

# Securing a Competitive European Gas & Power Market(s)

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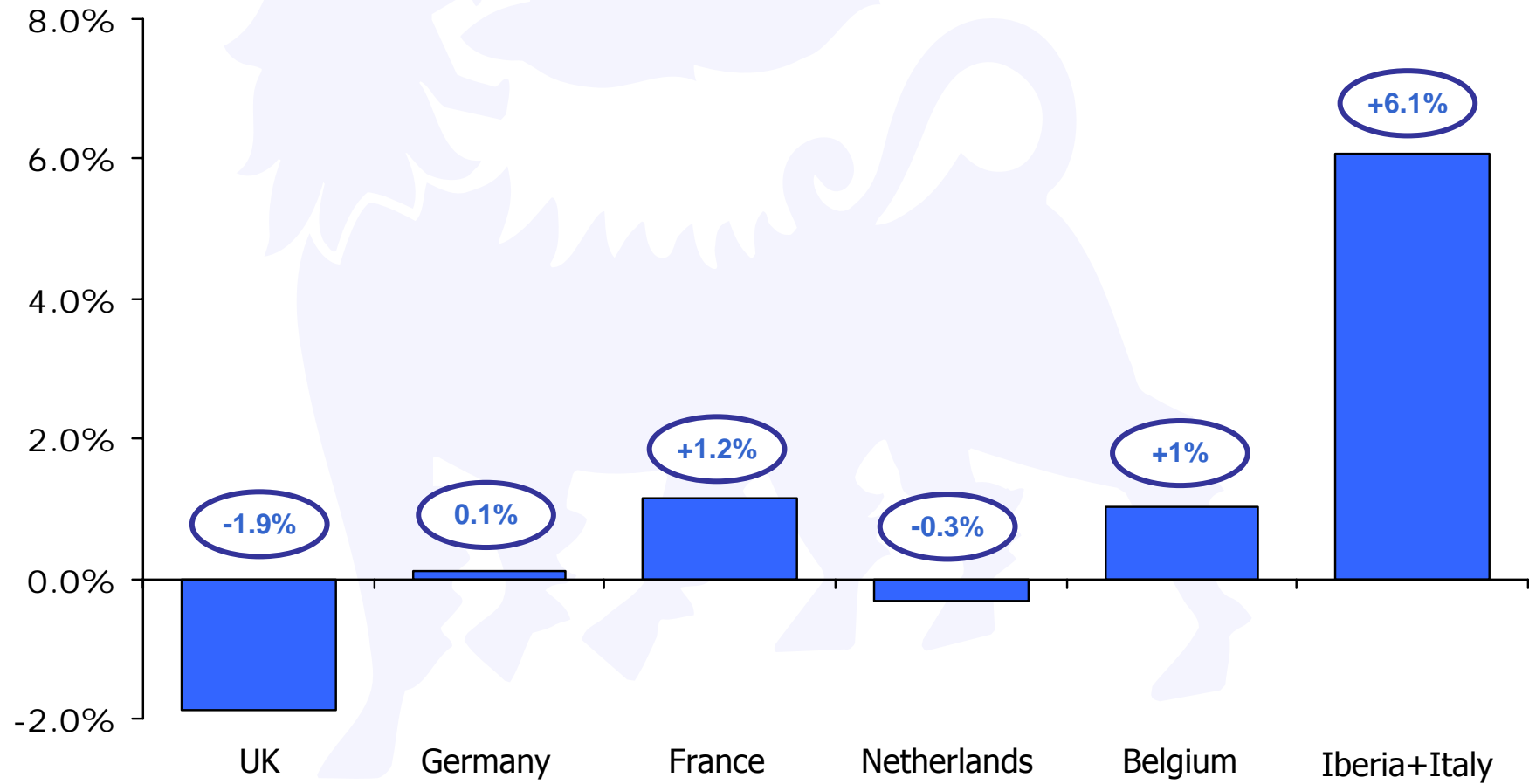
Eni Gas & Power Division

