

Perspectives on future regulation in the gas industry

Results of IGU-McKinsey survey

Dieuwert Inia

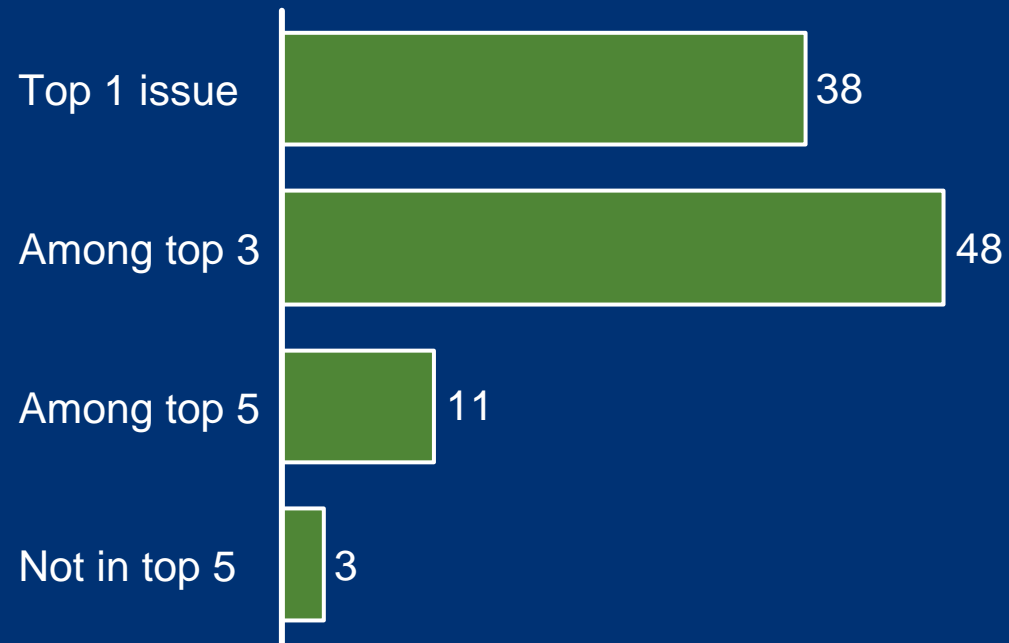
McKinsey&Company

World Gas Conference 2006

Regulation is key to the industry

Percent

