

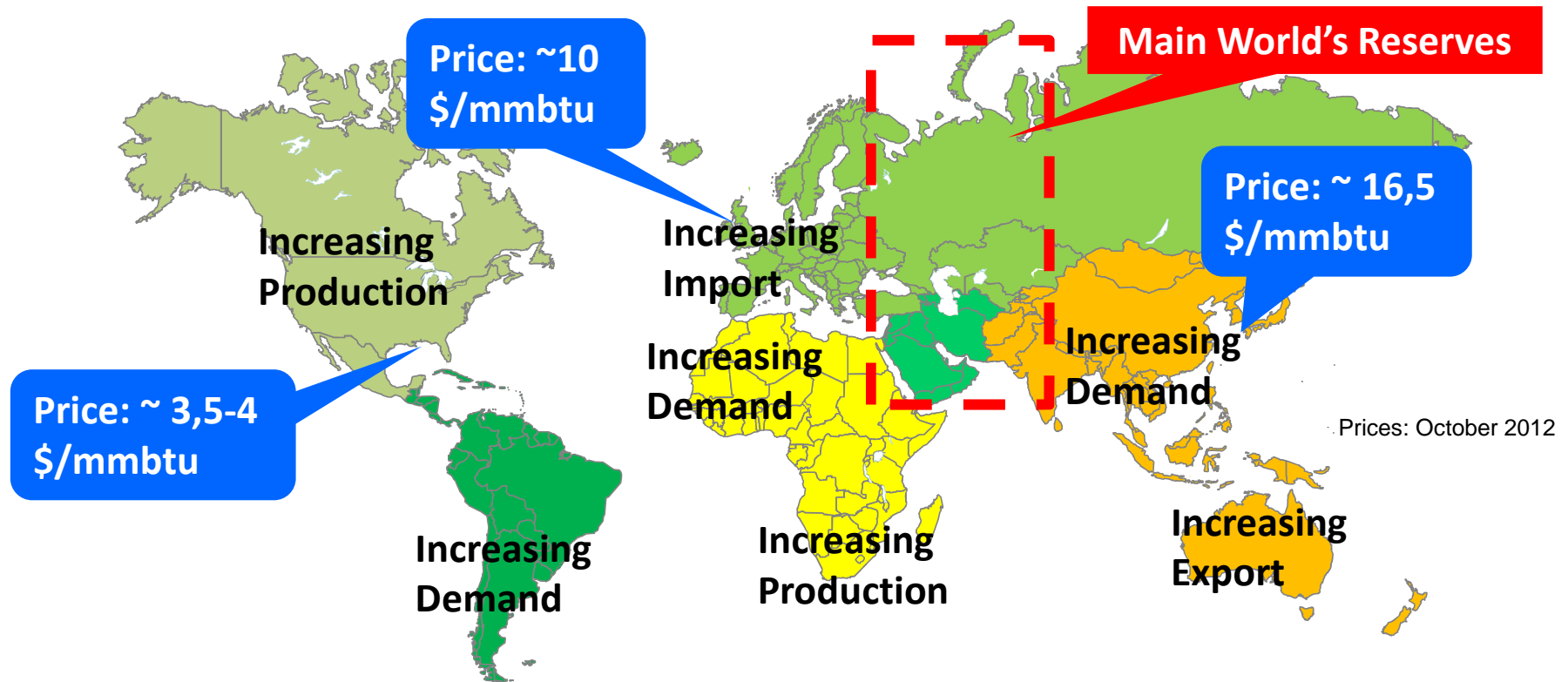
European Gas Security of Supply and the role of the Italian Gas System



World Economic Council

Paris, 30 November 2012

From a Regional to a Global gas market?



