

**The 17th Annual European Autumn Gas Conference  
Florence 6th November 2002**

# **NEW INFRASTRUCTURE FOR LIBERALISED MARKETS**

- 1. Problems and opportunities for new infrastructure projects in the new environment**
- 2. Recent experiences and open issues in Italy**

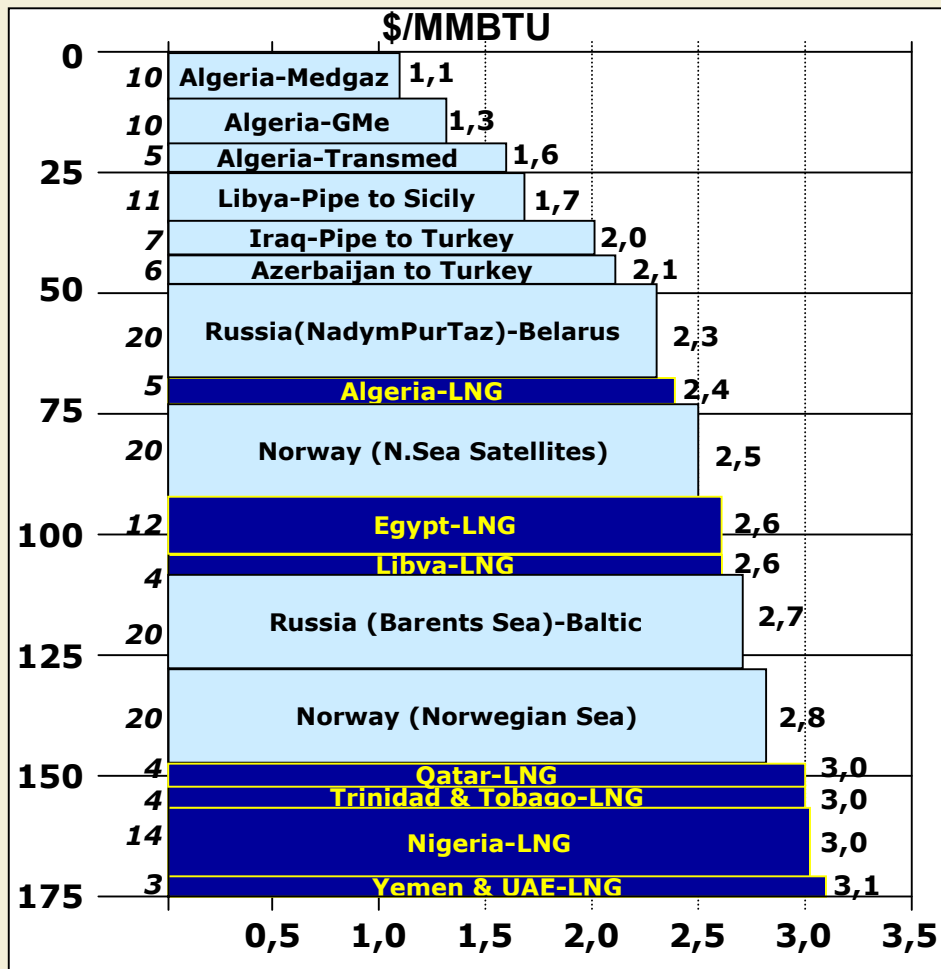
**Salvatore Russo, Chairman & CEO Snam Rete Gas**

## EU Gas Demand and Import Dependence

<i>Bn cm</i>	2000	2010	2020
Estimated Demand	402	522	571
EU Gas Production	219	217	143
Net Contracted Imports	193	240	268
Imports to be Defined	0	65	160
<b>Import Dependence</b>	<b>48%</b>	<b>58%</b>	<b>75%</b>

Source: EU Commission

## Future Supply Options



Source: OME Estimates



## Privatisation

- Restructuring, de-mergers, IPO's (reduced role of State-owned COs)
- Equity Investors participate directly in the Gas Industry

## New Players

- Market-oriented structure with many new players

## Increased Market Connections

- Multilateral interconnections among new players
- Increased transit volumes
- Increased pipeline construction

