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Greece

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Overview of the current energy mix, and the place in the market of different energy sources

Lignite has been the backbone of Greece's electricity system for many decades, covering the biggest part of the country's electricity needs. All lignite-powered plants have always been owned by the Public Power Corporation ("**PPC**"), while no private entity has so far undertaken control over a lignite-fired power plant in Greece. PPC's share in power production currently accounts for approximately 70% of the country's overall production (without taking into consideration the power generated from renewable energy sources, "**RES**"). Over the past 10 years, the share of lignite in meeting the country's electricity demand has significantly decreased. This decrease has been offset by a similar increase in the shares of RES and hydropower, as well as imports of electricity mainly from Bulgaria and Turkey.

Crude oil accounts for approximately half of the country's Total Primary Energy Supply ("**TPES**") and over half of the total final consumption ("**TFC**"). Crude oil production in Greece, currently derived from two producing fields in Northern Aegean Sea (Prinos) by a single oil producer, is insignificant compared to the domestic oil consumption.

Natural gas is becoming an increasingly important fuel in the Greek energy mix, rising to a share of 28% in power generation and 15% in TPES in 2016. The Greek natural gas demand is fully covered by imported natural gas, which is injected into the National Natural Gas Transmission System ("**NNGTS**"), either through entry points from Bulgaria and Turkey or through the LNG Facility on Revithoussa island. Upstream gas operations are almost non-existent, as production of natural gas is negligibly small compared to the total consumption.

Liquefied natural gas (LNG) has made a significant contribution in alleviating the serious energy crisis that occurred during December 2017 – January 2018, as well as preventing smaller-scale crises on multiple occasions. Generally, to the extent that LNG is cheaper than pipeline gas, it contributes to the reduction of the cost of electricity production from natural gas, a drop reflected in the wholesale price of electricity. At the same time, LNG provides flexibility and is a means of risk management for gas suppliers, allowing for smoother and more economical pricing for consumers. Overall, the country's natural gas needs are mostly covered by imported natural gas and LNG, primarily from Russia, while other large gas suppliers include Algeria and Turkey.

Decarbonisation of the national energy market has been declared a top priority under Law 3851/2010, transposing Directive 2009/28/EU, which set the target of increasing the share of RES in gross final energy consumption to 20%, and in gross energy consumption to 40% by 2020. Further, as part of its "Clean Energy for all Europeans" package, the European

Commission has adopted an update of the Renewable Energy Directive for the period 2021–2030 (RED II), raising the overall EU target for RES consumption by 2030 to 32% and an energy-efficiency target of at least 32.5%, with an upwards revision clause by 2023. Based on the latest Eurostat reports, the share of RES in 2017 reached 16.95% (as compared to 15.08% in 2016) of the overall energy production, approaching the target that the country had set for the end of the decade.

In terms of capacity, currently, operative RES projects account for approximately 5.5 GW, with the target to stretch to 13 GW by 2030 and more than 23 GW by 2050. Based on the monthly report published in December 2018 by the RES & Guarantees of Origin Operator ("**DAPEEP**"), the Greek power production from RES in 2018 was allocated as follows: (a) wind farms accounted for 45.6% of the installed capacity and 49.6% of the total power produced; (b) photovoltaic ("**PV**") parks accounted for 44.5% of the installed capacity and 31.5% of the total capacity produced; while (c) hydropower plants accounted for 4.35% of the installed capacity and 6.4% of the total power produced.

Although to date, generation of geothermal energy is very limited, following the enactment of a new all-inclusive legal framework through Law 4602/2019, Greece has expressly declared its intention to exploit its geothermal resources, and promote this new-born RES sector.

Changes in the energy situation in the last 12 months which are likely to have an impact on future direction or policy

A landmark development expected to completely transform the Greek energy market, was the establishment on 18 June 2018 of the Hellenic Energy Exchange S.A. ("**HEnEx**"). The new entity was founded through a spin-off from the electricity market branch of the Electricity Market Operator ("**LAGIE**") by virtue of Law 4512/2018. The new market is set to replace the existing model, where the Greek wholesale electricity market was a day-ahead market, organised as a centralised mandatory pool, operated by LAGIE.