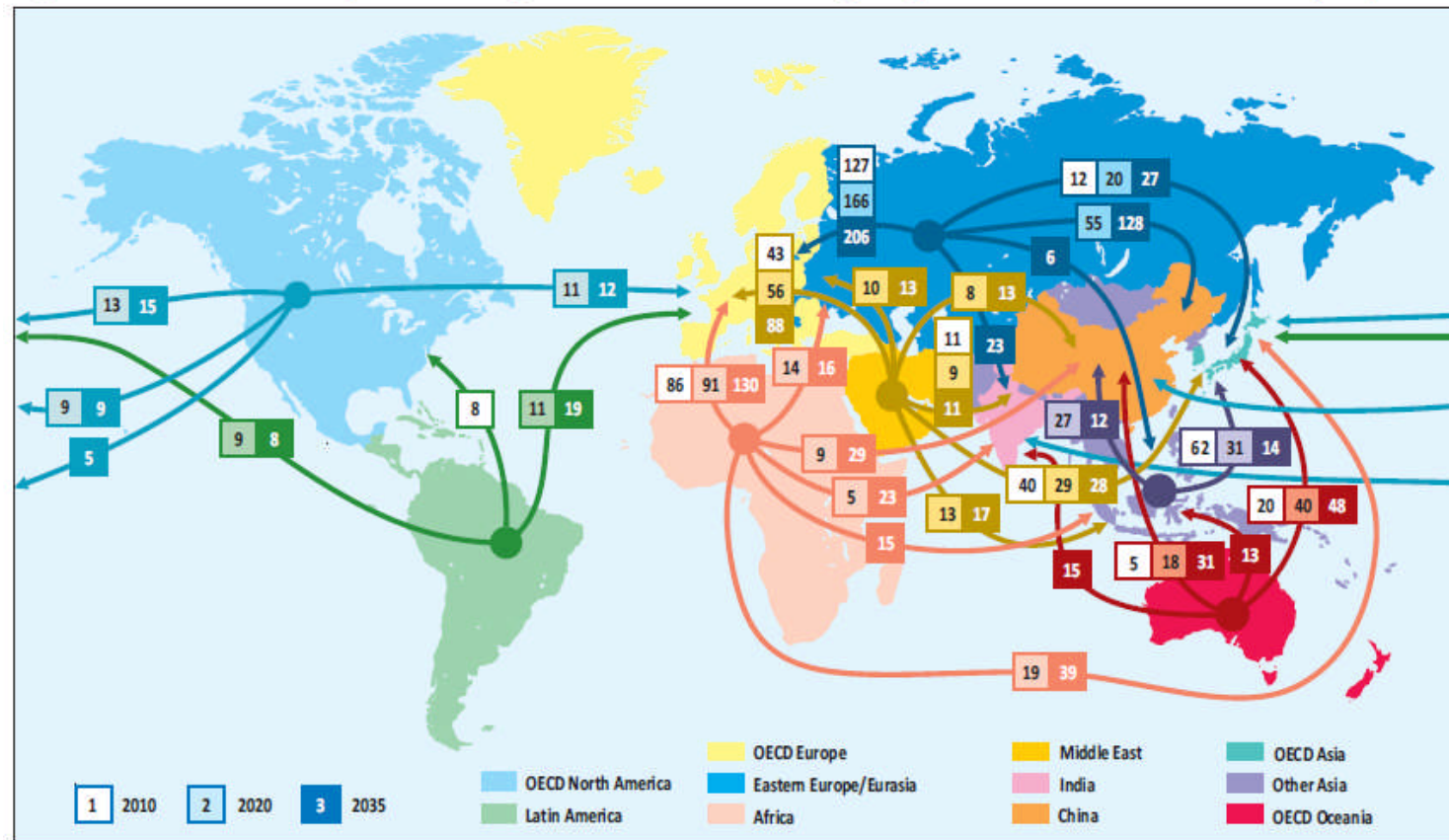
The gas market, with the increasing role of LNG, could potentially become a global market. Nevertheless, today markets display high price differentials, well above transportation costs.

