

Austria's Gas Sector in 2003 and 2004

Liberalisation of the gas market

Austria's gas market was fully liberalised as from the beginning of October 2002.

Energy Control Ltd ("E-Control") is since then in charge of the supervision, monitoring and regulation of the gas sector.

The underlying concept of the gas market is the balance group model (virtual groupings of suppliers and customers). Within these groups - which are each managed by a balance group representative - supply and demand are balanced.

All the balance groups are embedded in the three control areas (eastern control area encompassing all regions except Tyrol and Vorarlberg; control area Tyrol and control area Vorarlberg).

Each system user (injecting party and withdrawing party) has to join a balance group or to form a balance group of his own.

Two further actors were necessary for the implementation of the balance group model - the clearing and settlement agent and the control area manager.

The clearing and settlement agent's tasks are e.g. the registration of balance group representatives (after having checked their credit-worthiness), to seek offers for balancing energy and the setting up of schedules for calling balancing energy.

The control area manager is responsible for providing the system service and for the actual calling of balancing energy.

Soon after 1 October 2002 E-Control started reviewing the tariffs of distribution system operators. This first review resulted in a first tariff reduction in one region in 2003 followed by the implementation of new - and mainly lower - tariffs all over Austria in 2004.

In general it can be said that competition is more and more becoming a reality in the Austrian gas market as consumers (including households and SME) can choose among up to six gas suppliers.

Market Developments

The former structure of Austria's gas market was characterised by regional monopolies and large shares of companies held by the public sector.

The objective of gas market liberalisation was to achieve economic efficiency gains by means of the introduction of competition and through prices resulting from the free interplay of supply and demand.

All customers do now have the possibility to freely choose their suppliers on the basis of prices and product quality.

Since the beginning of liberalisation tendencies of concentration can be observed. Both in the electricity and the gas sector various forms of co-operation and merger of domestic and foreign companies at regional and inter-regional level occurred.

Gas Supply

Following are some data concerning Austria's natural gas supply. Final data for 2004 are not yet available.

Mio. Nm ³	Natural Gas Supply in Austria				
	1999	2000	2001	2002	2003
Domestic Production	1.932	1.490	2.264	2.272	1.892
Net Imports (excl. Transit)	6.124	6.200	5.886	5.809	7.021
Gross Domestic Consumption	8.056	7.690	8.150	8.081	8.913
Losses, Metering Differences, Own Consumption	338	417	389	222	361
Supply to Consumers	7.718	7.273	7.761	7.859	8.552

Source: E-Control

In Austria gas is produced by two companies. Imports do mainly (~ 74 % in 2003) come from the Russian Federation as well as from Norway and Germany.

Proved natural gas reserves amounted to about 10,7 annual production volumes at the end of 2003.

