

Russian gas reaches Greece

Natural gas overcomes man-made delays at last

By Kerin Hope in Athens

Mr Costas Simitis, the Greek prime minister, today switches on Greece's natural gas supply from Russia via a \$2.7bn pipeline which has taken 10 years to complete.

The ceremony takes place at Eleusis, a densely populated industrial area outside Athens, where atmospheric pollution levels are expected to fall sharply as factories stop using poor-quality diesel fuel and switch to the natural gas.

Because of delays in building distribution networks for industrial and domestic consumers, it will be several more months before factories at Eleusis and Sindos, an industrial estate near Thessaloniki, are linked to the pipeline.

To date, only one customer, the Hellenic Sugar Industry, a sugar-beet processor in northern Greece, has started to receive the gas supplies.

The 520km pipeline, running south from the Bulgarian border to Athens, has been filling up with gas since August under an agreement allowing DEPA, the state-owned Greek gas monopoly, to buy 2.4bn cubic metres of natural gas a year from Gazexport, the Russian supplier, for 25 years.

As a back-up supply, DEPA will buy up to 0.6bn cubic metres a year of liquefied natural gas from Sonatrach, the Algerian state gas company, which will be stored on an island near Athens.

DEPA was able to supply Hellenic Sugar because its plant at Larissa in northern Greece was close to the main pipeline.

Greece is the last European Union country to start using natural gas, now that

Portugal is receiving supplies through a pipeline from Algeria.

Because of administrative delays and poor project management, the pipeline was completed more than three years behind schedule. City gas networks for Athens, Thessaloniki and Larissa are not expected to begin operating before 2000.

DEPA has appointed N.M. Rothschild of the UK and Alpha Finance, the Greek investment bank, as advisers on finding international partners to develop and run the city gas networks. The three gas operators are to be selected by the end of 1997.

The low-pressure distribution networks for commercial and domestic consumers will cost about \$700m to set up. They will be operated by DEPA subsidiaries in which international gas operators, local authorities and other investors will together have stakes of up to 49 per cent. International gas operators will be responsible for managing the networks.

DEPA officials say that two-thirds of Greek households are likely to switch to gas for heating over the next 10 years but that it may take up to 20 years for domestic customers to start using gas for cooking.

Greece's biggest natural gas consumer will be Greece's Public Power Corporation, the state electricity utility, which is to buy supplies directly from DEPA. A French-Greek partnership, Alstom-METKA is building a 550MW plant at Lavrion which is to be supplied through a 70km branch pipeline running south from the capital. Two oil-fired power plants near Athens have already been converted to operate on natural gas.