economic, proven and readily available means of achieving this goal – it is what we call the ‘quiet giant’.

Second, those technologies which help de-carbonise the power sector – I mean renewables but also nuclear and carbon-capture and storage – these will have a critical role.

Third, we must move towards a de-carbonised transport sector - including improved vehicle efficiency and the spread of electric vehicles, as well as improved mass-transit.

Halving emissions is indeed possible, if challenging, and requires a strong political commitment.

More generally, tackling the intertwined challenges of energy security, climate change mitigation and economic development is complex, but necessary. We should make a virtue out of this necessity.
Let us now turn to the four key recommendations in the report.

The first one has to do with reforming the electricity and gas markets. In this presentation, I have listed several areas of reform. Many of them are already included in the law adopted last August (law 4001/2011). Adopting a new law is always a milestone in the reform process, and Greece has met many of these milestones recently - impressively many, I would say. After that milestone, the focus should be on crossing the finishing line, on implementing and enforcing the laws. The government’s key focus should now be on implementing the new law in full without delay.

Now, we all know that large reforms of any kind take time and patience to implement. They also take determination and perseverance. It is also true that structural reforms in closed and inefficient sectors always lead to job loss for some people in the short term, but the whole point of these kind of reforms is to save the economy and make it more efficient, so that more people could have a job in the future.

In fact, regardless of the economic situation in Greece, the envisaged reforms are fundamentally sound energy and economic policy and can help the economy grow.
On security of supply, Greece should keep up its good work on natural gas, while it should at last adopt an oil emergency plan.

Moving on, we are glad to see Greece gradually decarbonise its energy supply through renewable sources and natural gas, and we encourage you to continue this way. In this process, you can create a lot of new jobs, and this is what Greece needs.

Finally, we encourage Greece to use energy more efficiently as this offers multiple benefits to the country.

Honourable Minister, Ladies and Gentlemen,

Greece has made clear progress in several areas of energy policy. You now have better framework condition for reforming the energy sector. Implementing our recommendations will help in this and benefit Greece over the long term.

It is now my pleasure to once again thank our host, Minister PAPACONSTANTINO/U.

After his remarks, I would be happy to take any questions you may have.