Subject: State aid SA.35165 (2013/NN) - Greece
State aid SA.35977 (2012/N) – Greece
Upgrade of the Liquefied Natural Gas (LNG) Terminal in Revithoussa

Excellency,

1. The Commission wishes to inform the Hellenic Republic that, having examined the information supplied by your authorities on the above measure, it has decided not to raise objections to the notified aid measure and to consider the aid to be compatible with the internal market pursuant to the Treaty on the Functioning of the European Union (hereinafter "TFEU").

1 PROCEDURE

2. On 21 December 2012, and following pre-notification contacts, the Hellenic Republic notified to the Commission, pursuant to Article 108(3) of the TFEU the above measure, in two separate electronic notifications SA.35165 (2012/N) and SA. 35977 (2012/N), one for each of the project phases or sub-projects.

3. By letter dated 31 December 2012 (received and registered on 14 January 2013), the Greek authorities informed the Commission that the public financing for the first sub-project -notified under SA.35165 (2012/N)- had been granted on that same day. On 14 January 2013 the Commission transferred the case to the non-notified registry under the reference SA.35165 (2013/NN).
4. The Commission asked additional information by letters of 20 February 2013, 6 June 2013 and 18 September 2013. The responses from the Greek authorities were registered on 24 April 2012, 18 July 2013 and 27 September 2013.

5. In agreement with the Greek authorities, the Commission decided to address these two measures in one single Decision as they constitute sub-projects of the same gas infrastructure facility.

2 PROJECT DESCRIPTION AND OBJECTIVE

Background and gas transmission network in Greece

6. The measure aims at financing the upgrade of the LNG Terminal in Revithoussa. The Greek authorities explained that the upgrade works were undertaken in two phases or sub-projects. The following list describes the technical facilities included in each sub-project, all of which are deemed necessary for the eventual operation of the upgraded LNG Terminal:

Sub-project 1

- Construction of a high-efficient combined heat and power (CHP) unit with a capacity of 13 MW in nominal terms to cover the energy needs of the LNG terminal.

Sub-project 2

- construction of a third storage tank of 95 000 m³
- upgrade of the jetty to accommodate vessels with a load-volume of up to 260 000 m³ of LNG
- installation of cryogenic equipment to increase the send-out capacity from 1,000 m³ LNG/h up to 1400 m³/h
- upgrade of the metering capacity at Aghia Triada Metering Station

7. The National Natural Gas System ("NNGS") has at present three entry points, two of which are via pipeline: the entry point “Sidirokastro” on the Greek-Bulgarian border, the entry point “Kipi” on the Greek-Turkish border and the Liquefied Natural Gas Terminal on the Revithoussa Island in the Gulf of Megara.

8. All natural gas consumed in Greece is imported. The country has traditionally been highly dependent on Russian gas imports through the Sidirokastro entry point. The development over the years of the NNGS has allowed lowering this dependency from 100% in 1998 to around 56% in 2012. However around 86% of the gas supplies are still imported via pipeline. The Greek authorities reported that the projected gas demand in Greece is expected to increase from 3,852 million annual Nm³ in 2011 to 14,527 million annual Nm³ in 2018. As a result of the proposed measure, Revithoussa could supply to the gas market 1 527
million Nm³ by 2018, which corresponds to 13% of the projected gas demand on the Greek market.

9. The upgrade of the LNG Terminal in Revithoussa has two main objectives:

- the enhancement of the security of supply for the Greek and South Eastern European markets. The increase in the gasification rate will improve the capability of the Transmission System Operator (TSO) to ensure gas supplies in case supplies are interrupted through the two northern entry points (via pipeline). Greece indicated that such interruptions have occurred in the past.

- cover the forecasted gas demand increase in the Greek and South-East market. According to the Greek authorities the forecasted gas peak demand for the Revithoussa LNG terminal is expected to increase from less than 10 million Nm³/day in 2012 to 14 million Nm³/day by 2023.

