

"Energy Investments in Greece"

15 May 2012

Minister, Ladies and Gentlemen,

First, please allow me to tell you that it is an honour to be in Athens tonight in front of this important assembly, and to thank the organisers of this conference for their invitation on behalf of GDF SUEZ.

The topic of this conference on energy and the investments in the energy sector seems absolutely important to me because energy is an essential need and the development of a high performance and efficient energy sector is an indispensable condition for economic development and growth all over the world.

Thus I will speak tonight about the organisation of the energy sector in Europe and the way in which an industrial player such as GDF SUEZ wants to contribute to its development.

But before addressing this issue, allow me to give you some very brief information about our group: GDF SUEZ is one of the world's major utilities and the group is represented in both the energy and the environmental sector.

As for energy, our activities are evenly distributed between electricity and natural gas. At the end of 2011, the group's electricity production capacity

represented about 117,000 MW, 40,000 in Europe, 14,300 in North America, 11,000 in South America and 33,500 in Asia, the Middle East and the Pacific.

As you can see, our strong international presence drives us to intervene in an extremely wide range of economic, political and cultural environments, which requires a permanent capacity to understand and adapt in order to consider local needs and the requirements of all stakeholders, such as political and regulatory authorities, clients and the civil and general society.

GDF Suez is present in Greece with two gas turbine power stations in Heron since 2008. Their capacity amounts to 570 MW, which represents 4% of the country's total electric capacity (15 248MW).

In order to get to Europe, I'd like to underline that the European energy market, which is our historical and domestic market, has some fundamental properties which an energy company such as GDF Suez has to adapt to.

- First of all, Europe is one **of the world's largest energy markets**. It occupies an outstanding position in terms of gas consumption and the production of nuclear and renewable energy.
- Furthermore, among the world's major markets, Europe is the one with the fewest own natural resources. The only significant European hydrocarbon deposits are located in the North Sea and are nowadays declining. This leads to Europe's position as a major importer, as its very high levels of energy dependence show. They amounted to 84 % for petrol and 64 % for natural gas in 2010. As Europe has to import the majority of the energy it consumes, it is exposed to the development of

world energy market prices and to geopolitical events which may affect them.

- As I said before, energy is a vital sector of the European economy for several reasons.

Firstly, the costs induced by energy consumption are a key element of the competitiveness of companies and the purchasing power of households. Electricity and gas are part of the companies' most important cost items, especially in the industrial sector. In a context of absence of major reserves and rising prices, the question about energy policies is an increasingly strategic one for our economy.

Secondly, the energy sector is one of the most capital intensive economic sectors. The estimated amount of investments required in Europe by the end of the decade reaches 200 billion euros, which corresponds to an annual effort of more than 20 billion.

Thirdly, the importance of these investment efforts and the need for Europe to face worldwide competition to secure its supplies require the presence of major energy players in Europe.

- This is the case today and large European companies rank among the world leaders in the energy value chain, upstream with groups such as Shell, BP or Total, in the field of utilities with EDF, E.On, Enel or, of course, GDF Suez, as well as in the engineering and energy equipment sector... This is one of Europe's assets because in the context of globalisation, Europe has to have groups at its disposal which are firmly rooted in its territory but open to world markets and able to face increasing international competition.
- Another major property of the European market is the central importance of environmental and climatic issues in the energy debate.

Of course, this development is not a purely European one, but Europe has clearly made the choice to position itself as a leader in this field and to make it a central element of its policy.

How is the European market organised within this particular energy context?
Several forces at work contribute to its organisation.

