

## GREECE 2.0: CONTEMPLATING FUTURE GROWTH



Nicolas Roth  
Head of Private Assets

Since Prime Minister Kyriakos Mitsotakis and his party, New Democracy, took power in 2019, Greece has embarked on a series of ambitious reforms aimed at restructuring the country and its institutions, post crisis. It has also sought to lure international investors back to the country. Despite the past few years challenges such as Covid, the war in Ukraine and inflation, the government has remained focused and has continued to deliver on its mandate. In 2021, Greece filed an ambitious plan with the EU, Greece 2.0, part of the EU's Next Generation and Recovery and Resilience Facility (RRF), designed to mitigate the impact of the pandemic and to prepare economies for sustainable growth. Greece has hence been able to continue to fund the modernisation of its infrastructure and economy following receipt of EUR 3.6bn as part of the first tranche and EUR 3.56 bn from the second tranche. The second tranche was made available once the country met the 25 milestones set out in its plan, which included, among others, investments into energy and urban regeneration. Now that Greece has demonstrated its success at managing the first part of its turnaround strategy, what does the plan look like going forward?

### TURNAROUND STRATEGY PART TWO

Politically, the country will hold an election in June next year, in which all seats in the Hellenic Parliament will be contested. PM Mitsotakis has stressed numerous times that his government needs two terms to fulfil its planned reforms. A change of government now, with the left-leaning opposition party Syriza taking the lead, would impair the recovery strategy. New Democracy is credited today with 10-point lead over Syriza.

Economically, the international energy sector and Greece's role within it, are key. As the EU attempts to diversify away from Russian energy, the Eastern Mediterranean region is set to become a major focus of the European energy strategy, with Greece playing a strategic role as the gateway to the EU.

### GREECE: A PIVOTAL PLAYER IN EUROPEAN ENERGY

Several major projects are underway in the region. First, Greece and Bulgaria unveiled the Greece-Bulgaria Interconnector (IGB) at the beginning of October 2022. The IGB is a key route to transport natural gas from the Trans Adriatic Pipeline (TAP) and Greece to Bulgaria and neighbouring countries, thereby helping to reduce their reliance on Russian natural gas. As Gazprom recently cut exports to Sofia, following Bulgaria's refusal to pay in rubles, the new IGB pipeline is a key piece of infrastructure in the region.

Greece is also beefing up its own energy infrastructure through upgrades and new builds of LNG terminals. The country has built a new terminal in Alexandroupolis, the Thrace Floating Storage and Regasification Unit. This terminal, alongside other LNG projects, aims to strengthen the position of Greece as a major energy hub for Southeastern Europe.

Moving further east, Greece has been active at keeping the Eastmed Pipeline project alive. This project is set to exploit gas in the Levantine Basin off the Israeli and Lebanese coasts. Finally, Greece is set to start a gas exploration project southwest of the Peloponnese and west of Crete. Natural gas remains a key ally in the transition towards greener energy and any significant discovery of natural gas in Greek waters would be transformational for the country.

### RATINGS UPGRADE: THE ULTIMATE GAME CHANGER?

As Greece works on rebuilding its economy and leveraging its position in the European Energy market, it is also looking to regain its investment grade rating. Although the economic environment is challenging, with a potential recession in the Eurozone, Greece has solid arguments.

The country has emerged from enhanced surveillance and has repaid IMF loans two years ahead of schedule. Fiscal deficit is anticipated to be below the 3% threshold of the Maastricht treaty, while debt to GDP could fall below the 150% mark by 2027. Whilst rating agencies are going to be more cautious in granting upgrades in the coming year in Europe, Greece could be the exception thanks to prudent fiscal policies and support from the ECB via its Pandemic Emergency Purchase Program (PEPP). A rating upgrade would be an extraordinary change of fortune for Greece, unlocking billions of capital for investment.

Since 2019, New Democracy and Greece have demonstrated that it is possible to implement a successful turnaround strategy. It requires a detailed blueprint, focus, determination, and a pragmatic government. Hit by several major crises, the country has maintained its focus on a recovery path and continued to execute the much-needed reforms. Should New Democracy be able to secure a second term and continue to capitalise on its reforms, the future for Greece will look far more encouraging and the country will certainly start to play a greater role in the European political arena.

**Greece could play a crucial role in the EU energy strategy.**



**REYL**  
**INTESA SANPAOLO**

**IMPORTANT INFORMATION** - This content is being provided by REYL & Cie Ltd or/and its affiliates (hereinafter referred to as "REYL") solely for information purposes and is not intended to be a solicitation or offer, recommendation or advice to buy or sell interests in any financial instrument mentioned in it, to effect any transaction, or to conclude any transaction of any kind whatsoever, in particular to any recipient who is not a qualified, accredited, eligible professional or institutional investor. It is intended for the sole use of the recipient and may not be forwarded, printed, downloaded, used or reproduced for any other purpose. It is not intended for distribution/offering to, or use by, natural or legal persons that are nationals of a country or subject to a jurisdiction of which the laws or regulations would prohibit such distribution/offering or use. Whilst REYL shall use reasonable efforts to obtain information from sources which it believes to be reliable, REYL, its directors, officers, employees, agents or shareholders assumes no liability regarding this content and give no warranty as to the accuracy, completeness or reliability of any mentioned data and thus assumes no liability for losses arising from the use of this content. The information, opinions and assessments contained in the present document shall apply at the time of publication and may be revoked or changed without prior notice. This content is intended only for recipients who understand and are capable of assuming all risks involved. Before entering into any transaction, recipients should determine if the relevant financial instrument mentioned in the content suits particular circumstances and should ensure that they independently assess (together with their professional advisers) the specific risks, the legal, tax, accounting consequences and eligibility requirements of any purchase, holding or sale of financial instruments mentioned in the content. REYL, its directors, officers, employees, agents or shareholders may from time to time have interests and/or underwriting commitments in the financial instruments described herein. REYL makes no representation as to the suitability of the mentioned information, opinions or securities and financial instruments. Historical data on the performance of the financial instruments or on the underlying assets are no indication for future performance. The present content has been compiled by a department of REYL which is not an organisational unit responsible for financial research. REYL is subject to distinct regulatory requirements and certain services and/or financial instruments may not be available in all jurisdictions or to all recipient types. Recipients are therefore responsible to comply with all applicable laws and regulations. There is no intention to offer services and/or financial instruments in countries or jurisdictions where such offer would be unlawful under the relevant laws and regulations.

**SUCCESS. TOGETHER.**