Big uncertainties on the globalization of the gas market rely mainly on:

- **LNG exports from North America (capability and policy)**
- **China's import requirements (demand and domestic production)**
- **Gas Demand/Supply balance of traditional exporting countries (Russia; N. Africa)**

A Globalization scenario (WEO 2022)

Figure 4.10 ► Net inter-regional natural gas trade flows between major regions in the New Policies Scenario (bcm)



This map is without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

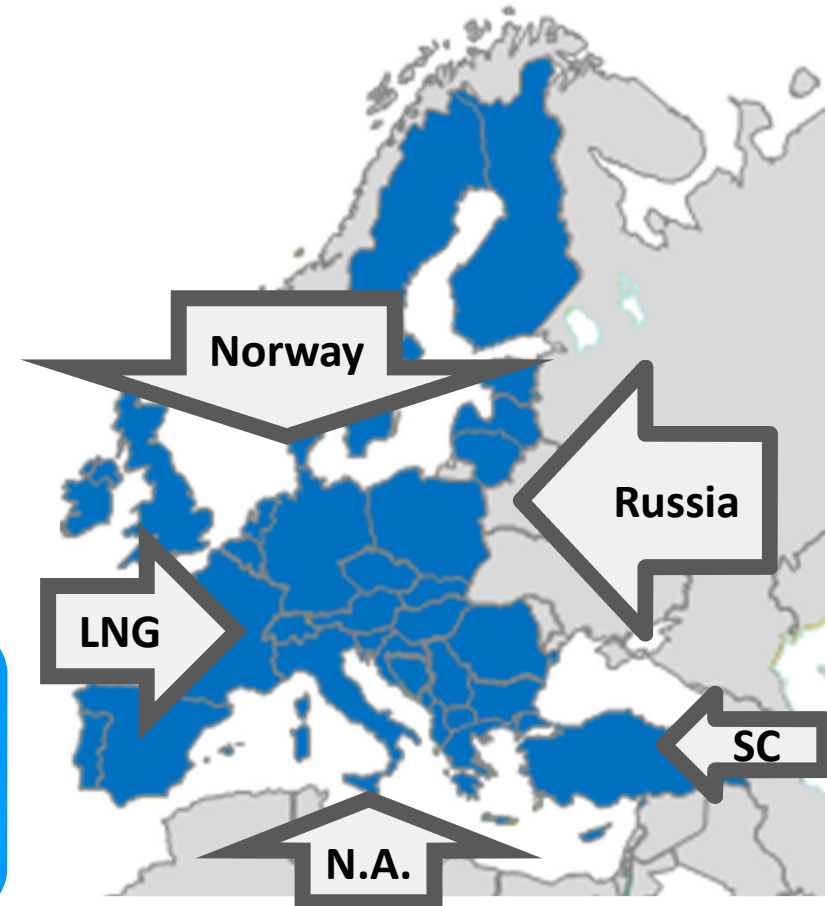
Note: Trade volumes less than 5bcm are not shown.

- Global Gas Demand driven by Non-OECD Countries
- Growing LNG trade with increasing role of US, Africa and Australia allowing also ME exports to shift towards Europe.