Leaders in Europe 2007 – 23rd May 2007



# Divergent Growth Rates

CAGR in Gas Demand from 2003 to 2006



# Agenda

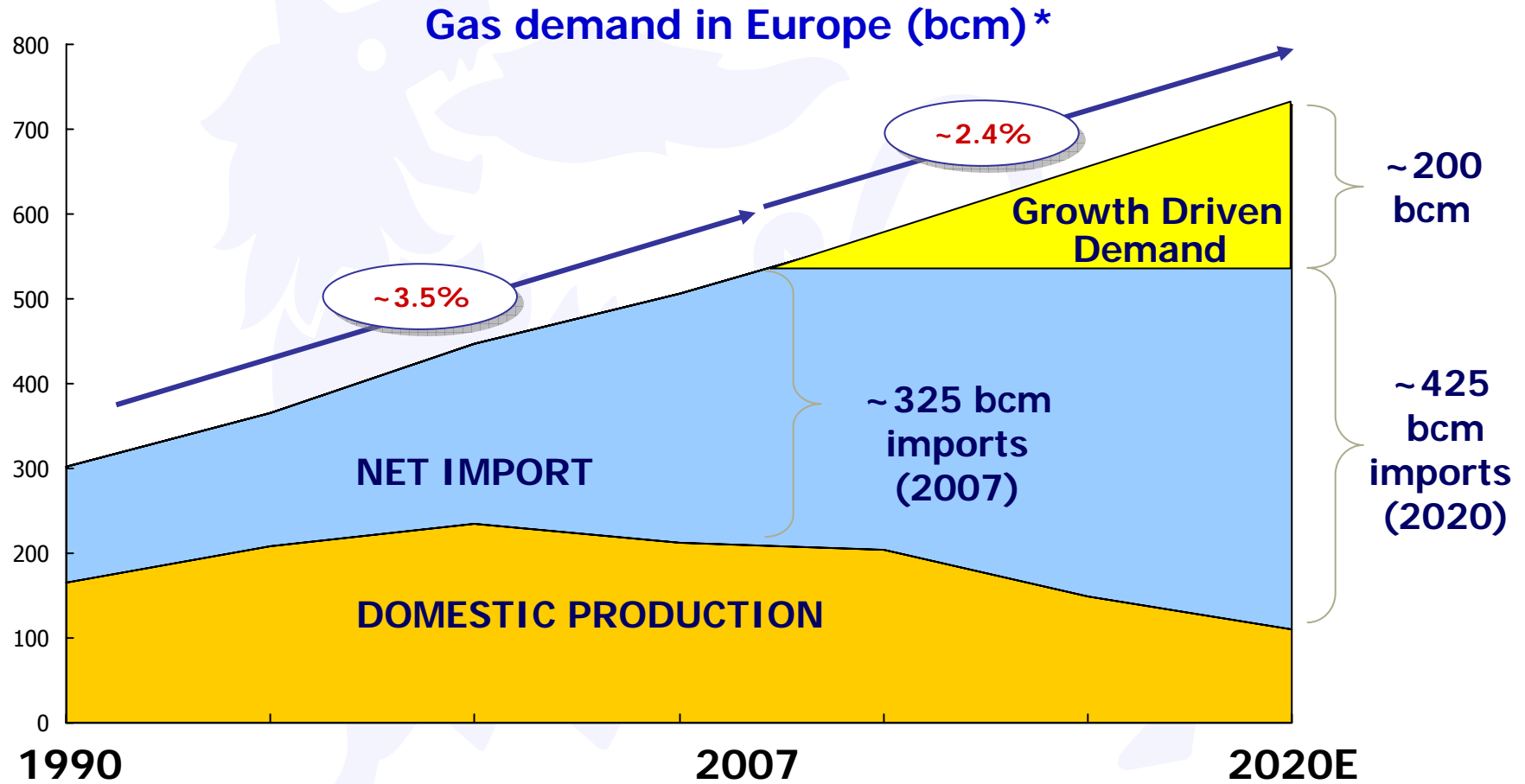
- Growing complexity in European Gas Market(s)
- How to best face this complexity (policy, industry and Eni)
- Partnerships with Gas Producers

## 2006 – A Complex Environment

- New uncertainty about demand growth
- Significant impact of local projects (LNG / pipe)
- Increased price volatility (from +€1000 to -€20 per 1000m<sup>3</sup>)
- Oil indexed and spot price differentials (€220 vs €110 per 1000m<sup>3</sup>)
- Continuing regulatory uncertainty

**Growing complexity in European gas market(s)**

# New Uncertainty in Demand Growth



**European market will remain tight in aggregate**

\* Country: EU 25 (excluded Cyprus, Estonia, Latvia, Lithuania, Malta, Slovenia) + Switzerland  
 Source: Historical data IEA, Forecast Eni



# Significant Impact of Projects Locally

	2006 MARKET SIZE	NEW IMPORT PROJECTS*	NEW IMPORT PROJECTS
Germany	95 BCM	~60 BCM	~63%
Italy	83 BCM	~45 BCM	~54%
UK	97 BCM	~64 BCM	~66%

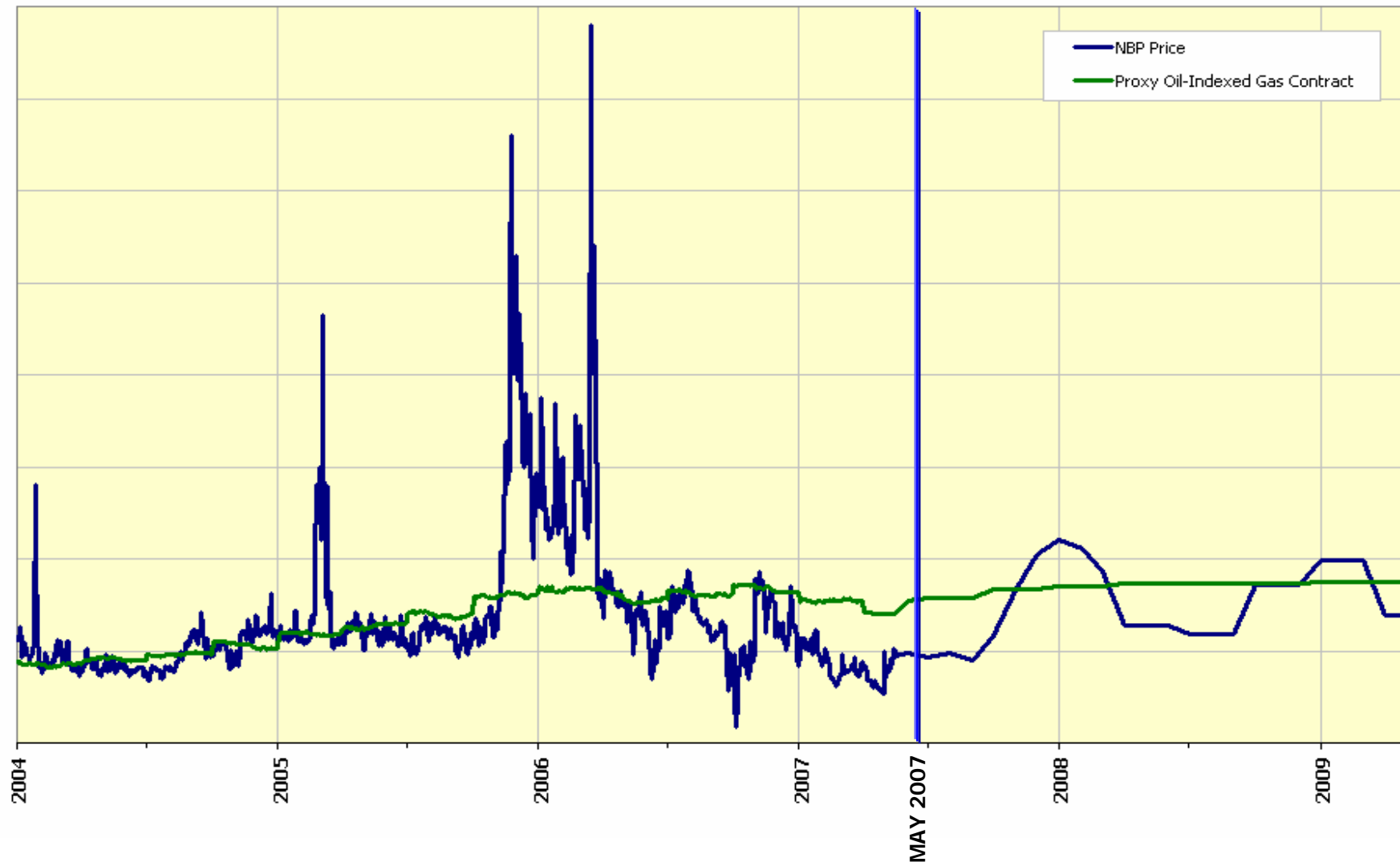
**Future projects  
as percentage of  
2006 market size**

