

## **'The cost of the green transition must be explained to citizens'**

Skyrocketing energy prices, the green transition and the dual threat of the pandemic and inflation. The big opportunity of EU funds, the risk of political hesitancy. An all-encompassing interview with Evangelos Mytilineos to the Business Review of Euro2day.gr and the New York Times.

The explosive mix of factors in the energy market is extensively analyzed by Mr. Evangelos Mytilineos, Chairman and CEO of the namesake Company, who stresses the need not to miss the target nor to lose public support for the green transition. He also comments on the threat of inflation and the uncertainty prevailing due to the pandemic, underlines the big opportunity offered by European funds and the risk of missing this opportunity if political bravery is not displayed, while also outlining MYTILINEOS' position and outlook.

In current times, a conversation with Evangelos Mytilineos, founder and head of a Company with a leading position in Greek business, but also in the field of energy, could not have been initiated in any way other than by discussing the truly unprecedented increase in energy prices, which are creating unsustainable pressure on businesses and households. After all, he is one of the few Greeks who can be described as an expert not only in energy, but also more widely in commodity markets. The key question is why we are now witnessing these record price rises.

'In any commodity, the price is the result of supply and demand. What is currently happening is of great importance, because it also explains my recent public statement that this crisis is the first of many more to follow. The green transition, and pressure from public opinion, institutional investors and society at large, are driving a decline in investments and supply by "oil and gas" companies, thus also leading to a reduction of electricity produced from fossil fuels. However, contrary to what some climate-friendly academics might have imagined, demand is not falling, but is actually growing. We therefore have the effect of reduced supply and increased demand. Every time this phenomenon is exacerbated, a crisis will occur" he concludes.

He notes that we are seeing countries like China, who have decided to reduce coal production, now rushing to do the... opposite, in order to solve this acute problem, whereas the lack of new liquefied natural gas (LNG) projects is now becoming apparent. Furthermore, last year's winter was cold in Asia and Europe and natural gas reserves were reduced, but leaders did not ensure their replacement and now the crisis has arisen.

"For Europe," says Mr. Mytilineos, "there are very few options. Europe covers around 30%-40% of its demand for fossil fuels. The rest is imported, mainly from Russia. Hence, the geopolitical dimension of the problem arises. If, for example, President Trump had not imposed sanctions on the Nord Stream 2 pipeline, it is questionable whether we would now have such a large problem with natural gas. Don't forget that energy issues always carry geopolitical parameters."

The key to energy independence

For the advocates of green energy, this is also the key to Europe's energy independence. Mr. Mytilineos agrees, but observes a sensitive point along the way. "Europe has decided to become the global leader, the champion if you will, of the green transition, having also received the respective message from the public. However, public opinion did not have all the facts at hand. The public was not aware of either the time that will be required or the costs that will be incurred. The question that was posed was incomplete. People were asked whether they were in favor of the green transition or not; they were not asked whether they were in favor of a green transition at great cost. This question has never been asked! I do not want my comments to be construed as an argument against the green transition or against Renewable Energy Sources. On the contrary, I wish to contribute to the public debate, in order to ensure a green transition that is as smooth as possible, minimizing crises like the current one to the greatest extent possible."

Indeed, we are currently facing a shortage of supply of fossil fuels. We have Renewable Energy Sources, but these are progressing slowly due to problems and delays in licensing. The mixture of these factors becomes explosive. Our country's only indigenous fuel was lignite (and limited hydroelectric generation) which, as Mr. Mytilineos stressed, was used to produce electricity and power industry, thanks to good management by the Public Power Corporation (PPC). However, lignite reserves have been depleted, plants have aged, and emissions are making their operation almost unviable. We are therefore left with imported gas, Mr. Mytilineos notes, and its price is highly volatile. On the other hand, renewable energy sources have a 'stochastic' nature, meaning that they are not able to provide uninterrupted and smooth production; they are highly dependent on weather conditions, whether we are talking about solar parks or wind farms.

"This problem", he noted, "will be solved when high-capacity battery technologies for energy storage are developed. Unfortunately, we are still several years away from being able to deploy these technologies on a large scale."

This is where the major issue arises during the transition; a challenge that is proving to be not only colossal in terms of the investments that will be required on the global scale, but also in terms of the planning and organization that such implementation requires, while avoiding side effects.

"It is very important to maintain the public's support during the transition," he stressed. "The transition is put at risk due to phenomena like the one we are witnessing at the moment, with explosive price increases. The cost of the green transition needs to be explained, and citizens need to agree to this, because without them the transition will not occur, no matter what decisions are taken by supranational and national institutions."

"We don't know how to prioritize our fears"

However, the cost of energy is just one aspect of a broader international problem, namely the resurgence of inflation, coupled with the ongoing effects of the coronavirus.

"Regarding the course of the pandemic," he says, "whatever we say would constitute guesswork. What is important is that it obliges central banks to keep interest rates low or even negative. Inflation, however, is growing, not only as a result of energy prices or supply chain problems, but also as a result of abundant liquidity. In financial terms, we do not know what to be scared of first. The pandemic? Or a "forgotten" inflation that is bouncing back sharply and is threatening to knock the international economy several decades back?"

In his view, the greatest challenge for businesses, both in Greece and abroad, is to address the uncertainty caused by these turbulent times. However, he does not anticipate the now cliched "return to normality".

"There will be a new normal," he says, "as modern people have for the first time understood how vulnerable we are to factors that are beyond our control."

"A unique opportunity"

As regards the billions of Euros in support that are being injected into the country through the Recovery and Resilience Facility and the European Structural and Investment Funds, he estimates that having overcome the pandemic, they will constitute a unique opportunity for the country to adopt a new model of productive growth with solid foundations, and that the adventure we have been through will distance us from the outdated consumption-based model that has characterized previous decades.

"Politicians have a great responsibility to re-orientate our economic model. I understand that the short-term consumption model is politically more... 'easy to digest' whereas the longer-term one is more challenging. But now, it's high time we achieved this and this opportunity must not be missed!"

"We look foreign competition straight in the eyes."

He, as head of Mytilineos, has personal experience of economic and business developments throughout successive crises. "Since 2008, we have been fighting as a Company to remain afloat in international markets, with a banking system that collapsed and is fortunately gradually coming back. We encountered big challenges in being accepted in critical markets, due to the country in which we operate. When we started to overcome the economic crisis, the pandemic broke out. We, like many other Greek companies, managed to survive. Unfortunately, many companies fought but did not manage to make it.

Today, the years of experience in successive crises, but also Greece's much improved position in international markets, enable us to face up to foreign competition and usually to beat them. Nevertheless, our efforts to meet the challenges of each situation do not stop. We are active in critical sectors of the Greek economy, from mining and metallurgy to the entire energy sector. We are ready for any adjustments that might be needed, in order to continue successfully facing up to international competition."

The high levels of uncertainty and the successive difficulties in the wider environment do not mitigate Evangelos Mytilineos' optimism for the future, not only as regards the Company but also the country. "We are working to establish a new Greek model for a healthy economy. It is up to us to establish calm social and economic conditions, to achieve real sustainable prosperity. This will constitute a fundamental vindication for all of us."