10. The Greek authorities have submitted other projects for State aid approval connected with different investments to improve and extend the gas transmission network in Greece¹. All of those projects are included in the NNGS development programme for 2010 -2014. The Greek authorities claim that all the projects contribute to the security of gas supply and promote the development of the internal gas market. The project examined in this decision, though functionally independent from the others, is to be put in the broader context of notified projects supported with State aid which all contribute to enhancing and/or extending the operation of the NNGS. These projects are altogether expected to i) increase the potential for diversification of energy sources and increase (LNG) gas supply to Greece, (ii) increase flexibility and transport capacity of the NNGS from North to South and iii) help to connect the NNGS with geographic areas previously isolated therefrom. Furthermore, according to the Greek authorities, annual transportation capacity of the NNGS is expected to increase from 26 483 246 Nm³/day (2011) to 35 409 609 Nm³/day (2017). The Revithoussa terminal, when upgraded, will account for 13 699 409 Nm³/day. While the assessment of the project subject to the present notification is to be viewed in this context, it is without prejudice of the assessment of the other projects referred to.

Regulatory framework: Third Party Access rules and tariffs

11. The LNG terminal in Revithoussa is part of the NNGS to which Third Parties enjoy non-discriminatory Third Party Access (TPA) established in national law. According to TPA rules, the TSO provides users with access to the NNGS in the most economic, transparent and direct way and for as long as the Users wish, without compromising the safety of NNGS. Non-discriminatory access to the NNGS is established on a "First Come First Served" (FCFS) basis.

12. The TPA tariffs to the NNGS – which includes the LNG Terminal in Revithoussa – are regulated. They consist of distinct and independent charges for entry and exit capacities rather than a fixed-rate tariff for the Transmission

¹ See Commission Decisions in cases SA.35164, SA.35166, SA.35167 and SA.35976, not yet published.
System (entry/exit system). This methodology aims at further enhancing cost reflectivity of the charges and to avoid discrimination among users.

13. With the new methodology, the Hellenic Gas Transmission System Operator S.A. (hereinafter "DESFA") will be entitled to a regulated return on capital (Cost-Plus regime). This methodology should incentivise the expansion of the Greek gas network to new regions of the country. The return on capital employed (ROCE) applicable to DESFA is set at 10.99% in nominal pre-tax terms.

2.1 The beneficiary

14. The beneficiary of the public funding is DESFA a wholly owned subsidiary of the Public Gas Corporation S.A. (hereinafter "DEPA") which is currently owned by the Greek State (35% of the shares) and Hellenic Petroleum S.A. (35% of the shares).

15. Article 68 of the Law 4001/2011 establishes that “DESFA S.A operates, maintains, manages, exploits and develops the National Natural Gas System (hereinafter "NNGS") in an economically efficient, technically sound and integral way and with the aim to serve the needs of the Users in a safe, adequate, reliable and economically efficient way, to ensure the functioning of a unified natural gas market in the European Union, and to preserve the environment.”

2.2 Legal basis

16. Law 4001/2011, Article 69, paragraph 2g (G.G. 179 A’/22.08.2011) establishes that DESFA prepares and the Regulatory Authority for Energy (RAE) approves and monitors the implementation of the Development Plan. The Plan comprises projects for the development, enhancement and interconnection of the NNGS for a period of ten (10) years.

17. Ministerial Decision Δ1/A/12721 (30.05.2011) and RAE Decision 7/04.03.2011 approving the NNGS Development Program for the period 2010-2014. The upgrade of the LNG terminal in Revithoussa was included in the above mentioned Development Plan.


2.3 Budget, duration, eligible costs and aid intensity

20. The project has been selected to receive EU funding. Recitals 24 and 25 below provide details on the funding instrument. The total costs of the project amount to EUR 178 639 743 (EUR 19 639 743 for the first sub-project and EUR 159 000
21. The eligibility of the costs related to the implementation of the Project are verified at different stages by the relevant authorities: a) when assessing the co-financing application; b) at the time of receiving requests for payment; c) in case of inspections on site; d) at the time of controlling the procedures followed when subcontracting tasks within the project.