\*Germany: Nordstream (55 bcm), Wilhelmshaven LNG (5-10 bcm)

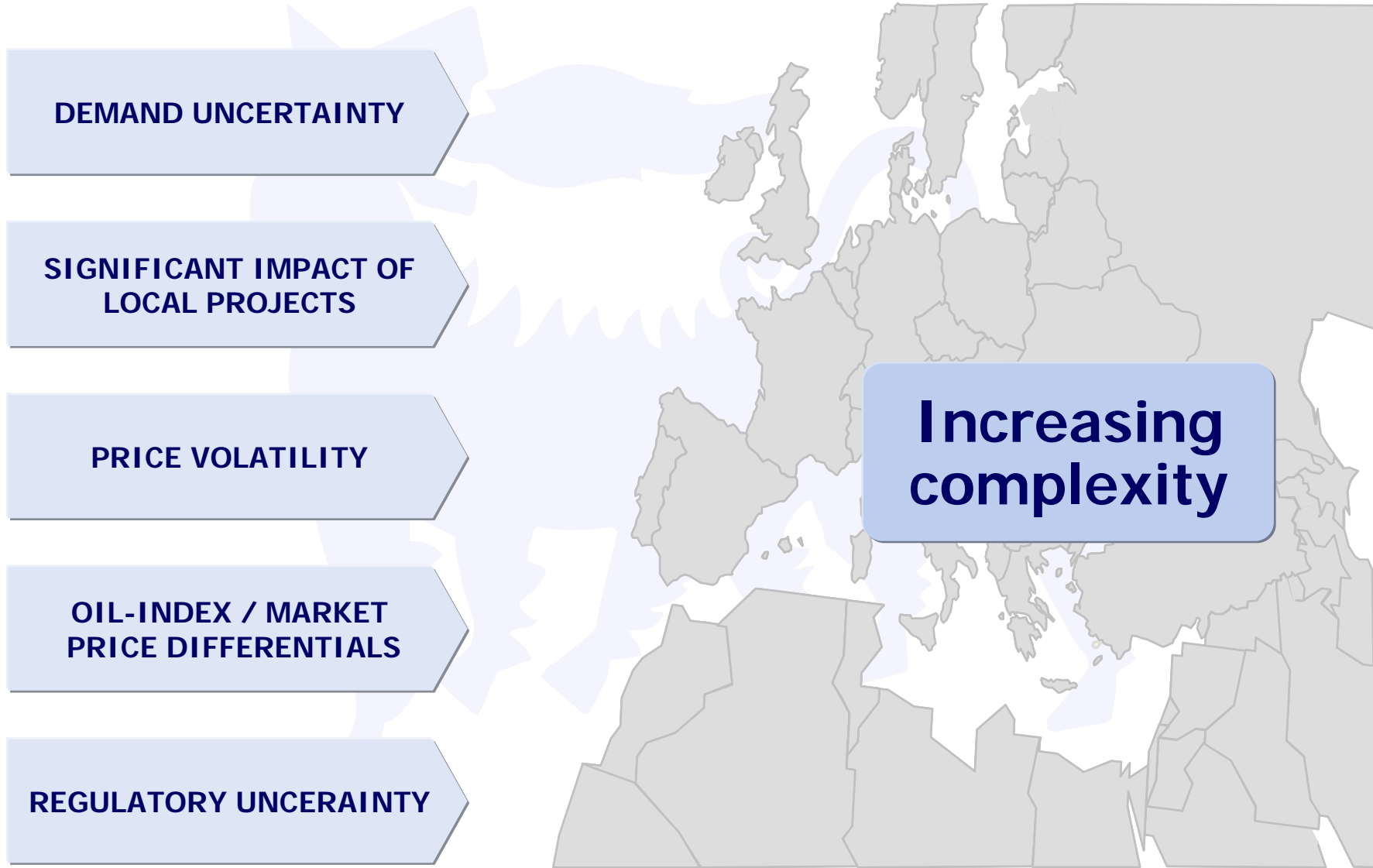
Italy: Galsi (8-10 bcm), IGI (8 bcm), TAG/TTPC Enhancements (13 bcm), 2 x LNG (16 bcm)