Gas Storage

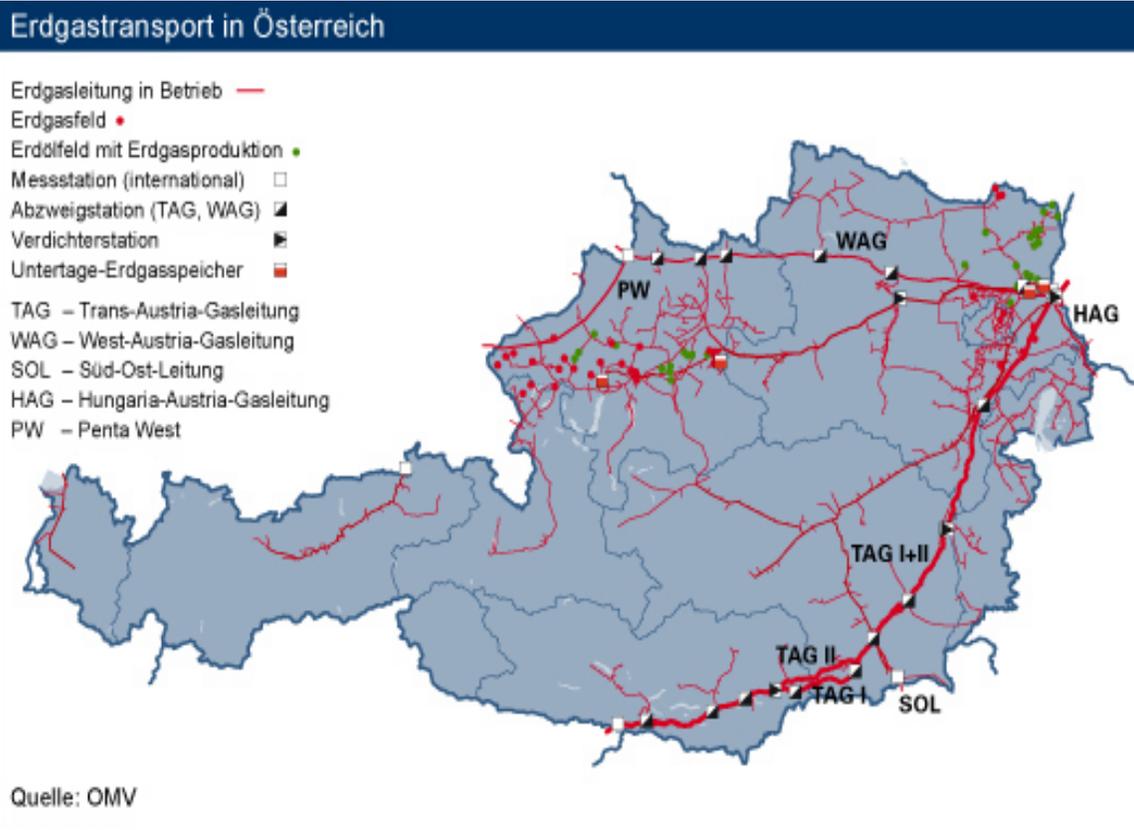
In order to keep cost low it is necessary to use pipelines to capacity over the whole year. Gas supply is rather constant. Consumption during the summer is significantly lower than in winter. Daily and seasonal fluctuations are balanced by means of gas storage facilities.

In Austria two companies operate four storage facilities with a total storage volume of 2.8 billion m³.

Gas Transmission and Distribution

The total length of the Austrian distribution network is approximately 30.000 km. In addition there are transmission pipelines which are used for transit but also for the supply of the Austrian market.

Gas transit from Russia via Slovakia through Austria towards destinations in western and southern Europe is carried out by means of a network of pipelines which is becoming more and more dense.



Every year approximately 27 billion m³ gas are transported through Austria. Transit capacity is expected to rise to 32 billion m³ in 2007.

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Annex: The Nabucco Pipeline Project

A cooperation agreement was signed between

- Turkish Botas,
- Bulgargaz,
- Transgaz from Romania,
- MOL Transmission from Hungary and
- OMV Gas

for the preparation of a feasibility study on the construction of a gas pipeline connecting the Middle East and Caspian Regions with the centre of Europe.

The route of the pipeline will start at the Turkish Georgian and Turkish Iranian border. The pipeline will follow the route of already existing pipelines through Turkey to Bosphorus and will lead through Bulgaria, Romania, Hungary to Austria. The length of the pipeline is about 3200 km.

The expected total capacity at the various entry points in Turkey will be 25 to 31 bcm/y. The preliminary total budget figure for the investment is about 4.6 billion €.

The construction shall start in the 2nd half of 2006, the start up of transmission shall take place at the end of 2009.

The main goals of the project are

- opening up a new gas supply corridor for Europe,
- raising the transit role of the participating countries along the route
- contribution to the supply security for the partner countries and for Europe as a whole

The feasibility study has been finished successfully. Now, all the results are going to be synchronized, and the consortium has started with the tender process for the basic and detailed engineering.