



State Aid: Commission approves agreement between Greece and TAP allowing new gas pipeline to enter Europe

Brussels, 3 March 2016

The European Commission has found the Host Government Agreement between the Greek authorities and the Trans Adriatic Pipeline to be in line with EU state aid rules. The project will improve the security and diversity of EU energy supplies without unduly distorting competition in the Single Market.

Margrethe Vestager, Commissioner in charge of competition policy, stated "*Today's decision opens the way for a multi-billion infrastructure project in Greece. The Trans Adriatic Pipeline will bring new gas to the EU and increase the security of energy supply for Southeast Europe. The investment incentives offered by the Greek Government are limited to what is necessary to make the project happen and in compliance with state aid rules.*"

Maroš Šefčovič, Vice-President responsible for Energy Union, said: "*Today's approval of the TAP agreement is an important step towards completing the Southern Gas Corridor. The Energy Union framework strategy of February 2015 identified this project as a key contribution to the EU's energy security, bringing new routes and sources of gas to Europe. Just on Monday, the Southern Gas Corridor ministerial meeting in Baku, which I attended, confirmed the determination of all participating countries and consortia to complete this key infrastructure project in time.*"

The Trans Adriatic Pipeline is the European leg of the Southern Gas Corridor, which aims to connect the EU market to new gas sources. With an initial capacity of 10 billion cubic metres of gas per year, the pipeline will transport gas from the Shah Deniz II field in Azerbaijan to the EU market as of 2020. The Trans Adriatic Pipeline will run from the Greek border via Albania to Italy, under the Adriatic Sea. The builder and operator of the pipeline is Trans Adriatic Pipeline AG (TAP), a joint venture of several energy companies. TAP will invest €5.6 billion over five years in the project, of which €2.3 billion in Greece.

The Greek authorities and TAP concluded a Host Government Agreement. This sets out how TAP will construct and operate the pipeline and defines the respective obligations of the parties. In particular, the agreement provides TAP with a specific tax regime for 25 years from the start of commercial operations. This may give the company an economic advantage over its competitors, who would not benefit from the specific tax regime, and therefore involves state aid in the meaning of the EU rules.

The Commission assessed the measure under its [2014 Guidelines on state aid for energy and environmental protection](#) (the "Guidelines"). The Guidelines state that such aid can be found compatible under certain conditions when it furthers objectives of common interest. The Commission found that:

- the project will contribute to further **diversification of European energy supply** sources and routes: it will bring gas from the Caspian Sea region and potentially the Middle East to the EU;
- **competition** on the European gas market will be increased thanks to the extra volumes of gas and new supply route;
- the construction of the pipeline requires substantial upfront investment over several years before any revenue will be generated. The project will be funded entirely by private investment and will generate revenues in its Greek part only from the tariffs paid by clients shipping gas on the pipeline. The Commission concluded that the project **would be unlikely to be carried out absent the aid**;
- the aid is in the form of a specific tax regime that, depending on whether tax rates increase or decrease, will lead TAP to pay more or less tax than it would without the aid. If the rates increase the aid will be **limited to the minimum** tax benefit for TAP;
- in particular the scheme has a **built in adjustment mechanism** that limits the maximum benefit for TAP. If the Greek equivalent applicable tax rate were to rise or fall beyond 20%, an adjustment mechanism to recalculate TAP's contribution will come into effect. The Greek authorities will monitor this to ensure that TAP complies with the methodology and therefore the aid is limited to

the minimum necessary.

The Commission therefore concluded under the Guidelines that the project's benefits in terms of increased competition and security of energy supply clearly outweigh any potential distortions of competition triggered by the state aid.

The Commission's agreement on state aid was one of the prerequisites within the Host Government agreement that still needed to be obtained before the Trans Adriatic Pipeline project could start.

Background

Trans Adriatic Pipeline AG is a joint venture company registered in Switzerland. Its shareholders are BP (20%), SOCAR (20%), Snam (20%), Fluxys (19%), Enagás (16%) and Axpo (5%).

The Trans Adriatic Pipeline is recognised as a [project of common interest \(PCI\)](#) in the framework of [the EU's Trans-European Energy Infrastructure Guidelines](#). PCIs are aimed at helping create an integrated EU energy market and are essential for reaching the EU's energy policy objectives of affordable, secure and sustainable energy.

The Commission published its first list of PCIs in 2013. The list is updated every two years to integrate newly needed projects or to remove obsolete ones. [The current PCI list](#) was approved on 18 November 2015.

The non-confidential version of the decision will be made available under the case number SA.43879 in the [State Aid Register](#) on the [DG Competition](#) website once any confidentiality issues have been resolved. New publications of state aid decisions on the internet and in the Official Journal are listed in the [State Aid Weekly e-News](#).



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