22. The amount of aid is calculated on the basis of the “funding gap”. The funding gap considers on the one hand eligible costs and a reasonable return and on the other hand the revenues and/or sources of funding prior to the aid. The different between the two is the funding gap. The funding gap has been calculated on the basis of a method that renders a financial internal rate of return (IRR) of 5%, which is the typical IRR for the sector according to the “Guidance on the Methodology for Carrying Out Cost – Benefit Analysis: Working Document No. 4”, expressed in real terms. Applying this methodology, the resulting aid amounts to each sub-project are shown in Table 1:

<table>
<thead>
<tr>
<th>Sub-project</th>
<th>EU contribution</th>
<th>State contribution</th>
<th>TOTAL</th>
<th>% eligible costs</th>
<th>% total costs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EUR</td>
<td>EUR</td>
<td>EUR</td>
<td>EUR</td>
<td>EUR</td>
</tr>
<tr>
<td>Sub-project 1</td>
<td>5 480 658</td>
<td>3 128 140</td>
<td>8 608 797</td>
<td>45.3</td>
<td>43.8</td>
</tr>
<tr>
<td>Sub-project 2</td>
<td>47 828 065.33</td>
<td>9 678 325.59</td>
<td>57 506 390.92</td>
<td>36.4</td>
<td>36.2</td>
</tr>
</tbody>
</table>

23. According to the Financial Analysis, the financial performance for both sub-projects is negative without the proposed aid. With the requested funding, the Net Present Value remains negative, which means that the project could not have attracted private capital in general and particularly during the current economic crisis and uncertainty / risk in Greece. The main results of the financial analysis of the two sub-projects are presented in Table 2: It is estimated that the transmission tariffs would have to be increased by approximately 7.6% and the LNG facility usage tariffs would have to be increased by approximately 58% in the absence of public funding.

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2 The definition of eligible costs stems from the rules applicable to EU Structural funding
3 Source of the data: Greek authorities
Table 2: Investment effectiveness ratios

<table>
<thead>
<tr>
<th>Sub-project 1</th>
<th>Without public assistance</th>
<th>With public assistance (incl. EU and State contributions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial rate of return (%)</td>
<td>0.12-0.23 (FRR/C)</td>
<td>1.93-4.63 (FRR/K)</td>
</tr>
<tr>
<td>Net present value (euro)</td>
<td>-29.1 and -3 720 064 (FNPV/C)</td>
<td>-12.3 and -188 395 (FNPV/K)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sub-project 2</th>
<th>Without public assistance</th>
<th>With public assistance (incl. EU and State contributions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial rate of return (%)</td>
<td>1.34 (FRR/C)</td>
<td>4.96 (FRR/K)</td>
</tr>
<tr>
<td>Net present value (euro)</td>
<td>-50 891 603 (FNPV/C)</td>
<td>-354 106 (FNPV/K)</td>
</tr>
</tbody>
</table>

Duration

Sub-project 1

24. The construction works for the first sub-project were initiated on 1 November 2007. The trial operation period was concluded on 23 July 2009. This sub-project was awarded co-financing under the CSF III and NSRF by the Managing Authority for the Operational Programme Competitiveness. DESFA received the first financing commitment on 7 December 2006 and therefore before the construction works were initiated.

Sub-project 2

25. The second sub-project has been selected to receive co-financing under the NSRF by the Managing Authority for the Operational Programme Competitiveness. The construction works are expected to start sometime in 2013 and the project is to start operation in 2017. DESFA applied for the aid on 18 December 2012. The aid has not yet been granted.

2.4 Cumulation

26. The gas transmission tariffs are established following the rules provided in RAE Decision 594/2012 (Tariff Regulation) and RAE Decision 722/2012 (tariffs).

27. The aid granted to the project will be deducted from DESFA’s Regulated Asset Base and therefore the beneficiary will not be entitled to claim the corresponding depreciation.