UK: Grain (6bcm), Dragon LNG (12 bcm), South Hook (21 bcm), Langede Northern Leg (25 bcm)

# Growing Volatility and Structural Differentials



# Growing Complexity in the European Gas Market(s)





# Agenda

- Growing complexity in European Gas Market(s)
- How to best face this complexity (policy, industry and Eni)
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## How to Best Face Complexity - Policy

- Promote creation of a European gas transport company
- Encourage development of gas trading markets
- Support cross border transactions
- Support partnerships with producing countries (Algeria, Russia and Libya)
- Industry must help harmonisation

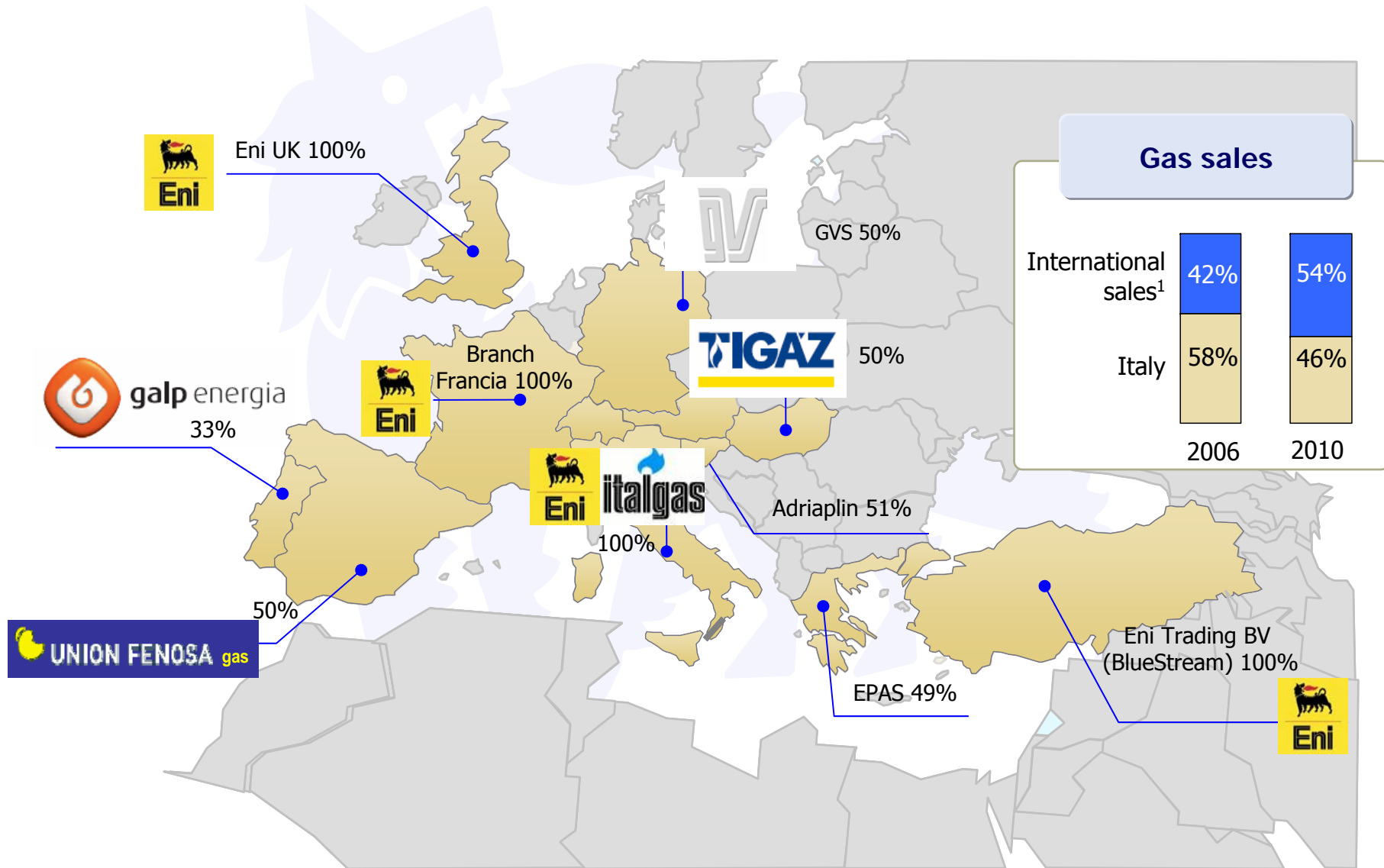
**From local markets to a regional market**

## How to Best Face Complexity - Industry

1. Commercial exposure to different markets
2. Scale
3. Extensive transport and storage infrastructure
4. Commercial flexibility and the ability to exploit it
5. Diverse and growing portfolio of gas
6. Strong partnerships with gas producers