In light of the above, Law 4512/2018 paved the way for the replacement of the mandatory pool model by a Day-Ahead Market, an Intra-Day Market, a Balancing Market and an Energy Derivatives Market. From the contribution of the aforementioned branch to the new-born company, it follows that LAGIE is no longer going to be the market operator, and the wholesale electricity market as a whole is now transferred to the HEnEx. In turn, LAGIE, comprising the remaining sectors, has been renamed DAPEEP (the RES & Guarantees of Origin Operator, as mentioned above), assuming the role of the operator of RES producers and guarantees of origin.

The HEnEx is currently only operating the Greek Day-Ahead Market based on the Electricity Market Operation Code (RAE Decision 56/2012 as more recently amended by RAE's Decision 542/30.05.2019), while working on the creation of the intra-day electricity market. Once the HEnEx becomes fully operative, both the Day-Ahead Market (where electricity will be traded for physical delivery within the subsequent 24 hours) and Intra-Day Markets (transactions for physical delivery of electricity within the same day in order to cover any failures to fulfil deliveries from orders that have been closed the previous 24 hours through the next day's purchase) will be operated in accordance with the newly introduced RAE's Decision 1116/13.11.2018 ("**Day-Ahead and Intra-day Market Regulation**" or the "**Energy Exchange Regulation**").

Another milestone in the electricity field is the conduct of mandatory capacity auctions, the so-called "NOME auctions" (*Nouvelle Organisation du Marché de l'Electricité*). These auctions, carried out by LAGIE, were introduced by Law 4389/2016, in an effort by the Greek Government to reduce PPC's retail electricity market dominance, aiming to cut down its share from approximately 95% (in 2015) to less than 50% by the end of 2019 (a target set by Law 4336/2015).

The annual capacity of PPC's generated electricity to be sold at the auctions has gradually increased (from 8% in 2016 to 13% in 2019). However, despite the broad participation of alternative suppliers in the NOME auctions, the benefits for the consumers derived from the NOME mechanism have been limited so far, due to the export of a significant quantity of the power acquired from PPC. This practice led to the issuance of RAE's Decision 148/24.1.2019, imposing export limit measures on the private wholesale suppliers for the power quantities acquired through the NOME auctions. The most recent NOME auctions, completed in April and July 2019, saw a dramatic increase in electricity prices, while RAE was again expected to set the bar high for the scheduled October 2019 auction.

After PPC's privileged access to the cheaper lignite was found by the European Commission to constitute a quasi-monopolistic right which allowed PPC to maintain its dominant position in the Greek wholesale electricity market, thus blocking the entry of new players in breach of the EU Treaties, 2018 saw the adoption of significant restructuring measures in this field through Law 4533/2018. Based on this recent law, PPC was forced to divest from its three biggest lignite-fired plants (in Meliti in northwestern Greece and Megalopolis in the country's south), with a combined installed capacity of 900 MW, selling the latter to private investors through an international public tender. Following an unsuccessful tender in February 2019, an extension to the country's commitment was granted allowing for a new tender under the same framework through Commission's Decision (C) 2019/2748. Another international tender carried out in July 2019 was declared null and void, as it attracted no bids that met the government's minimum standards.

A public tender was launched by the Hellenic Republic Asset Development Fund ("**HRADF**") for the acquisition of a majority stake (50.1%) in the Hellenic Petroleum S.A. ("**HELPE**"), a leading company in the Greek energy sector, with activity focusing on the supply, refining and trading of oil products, oil exploration and production. No binding offers were submitted in the tender, which took place in April 2019, for the acquisition of the majority stake currently held by the HRADF and the other strategic shareholder, PanEuropean Oil and Industrial Holdings S.A. and thus there was no positive outcome of the contemplated transaction. Subsequently, the HRADF was assigned with exploring all options available towards proceeding with the transaction, while the discussions between the Greek Government and the institutions are ongoing, aiming to determine the most proper model for HELPE's restructuring.

Following the substantial transformation of the hydrocarbons legal framework in 2011, new practices were introduced in the upstream oil sector, aiming to create a more appealing investment climate and to attract serious investments both domestic and foreign. Over the past few years, as part of its effort to secure additional revenues, the Greek Government, through the Hellenic Hydrocarbon Resources Management S.A. ("**HHRM**"), has entered into numerous lease agreements for the development of hydrocarbons at several offshore and onshore blocks (Aitoloakarnania, Ioannina, Arta-Preveza, North-West Peloponnese, Katakolo, Sea of Thrace, West Patraikos Gulf), while during the course of 2018–2019, the HHRM entered into significant lease agreements for the Ionian Sea, South West Crete and West Crete blocks. The lease agreements for: (a) South West Crete and West Crete, involving a consortium comprising Total, ExxonMobil and HELPE; and (b) the Ionian Sea involving

Repsol and HELPE and Block 10, west of the Peloponnese, for which HELPE is the sole holder, are pending Parliament's approval and are set to be ratified by law in the course of the next month.

