

European Utilities

Southern European Gas Growth and Hidden Value

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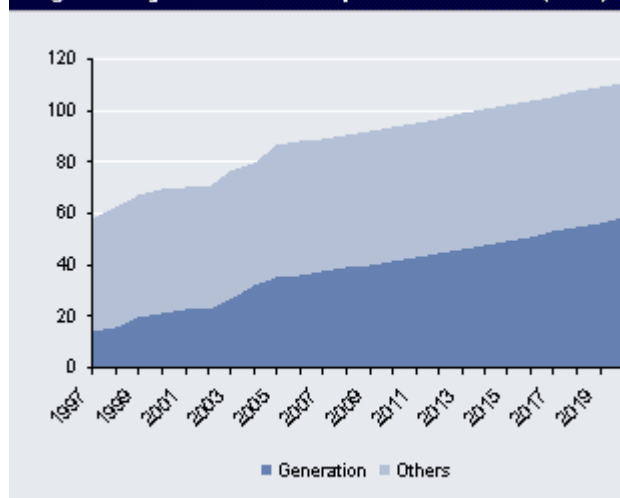
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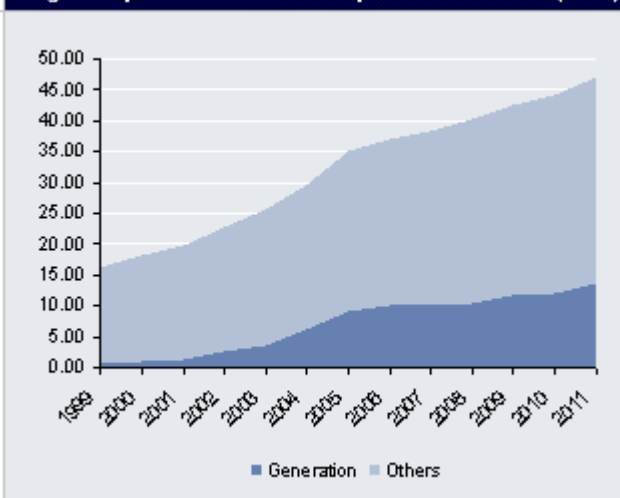
S.Europe – The Dash for Gas

Fig 2 Italy – Gas consumption 1997-2020 (bcm)



Source: IEA, ING estimates

Fig 3 Spain - Gas Consumption 1999-2011 (bcm)



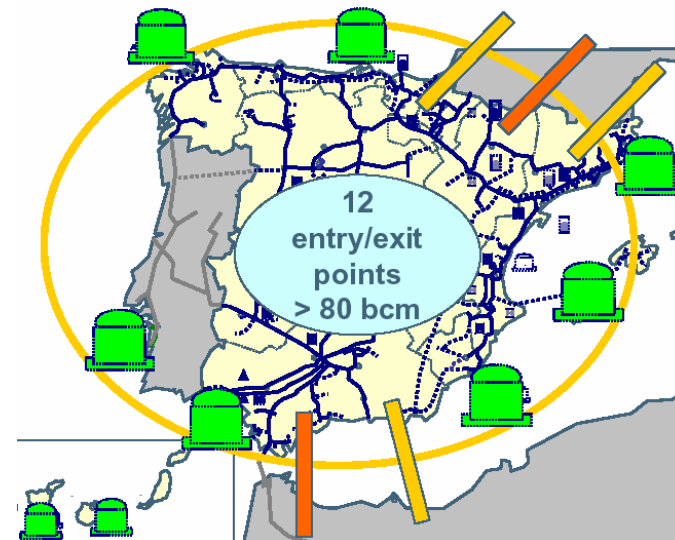
Source: 2005-11 National Energy Plan (2006)

- Projected CAGR in Italy (3.0%) to 2020 and Spain (5.2%) to 2011
- Growth driven by CCGT re-powering - CCGT moves from 2% to 45% capacity in Italy and 0% to 35% in Spain (both by 2020)