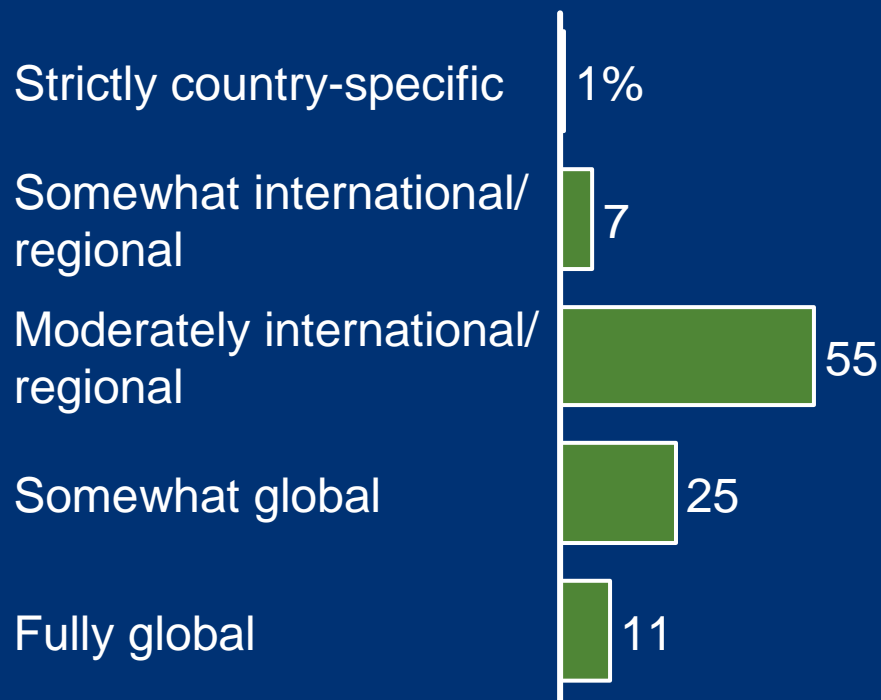
Importance of regulation



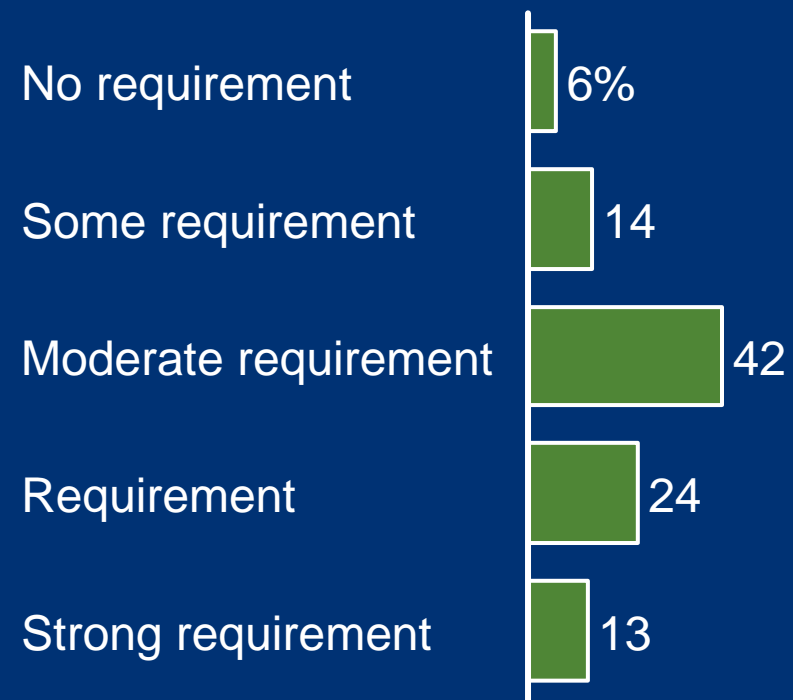
Regulation is regional – not national, not global

Percent

Gas market becomes fully global?



Need for global regulation?