The picture of the Greek wholesale natural gas market has also changed dramatically over the past couple of years. Until recently, the Public Gas Corporation ("**DEPA**") was the dominant player in the domestic natural gas market, holding a share of 96% or 42.7 million MWh in 2016. As of 2017, private companies entered the natural gas wholesale market dynamically, with imports of natural gas (including LNG) approaching 20–30% of the total transactions. The opening of the wholesale market, together with the expansion of the sources of LNG origin, are set to enhance competitiveness among gas suppliers.

More importantly, Law 4602/2019 provided for the split of DEPA's commercial and infrastructure activities. The shares of DEPA are currently held by the HRADF (65%) and HELPE (35%) but under the new provisions, DEPA would be divided into two separate legal entities: "DEPA Infrastructure S.A.", comprising all the distribution gas activities of DEPA, along with the international projects in which DEPA participates; and "DEPA Trade S.A.", where all DEPA's gas-related activities (both wholesale and retail) would be transferred. In turn, a stake of 50% plus one share of the share capital of DEPA Commercial S.A. would be sold to a private investor through a tender procedure carried out by the HRADF.

A game-changing development expected to allow Greece to receive larger LNG cargoes was the expansion and upgrading in 2018 of the Revithoussa LNG facility, the country's only operative LNG terminal, which is owned and operated by the National Natural Gas System Operator (DESFA) S.A ("**DESFA**"). The upgrading of its third tank increased the total storage capacity of the terminal by 75% to 225,000 m^3 from 130,000 m^3, facilitated growth of the gasification rate by 40% at 1,400 m^3 per hour from 1,000 m^3 per hour, and enabled the docking of larger LNG cargoes. Regarding the technical operation of the terminal, it is worth mentioning that in the first half of 2019, the average gasification increased to 80.99 million KWh per day, from 51.57 KWh in 2017 and 38.05 million KWh in 2018, respectively.

Another significant development in the natural gas field is the establishment of a virtual trading point operating at the National Natural Gas Transmission System ("**NNGTS**"), which became fully operative as of July 1st 2018. With the activation of the virtual trading point, natural gas traders not involved in physical trading are offered for the first time the possibility to operate in the Greek market, since it is now possible to enter into transactions, irrespective of whether or not they have contracted capacity at entry/exit points. This new operation was introduced by the newly amended NNGTS Operation Code (4th revision), aiming to further increase the liquidity of the Greek natural gas market in compliance with EU Regulation 459/2017 establishing a network code on capacity allocation mechanisms.

Since 2018, the country is undergoing an impressive increase in the share of renewables in the electricity generation, even over-achieving the targets set for solar energy. Following a deadlock in the previously implemented support schemes and after a period of stagnation between 2013 and 2018, the Greece RES market is nowadays booming, particularly as a result of a new state aid scheme introduced by Law 4414/2016, aiming to enhance RES investment and align the Greek energy market with the EU targets.

Under the RES state aid programme, set to run through 2018–2020, qualifying RES projects may be granted 20-year operating aid agreements in the form of feed-in-premiums ("**FiP**"), i.e. contracts-for-difference ("**CfDs**") between the market price of electricity and a fixed reference price, which is determined through competitive procedures conducted by the

Regulatory Authority for Energy ("**RAE**"), all in replacement of the previous unsuccessful feed-in-tariff ("**FiT**") system.

Following a pilot tender carried out in 2016, and the State Aid clearing of the new framework by the EU, the first two technology-specific capacity tenders were conducted in 2018, resulting in the gradual lowering of the average reference tariffs. The first joint competitive tender procedure (large PV and wind projects) was completed by RAE in April 2019, while separate tenders for PV and wind took place in July 2019.

Finally, the country's overall energy environment will be greatly impacted by the newly issued Law 4602/2019, providing for the unbundling of the natural gas distribution networks, as well as introducing a special legal framework regulating the exploration for and generation of geothermal energy.

