

A preview of Eni's response to the CDP6

Eni is part of the Carbon Disclosure Project Leadership Index 2007, which is made up of 68 companies from the FT500 Global index that have distinguished themselves for their management strategies for climate change. The Carbon Disclosure Project is supported by the world's leading institutional investors. The 2008 report (CDP6) and the new components of the index will be presented on 22 September in New York.

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i. General Opportunities: How does climate change present general opportunities for your company?

Climate change can affect Eni's business, but there are some strengths in the current company business configuration and strategy, which represent already competitive advantages and, possibly, open new business opportunities in the future.

With the energy world needs expected to grow by 29% between 2005 and 2020, fossil fuels will continue to represent the main energy sources due to their availability, flexibility and cost effectiveness. Oil will remain the most frequently used fuel (35% in 2005 - 34% by 2020), while natural gas will represent the fossil source with the highest growth (from 21% in 2005 to 24% by 2020) (ref. Eni's Sustainability Report 2007). Eni can rely on a leading position in the gas market with a 51% share of proved gas reserves out of the 2007 total proved reserves portfolio and a market share exceeding 20% of gas sales in Europe in 2008. Therefore, Eni's opportunities to reduce CO₂ emissions are mainly related to the enhancement in the exploitation of a lower carbon intensity fuel like natural gas, as well as to the development of R&D initiatives in the field of renewable energy and carbon capture.

In a scenario characterized by new forms of partnership between oil companies and producing countries - the former more focused on the sustainability needs than the latter - international oil companies have to meet growing energy demand ensuring greater availability of hydrocarbons to the market. IOCs have also to deal with the challenge represented by the widely debated gas supply security in Europe, where two thirds of houses are heated using natural gas. Turning to electricity, 80% of the incremental capacity built in Europe over the last 15 years is gas-fired. As a result of the aforementioned New Energy Policy for Europe (ref. 1.a.i), gas consumption will continue to grow, while domestic production will decline. Consequently, European gas imports will have to grow from the current level, 300 billion cubic meters a year, to 600 billion cubic metres by 2020, and Europe will be largely dependent on two suppliers - Russia and Algeria - which are not part of the Community.

In this framework Eni, as the leader in the European natural gas market, is fully committed in contributing to Europe's gas supply security and targets to strengthen its position by maximizing the value of its gas equity portfolio, as well as the value of its long-term supply contracts with leading producers, such as Gazprom, Sonatrach, Gasunie and Statoil. Eni's natural gas production annual growth rate in the 2005-2007 period was 7%, and Eni now targets an annual 6.6% production increase in the 2007-2011 period (8.2% expected growth 2008 vs. 2007). According to Eni's 2008-2011 strategic plan, the share of natural gas production versus total oil & gas production is forecasted to reach approximately 45% in 2011 (41.2% in 2007).

Besides the consolidation of the cooperative relations with the countries that own gas reserves, the constant increase in natural gas demand will require considerable development

in infrastructures (re-gasification terminals, new gas importation and interconnection pipelines and an enlargement of the storage capacity).

Both directly and indirectly, Eni currently operates in the transportation, distribution, storage and sale of natural gas. The company is making a significant contribution to the increase and improvement of the safety of gas supply for Europe through the development of its ability to import gas from the traditional supplier areas, but also from new exporting countries thereby increasing the number of possible sources of supplies and reducing the risk of transit. In fact, Eni is extending its gas supplies portfolio in the LNG sector, in which it operates since the 70's, and the equity gas supply to LNG plants delivery is targeted to go up to 7.3 bcm in 2011, with an expected annual growth rate of more than 12% in the 2007-2011 period. Eni is involved in liquefaction projects in Egypt, Nigeria, the Oman, Australia, Indonesia as well as Angola and Libya and in re-gasification projects in Italy, Spain, Portugal and the USA. The increase in gas supply to LNG plants, will also largely contribute to the reduction in gas flaring.

Eni has also developed advanced technologies for gas transportation like deep offshore pipelines and high-pressure, long distance pipelines as well as investing in R&D activities on renewable energy (mainly solar energy and bio-fuels).

Recent important landmarks were the construction, in 2003-2004, of the Blue Stream gas pipeline that connects Russia to Turkey under the Black Sea and the Greenstream gas pipeline linking Libya to Italy.

Eni is currently committed to strengthening the TTPC gas pipelines (gas pipelines in Tunisia for the importation of Algerian gas into Italy) and the TAG gas pipeline (that connects the Italian market to the Austrian hub of Baumgarten).

In June 2007, Eni signed an important agreement with Gazprom that will allow for an increase in the supply of Russian gas to Europe and includes the construction of the South Stream gas pipeline. On 18 January 2008, Eni and Gazprom set up South Stream AG (50% Eni) to complete the feasibility study for the construction of the gas pipeline by the end of 2008.

The fully owned company Stogit - committed to the development of storage capacity through the use of innovative technologies (over pressured storage) - will increase commercial storage capacity by 50% with investments of approximately 2 €billion.

Innovation plays as well an important role in securing growing gas supplies. Eni relies on the High Pressure Gas Transport (TAP) technology for the transportation of gas over long distances. The development of the TAP technology, still in the testing phase, will enable the exploiting of significant reserves of natural gas sited in areas far away from the consumption markets by reducing the costs and the gas losses in transportation.

In fact, the TAP project will allow the economical transportation of large quantities of gas (in the range of 20-30 billion cubic meters per year) over long distances (over 3,000 kilometres) by the adoption of high-resistance steel alloys capable of resisting to pressures up to 150 bar (about twice that of those actually in use). Eni estimates that the adoption of the TAP technology will grant gas savings in the compressor stations from the current 7.5% to approximately 3% of the volume of gas transmitted.

As to CO₂ capture and sequestration, which in the future could be a business opportunity for Eni, a research program started in 2004. The program is enabling Eni to develop technological skills in the field of geological sequestration of CO₂ and to perform CO₂ injection tests in depleted oil fields and/or gas storage sites in order to further develop know-how and transfer the technology on a larger scale. Within the framework of this project, Eni

participates to the CO₂ Capture Project (CCP), which envisages the development of innovative CO₂ capture technologies and the analysis of risks associated with long term CO₂ sequestration in geological structures. As for the Emissions Trading System, there are also opportunities to earn carbon credits in the existing operations (e.g. flaring down projects giving sustainable development opportunities to the host country and JI projects on Annex B countries).