



GIE Venice 2013: day 2 opening speech of Snam CEO Carlo Malacarne

As you all very well know, our business framework is quickly changing and it's getting more and more a European dimension, a necessary industry break-through to cope with this century energy challenges, supported by EU policies, consistently aimed at strengthening the security supply, fostering competition of the gas market and promoting the transition towards a low carbon economy.

In this changing energy market, the development of renewables surely impacts on the share of natural gas in the future energy mix. However, natural gas represents the cleanest amongst the fossil fuels and can play an important role in a sustainable and "green" energy system, also providing the primary back-up solution to renewable sources. Gas is therefore a natural companion of renewables for a sustainable energy mix.

The achievement of this goal, however, requires an increase of the competitiveness of natural gas with respect to the other fossil fuels, in particular with coal, to be reached also through a revision of the Emission Trading System scheme, aiming at a real "CO2-based competition".

With regard to gas evolution, we have to consider that, even if gas demand is not growing and will possibly grow less than anticipated in recent years, due to the European prolonged economic crisis, several factors, such as the increasing import dependence of Europe, the worldwide Asian-driven competition for LNG and the shale gas revolution, require the development of new energy corridors to supply Europe and a better interconnectivity among regional markets.

Transmission systems, Storages and LNG Terminals will continue to be designed, shaped and developed for satisfying peak capacity required to ensure a secure, reliable and sustainable response to final customer needs, even more considering the higher volatility in annual dynamics. In other terms gas infrastructures will be required to be more flexible than in the past.

In this context, the role of gas infrastructures is significantly changing: infrastructure developments will not only be driven by the growth of gas demand but they will be more and more oriented to providing efficient services to the market to promote the competitiveness of energy prices, ensuring at the same time a better diversification of sources also through the bidirectional interconnections of EU gas markets and, last but not least, to enhance the security of gas supply.

The current excess of take-or-pay obligations, vis-à-vis the gas demand, the increasing liquidity of spot markets and the introduction of new congestion management provisions pushed market participants to shorten their market perspective, increasing the share of spot supply and reducing their long term commitments.



In this new environment, it is crucial to get market and institutional support for the investments required to fulfill the flexibility needs of players, the security of supply for customers and the objectives of the European energy policy.

We have to work for making this target feasible with an investment climate granting investors with adequate visibility on future cash flows.

New energy corridors and projects are required to realize this picture. A lot of them involves the Italian peninsula through which new south-north flows could be developed connecting north-African countries, the new Caspian and eastern Mediterranean gas sources and LNG terminals to continental Europe.

Snam, together with other infrastructure operators, is highly committed to realize this picture in the interest not only of the Italian gas system but of the European gas market as a whole.

In this respect, the infrastructures that – as recalled few days ago by Commissioner Oettinger – represent the “backbone” of the gas system, are not enough.

New services and rules, allowing for an optimal access and utilization of the system by the commercial operators, are necessary to promote the well-functioning of the market and to foster its liquidity.

In this perspective, the role of infrastructure operators is also changing, evolving from a pure “Asset Owner”, which realizes, operates and maintain the infrastructures, to a “Market Facilitator” which provides market-oriented services and focuses on quality of its outputs to the benefit of shippers and final customers.

Building on the availability of bidirectional interconnection capacities and harmonized short-term services that favor arbitrage and price alignment among gas hubs, the progressive introduction of hub to hub services, and the possible development of new combined transportation, storage and LNG flexibility services, will boost the integration and the liquidity of the European gas market.

A lot of work has already been done, by Institutions, Regulators and infrastructure operators with the full support of market participants, and much more is ongoing. GIE and ENTSOG activities are giving a crucial contribution to the harmonization of rules and services that can be implemented in all European countries, with a unique common language able to overcome the single “national dialects”.

To conclude, we have entered a new phase of the gas market development characterized by higher volatility and uncertainty, where the role of the infrastructure operators will evolve under the market pressure for significant changes and innovations in the services offered. For this new age to turn into a new natural gas “golden age”, several conditions have to be met by all stakeholders, and in exposing



them I would like to reverse the “traditional order” of responsibilities, where we, as infrastructure operators, have to increase our role in shaping the future of our business. For that:

- infrastructure operators have to design sustainable strategies and efficient projects that are attractive and shared by all stakeholders;
- policy makers have to clearly define the energy policy goals and remove any obstacle to their achievement, with a target for a real CO₂-based competition among fuels;
- national and European regulators have the responsibility to continue working for providing stability, transparency for the evolution of the gas market and support, not least in terms of return, the required investments and the development of additional products and services, available to commercial operators.

This represents a growth opportunity for the gas system that we will achieve if we are able to match a well-functioning internal gas market with more challenging targets on security of supply and quality of services provided to our final customers.

Wishing you all a very fruitful GIE Annual Conference and a wonderful stay here in Venice, I leave now the floor to the chairman of the coming session.

Thank you very much for your attention.