Developments in government policy/strategy/approach

Directive (EU) 2009/72, as part of the Third Energy Package, first set the groundwork for the restructuring of the electricity market, aiming to establish access to the network for cross-border exchanges in electricity. This initial effort was further elaborated by subsequent Regulations (EU) 713/2009 and 714/2009, introducing the so-called EU Target Model, laying down the major target of the European electricity market integration.

A key component of the European Target Model, as set out in Regulation 2015/1222 ("**CACM Regulation**") is the concept of market coupling, which Greece is in the process of setting the ground for, in close cooperation with its neighbouring countries. This effort has started with the establishment of a radically new wholesale market model, aiming to enhance competition and remove significant distortions in the electricity market (see above regarding the establishment of the HEnEx). To this end, RAE has already embarked on the development of appropriate tools, methods and indicators for the monitoring of the four wholesale markets, once they become fully operative.

In light of the recent enactment of the "Clean Energy for all Europeans" package, the Greek energy market is on the verge of another fundamental make-over. More specifically, the adoption of the recast Electricity Directive (EU) 2019/944, the recast Renewable Energy Directive (EU) 2018/2001, the revised Energy Efficiency Directive (EU) 2018/2002, the new Electricity Regulation 2019/943, the Energy Performance of Buildings Directive 2018/844, as well as the Regulation on governance of the energy union and climate action (Regulation 2018/1999), the Regulation on risk-preparedness in the electricity sector (Regulation 2019/941) and the Regulation on a European Union Agency for the Cooperation of Energy Regulators (Regulation 2019/942) are expected to gradually transform the internal energy market towards a sustainable, low-carbon and environmentally friendly economy.

The new Government's strategic plan for streamlining and restructuring the retail electricity market, will start with the part-privatisation of the Hellenic Electricity Distribution Network Operator ("**DEDDIE**"), a 100% subsidiary of PPC. The distribution network, which currently belongs to PPC, will be transferred to DEDDIE before the part-privatisation process; that said, the partial sale of DEDDIE, which is the most profitable asset in PPC's portfolio, contributing significant amounts in its operating profits per year, is expected to attract considerable international interest.

Another item on the Government's agenda is the sale of a further stake in the Independent Power Transmission Operator IPTO ("**IPTO**"), an entity vested with the ownership and operation of the national power grid. The IPTO, originally established by virtue of Law

4001/2011 as a 100% subsidiary of PPC, was restructured in 2017 based on the Ownership Unbundling model, through the sale of 24% to a strategic investor and the transfer of 25% to a state owned SPV, with the Greek State indirectly retaining 51% of its shares. Currently, the new Government is contemplating the potential sale of the 51% stake directly and indirectly controlled by the Greek State through an open tender procedure.

Further, the new Government has foreshadowed that, as part of a restructuring plan for the PPC, the utility will complete its exit from lignite-fired generation. Following the two unsuccessful tenders for the sale of the Meliti and Megalopolis lignite-fired plants (please see above), divestment from lignite will be effected through the gradual shutdown of the two plants in consultation with the local communities; according to the proclaimed programme of the Ministry of Energy and Environment, the process is set to commence by the end of the first half of 2020.

Following the unsuccessful tender for the sale of a majority stake in HELPE which took place in April 2019, a follow-up sale effort offering a stake in HELPE will only involve the Greek State, holding a 35.48% share in the petroleum company. The new Government has made clear that the privatisation of HELPE is a top-priority sale, with the final decision on the proper way to move forward still lying ahead.

Although the NOME auctions were initially scheduled to take place by 2020, due to the bad financial situation of the utility and its poor performance over the year 2018, as well as in view of the upcoming replacement of the mandatory pool model by the new electricity market in line with the EU Target Model and entry into operation of the HEnEx, the Greek Government is now contemplating abolishing NOME auctions. Currently there is no certainty regarding whether any other equivalent mechanism will be implemented or whether producers and independent suppliers will merely interact through bilateral contracts within the framework of the organised market.

A shift has been also made by the recently elected Government with regard to the previous government's privatisation plan for gas utility DEPA. In this context, the split of DEPA's commercial and infrastructure activities, and the intended plan for the sale of a majority stake in the commercial part of DEPA, is expected to be overturned in the near future. Instead, currently the most likely scenario is the offering of majority stakes in both the utility's distribution network and trading interests.