## Contractual Supply Changes

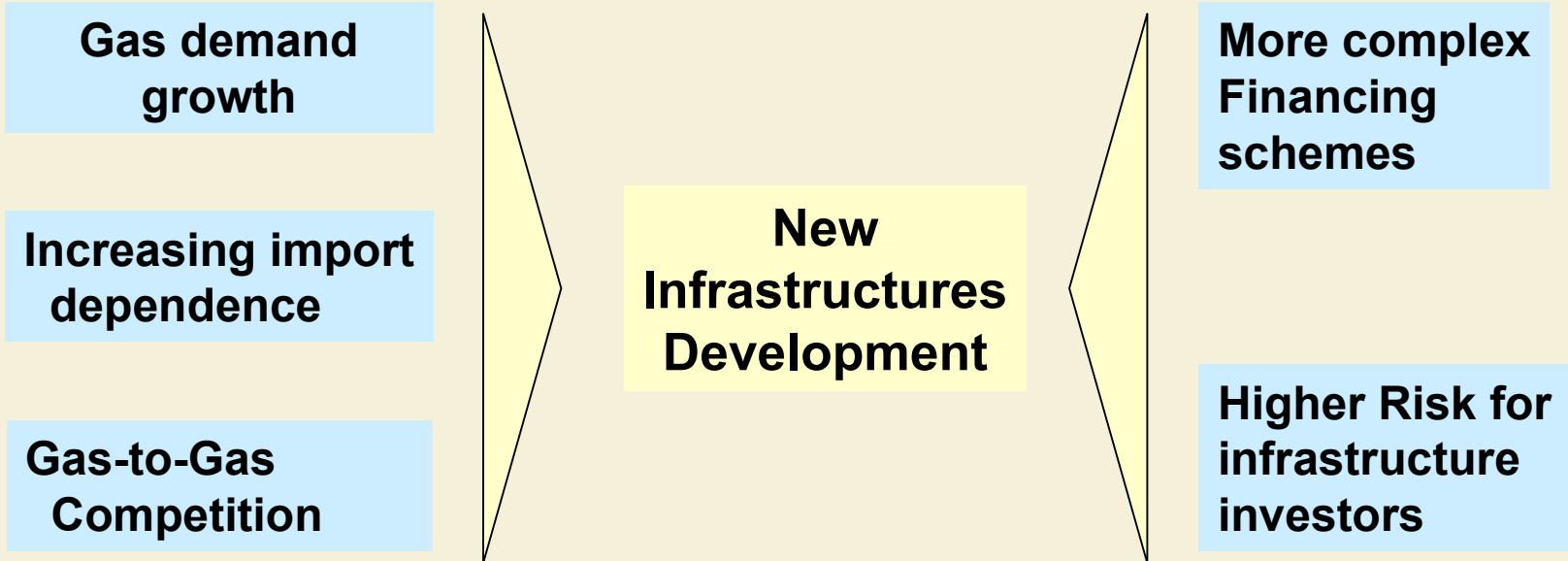
- Short duration
- Reduce ToPs obligations
- Market-linked

## Gas-to-Gas Competition

- Gas hubs and increased liquidity of Spot trade
- Import of Spot cargoes of LNG from existing/new liquefaction terminals

## Increased Transparency

- Third-Party Access necessitates unbundling





**Snam**  
Rete Gas



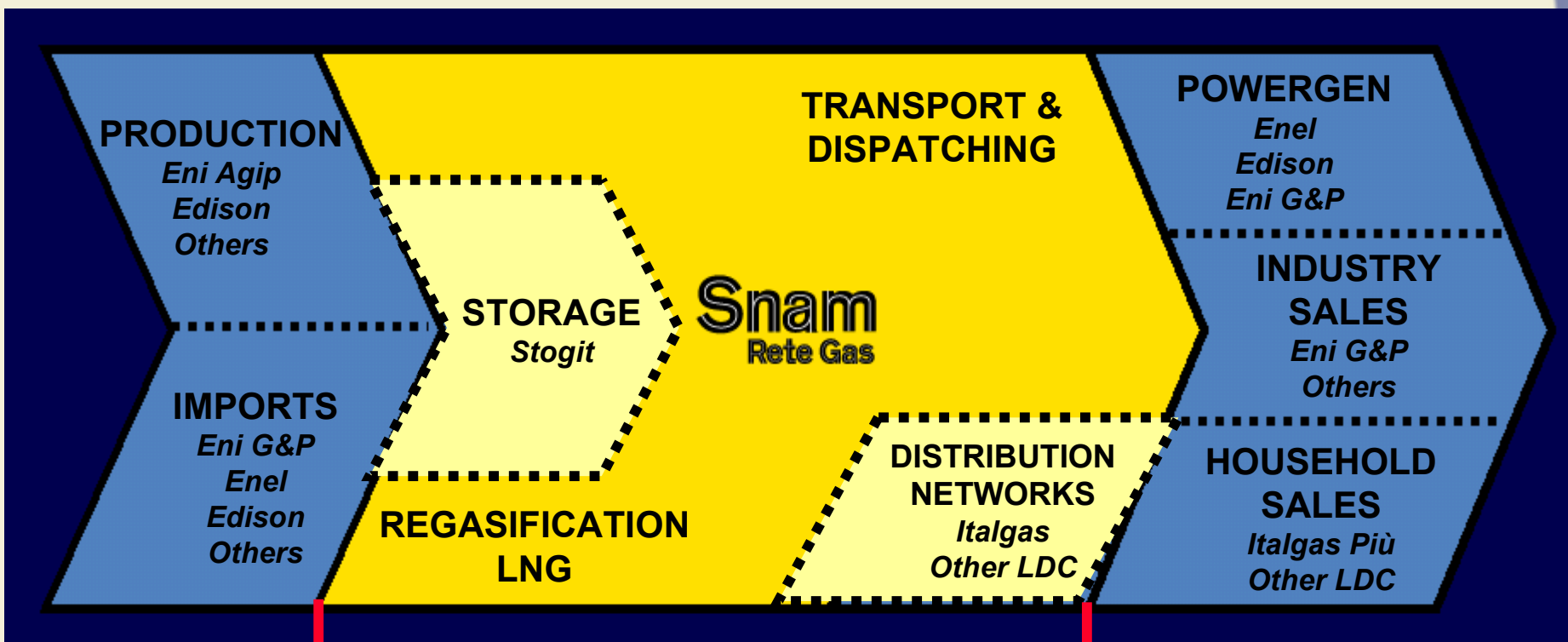
# The new gas industry structure in Italy