European gas demand/supply balance

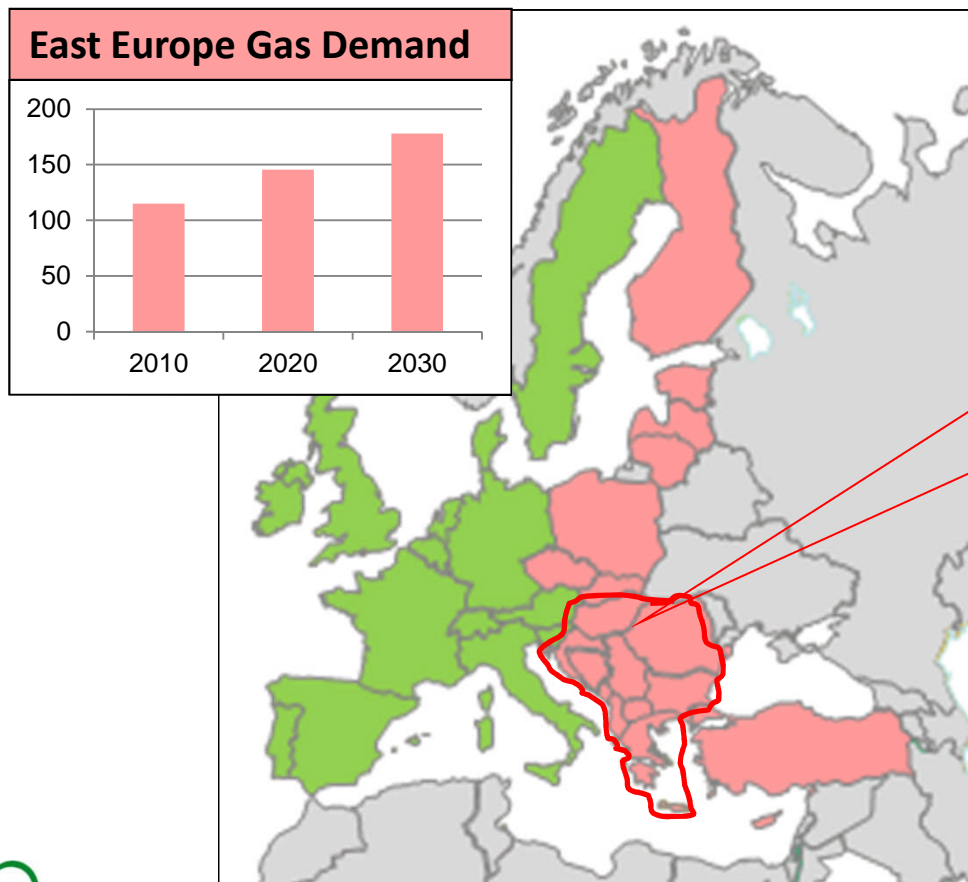
- European additional import requirements will amount to approx. 150 bcm/y in 2030, driven by **demand increase** (post 2020) and **drop of domestic production**.
- Additional imports require the identification of **new supply sources** and routes/ **infrastructures**.

Assessment of European Security of Supply issues requires Sub-Regional understanding of Market dynamics



EAST Europe

- European gas demand growth is concentrated in East Europe.
- Large dependency on a single gas supplier.
- Limited production capabilities (shale gas potential in Poland).
- Limited contribution of LNG.