In light of the international developments in the energy storage field and, in particular, the enhancement of the relevant technological applications and the falling costs of storage equipment, the Greek Government is expected to introduce a special legal framework regulating energy storage facilities. The HRADF is also due to launch a tender for the exploitation of a natural gas storage facility in South Kavala which, when operative, will improve the management of the natural gas suppliers' portfolio, thus enhancing security of supply in Greece. Launch of the tender is expected by the end of 2019 or early 2020.

As part of its broader effort to create a carbon-free community by 2050, the Greek Government is determined to enhance the RES market, particularly by streamlining the licensing process and reducing bureaucracy, as well as excluding large-scale RES projects from mandatory participation in capacity tenders. Further, the Government's short-term plans include the legislative grant of attractive tax incentives for the upgrading of the energy performance of buildings, aiming to accelerate the rate of building renovation towards more energy-efficient systems, and make new buildings 'smarter'.

With a view to boost the establishment of hybrid renewable energy systems in locations that are not fitted with an electricity distribution system, such as the non-interconnected islands, the new Government has pledged to introduce a special legal framework to govern hybrid power. The creation of a hybrid power market is expected to provide increased system efficiency as well as greater balance in energy supply, resolving the significant power outages on the Greek islands.

Developments in legislation or regulation

Law 4001/2011, transposing Directives 2009/72/EU and 2009/73/EU, is the main piece of legislation currently governing the operation of energy markets in the electricity and natural gas sectors in Greece, including the activities of the production, supply, purchase, transportation and distribution of natural gas and electricity. Its primary objective was the creation of a Single Internal Energy Market, in line with the EU secondary legislation; therefore, its provisions focus on the separation of transmission and distribution activities from generation and supply activities in the electricity and gas sectors. To this end, same law established a certification process for transmission system operators, and measures for the effective unbundling of the regulated transmission and distribution activities from the competitive production and supply activities.

As anticipated above, until recently, by virtue of Law 4001/2011, the Greek wholesale market model was organised on the basis of a regulated compulsory offer of electricity to a day-ahead market, leading to the centrally organised sale of electricity at a uniform price (System Marginal Price), which reflected the offer of the most expensive unit dispatched. Participants to the mandatory pool were, on the one hand, producers and importers of electricity and, on the other hand, suppliers and exporters of electricity. Imbalances (i.e. deviations from day-ahead schedules) were settled through a distinct mechanism, but there was no balancing market. Clearing of the day-ahead market was performed by the market operator LAGIE, while IPTO was responsible for conducting the real-time dispatch, clearing the imbalances as well as settling payments for ancillary services and several other charges. Since October 2015, LAGIE has also been competent to provide Registered Reporting Mechanism ("**RRM**") services to the energy market participants of Greece, according to Regulation ("**EU**") No 1227/2011 ("**REMIT**").

Law 4512/2018, in implementation of the CACM Regulation, introduced the new market model to be regulated by the HEnEx and comprising the electricity market, the energy financial market, the natural gas market and the environment market. As already mentioned above, the electricity market is divided into a Day-Ahead Market, an Intra-Day Market, a Balancing Market and an Energy Derivatives Market. Transactions involving energy financial means may be concluded bilaterally, while the day-ahead market will operate sales through physical delivery, including products purchased on the energy financial means market and other wholesale products sold through physical delivery. Producers will be obliged to offer products for the total of their capacity, to the extent such capacity is not booked at the energy financial market.

The balancing market will be operated by IPTO, which will be responsible to ensure compliance with Regulation 714/2009 and the Regulation on Wholesale Energy Markets Integrity and Transparency. The HEnEx will further establish a new company for clearing transactions performed on the day-ahead and intra-day markets. In order to operate the energy financial market, the HEnEx will cooperate with the Athens Stock Exchange, while the supervisory authority over the HEnEx will be shared between RAE and the Hellenic Capital Markets Commission.

The Greek RES market is primarily regulated by Law 3468/2006, which, among others, introduced the first state aid scheme based on a guaranteed FiT system (operating support based on a fixed compensation price), where producers received standard remuneration amounts and, consequently, minimising exposure to the market risk. Law 3468/2006 differentiated between various categories of RES producers and the amount of the remuneration varied depending on whether or not the plants were located in mainland Greece or on the islands, i.e. whether or not they were connected to the mainland grid.

