

# ICGB AD

## Game Changer in European Gas Markets

Seventh Regional Conference

**Bulgaria before the EU Presidency'2018:  
New energy and industrial policies**

**14-15 November 2017**

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# IGB Project: Key Facts

## BACKGROUND

- The IGB project is a gas interconnector pipeline that will link the Greek natural gas system with the Bulgarian one in a Cross-Border context.
- The project is managed by an on-purpose Company, ICGB AD, incorporated in 2011 under the Bulgarian Law with headquarters in Sofia. The ultimate Shareholders structure sees Bulgarian Energy Holding and IGI Poseidon participating in the company on an equal basis. IGI Poseidon is a 50/50 company controlled by DEPA and EDISON.
- ICGB is aiming to operate the pipeline under an “exempted” framework and has applied for an exemption from TSOs’ obligations such as Unbundling Ownership, Regulated Tariff and Third Party Access, in accordance to art. 36 of the 73/2009/EC gas directive. ICGB will therefore sell gas transportation services to third party shippers and TSOs.

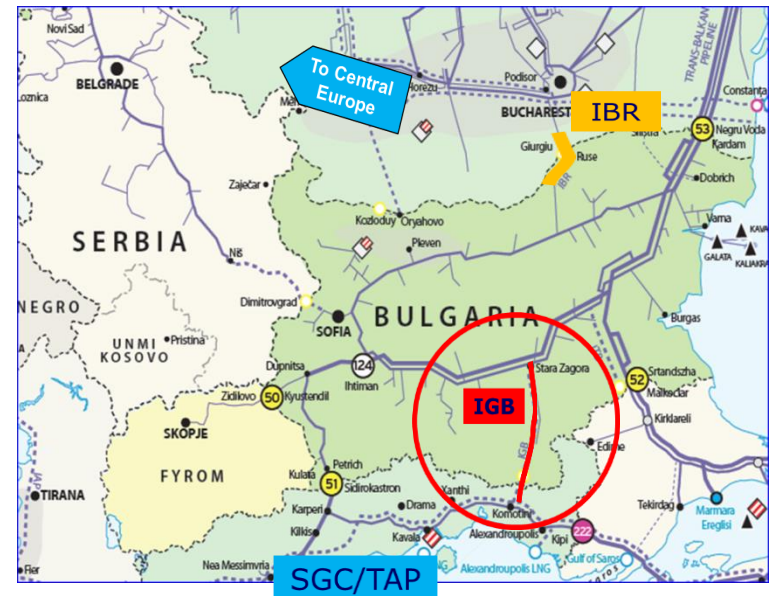
## KEY PROJECT INFO

- **Length:** 182 Km
- **Capacity:** 3-5 bcm/y
- **Diameter:** 32”
- **Construction CAPEX:** 220 M€
- **COD:** H1 2020
- **Sovereign guarantee:** 110 M €

## SHAREHOLDERS STRUCTURE



## GEOGRAPHICAL LOCATION AND INTERCONNECTIONS



# IGB project Strategic Role in Bulgaria and SE-CE Markets

Contribution to Bulgarian market evolution

- Security of Supply enhancement by doubling the entry capacity.
- Transit capacity increase into SEE countries taking advantage of other interconnections, such as IBR (BG-RO), IBS (BG-SER), linked through the BTG network.
- Bulgarian Hub building up

Diversification & Flexibility

- Diversification of imported gas through Greece with complementary supply sources from the Caspian Region, Middle East, East Med and LNG (through existing/new terminals in Greece and/or Turkey).

Access to South Corridor

- *In particular IGB will be physically connected to DESFA, TAP and Bulgartransgaz and to Greek and Turkish LNG systems:*
  - Enabling the access of the SEE markets to the Southern Corridor.
  - Enabling the access of Ukraine and Central Europe to the Southern Corridor.
  - Contributing to vertical corridor implementation as sponsored by the EU within the CESEC framework.

Pioneer

- The Bulgarian system currently relies almost exclusively on a single source (95% of the whole market) and on a single North to South route for its supply and market needs. IGB will be the first Bulgarian Cross-Border route that will be at disposal for new-entry Shippers.



Co-financed by the European Union

European Energy Programme for Recovery

# Key Project Achievements

## 1 EEPR & Structural Funds

- Obtained up to 45 m€ grant under the EEPR (European Energy Program for Recovery) sponsored by the EU. The EEPR contributes to reduce the Capex impact on the tariff.
- ICGB is seeking the obtainment of Regional Contribution through the Structural Funds of Greece and Bulgaria. Additional grant will support the bankability of the project.

## 2 PCI and CESEC Enlisting

- IGB is listed among the PCIs (Projects of Common Interest) and is included as a leading project in the CESEC initiative (Central and South- eastern European gas Connectivity).
- IGB is included in the Greek and Bulgarian Ten Years Network Development Plan and is currently applying for renewing its presence in the ENTSOG TYNDP.
- Joint declaration for Vertical gas corridor signed between TSO's of Greece, Bulgaria, Romania, Hungary and ICGB.
- MoU with all operators from Vertical corridor signed on 19 July 2017.

