GALSI PROJECT
THE NEW ROUTE FOR
ALGERIAN GAS TO ITALY AND EUROPE

Chisinau – May 11th, 2007
**EU 30* increasing demand from 575 to 700÷750 Bcm in 2020 (CAGR = 1,3% - 1,8%)**

The growth of EU30 demand is mainly driven by thermoelectric requirements

As of today EU 30 imports principally from Russia (~150 bcm) and Algeria (~ 60 bcm).
EU30 gas production is foreseen to fall (in UK, Netherlands, Germany and Italy) from 330 bcm (2005) to 220 bcm (2020)

European dependence from gas extra EU30 gas imports will rise from current 43% to 70% in 2020

2020 additional import requirements = 235 ÷ 285 bcm
NEW IMPORT INFRASTRUCTURES

The increase of European gas demand and the decrease of European production determines urgent need for new import capacity

Notwithstanding the announced import projects, foreseeable gas supply constraints and project alternativeness will significantly reduce additional European gas import capacity

The realisation of new import infrastructures, providing increased security and diversification of supply, is crucial
**GAS DEMAND/SUPPLY EVOLUTION IN ITALY**

**DEMAND**
- According to Italian Ministry of Development (MSE), gas demand in 2015 will rise to 108 bcm (CAGR = 2,3%)

**SUPPLY**
- Slump in production from 12 bcm in 2005 to 3,2 bcm in 2015
- Increasing dependence from imports

**2015 Import additional requirements: approx 30 bcm**

- Italy has completed the development program in high efficiency and low emissions **CCGT plants**, allowing the realisation of a sufficient margin of security.
- The security of the electric system depends also from the security of the gas system.
- The italian gas market will remain tight up to **2008**, when new infrastructures will come on stream (LNG terminal of Rovigo plus TAG and TTPC extension).
- To guarantee security of supply it is essential to proceed with the development of additional import infrastructures.
The import projects currently under construction and projects in advanced phase of development would satisfy expected Italian gas demand also in the High Scenario (108 bcm in 2015), guaranteeing the required flexibility to the domestic gas system.

The possibility to develop additional infrastructures would increase liquidity of the market and generate possible opportunities for export in Central Europe.
The many opportunities arising from:

- a strong gas demand growth in Europe (significantly driven by the power production);
- the need of developing/repowering new/existing gas supply infrastructures, after a decade of low investments, to balance the yearly demand and to improve the security of gas supply;
- the possibility for new potential players, midstream promoters, to enter the market traditionally based on the relations between importers and exporters; and
- the Italian potential rule as a transit country of significant gas volumes to North Europe countries (France, Germany, UK)

have been captured by Sonatrach, Edison, Enel, Wintershall, Hera and Sardinian companies Sfirs and Progemisa through Galsi S.p.A, a special purpose company which has been set up in January 2003 for the realization of the pipeline from Algeria to Italy via Sardinia.
STRATEGIC RELEVANCE AND CAPACITY

Strategic Relevance of the GALSI Project

- Shorter and more efficient route to reach the barycentre of Italian gas demand and further on the Central EU market
- Possibility of supplying Sardinia not yet reached by the gas national grid
- Joint venture between a strong gas exporter and strategic Italian and European Partners with consolidated downstream market presence, including regional Partners directly interested in developing the gas local market
- Sponsors with a sound financial capability

The GALSI Project has been included among the TEN-E priority projects for the European Union and within the relevant national strategic infrastructures for the Italian and Algerian Governments
The GALSI project consists in the realisation of a pipeline for the import of Algerian gas to Italy through Sardinia.

- **Capacity**: 8 Bcm/y
- **Offshore Algeria – Sardinia**: 1x24”, approx. 300 km; depth: 2100-2700 m
- **Onshore Sardinia**: 42”, approx. 300 km
- **Offshore Sardinia – Italy (Mainland)**: 1 x 28”, approx. 300 km; depth: 900 m
- **Investment**: approx. 1.800 M€
- **Commercial Operations**: 2010-2011
On June 2006 Sonatrach launched a procedure for the sale of gas through the Galsi pipeline.

Gas volumes have been allocated among some of the shareholders and third parties as follows:

<table>
<thead>
<tr>
<th>Company</th>
<th>Gas Volume</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edison</td>
<td>2 bcm</td>
<td>(25%)</td>
</tr>
<tr>
<td>Sonatrach</td>
<td>2 bcm</td>
<td>(25%)</td>
</tr>
<tr>
<td>Enel Produzione</td>
<td>2 bcm</td>
<td>(25%)</td>
</tr>
<tr>
<td>Hera</td>
<td>1 bcm</td>
<td>(12.5%)</td>
</tr>
<tr>
<td>ASCO Piave</td>
<td>0.5 bcm</td>
<td>(6.25%)</td>
</tr>
<tr>
<td>World Energy</td>
<td>0.5 bcm</td>
<td>(6.25%)</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>8.0 bcm</strong></td>
<td><strong>(100%)</strong></td>
</tr>
</tbody>
</table>

The relevant Agreement among Sonatrach and the above Parties has been signed in November 2006.
Galsi S.p.A. (Galsi), was incorporated on January 2003, as a joint stock company having as corporate purpose the realization of feasibility studies relating to a pipeline aimed at connecting Algeria to Italy via Sardinia (GALSI Phase 1).

A complex and deep analysis aimed to investigate technical aspects, legal framework, authorizative procedures and economical and financial feasibility has been carried on.

The studies have been supported by:

- Arthur De Little: Market study
- INTEC: Technical Feasibility
- Sherman & Sterling: Legal Preliminary Report
- BNP Paribas: Economical/ Financial Feasibility Study
- JP Kenny: Pre-FEED
A term sheet of a new Shareholders’ Agreement was signed on December 2006, so transforming Galsi SpA in an investment/development company with a capital increase up to an amount of Euro 30,000,000. This will allow to further proceed in the development of the Project (Phase 2).

**Galsi PHASE 2 Activities:**

- Front End Engineering Design (FEED)
- Authorization process (Italy and Algeria)
- Definition of the ship or pay agreements
- Definition of the EPC
- Definition of O&M agreements

Phase 2 will be concluded with the Final Investment Decision (FID). The FID is envisaged for 2008, after completion of all activities pertaining to Galsi Phase 2
The Governments of the Italian and Algerian Republic entered on 2001 into an intergovernmental agreement in order to promote the development of Galsi Project in its early stage.

Recently high level official meetings occurred between the Italian and Algerian Governments in order to support the project from the political side.

A new intergovernmental agreement is under definition granting the necessary political support to the project. It will cover the main aspects related to the develop framework for project, such as authorizations and consents, harmonisation of activities between different sections, safety measures for the construction and operation, environmental impact and taxation regime.
Back up
EDISON GAS INFRASTRUCTURES UNDER DEVELOPMENT

**Import**
- **ROVIGO LNG TERMINAL**
  - 8 bcm/yr
  - (Edison 8.4 bcm/yr)
- **IGI**
  - Import pipeline
  - 8 bcm/yr
  - (Edison 6.4 bcm/yr)
- **ROSGIANO LNG TERMINAL**
  - 8 bcm/yr
  - (Edison 7 bcm/yr)

**Storages**
- **COLLALTO**
  - (90% Edison)
- **COTIGNOLA S. POTITO**
  - (30% Edison)
- **CELLINO**
  - (100% Edison)
- **MAFALDA SINARCA**
  - (40% Edison)

**New Production**
- **Crotalia**
  - (100% Edison)
- **Algeria**
- **Panda (ITA)**

Timeline:
- 2007
- 2008
- 2009
- 2010
- 2011
- 2012