28. Furthermore the Greek authorities indicated that there is no risk of cumulation with the sale of excess electricity generated by the CHP unit to the grid as the Tariff Regulation establishes in Article 7a, paragraph 6 that “Any revenue that the Operator may have from the sale of electric power to the Independent Power Transmission Operator S.A is subtracted from the sum of yearly Operating

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4 Source of the data: Greek authorities
Expenses, in accordance with the clause of paragraph 4 of Article 68 of the Law, as in force, and every other relevant clause”.

29. DESFA’s activities are monitored by RAE which approves the tariffs for the use of the system. All tariffs of DESFA for transmission are regulated and must receive prior approval by RAE.

3 ASSESSMENT OF THE AID

3.1 Presence of state aid

30. Article 107 (1) TFEU provides that “any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods, shall, in so far as it affects trade between Member States, be incompatible with the internal market”.

Aid granted by a Member State or through State resources

31. The project is co-financed from the Structural Funds of the EU and the State budget of the Hellenic Republic.

32. Before being granted to the beneficiary, the EU Structural Funds are first disbursed to the Member State in question and thus, are under the control of the Member State's authorities at the moment of the final payment to the beneficiary. In the case at hand, since the choice of the project and the final transfer of the Structural Funds depend on the discretion of the Greek authorities, the aid is considered to be granted from State resources within the meaning of Article 107(1) TFEU.

33. As regards the funds provided from the State budget, they are considered to constitute State resources within the meaning of Article 107(1) TFEU.

Favouring certain undertakings or the production of certain goods

34. The contribution to the financing of the project from State resources by means of the EU Structural Funds and the Greek State budget provides the beneficiary, DESFA, with additional funds to cover part of the investment costs of the upgrade of the LNG terminal in Revithoussa. Under normal market conditions, the beneficiary would have to bear those costs with own resources. Therefore, the Commission considers that DESFA receives an economic advantage within the meaning of Article 107(1) TFEU.

35. As this advantage is only granted to DESFA, the Commission concludes that it has a selective nature.
Distortion of competition and affectation of trade between Member States

36. Although DESFA is the only TSO in the Greek gas market, the aid granted for the project under assessment allows the beneficiary to increase its capacity to provide regasification services and, thus, strengthen its position vis-à-vis any alternative operators which would consider the construction and operation of alternative LNG Terminals in Greece. The economic advantage provided to the beneficiary by means of the public co-financing of the notified project is thus liable to threaten to distort competition on the market.

37. Furthermore, DESFA is active on markets other than gas transportation and gasification of LNG, and which are open to competition, such as operation and maintenance of distribution and other transmission networks, project management, consultancy, gas equipment calibration, ships cooling and training. Moreover, the aid, by strengthening the position of DESFA and favouring the development of the gas infrastructure at hand, has the potential of influencing the patterns of competition between energy sources which are partly substitutable with gas, such as coal or lignite, for instance, as concerns electricity generation in Greece. Also with respect to the activities of gas supply which DEPA, Public Gas Corporation S.A., carries out through other subsidiaries in competition with other gas suppliers, the public support to DESFA is capable of having the effect of improving DEPA’s ability to compete on gas supply, which is also a market open to competition. It is therefore likely, first, that, since gas and other energy products are traded across Member States, through the implementation of the notified project with the public co-financing, the trading conditions are affected across the EU. Secondly, since the public support thus has at least the potential to distort competition on markets open to competition, it is not necessary to establish that the planned aid actually restricts competition on the possible markets affected.

38. Trade of natural gas takes place between Greece and other Member States in the EU and in the European Economic Area (EEA). It is therefore likely that, through the implementation of the notified project with public co-financing, trading conditions are affected across the EEA.

Conclusion with regard to the presence of state aid

39. Taking the above into consideration, the Commission concludes that the financing of the project involves state aid within the meaning of Article 107 (1) TFEU.