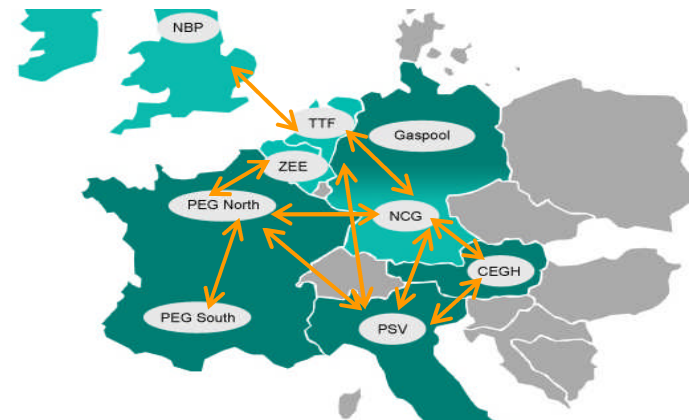
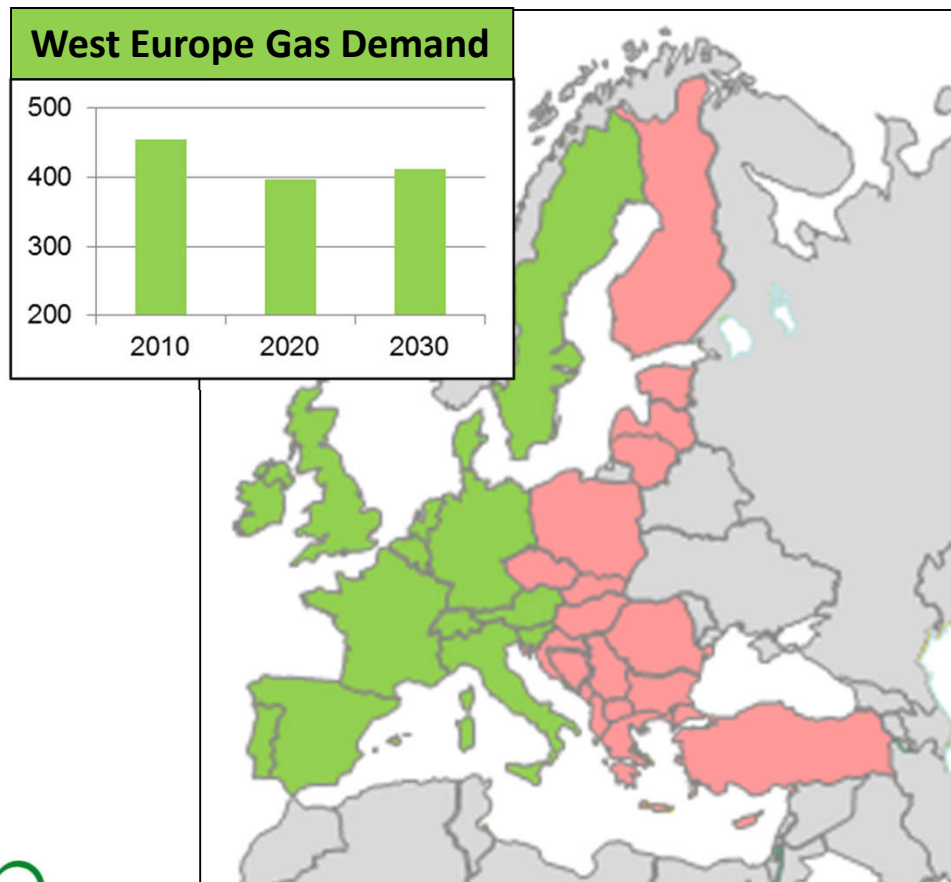
SEE countries, in particular, remain dependent mostly from a unique infrastructure, the pipeline from Russia through Ukraine, exposing the region to serious energy supply risks.

Priorities in East Europe are:

- to add and diversify routes and sources of gas supply
- To maximize contribution of domestic productions
- To secure participation to LNG global market

WEST Europe

- Gas consumption reduction/stability.
- Additional Import requirements driven by declining production.
- Most of the countries have access to diversified sources of gas.
- Insufficient level of intra-EU cross-border capacity availability and different levels of markets' liquidity represent the main obstacles to market integration.



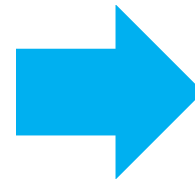
The priority is to enhance availability of cross-border capacity by means of new infrastructures and regulations in order to foster the development of the Internal Gas Market

The Italian Gas System

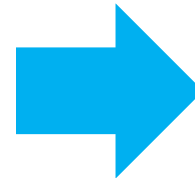


- Existing
- Under Construction
- - Authorised

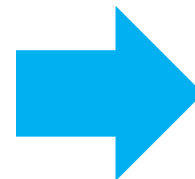
The Italian gas system could provide significant contribution to European security of supply by evolving into a transit gas hub for Central and North-West Europe, leveraging on:



abundant and diversified existing import capacity (4 pipes and 2 LNG terminals)



the existing interconnections with Central and North-West Europe suitable to re-export gas



several new infrastructure projects (2 pipes and 3 LNG) already authorised

The National Energy Strategy

The objective of transforming the Italian gas system into a transit hub for Europe has been included by the Italian Government among the priorities of the **National Energy Strategy** currently under public consultation.

In particular, the Government envisages a set of measures to favor the development of the Italian hub:

1

Promote cooperation among Member States, NRAs and TSOs to ensure **full utilization of capacity** into adjacent systems (in particular of Transitgas)

2

Build **strategic infrastructures** (mainly LNG terminals) to ensure capacity availability (to be paid by the system)

3

Promote **reverse flow capacity** towards northern and central Europe

4

Establish a effective and liquid **Gas exchange** with spot and forward markets

Edison / EDF contribution to European gas supply security