**New “role” for European gas companies**

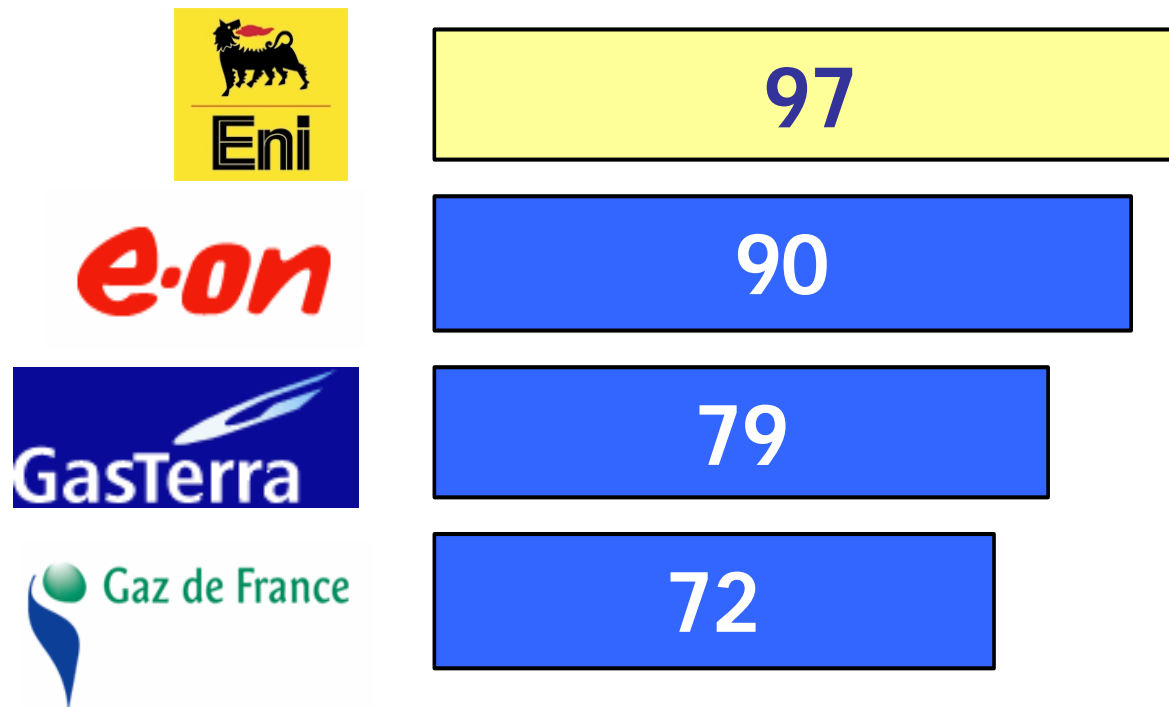
# 1. Commercial Exposure to Different Markets



1 Including Extra Europe gas sales and E&P equity gas sold in Europe

## 2. Scale

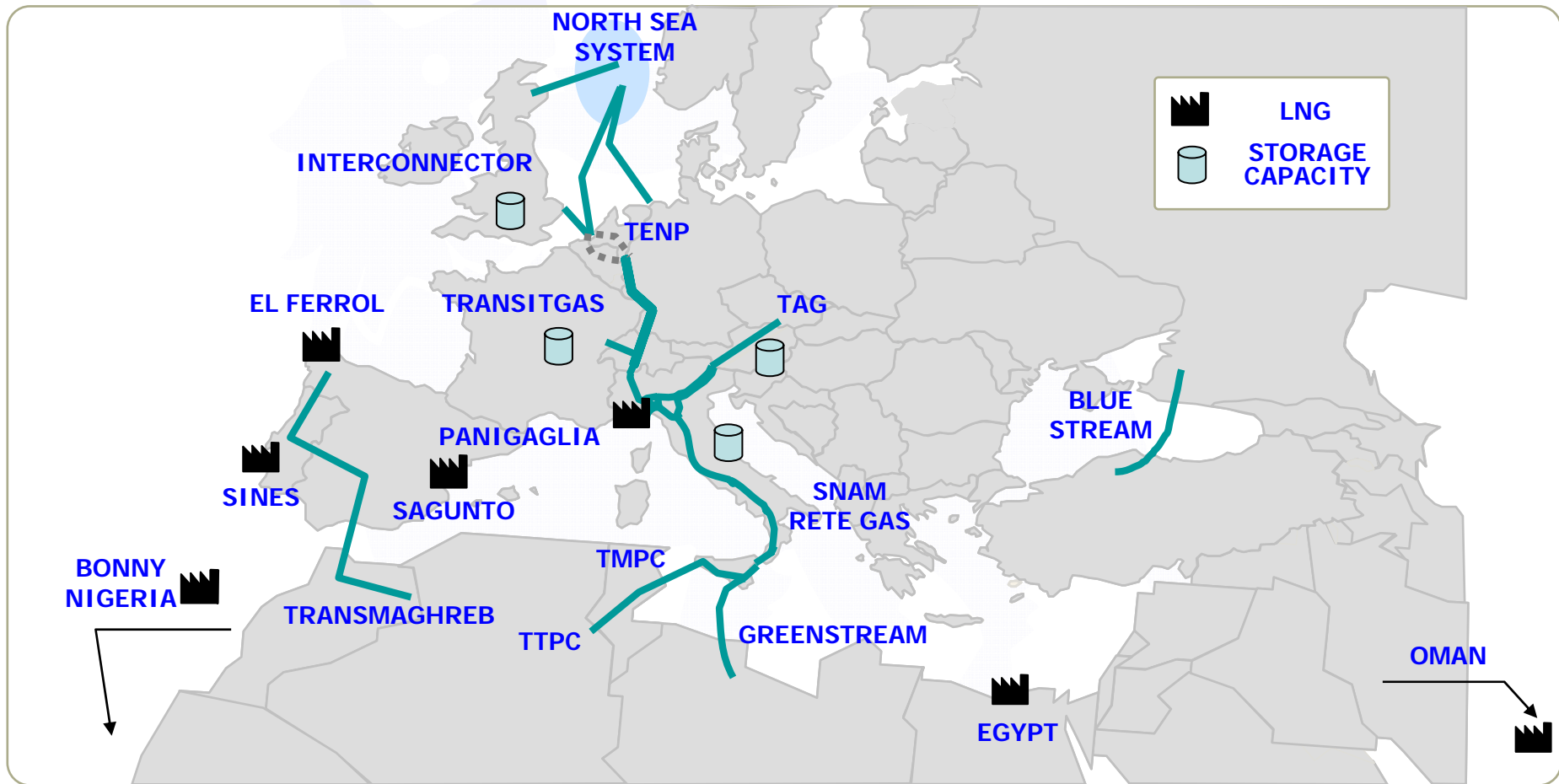
### 2006 Gas Sales<sup>1</sup> (bcm)