## 3 Permits

- Environmental Impact Assessment completed in both countries.
- Technical Development Activities (FEED, Routing and Technical Design) completed in both countries.
- Rights of Way in Bulgaria finalized for approx. 4000 plots.
- Land acquisition, including expropriation procedure in Bulgaria finalized – for all affected plots and owners.
- Construction Permit – for Bulgarian territory obtained and entered into force on 04 October 2017; for Greek territory – Q1 2018.



# Key Project Achievements

## 4 Market Test

- EOI phase received offers for a total of 4.4 bcm/y in forward flow and 1.0 bcm/y in reverse flow. The Binding Phase of the Market Test successfully ended on 30<sup>th</sup> November 2016 with 5 binding offers received on a long term basis for a total capacity of 1,57 bcm/y in forward flow.
- Advanced Reservation Capacity Agreement executed by the Shippers who booked capacity in February 2017.
- The ARCAs signature allows the refinement of the exemption application in accordance to the outcomes of the market test.

## 5 FID

- In December 2015, the Shareholders took the Final Investment Decision, allowing the project to enter into the final phase of development and starting of construction (with actual capitalization of the company for construction CAPEX expenditures).
- The economic, commercial and financial structure has been approved by the Shareholders.

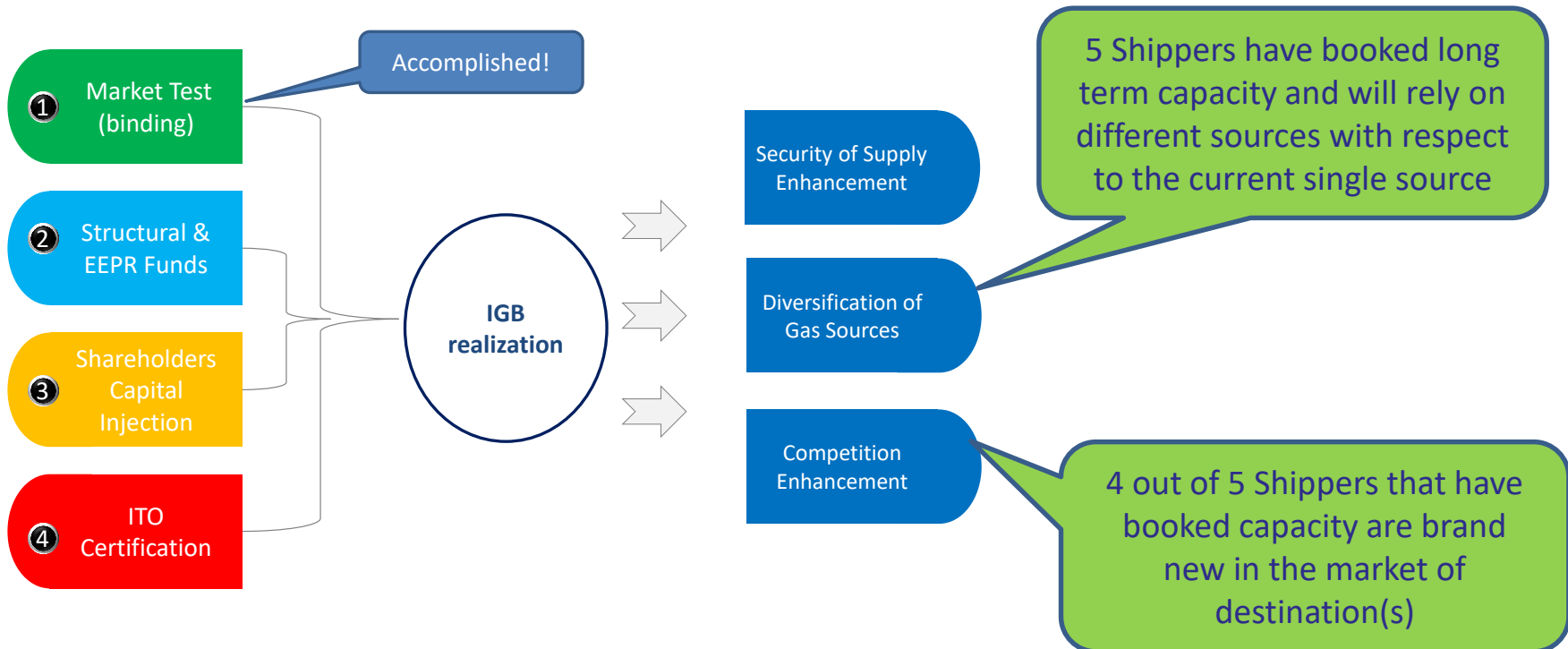
## 6 Owner's Engineer, Line Pipe supply and EPC

- Package for the Owner's Engineer tender finalized and launched in week 45.
- Ongoing development of Procurement Packages for line pipe supply and EPC under Bulgarian PPA.
- Launching of tenders planned in Q4 of 2017.



# Accomplishments for the exemption

- The finalization of the market test is one of the key accomplishment.
- Its outcomes allow ICGB to assess the criteria for obtaining the exemption. The detailed assessment of the popular “five criteria” will be treated on a confidential basis with the relevant National Regulatory Authorities. What it is possible to anticipate is the conceptual accomplishment of the portion of the criteria that are “market wise” ;
- The Exemption refinement was submitted to the NRAs in Q3 2017. Final decision of both NRAs and the Commission is expected in Q1 2018.



- The considerations confirm the rationale of IGB, developed on a merchant basis, with the aim to bring new gas and competition into the SEE Markets.