3.2 Lawfulness of the aid

40. By disbursing the aid under assessment for the first sub-project on 31 December 2012, the Greek authorities have put the aid measure into effect before a final Commission decision. Thus, in respect of the first sub-project, the Hellenic Republic has breached the stand-still obligation set out in Article 108(3) TFEU.

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5 Case T-303/05, AceaElectrabel v Commission, ECR 2009, p. II-137, paragraph 48 et seq.
3.3 Compatibility under Article 107(3) (c) TFEU

41. The sub-projects, as described in paragraph 6, aim at upgrading the LNG Terminal in Revithoussa.

42. On the basis of existing case-practice for gas infrastructure projects the Commission considers that the assessment of the compatibility of the measure with the internal market requires an evaluation of the contribution of the measure to the development of the European Union markets for gas and security of supply in the European Union. As a result the measure needs to be assessed directly on the basis of Article 107 (3) (c) TFEU which states that: “aid to facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest” may be considered to be compatible with the internal market.

43. In order to be compatible under Article 107 (3) (c) TFEU, the aid measure must pursue an objective of common interest in a necessary and proportionate way. In this regard, the Commission considers it appropriate to assess the following questions:

(1) Is the aid measure aimed at a well-defined objective of common interest (i.e. does the proposed aid address a market failure or has another objective of common interest)?

(2) Is the aid well designed to deliver the objective of common interest? In particular:
   • Is the aid measure an appropriate instrument, i.e. are there other, better-targeted instruments?
   • Is there an incentive effect, i.e. does the aid change the behaviour of firms?
   • Is the aid measure proportionate, i.e. could the same change in behaviour be obtained with less aid?

(3) Are the distortions of competition and the effect on trade limited, so that the overall balance is positive?

Objective of common interest

44. The aid measure has to aim at a well-defined objective of common interest. When an objective has been recognised by the EU as being in the common interest of the EU Member States, it follows that it is an objective of common interest.

45. According to Article 194 TFEU, "[i]n the context of the establishment and functioning of the internal market and with regard for the need to preserve and

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improve the environment, Union policy on energy shall aim, in a spirit of solidarity between Member States, to:

- ensure the functioning of the energy market;
- ensure security of the energy supply in the Union;
- (…) and promote the interconnection of energy networks."

46. The relevance of trans-European energy networks was already established in the Decision 1364/2006/EC laying down guidelines for trans-European energy networks ("TEN-E Decision"). The interconnection, interoperability and development of trans-European networks for transporting gas are essential for the effective operation of the internal gas market in particular and the internal market in general. Trans-European energy networks also play a crucial role in ensuring the security and diversification of supply. Interoperability with the energy networks of third countries (accession and candidate countries and other countries in Europe, in the Mediterranean, Black Sea and Caspian Sea basins, and in the Middle East and Gulf regions) is essential.

47. The upgrade of the LNG terminal at Revithoussa is a project listed in Decision 1364/2006/EC as one of the projects of common interest. The upgrade of the Revithoussa project hence meets the objectives set out in articles 3 and 4 of the TEN-E Decision and in its Annex II:

- encouraging the effective operation and development of the internal market in general and of the internal energy market in particular;
- reinforcing the security of energy supplies;
- developing the capacities for receiving LNG and for storage of natural gas needed in order to meet demand, control gas supply systems, and diversify sources and supply routes.

48. The public co-financing provided with a view to cover investment costs of the upgrade of the LNG terminal contributes to achieving the above-mentioned goals. Indeed, by upgrading and increasing the capacity of the LNG Terminal, Greece will be capable of further diversifying its sources of energy supply and increasing the penetration of gas supplies within the NNGS and the internal gas market. Furthermore, the Revithoussa project upgrade works are also part of the 2013-2022 Ten Year National Development Programme.

49. The Commission therefore considers that the implementation of the notified project will contribute to strengthening the internal natural gas market and to improving security and diversification of energy supply. It can thus be concluded that the project aims at a well-defined objective of common interest.