2010 target over 105 bcm

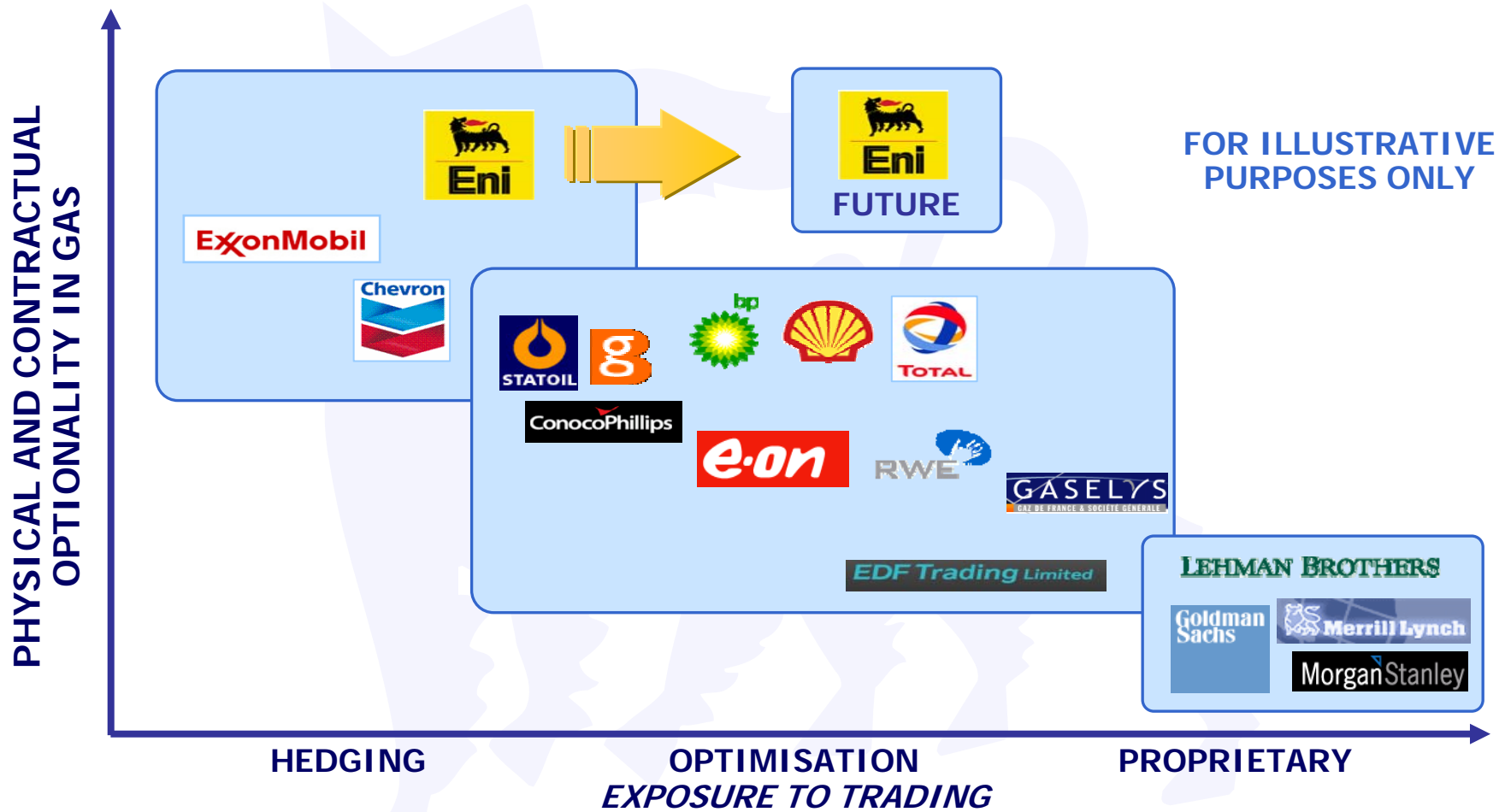
1 Source: Eni elaborations on company data

