Bulgarian Gas Market’s Current Status, Development, Challenges and Opportunities

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Overgas Inc. AD
Overgas Inc. AD
The biggest independent natural gas supplier

- The biggest Bulgarian private company in the natural gas sector;
- Leader in the Bulgarian natural gas market, being the first one to gain access to the gas infrastructure paving the way to market liberalization;
- 28 billion cubic meters supplied to the Bulgarian market between 1997 and 2015;
- Has market exposure in Bulgaria, Greece and Romania.

- We continue our expansion in the Balkans in North Macedonia, Albania, Kosovo and even further in Ukraine.
- We have secured partnerships in Europe and beyond in order to gain access to additional European markets.

Shareholders:

- Overgas Holding AD 50%
- Linden Energy 50% subject to SPA
Current Status

○ Gas Market Structure:
  ○ Regulated Market:
    ○ Mostly LT contracts between the Public supplier and end suppliers and heating plants. The price is regulated!

  ○ Non-regulated Market:
    ○ LT and ST contracts either OTC or through the gas exchange(s). The price for Bulgargaz’ clients on the non-regulated market is usually the same as the regulated market price!

○ Gas Release Programme (@ cost price).
Current Status

Gas Demand:
- 2020 – 31,337 GWh (+2.86%)
- 2019 – 30,465 GWh

Sources of Gas Supply (BTG TYNDP):

<table>
<thead>
<tr>
<th>No.</th>
<th>Type of supply</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Quantity,</td>
<td>Percentage</td>
</tr>
<tr>
<td></td>
<td></td>
<td>GWh</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Imported natural gas including</td>
<td>30,390</td>
<td>99.8%</td>
</tr>
<tr>
<td>1.1</td>
<td>Russian Federation</td>
<td>24,802</td>
<td>81.6%</td>
</tr>
<tr>
<td>1.2</td>
<td>Other sources</td>
<td>5,588</td>
<td>18.4%</td>
</tr>
<tr>
<td>2</td>
<td>Domestic Production</td>
<td>75</td>
<td>0.2%</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>30,465</td>
<td>100%</td>
</tr>
</tbody>
</table>

Projections for 2021: Russian Federation 80%+, Azerbaijan 15%+
Network Development
Missing pieces:

- The Interconnector Greece-Bulgaria (182 km) has not been completed and it has been 12 years now!

- There is no Interconnection Agreement between BOTAS and Bulgartransgaz EAD, which is one of the key elements to offer the available capacity to market users!

- No physical flow at Negru Voda I/Kardam and Negru Voda II,III/Kardam towards Bulgaria!

- No FID for the Alexandroupolis FSRU project!
Challenges

- The market is **heavily monopolized by state players.**
  - Bulgargaz EAD, the state-owned public supplier and the main gas market player, has over 90% market share.

- There is a lot of **political interference** in the energy sector.
  - Changing the regulated price retroactively and imposing a moratorium on electricity prices and tariffs are not market measures.

- The **liquidity is rather low.**
  - The creation of a second gas exchange had no contribution liquidity-wise.

- **No clearing services** are offered at either of the gas exchanges.
  - This creates a **credit risk** for the market players.
Opportunities

- Diversification of the supplies in Bulgaria does not necessarily mean importing gas from the south and there is immediate demand for gas!

- The impact of the SEEGAS initiative:
  - Small local markets can become attractive if they come together and unite into a regional market;
  - Bringing together best practices can lift up some of the market challenges;
  - The initiative can pressure the interconnectivity issues.
Thank you for your attention!

Please feel free to reach out:

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