- First of all, **Europe as an institution**: anyone can see that over the last 20 years, energy has become one of the main issues of the community and, to keep it short, the main axes of the European energy policy can be summed up in two orientations. On the one hand, the creation of a single market which is open to competition; and the implementation of a policy aiming at picking up the challenges of climate change through reduced CO2 emissions, promoting renewable energies and energetic efficiency on the other.
- These orientations have resulted in a set of directives and regulations which have significantly affected the legal and organisational framework which the companies work in.
- Nevertheless, the **States are still essential players** because notwithstanding this integrating trend, energy still underlies the responsibility of the Member States of the European Union. Thus the choice of an energy mix is still a national decision and anyone can see that there are great disparities between different countries. For instance, the position of nuclear energy in Germany and France shows that the States keep a very large scope for decision-making.
- The **companies of the sector** naturally play their part in the debates aiming at defining the major orientations of the European energy

market. These have radically changed over the last years: from groups generally specialised in a single energy source, gas or electricity, working on a national market, often integrated vertically and enjoying monopoly status, the energy groups had to separate their infrastructure from their competitive sector activities to become multi-energy and international companies.

One shouldn't forget that the political authorities are the ones who define the rules in terms of market organisation, and that the role of the companies and their leaders within the framework of the specified regulations is to strive after economic performance to the benefit of their shareholders, both public and private, their clients and their employees.

- Eventually, the part played by the consumers has to be emphasized as well: as a matter of fact, it grows as the market opens to competition, they all have the possibility to choose their supplier, regardless of their size.

All these players are confronted with multiple stakes which may be summed up in three words: competitiveness, sustainability, security.

The true challenge for the European energy policy is to find a balance between these three criteria, which is a complex operation with a balance which varies according to the players and the development of the environment. Over the last years, the European Union has given the impression that it privileges environmental questions while some States, especially those which depend from a single energy source or a single

supplier, seemed to give priority to their security of supply, whereas the consumers generally worried about the energy costs in the first place.

Thus companies have to pick up the challenge of Europe's extensive investment needs within this complex and sometimes contradictory framework. As I said, the energy sector is a highly capital intensive one and the energy investment projects have the property that they are generally long-term projects with investors committed over several decades, such as power plants, pipeline networks for natural gas imports or storages required to balance consumption between summer and winter.

Consequently, this generates a need for regulatory and legal visibility: these are priorities because if energy operators are ready to take the risks inherent to their industrial and commercial activities, they will in return need a stable framework in order to evaluate the relevance of an investment.

The size of the changes which occurred in Europe over the last years, e.g. with three successive directives about the organisation of the internal market, have unfortunately not always been favourable to this visibility and stability.

Let us hope that these aspects will develop in the future, one of the means to reach this objective certainly is the permanent and extensive dialogue between industrial players and their associations and the public authorities at European, national and local level.

As an industrial group, we are favourable to such a development and the creation of a business line at the beginning of this year gathering all the

European activities at GDF SUEZ in the energy sector illustrates our wish to improve our visibility and capacity to continue leading constructive debates on energy policies.

There are enough issues to deal with! They range from the policy programmes to support renewable energies to the development of non-conventional gas sources such as shale gas. They concern the future of the system of CO2 quotas and the electricity market design, to take account of the development of intermittent renewable energies which require backup means of production for periods without wind and sun... which can occur!

In conclusion I would like to emphasise the need to consider the consumers' economic and social reality. Today, one out of four people are concerned by fuel poverty in Europe.

Suffice to say that this situation requires all stakeholders to ask themselves how they are able to contribute to improving this situation, and the companies are of course part of these stakeholders.

Beyond its contribution to supporting measures for people in difficult situations which were taken in the countries where we are present, GDF SUEZ has launched an initiative called "Rassembleurs d'Énergies" which aims at identifying and financing projects contributing to the fight against fuel poverty. This initiative, which completes technical assistance or patronage actions which we have been conducting for a long time, is a sign of the importance the company and all of its employees attach to its local integration and the solidarity required towards people in fragile situations.

Thus GDF Suez has a plural vision. GDF Suez also wants to strengthen its position in the highly developing international markets and as a major worldwide and European player in electricity, gas and services who is able to adapt to different local demands.

All of this could be summed up with the simple slogan "Think global, Act local".

Thank you for your attention