Regulators in line with market parties

Importance of objectives depends on market maturity

Percentage of respondent answering 4-5 on 5 point scale

Maturity of the gas market



Developing markets

Mature markets

Security of supply

86%

85%

Safety and environmentally friendly operations

68

81

Competitive market

50

76

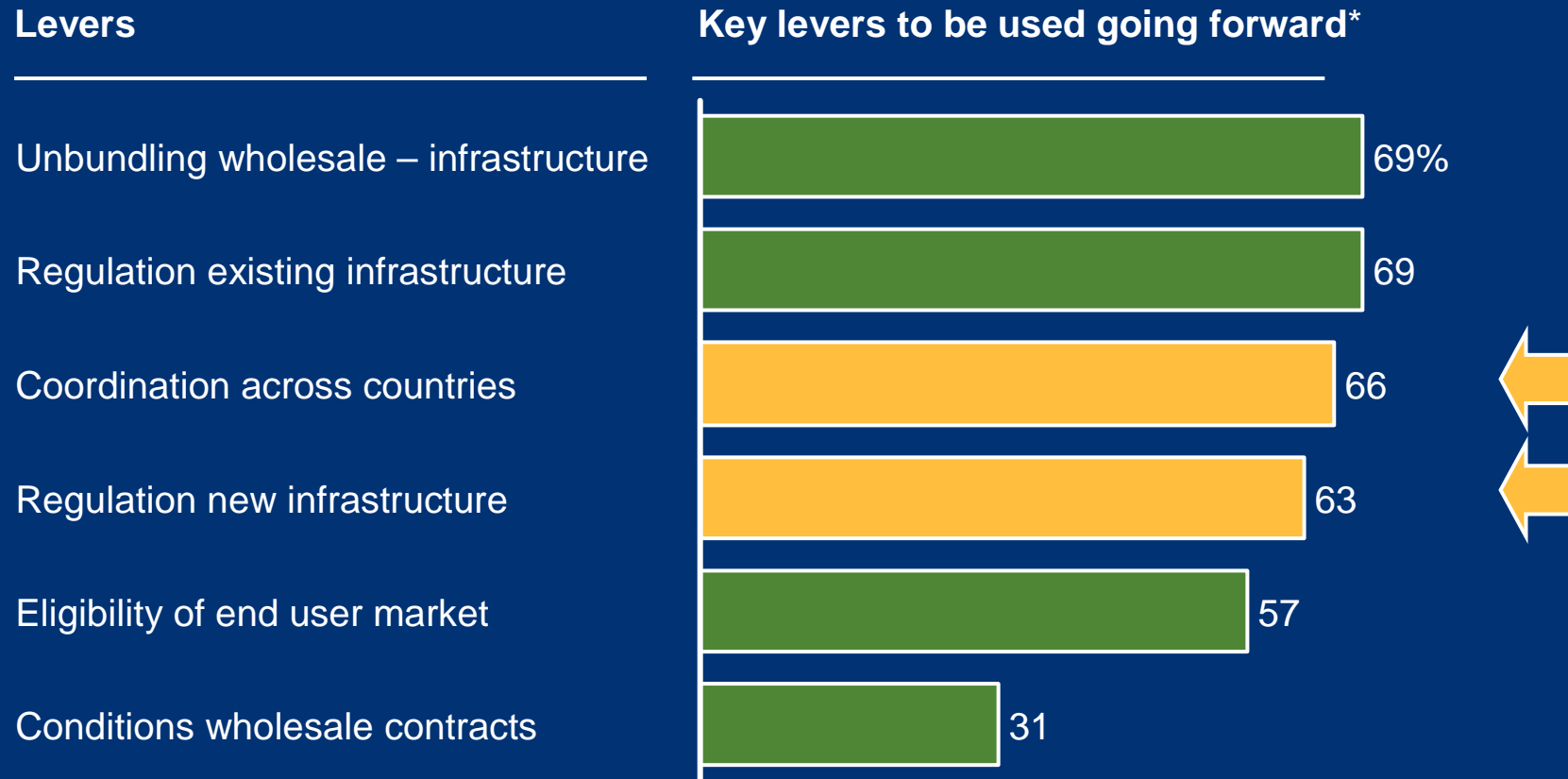
Gas demand development

48

43

The key emerging issues: new infrastructure and coordination across countries

Percent answering 4 or 5 on 1-5 scale



* Mature markets only

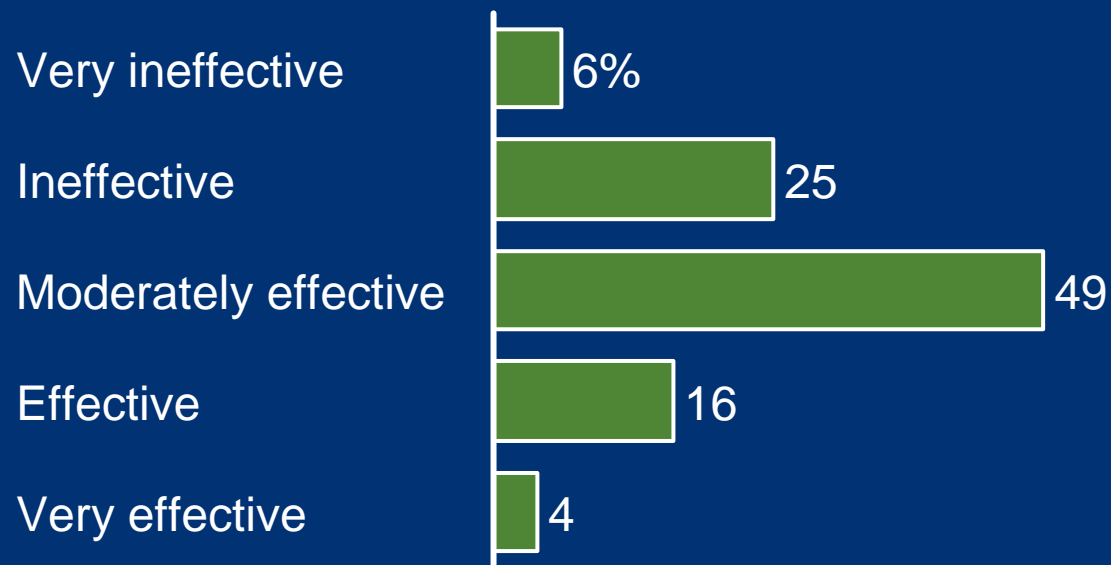
Specifics around new infrastructure

- Long-term capacity contracts and attractive tariffs needed to secure investments
