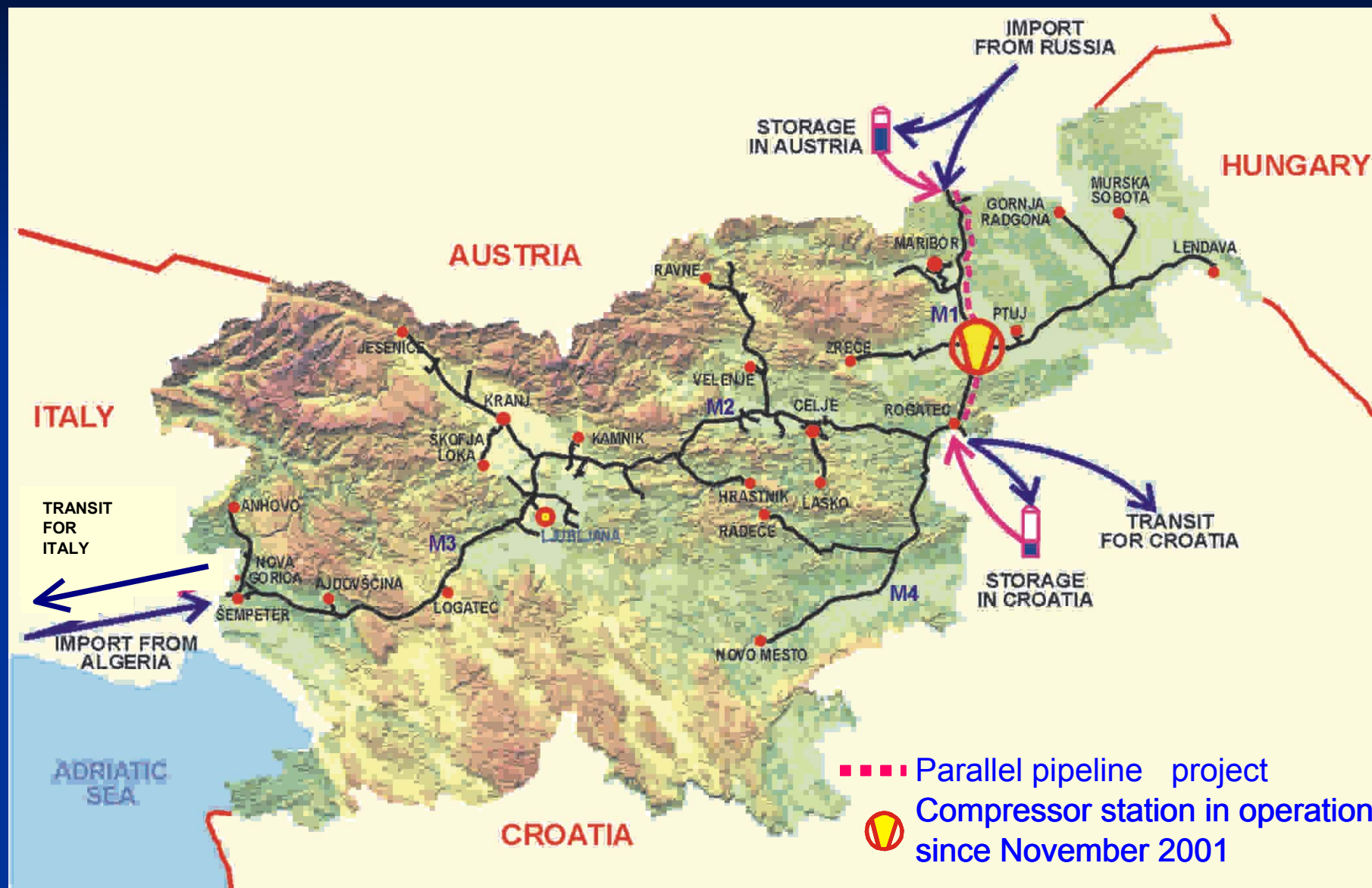


NATURAL GAS MARKET IN SLOVENIA

2004

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NATURAL GAS MARKET IN SLOVENIA IN 2004

Slovenia joined European Union on 1 May, 2004

In May 2004, Energy Law was adopted with necessary amendments to comply also with EU Gas Directive. Among various possibilities how to legally divide transport and supply activities in wholesale gas company Geoplin d.o.o. it is prescribed in Energy Law to establish a new legal entity named Geoplin plinovodi d.o.o. (Geoplin Pipeline d.o.o.) being responsible for all activities related to transport of natural gas in Slovenia and being also the legal owner of all infrastructure.



Taking into account the size of the market (1,1 mrd m³/year) and a number of all employees (150) this will significantly increase the operational costs of the business.

New company Geoplin plinovodi d.o.o starts performing its business on 1.1.2005. At the end of 2004 Regulator – Agency for Energy also issued all necessary acts among others methodology for regulating the price for transport and also price for 2005 itself.