## Supply

## Infrastructures

## Sales to end-users



**Regulated activities**

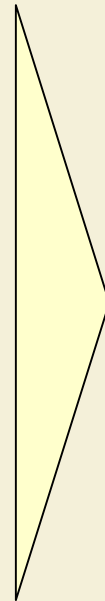


## Alignment of interest between Regulator and Snam Rete Gas supporting development investments

**Cash Flow (from existing business) to finance new development projects**

**Attractive return on investments**

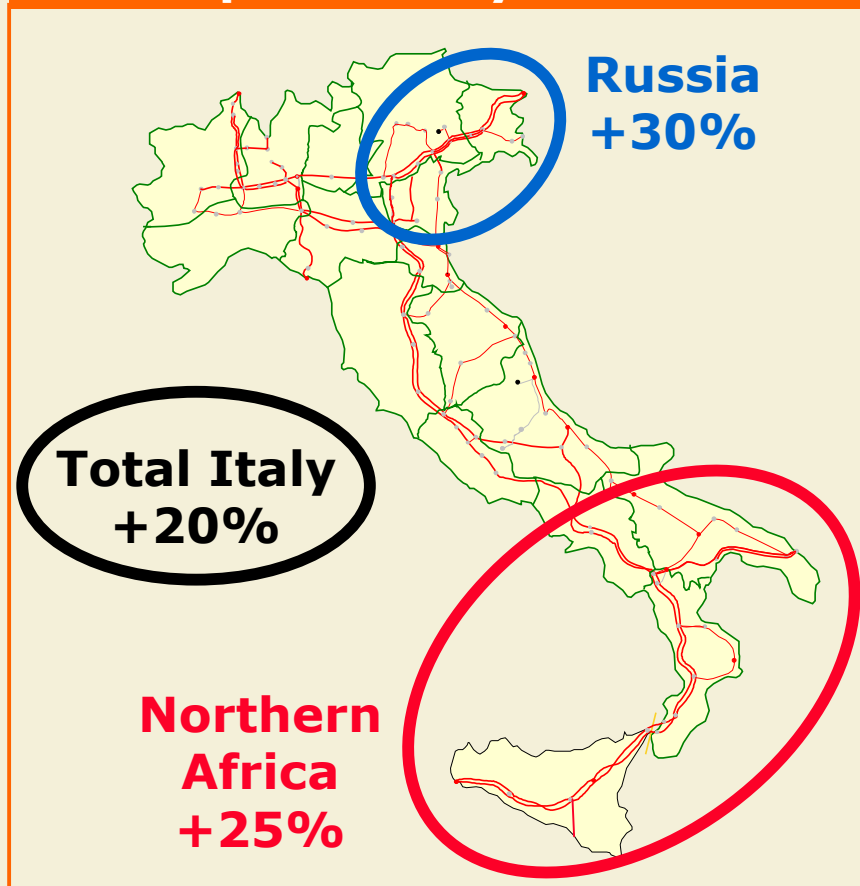
**Long Term visibility of the regulatory framework**