The aforementioned RES support scheme was partially replaced by virtue of Law 4414/2016, which introduced the FiP scheme (operating support based on a differential compensation price). Based on the newly introduced support mechanism, RES and cogeneration ("**CHP**") plants participate in the electricity market and are awarded a sliding FiP and as of 2017, FiPs are granted through mandatory capacity auctions organised by RAE. However, exemptions apply to smaller plants, i.e. wind energy plants ≤3MW and other RES ≤500kW, which are eligible for a FiT.

Other incentives focusing on the increase of the penetration of renewable energy into the electricity supply mix and the reduction of production from conventional plants, include recent competitive procedures for the development of pilot RES projects at the Non-Interconnected islands, under an attractive operational support scheme (Article 151 of Law 4495/2017). Further, self-production from PV plants through net-metering was introduced in 2014 and is currently governed by Ministerial Decision 15084/382 (GG B' 759/05.03.2019). Law 4414/2016 (GG A' 149/9.8.2016), extended self-production to additional technologies, namely small wind turbines, biomass/biogas/bio liquid stations, small hydropower stations and cogeneration power plants.

As mentioned above, Law 4389/2016 introduced quarterly NOME auctions whereby PPC is obliged to sell the electricity term products through physical delivery to the alternative electricity suppliers. Based on Law 4389/2016, the NOME auctions mechanism works as follows: in its capacity as the dominant domestic player in lignite and hydropower production, PPC offers to independent producers cheaper access to these sources through electricity forward products acquired beyond the mandatory pool of the day-ahead wholesale electricity market. These auctions enable alternative suppliers to access cheaper electricity acquired beyond the mandatory pool, thus gaining a bigger market share as compared to PPC.

Law 2289/1995, transposing Directive 94/22/EC on the conditions for granting and using authorisations for the prospection, exploration and production of hydrocarbons, constitutes the main applicable legislation governing the development of hydrocarbons in Greece. This law was substantially amended by Law 4001/2011, through which new practices were adopted, aiming to create a more appealing investment climate and to attract serious investments in the oil sector.

Law 4513/2018 set the legal framework for the establishment of Energy Communities, aiming to promote social economy, solidarity and innovation in energy and energy sustainability, as well as to increase energy efficiency in final consumption in local communities. A number of financial incentives granted to Energy Communities aim to encourage development of RES and high-efficiency cogeneration of heat and power ("**HECHP**") plants. According to the new law, Energy Communities are incorporated as civil law partnerships by local individuals, public and private law legal entities and/or municipal/regional authorities. Further, Energy Communities may deal in the production, storage, self-consumption, sale of electricity or heating/cooling derived from RES or HECHP within the region of their registered seat. An Energy Community may also take up management of raw materials used in the production of electricity or heating/cooling from biomass, bio-waste, or biofuel, procurement of high-efficiency appliances, installations and electric, natural gas, LNG or biofuel-fuelled vehicles, as well as power and natural gas distribution and supply. While as a principle, Energy Communities are non-profit organisations, they may distribute profit to their members on certain conditions (to be incorporated by at least 15 members, or 10 in case of islands with population below 3,100 inhabitants, 50% of which are individuals).

Law 4602/2019 introduced a special legal framework for geothermal power and provided for the unbundling of the national distribution system, as well as the restructuring of DEPA (please see above).

The electricity-related legal framework is largely implemented through a number of regulations: the Electricity Market Operation Code (RAE Decision 56/2012, GG B 104/31.01.2012 as more recently amended by RAE's Decision 542/2019, GG B' 3.6.2019); the Power Transmission System Code (GG B' 103/31.1.2012, latest version no 3.6 published in April 2019); the Distribution Network Code (RAE' Decision No. 395/2016, GG B' 78/20.01.2017); the Non-Interconnected Islands Network Code (RAE's Decision No. 39/28.1.2014, GG B 304/11.2.2014, with a second version published in April 2018); the Power Supply Code (Ministerial Decision No. 29.3.2013, GG B 832/9.4.2013); and the Licensing Regulation for Electricity Supply and Trade (GG B' 2940/5.11.2012).

Likewise, the oil and gas industry is regulated, *inter alia*, by: the NNGTS Management Code (RAE's Decision 123/2018, GG B' 788/7.3.2019); the Distribution Network Code (RAE's Decision No. 298/2018, Government Gazette B' 1507/02.05.2018); the Natural Gas Licensing Regulation (Ministerial Decision 178065/17.08.2018, GG B' 3430/17.8.2018); the NNGS Users Registry Regulation (Ministerial Decision No. Δ1/Α/5816/2010, GG B' 451/2010); the Tariffs Regulation of NNGTS Basic Operation (GG B' 3720/20.10.2017, most recent version thereof approved by RAE's Decision 539/2019); and the Approval of NNGTS Usage Tariffs (GG B' 3513/01.11.2016); as well as the Oil Licensing Regulation (Ministerial Decision No. Δ2/16570/2005, GG B' 1306/2005).