The price is based on post stamp principle with seven tariff groups according to leased capacity and one related to customers linked to distribution grid.

Distribution companies (no one has more than 100.000 customers) in Slovenia adopted their business to a new law only on a principle of separated accounts for supply and transport.

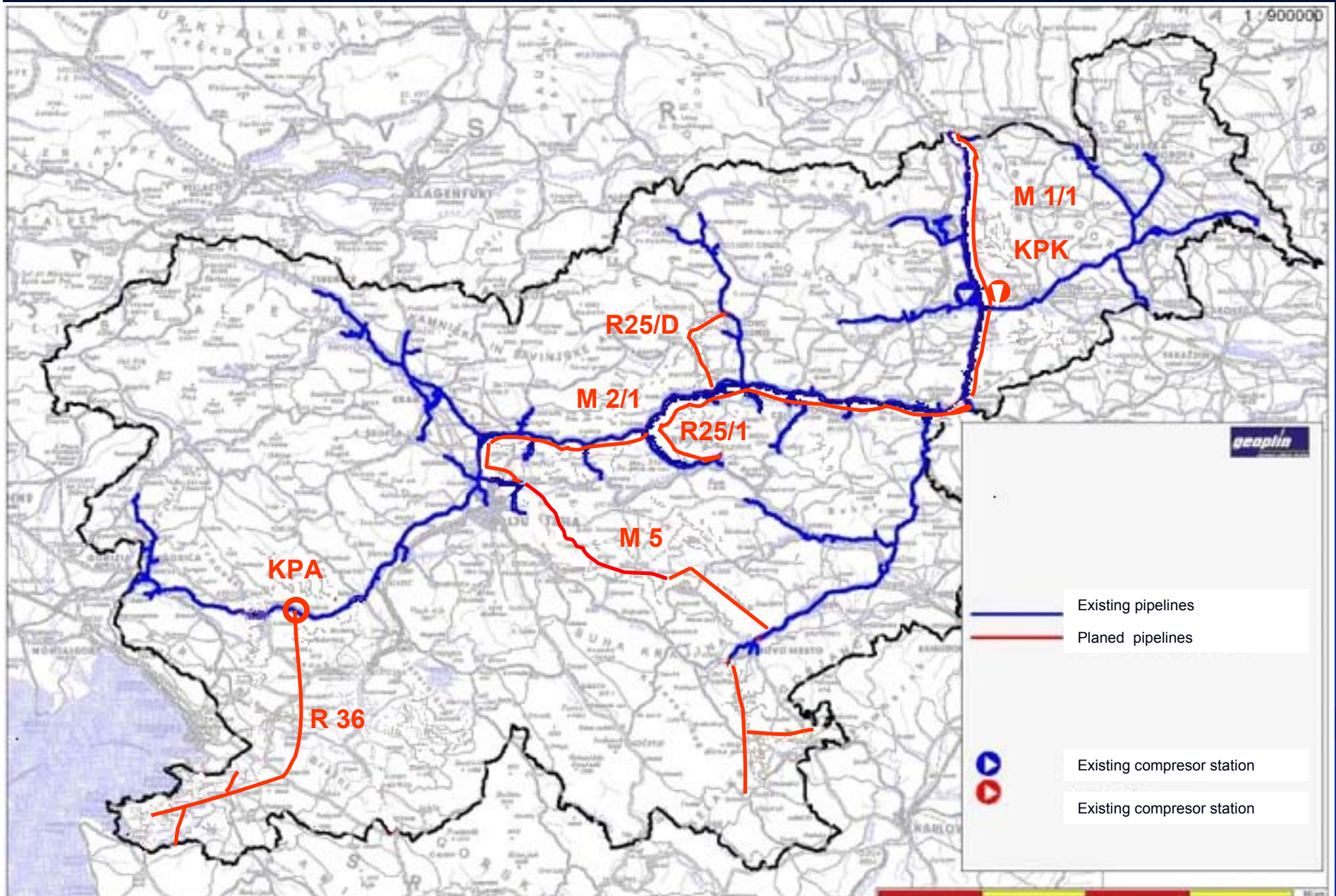
Nevertheless, that all wholesale customers of Geoplin d.o.o. are already eligible, all of them signed the supply contract for 2005 with existing partner namely Geoplin d.o.o., what means that Geoplin d.o.o. is in the time being the only shipper in newly established Geoplin plinovodi d.o.o.

Geoplin plinovodi d.o.o. started a new investment period. Nearly two third of the pipeline crossing the country in direction from Austria to Italy will be doubled and the second compressor station will be built until 2009. Of course some local pipelines will be newly laid down or doubled too.

The main reason for this development is the fact that Slovenia decided to up build significant power plants fired by natural gas in a near future and also the possibility to increase the national transit capacities. The fact that market is open and additional natural gas will be delivered as a result of competition among various suppliers and the solution how the company is organized complicated decision making process what might slow down finalisation for some of the projects.

