

Energy & Natural Resources - Greece

New round of international tenders for hydrocarbon exploration

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The first decisive step towards the commercial exploitation of Greek oil reserves through the 'open door' process was taken by the Ministry of Environment, Energy and Climate Change in July 2013, when it announced that consortia led by Energean Oil and Hellenic Petroleum had won tenders for the exploration and exploitation of hydrocarbons in Ioannina and Katakolo and the Gulf of Patra in western Greece, respectively. The tenders met with significant international interest and were considered a success. Following several delays, on September 18 2014 Parliament ratified the agreements between the state and the concessionaires, so exploration activities will commence shortly.

New international tenders

In order to capitalise on the success of the open door process and the experience gained therefrom, the state has announced a new round of international tenders for exploration and exploitation of an additional 20 offshore blocks south of Crete and in the Ionian Sea, as well as three onshore sites in western Greece. The area south of Crete is believed to be the country's most likely prospect for the discovery of a major petroleum reservoir of international proportions, while the onshore sites (in Arta-Preveza, Aetoloakarnania and the northwest Peloponnese) have already drawn interest from major international players such as ENEL.

The offered offshore blocks have deep water levels and are significantly larger than the blocks previously offered. Thus, advanced technical capabilities and extensive capital support will be needed for exploration. In practice, this means that only large and mid-sized firms will be able to bid for the concession.

The timeframe for this round of exploration tenders will be considerably shorter than that for the open door process. The tenders are expected to be published in the *Official Journal of the European Union* soon, and interested parties will have six months from the date of publication to submit their offers. Therefore, bids are expected to be submitted in March or April 2015. The offers will then be evaluated over a period of at least three months before the successful bids are selected in mid-2015; the relevant agreements are expected to be signed in September 2015. This means that the entire process, from publication of tenders to signing of agreements, will take approximately 12 months – an aggressive, yet attainable, goal. To further highlight the seriousness with which this timetable is being approached, it is rumoured that bids that can ensure that drilling operations will begin swiftly once the concession agreements have been signed will accumulate higher scores during the evaluation stage.

In order to meet this timeframe, the state is undertaking several related activities in parallel:

- preparation of a study to examine the environmental impact of the exploratory work;
- publication of a joint ministerial decision on the distribution of provincial tax between provincial governments and local councils; and
- new appointments of specialised staff at the Greek Hydrocarbon Management Company (EDEY) intended to make tender procedures more efficient (petroleum sector expert Sofia Stamataki was appointed president of EDEY late last year, the EDEY board of directors was finally established in September 2014 and EDEY will be hiring at least 20 new staff members – all specialised energy-sector officials – to bolster its efforts and overall efficiency).

Open door agreements

Early forecasts estimate the oil reserves for the three locations already subject to concession agreements at around 305 million barrels, which could generate revenues of up to \$27 billion over a

Authors

Gus J Papamichalopoulos



Sotirios Douklias



Stratos Gonithellis



35-year period. If this is the case, the state's earnings would be between \$5 billion and \$8 billion. The three consortiums have committed to investing €60 million each during the first-stage drilling procedures; based on the agreements, these investments would rise to between €700 million and €800 million if hydrocarbon discoveries are made.

The consortium comprising Greek firm Energean Oil & Gas and Canadian-based oil and gas company Petra Petroleum was awarded the concession for an onshore site in Ioannina, northwestern Greece. Based on the agreement, the consortium has committed to staging the first drilling procedure within the next four years, with a follow-up effort during the following six years. Should the exploratory work prove successful, production in Ioannina would begin after 2021.

The consortium comprising Energean Oil & Gas and UK firm Trajan Oil was awarded the concession for the area of Katakolo, western Peloponnese. The production phase is expected to start considerably sooner at the Katakolo site, where a relatively small oil reserve was confirmed in 1981. The consortium plans to re-evaluate existing data for the area and begin production in 2017.

Finally, the consortium comprising Greek firm Hellenic Petroleum, Italian firm Edison and Irish firm Petroceltic was selected to work an offshore location in the Gulf of Patras. This consortium has already approached firms active internationally in seismic research and one of these will be chosen to prepare detailed data. Seismic study results are expected in Spring 2015, while initial drilling is anticipated to take place in mid-2017. Depending on the results, two or three drilling procedures are expected in the Gulf of Patras, each at a cost of between €20 million and €35 million.

For further information on this topic please contact [Gus J Papamichalopoulos](mailto:g.papamichalopoulos@kglawfirm.gr), [Sotirios Douklias](mailto:s.douklias@kglawfirm.gr) or [Stratos Gonithellis](mailto:s.gonithellis@kglawfirm.gr) at KG Law Firm by telephone (+30 210 8171 500), fax (+30 210 6856 6578) or email (g.papamichalopoulos@kglawfirm.gr, s.douklias@kglawfirm.gr or s.gonithellis@kglawfirm.gr). The KG Law Firm website can be accessed at www.kglawfirm.gr.

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