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7 Regulation 347/2013 of 17 April 2013 on guidelines for trans-European energy infrastructure repeals Decision No 1364/2006/EC and amends Regulations (EC) No 713/2009, (EC) No 714/2009 and (EC) No 715/2009. It shall apply from 1 June 2013 with the exception of Articles 14 and 15 which shall apply as from the date of application of the relevant Regulation on a Connecting Europe Facility

8 See Decision 1364/2006/EC; Annex III; project 8.10
Appropriate Instrument

50. The Greek authorities have explored using alternative instruments to achieve the above mentioned objectives. They have explained that imposing legal obligations on the beneficiary to realise the investment would need to be financed via an increase of the regulated tariffs as described in paragraphs 11 to 13. In this context, the Greek authorities have pointed out that the transmission tariffs in Greece are already among the highest in the EU, given that the network system started its development in 1990 and hence its depreciation level is lower than in other Member States. In the absence of public financing, the project would have to be financed by way of an increase of the regulated tariff. However, this might result in a significant postponement of the execution of the notified project, which would undermine the objective of common interest in the form of security of supply.

51. Consequently, the Commission considers that investment aid from the EU Structural Funds and the Greek State budget is an appropriate instrument to prompt or at least accelerate investments in the upgrade and increase of capacity of the LNG Terminal within the NNGS in Greece and thereby to fulfil the objectives of common interest identified above.

Incentive Effect

52. The incentive effect is present if the aid changes the recipients' behaviour towards reaching the objective of common interest.

53. The analysis presented in recital 23 above on the financial performance indicates that the notified project would not be financially profitable without the public co-financing. Indeed, both the financial rate of return and the net present value are at the very low or negative level, which means that the revenue generated by the project would not cover the expenses incurred. Even with the public co-financing, the projects' financial performance is still below the regulated return on capital that the beneficiary would get from its investments (10.99%, as shown in paragraph 13 above). It is therefore most unlikely that the beneficiary, or any hypothetical alternative investor, would carry out the project without public financial support.

54. The construction works for the first sub-project started in late 2007, after the beneficiary had received the financing commitment (see paragraph 24). Moreover, as regards the second sub-project, works have not yet started.

55. In the light of the above considerations, it can be concluded that the planned aid will provide for the necessary incentive effect to carry out the project.

Proportionality

56. A state aid measure is proportional if the measure is designed in a way that the aid as such is kept to the minimum.

57. In the case at hand, the financial analysis portrayed in recital 23 indicates that, even with the planned aid, the project would still yield a very low profitability.
The proposed aid amount should prevent any excess return and should guarantee proportionality. Furthermore, the funding gap methodology (recital 22 above) contributes to ensure the proportionality of the aid as all benefits forecasted during the lifetime of the project are taken into account in the project financial assessment.

58. In addition, the amount of the funding gap has been calculated on the basis of a method warranting that the lifetime financial IRR of the project is 5%, which is typical for this sector according to the "Guidance on the Methodology for Carrying Out Cost – Benefit Analysis: Working Document No. 4", expressed in real terms. Moreover, as stated above, the amount of planned aid will not be taken into account for the purposes of tariff remuneration and hence will not lead to additional revenues.

59. Finally, the Commission considers that appropriate mechanisms are put in place to ensure that the benefits are properly calculated and any surpluses are controlled and recovered if they arise unduly (see paragraphs 21 and 28).

60. As a result the Commission concludes that the state aid granted is proportionate, as it is limited to the minimum necessary to achieve the above-identified objective of common interest.

*Distortion of competition and balancing test*

61. The planned aid shall allow the beneficiary, which is the gas TSO appointed by the Greek State, to offer increased capacity for regasification and gas transmission services at a lower cost than market conditions. Therefore the aid granted for the project under assessment will allow DESFA to own and operate assets that may compete with projects of alternative operators to invest in alternative LNG terminals or gas interconnectors. After the investment is in place, investments in similar or competing infrastructure may be discouraged. However, the possible negative effects of expanding the sole existing LNG Terminal in Greece can be deemed to be lower than in other markets, given the projected strengthening of the NNGS and the forecasted gas penetration increase in Greece.