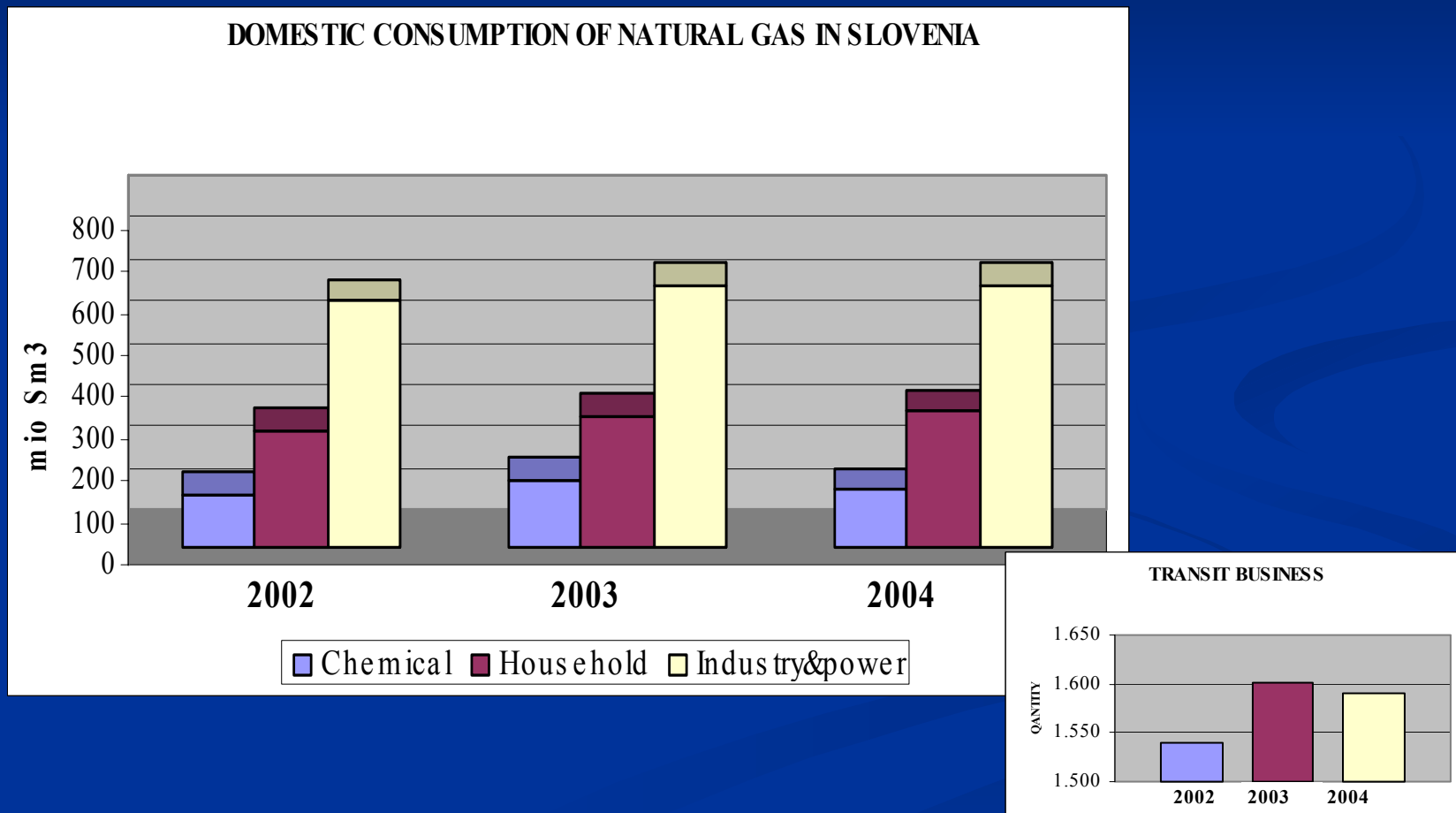
Figure 2

Slovenian gas Pipeline System Development Plan 2020



In the year 2004 Geoplin delivered 1,1 mrd m³ of natural gas to domestic customers which practically equals the quantity delivered in 2003. The same quantity was consumed by industry, chemical industry used 15 % less and household and commercial customers used 5 % more.

Also transport business remained practically at the same level as in 2003 that is around 1,6 mrd m³. Russian natural gas is transited from Austria to Croatia. Croatian gas produced in Adriatic sea is transited from Italy to Croatia and also some transit for various shippers was performed from Austria to Italy. Figure 3



Transit business

In a year 2004 it is the last year when the gas price, including commodity price, was regulated by the government by its decree, namely from 1.1.2005 on it is market price.

Figure 4 shows how wholesale price including excise and CO2 tax developed in 2003 and 2004.