S.Europe – The Infrastructure Response

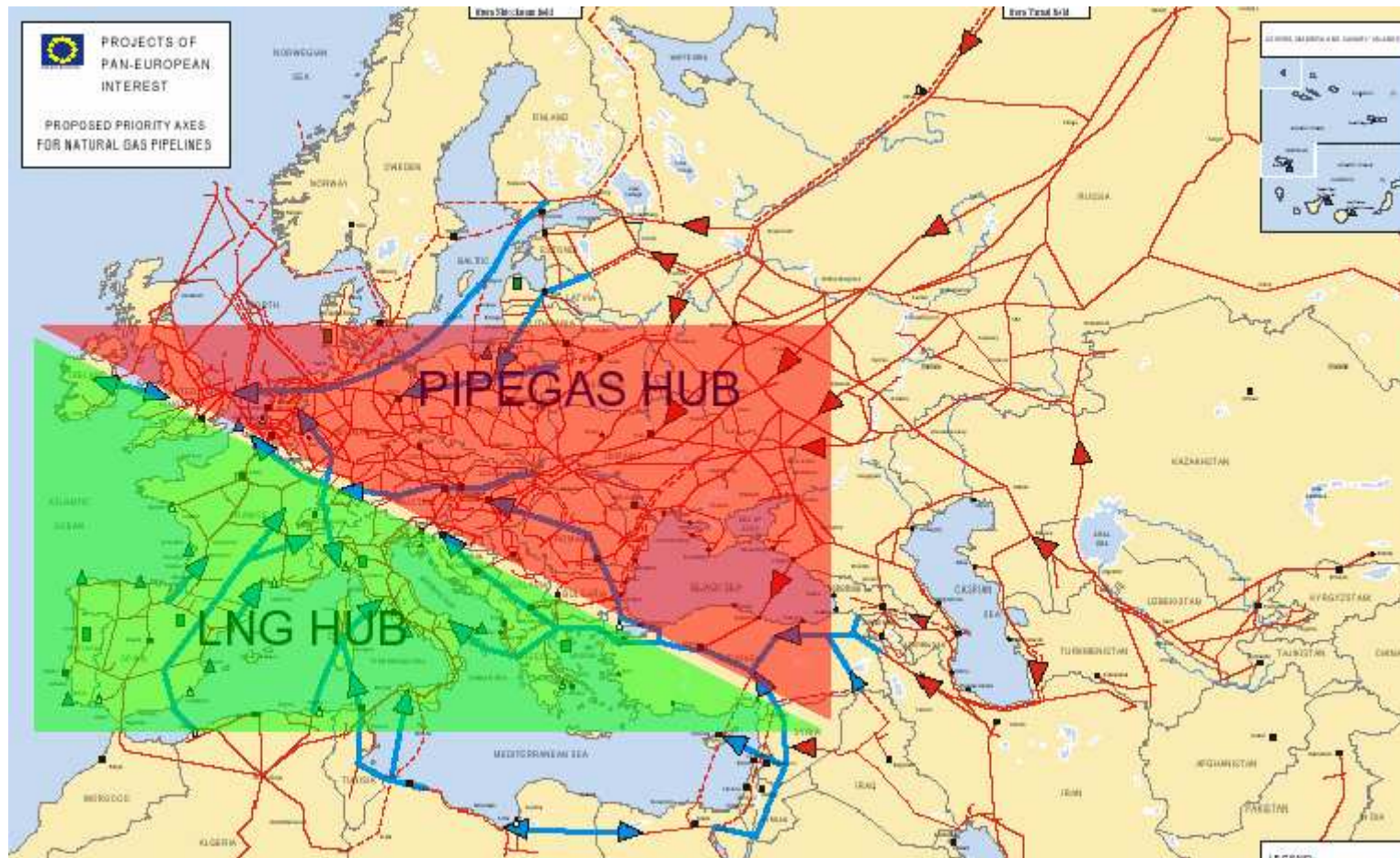
Fig 8 Spain – LNG terminals: existing plants and new projects