The RES market is regulated by the Licensing Regulation for Electricity Production from RES (GG B' 2373/25.10.2011).

Further, as of July 2019, a draft Regulation on the Energy Derivatives Market has been opened to public consultation, pending voting by Parliament.

Judicial decisions, court judgments, results of public enquiries

The pivotal role of energy has been underlined in the recent case law of the Greek courts, which have linked the right to electricity supply to the fundamental principle of the protection of human dignity, as enshrined in Article 2 of the Greek Constitution. More precisely, the Council of State, through its decision No. 1972/2012, declared that cutting off the power supply to customers who fail to pay the special real estate tax built into the electricity bills (article 53 par. 11 of Law 4012/2011) deprives customers of a social good and violates human dignity, and is therefore unconstitutional.

The Greek electricity market suffered a heavy blow in 2012, when two electricity trading companies faced serious economic problems, as a result of which they were unable to repay the due amounts to the electricity producers, which amounted to more than €172,000,000. In response to this breakdown, through its decisions 851A/2012 and 243/2012, RAE revoked the trading licences of both power suppliers, with a view to secure supply of electricity to the end users and avoid further implications for the retail electricity market. The exit of two major players from the retail market caused a serious crisis in the national electricity market as a whole and forged the subsequent lack of trust towards independent energy suppliers, at the time posing an additional obstacle to the liberalisation progress of the energy sector.

Central to the dispute resolution mechanisms in the Greek energy sector has been RAE's arbitration ruling No. 1/2013. RAE's permanent arbitration mechanism was established by virtue of Article 37 of Law 4001/2011 as an alternative process for the resolution of disputes arising between persons operating in the energy sector. The above ruling was given on a dispute between Greece's biggest electricity producer and a trading company over the pricing terms, following failure of the parties to come to a mutually acceptable tariff agreement. RAE's permanent arbitration mechanism came under heavy criticism due to the delays in the process, as well as the impartiality problems that arose during the procedure. Since then, said mechanism has not been activated in any other case, while the Government's objective is to enhance its operation, transforming it into a business-friendly tool.

Finally, the clearing by the European Commission of the auction scheme for the FiP contracts introduced by Law 4412/2016 (as described above) has played a key role in the recent RES market boom. The EU Commission, through a decision issued in January 2018, found the support scheme to be in line with the EU State aid rules and, in particular, the 2014 Guidelines on State Aid for Environmental Protection and Energy. The Commission found that the support scheme would further EU energy and climate goals whilst preserving competition, resulting in a significant increase in the number of RES plants operating in Greece.

Major events or developments

In addition to the significant developments described in the section regarding changes in the energy situation in the last 12 months, the following major events are expected to make a substantial contribution to gradually enhance Greece's position as an energy hub:

The most significant private projects are the Trans Adriatic Pipeline AG ("**TAP**"), which will transport natural gas from the Shah Deniz II field in Azerbaijan to Europe, and the Gas Interconnector Greece-Bulgaria ("**IGB pipeline**"), which will provide a direct link between the national natural gas systems of Greece and Bulgaria, acting as a strategic gas transportation infrastructure and thereby enhancing supply security to Greece. While construction of the IGB Pipeline started in May 2019, construction of the TAP is approaching completion.

The Alexandroupolis FSRU, an LNG terminal, construction of which is due to start in 2020, will comprise an offshore floating unit for the reception, storage and re-gasification of LNG and a transmission system shipping natural gas into the NNGTS, thus securing new natural gas quantities for the supply of the Greek and the regional southeastern European markets. Gastrade, the project company, is currently halfway in its effort to be granted a third party access ("**TPA**") exception and a market test process is ongoing in cooperation with RAE. The FRSU project is being developed by the Copelouzos group in association with Gaslog, an international LNG carrier, while Greek gas utility DEPA, its Bulgarian peer Bulgartransgaz, as well as private investors, are also expected to acquire a stake in the project company. The Alexandroupolis FSRU, once completed, will be the second LNG terminal operating in Greece, together with the LNG terminal of Revithoussa island (the latter being part of the NNGTS).