**NEW  
INFRASTRUCTURE  
DEVELOPMENT**

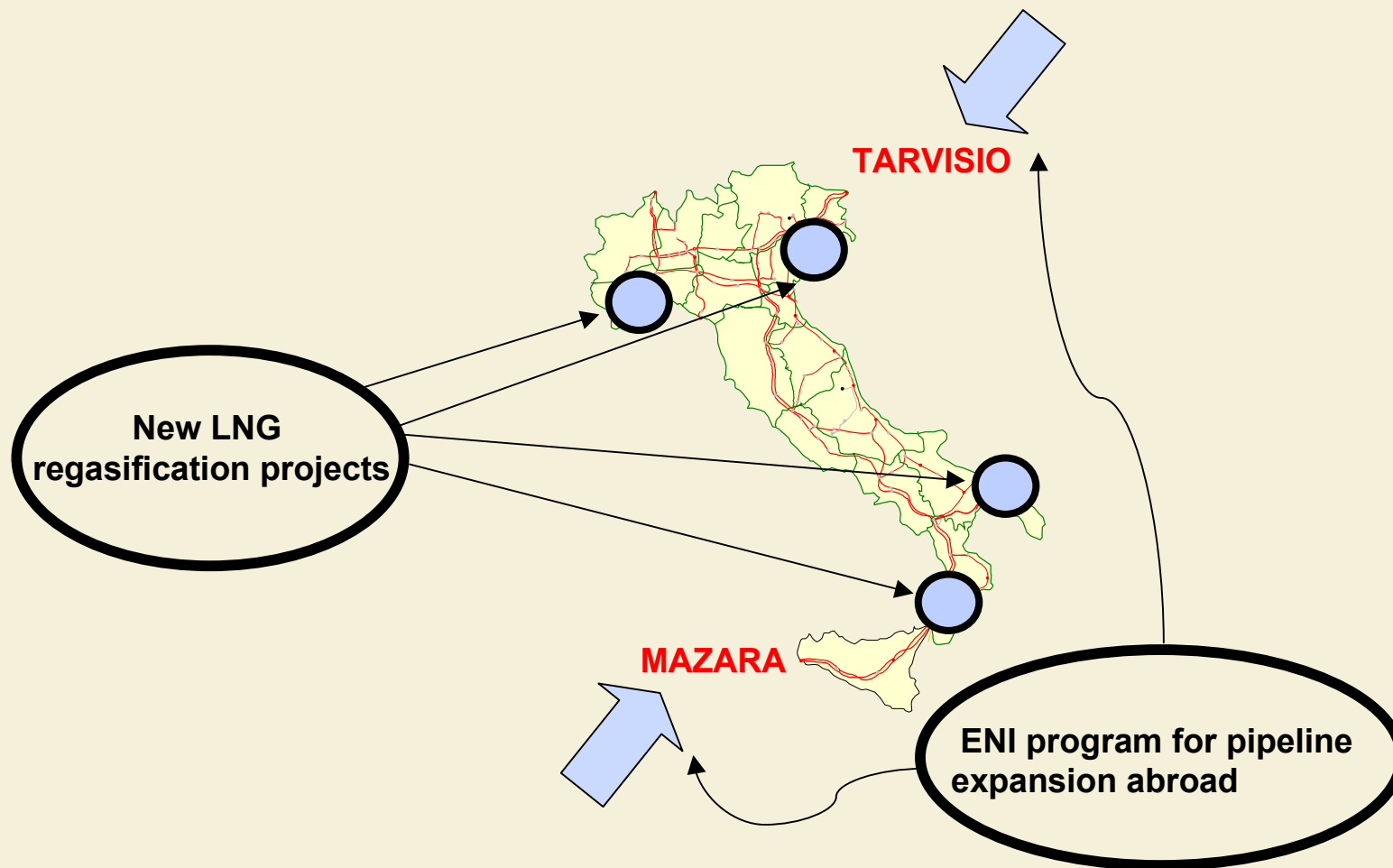


**New transport capacity  
planned by 2006**





... in connection with new possible import projects







## The Italian Regulator's Trade-Off:

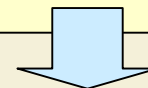
### Foster gas-to-gas competition

- a) Regulated tariffs and access conditions
- b) 5 years max transport contracts (renewable) for long Term supplies

### Favour capital investments in new infrastructures

Assuring 20-years access to the system to investors in international pipeline and regasification infrastructures ...

... but 20% of new infrastructure capacity to be available for others importers on a regulated basis



### Conditions

- Transport Company in Italy has to refuse capacity
- Priority access for 20 years to be contracted with transport Company on a negotiated basis



**... but legislation is changing ...**

DDL on competition, Art. 27

(Development of international infrastructures for supplying natural gas)

**“ Investors in new import pipelines, in new re-gasification terminals and in new underground storages, have the right to allocate, under the rules of the EU Directive 98/30, up to 80% of the new capacity for a period of 20 years”.**

**Open Issues on international infrastructures**

- ***Harmonisation of Tariff Systems and Codes***
- ***Cross-border issues***

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