The Trans Adriatic Pipeline Project
Robert Klein
Managing Director
Trans Adriatic Pipeline AG
Switzerland

Europe Needs to Tap New Gas Resources

Demand for natural gas in Europe is growing dramatically. At the same time, European domestic gas production is declining. Under the assumption that current import contracts will be extended, studies highlight that by 2030 considerable gas imports will be required to cover Europe’s needs. Such unprecedented demand for gas has already prompted European nations to seek diversification of gas supplies from non-traditional sources. New transportation routes are therefore required to link Europe to natural gas resources it has not tapped into so far.

The Trans Adriatic Pipeline, also known as TAP, will make an important contribution to face this challenge along the fourth gas supply corridor to Europe: the Eurasian gas corridor. The 520-kilometre-long pipeline is expected to be operational at the earliest from 2011, depending on the gas shipment needs.

TAP starts near Thessaloniki, in Greece, and continues on-shore all the way to the Adriatic Sea Coast after crossing the entire territory of Albania from East to West. The offshore part of the pipeline starts near the Albanian city of Fier and crosses the Adriatic Sea to tie into Italy’s gas-transportation grid. In its upstream part TAP will interconnect with Greece’s existing pipe line system that is linked further to the East with systems in Turkey, to secure access to supplies it has contracted in the Caspian Sea and Middle East gas-rich regions.

TAP provides widely-sought diversification of gas supply in Europe, thus qualifying for European Union assistance in its development phase. The project is supported by the European Union as a “Priority Project” under its Trans-European Energy Networks (TEN-E) guidelines, as it contributes to the EU’s objectives and policies aimed at supply diversification and security of supply.
Expandable Transportation Capacity

TAP is designed to enable 10 billion cubic metres of gas transport capacity a year, with the option to expand it to as much as 20 billion cubic metres. There are possibilities to develop gas storage in Albania in connection with the pipeline, yet another feature aimed at increasing security of supply in Europe. The project also has the option to develop a Liquefied Natural Gas (LNG) re-gasification terminal in Albania.

TAP is now in the front-end engineering design stage. The feasibility study for the pipeline, which was the first phase of the project development, was concluded in March 2006. TAP’s extended basic engineering, including the Environmental Impact Assessment (EIA) and the offshore survey for the pipeline, was concluded in 2007.

Implementation of the TAP Project is subject to a final investment decision planned for the second half of 2009. The final cost will depend on several factors at the time of construction, such as international steel prices and other pipeline equipment-related costs.

TAP Partnership: StatoilHydro & EGL

The TAP Project relies on the equal partnership of StatoilHydro ASA and EGL Group within a joint venture aimed at developing, building and operating the pipeline.

StatoilHydro is the second-biggest supplier of gas to Europe, and a leading operator of deepwater oil and gas fields. It operates in 40 countries with 31,000 employees, and is also the world’s third-largest net seller of crude oil. The Norwegian state is the biggest shareholder in StatoilHydro with an ownership of 62.5 percent. StatoilHydro is listed on Oslo Børs (ticker: STL) and New York Stock Exchange (ticker: STO).

Swiss-based EGL, which initiated the TAP Project with the aim to secure the competitive supply of its gas-fired combined cycle power plants in Italy, is an asset-based trader with subsidiaries and offices in 19 European countries. EGL holds interests in Swiss power plants, holds interest in three gas-fired combined cycle power plants in Italy and has long-term supply contracts with electricity producers in France. The company is majority owned (87.4 percent) by leading Swiss energy supply company Axpo.