Following their entry into operation, the IGB pipeline and the Alexandroupolis FSRU will be interconnected with the TAP, with all three facilities serving the transportation of Caspian gas to European markets.

Further, the East Med pipeline, one of the most important export projects for Eastern Mediterranean gas, a region at the epicentre of energy developments because of recent years' discoveries, is a 1,900km natural gas pipeline planned to cross the Israeli, Cypriot and Greek EEZ, reach Greece and from there connect to Otranto, Italy, through an underwater pipeline. The EastMed pipeline project is expected to improve Europe's energy security by diversifying its routes and sources and providing direct interconnection to the production fields. The project will also support the economic development of Greece and Cyprus by providing a stable market for gas exports.

Following the start of construction of the Crete-Peloponnese interconnection in 2018, the Crete-Athens electricity grid interconnection is urgently needed in order to prevent a looming energy shortage on Greece's largest island. Outdated diesel-fuelled power stations operating on the island need to be withdrawn to meet EU environmental regulations. Ariadne Interconnection, a special purpose vehicle established by the IPTO, assigned with the implementation of the Crete-Attica interconnection project, is currently in the process of selecting the private companies that will undertake construction of the electricity grid project, with a view to have the works completed in 2022.

In addition to the above infrastructure projects, the Greek energy market is also undergoing restructuring changes through the privatisations programme implemented by the HRADF. In anticipation of the outcome of the pipeline tenders mentioned above, 2018 saw the successful conclusion of a milestone tender for the part-privatisation of DESFA through the transfer of a 66% stake (31% owned by HRADF and 35% owned by HELPE) to SENFLUGA Energy Infrastructure Holdings S.A. for a total amount of €535 million.

Proposals for changes in laws or regulations

The attempted structural and institutional changes started with the establishment of the HEnEx took the electricity wholesale market one step further, aiming to ensure transparent and competitive prices, while at the same time, promoting fair and healthy competition, expected to encourage the entry of new market players. Undoubtedly, these significant reforms are ambitious improvements in line with the country's international commitments and the European trends. However, the effective realisation of these plans is a rather challenging task for both the Greek State and the market participants, especially at the beginning of the actual functioning of the wholesale market in its new form. To this effect, a number of regulations and codes have to be issued or amended in order for any regulatory gaps to be filled and the new market model to become fully operative.

The soaring congestion of pending licensing applications before governmental authorities is the biggest challenge faced by both domestic and foreign investors in the Greek energy market. Particularly in the RES sector, the Greek authorities face difficulties with providing the necessary licences and connecting assets to the country's national grid in time, while the pipeline of projects is growing rapidly. In order to facilitate access to energy investments, the Greek Government's immediate target should be the simplification and digitalisation of the licensing process, with the possibility for on-line submission of applications and online application status tracking.

Finally, a valuable tool for the heavily regulated energy market and a breakthrough for the field's professionals would undoubtedly be the codification of the legal framework, as well as the issuance of sector-specific guidelines in order to facilitate implementation of law and ultimately accommodate the rapidly growing financial interest.

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Yannis joined the Firm in 2004 and is Head of the Energy & Environment, and Joint Head of the Privatisations departments. He has a wide-ranging transactional practice which encompasses complex privatisations, public and private project developments and mergers and acquisitions, with expertise in the infrastructure, energy, finance, utilities, telecommunications and transport sectors.

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Yannis advises both privately and State-owned entities and consortiums on project financings and public-private partnerships, with a specialisation in documenting and negotiating concession contracts. He also advises on the regulatory framework for the assignment of public contracts by way of tenders and for developing projects and public private partnerships. Yannis advises public and private companies, investors and financial advisors in mergers, acquisitions, restructurings and divestments of primarily distressed assets. Much of his work in this area is cross-border and takes place in highly regulated sectors.

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Eleni has experience in drafting and negotiating commercial and finance agreements and participating in due diligence reviews. She also advises on the legal and regulatory framework governing tender procedures, acquisition and development projects in the conventional and renewable energy sectors, and on licensing and permit requirements for all types of energy project. Eleni represents clients in filing tender bids and legal recourses, petitions and applications arising from their participation in tenders and other public procurement procedures. Prior to joining the firm, Eleni worked as corporate counsel in the architectural and construction sectors in Greece and abroad.

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