

WGC 2006

South America's Experience

June 2006



Pipelines and proven reserves



Source: Cedigaz – January 2005

Government participation in the gas industry

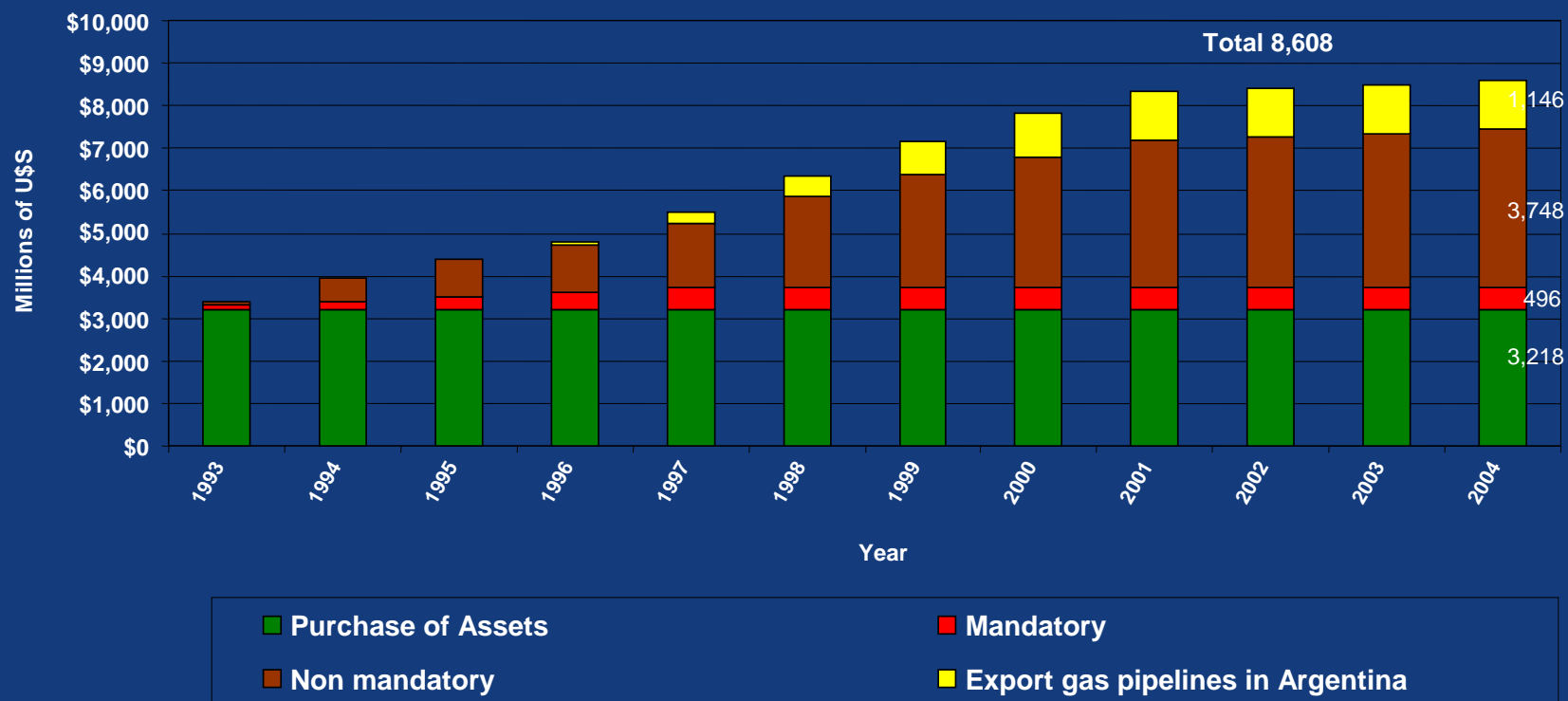
Step Participation	Production	Transportation	Distribution
Government owned	- Chile	- Brazil - Venezuela	- Venezuela
Mixed-capital system (private companies and government owned companies)	- Brazil - Colombia - Venezuela	- Colombia	- Brazil - Colombia
Mainly private companies	- Argentina - Bolivia - Peru	- Argentina - Bolivia - Chile - Peru	- Argentina - Bolivia - Chile - Peru

As of March 2006



Argentina: changes since privatization

Accumulated Investments



In millions of U.S. dollars.

Source: Adigas

The South American region: a fast moving environment

- Correlation between regulations and investments
 - Significant gas reserves
 - Major structural changes
 - History of interconnection between countries
 - Impact of country crisis in other countries
 - Long term supply dependence from Venezuela and Bolivia
 - Argentina envisaging future vulnerability
 - Legislation and Regulation \neq Availability
 - Trends towards nationalization
 - High-tax regime
- ⇒ Regulations and industry issues change so fast playing against long-term investment
- ⇒ Industry needs to develop strategic anticipation and organizational agility in the region

What is necessary to incentivize investments in the region?

- Have clear regulations and sustain them over time
- Harmonize regulatory frameworks (Integration over interconnection)
- Long Term incentives including profit reinvestment in the region
- Tax and royalties stability
- Avoid sudden surprises
- Supra-National authority to manage a multistate market and provide a forum for resolving disputes among countries