62. In that respect, there are also plans for two additional LNG Terminals in Greece: an offshore LNG terminal in Alexandroupolis and the Aegean LNG Import Terminal. The first project is promoted by GASTRADE S.A which obtained an Independent Natural Gas System (INGS) license for the development of the Terminal and of natural gas transmission pipelines for the transportation of regasified LNG from the offshore terminal to the Industrial Zone of Alexandroupolis and to the NNGTS with a connection point in the Amphitriti area within the Evros prefecture.

63. The Alexandroupolis offshore LNG terminal plans to have a storage capacity of 135 000 m3 and Natural Gas send out capacity of 300 000 Nm3/h and will be located in the sea of Thrace, 22 km SW of the town of Alexandroupolis at a distance of 10 km from the nearest shore. The natural gas transmission pipeline system will include a subsea section of 22 km and an onshore section of 9 km.
64. The Greek authorities have however indicated that the Alexandroupolis LNG Terminal has not yet adopted the Final Investment Decision and still needs to secure several permits and authorisations. Furthermore the Revithoussa LNG Terminal, due to its geographical position, is more likely to cover the increased demand of Southern Greece where the main gas consumption is located, whereas the Alexandroupolis LNG Terminal is more likely to support exports of natural gas (e.g. Bulgaria).

65. The project “Aegean LNG Import Terminal” (Northern Greece – Kavala), is being promoted by DEPA S.A. However the project has neither adopted the Final Investment Decision nor received the approval of the energy regulator. Therefore it is considered to be immature. In addition DEPA and DESFA still belong to the same corporate group.

66. Moreover, as shown in recital 8, the NNGS is still at a limited stage of development. Projected increases of gas demand by 2018 amount to 277%. The proposed measure will just cover around 13% of the projected gas demand by 2018. On this basis, the Commission considers that any potential distortive impact of the different investments (such as Nea Messinovria⁹, as well as other potential projects described above) would likely be mitigated in a growing market.

67. Furthermore, the impact on potential competition on the market for regasification or gas transmission services is mitigated on the downstream markets, as the beneficiary of the aid is obliged to ensure regulated third party access to its infrastructure for all suppliers of gas.

68. Third party access rules ensure satisfactory access rights of gas companies to the gas transmission network in Greece. Accordingly, appropriate third party access provisions ensure that access to the networks is granted in a non-discriminatory manner and the notified project ensures positive effects in terms of increased interpenetration of gas systems within the internal market. Increased gas flows within the Greek transmission network which are made possible by the notified project should have a positive effect on competition on the market for gas supply. Hence, the low negative effects on potential competition of the planned aid are outweighed by the positive effects of the aid.

69. As a result, it can be concluded that the possible distortions of competition and trade resulting from the state aid for the envisaged measures are limited, and that the overall balance with regard to the contribution to the identified objective of common interest is positive.

Conclusion with regard to the compatibility of the measure

70. In light of the above, the Commission considers that the notified project financing pursues an objective of common interest in a necessary and proportionate way and thus, is compatible with the internal market on the basis of Article 107 (3) (c) TFEU.

⁹ SA.35164, not published yet
4 CONCLUSION

71. The Commission regrets that the Hellenic Republic put the aid into effect for the first sub-project of the upgrade of the LNG terminal in Revithoussa, in breach of Article 108(3) of the Treaty on the Functioning of the European Union.

72. However, it has decided, on the basis of the foregoing assessment, to consider the aid compatible with the internal market pursuant to Article 107(3)(c) TFEU.

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Your request should be sent by registered letter or fax to:
European Commission
Directorate-General for Competition
State Aid Registry
B-1049 BRUSSELS
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Telefax nº: + 32-2-296.12.42

Yours faithfully,
For the Commission
Joaquin ALMUNIA
Vice-President