### 3. Extensive Transport and Storage Infrastructure



Target to further grow transport, LNG & storage

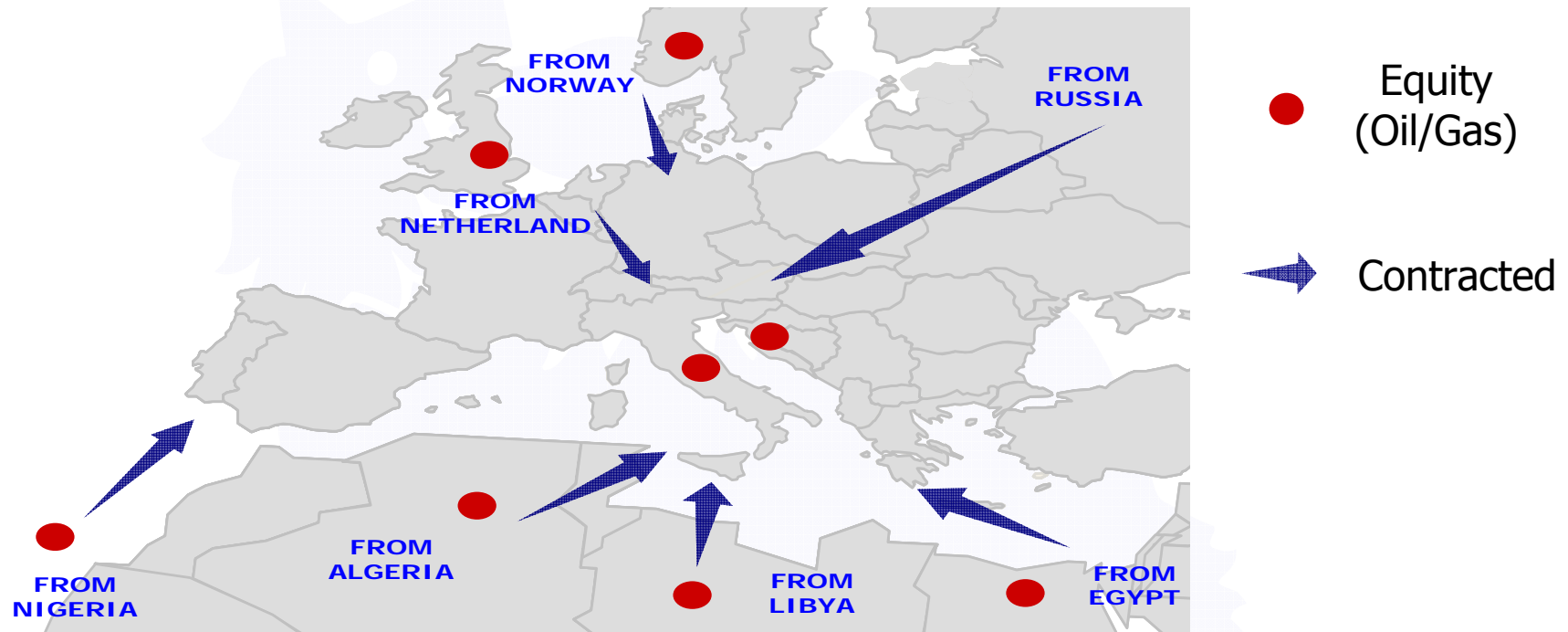
## 4. Commercial Flexibility and the Ability to Exploit it



- Flexible contracts  $\Delta ACQ - A_{MinQ} \sim 14Bcm$

Invest in HR and IT to enhance trading capabilities

## 5. Diverse and Growing Portfolio of Gas



Bcm	2005	2006	2010
Equity	22	22	21
Contracted	74	76	87

**Gazprom Deal  
 Contract "life  
 index" extended  
 to 23 years**



## 6. Strong Partnership with Gas Producers



Eni benefits from an integrated approach (G&P/E&P/Saipem)

Eni has a leading upstream presence in all major gas regions serving Europe (Algeria, Egypt, Kazakhstan\*, Libya, Nigeria, Norway, Russia and UK)

Strategic partnership in place or in progress in most key areas

**Target to continue to develop strategic partnerships**

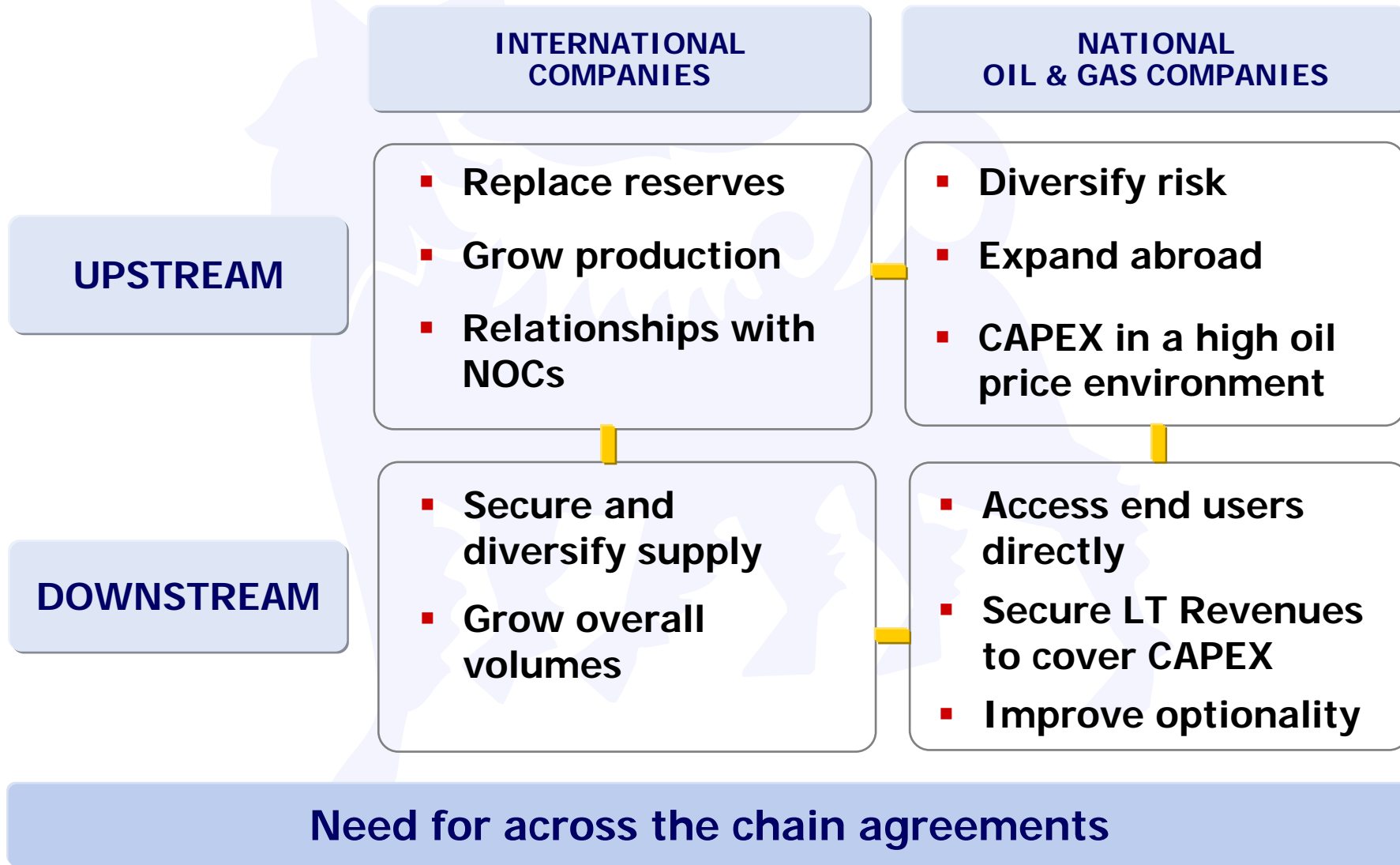
Notes: Principal suppliers of Algerian, Russian, Dutch and Norwegian Gas.  
\* Through Gazprom