- Capacity available also under short-term contracts
- Up to 10% higher tariffs acceptable to pay for increased access through overcapacity

Regulatory interaction is seen as moderately effective

Percent

Effectiveness of interaction between market parties and regulators?



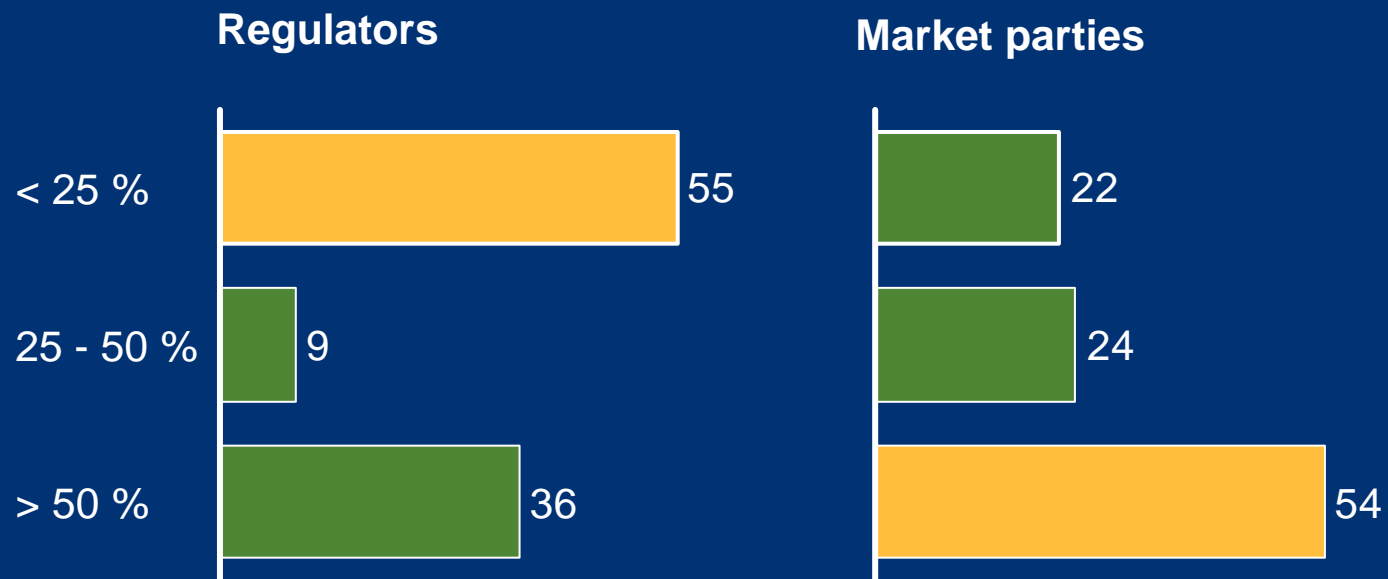
Top 3 Key Success Factors

- 1 Sound and transparent policy making
- 2 Pro-active and open interaction
- 3 Quality, quantity and level of expertise of the people involved

Strong difference in perception of value affected by regulation

Percent

Value of infra companies affected by regulation



Implications for industry: a difficult balance ahead