| Terminal | Shareholders |
|--------------|--|
| Huelva | Enagas (100%) |
| Cartagena | Enagas (100%) |
| Barcelona | Enagas (100%) |
| Bilbao | BP (25%), Repsol-YPF (25%), Iberdrola (25%) and Ente Vasco Energia (25%) |
| Sagunto | Union Fenosa, (42.5%), Iberdrola (30%), Endesa (20%) and Oman Oil (7.5%) |
| Ferrol | Union Fenosa (21%), Endesa (21%), Sonatrach (10%) and others (48%) |
| Gijon | Undecided |
| Gran Canaria | Undecided |
| Tenerife | Undecided |



- LNG infrastructure is major short term response (especially Spain given some political resistance in Italy) .
- Likely to be complimented by new pipelines - Galsi, Italy (Capex €2.0bn) and Medgaz, Spain (Capex: €600m).
- Overall 5-year capex in region E5.0bn (Italy) and E7.8bn (Spain) to meet projected demand (excluding new pipelines)

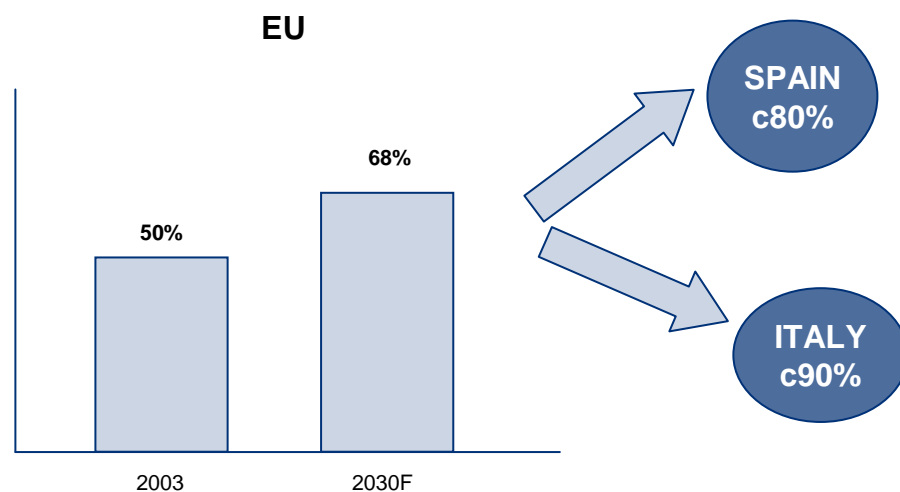
The vision – where south meets north



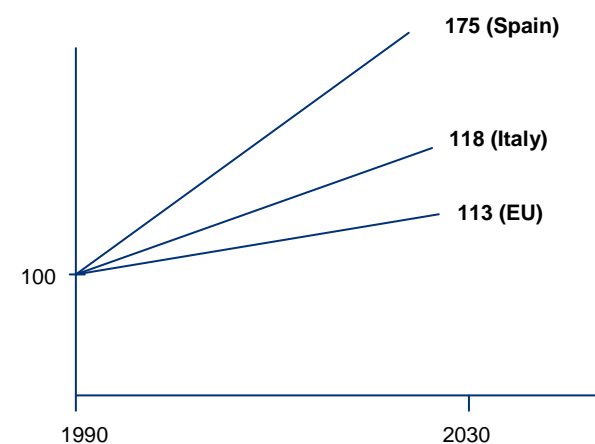
Source: Gas Natural. Unece. Geneva, January 2006.

Limits to growth

Energy Dependence
(Imports as % of total primary energy)



Carbon Emissions
(CO₂ Index)



Source: European Energy & Transport – Trends to 2030

- **Gas can only form part of Europe's response to its energy needs**
- **Risks in gas market higher the longer EU energy policy avoids addressing the dependency and environmental issues**
- **An even greater risk in S.Europe, given resistance to nuclear**

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