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# Eni's Approach to Strategic Partnerships



# An Integrated Win-Win Deal



**UPSTREAM**

**Access to Russian E&P**

**Access to Eni's projects**

**Use of Eni's E&P and pipeline technologies**

**Joint development of LNG projects**

**Strategic Partnership Agreement**

**DOWNSTREAM**

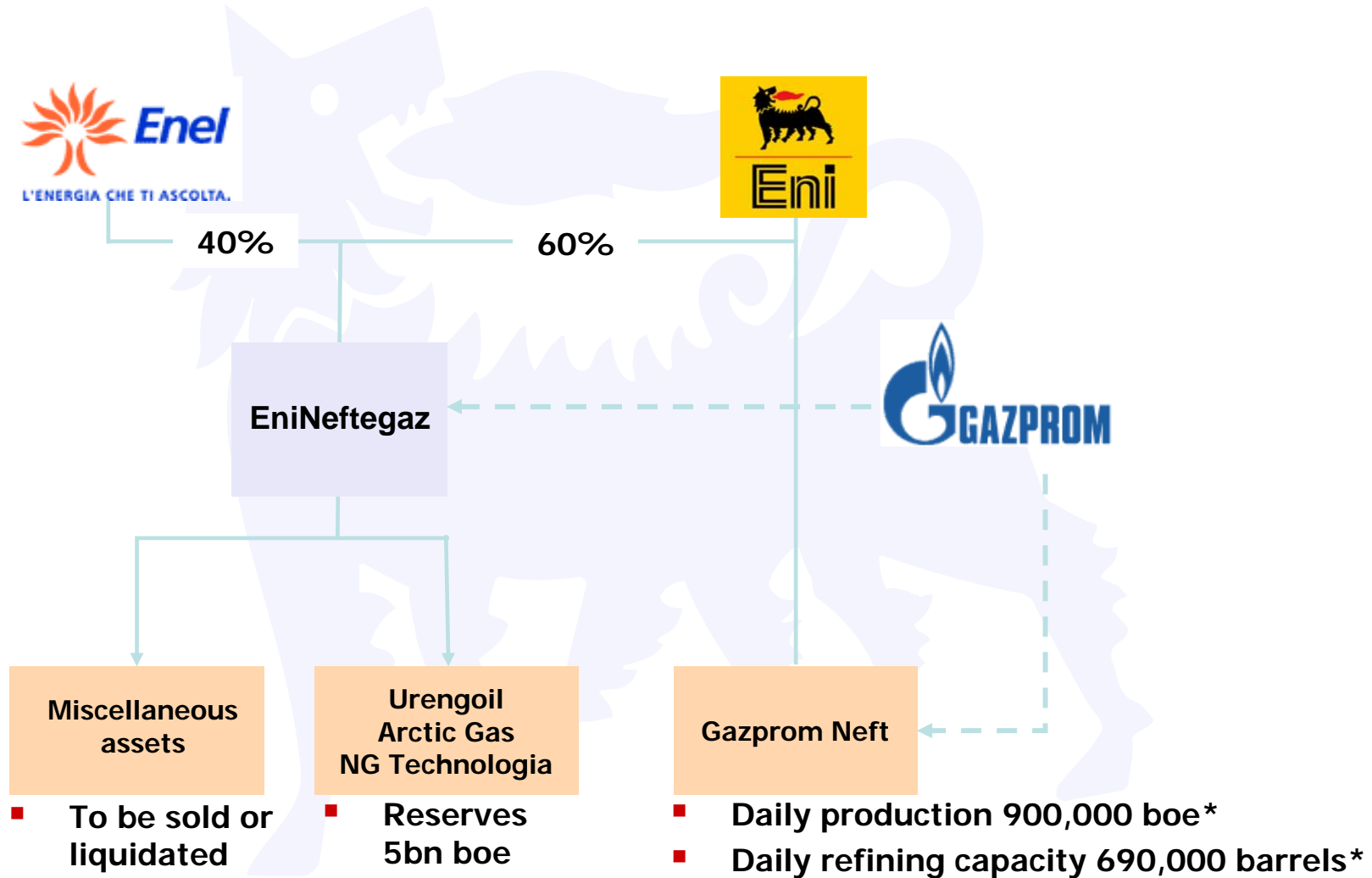
**All gas contracts extended to 2035**

**Gas sales directly in Italy (upto 3bcm from 2010)**

**Access to Eni's projects**



# Strategic Partnership – Yukos Auction



\* The figures include Gazprom Neft's 50% participation in Slavneft

## Conclusions

- The European gas market(s) are becoming increasingly complex
- Opportunity for policymakers to push for market reform
- Incentives for industry players to form new partnerships and innovate

**Opportunity to enhance Eni's positioning**