

The Office of Greek Prime Minister Alexis Tsipras announced that the State Oil Company of Azerbaijan (SOCAR) has agreed to extend a letter of guarantee for its acquisition of Greek natural gas transmission system operator DESFA.

SOCAR's letter of guarantee was due to expire at the end of September, and the company previously said that it would proceed with the acquisition only if the cost agreed in 2013 was cut significantly, because the situation on the market has also changed since December 2013. The statement from the PM's Office said that PM Tsipras and SOCAR's President Rovnag Abdullayev have met in Athens on Tuesday and agreed that the letter of guarantee should be extended by another month, during which time both sides will hold talks in order to reach a mutually beneficial solution.

In December 2013, SOCAR has won a tender for the purchase of 66 % stake in Greek DESFA for 400 million euros. However, the European Commission found that this deal is not in compliance with the EU regulations, so SOCAR has to allow another EU company or companies to acquire a total of 17 % shares in DESFA in order to complete the deal. In order to complete the sale of 49 % of DESFA's shares to SOCAR, Greece has to sell additional 17 % of the shares to a company from the European Union, while SOCAR also has a say in the selection of the new shareholder. In late 2015, Italian company Snam and a consortium of Belgian Fluxys and Spanish Enagas have declared interest in the acquisition of SOCAR's 17 % stake in DESFA. However, Snam remained the sole interested party and the Greek Ministry of Energy has been encouraging the company to consider acquiring even greater stake in DESFA.

A stumbling block in negotiations between SOCAR and the Greek Government are recent amendments to DESFA's fees, which, according to Azeris, reduced the company's value by 40 to 50 % compared to 2013 when the tender for its sale was organized. However, according to some sources, Greek Regulatory Authority for Energy (RAE) may increase DESFA's fees for 2017 by 30-35 % instead of 23.2 % originally intended by Greek officials, which could satisfy SOCAR.