ROUND TABLE (RECENT DEVELOPMENTS)

ITALY

GAS CONSUMPTION

Italy's 2010 gas consumption increased by 6% year on year from 78 to 83 bcm as a result of a partial recovery after the 2009 slowdown of the energy needs due to recession.
Industrial consumption showed the highest improvement (+7%), closely followed by the residential sector (+7%, partially due to weather conditions), whereas a lower increase characterized the thermoelectric sector (+4%).

On July 2010 the Transitgas pipeline was severely affected by major thunderstorms occurred during the early weeks of the month, with the interruption of gas transportation due to landslides. Over the Christmas holiday period, this main route for northern European gas to flow into Italy through Switzerland was restarted, helping to alleviate concerns about possible shortages of gas this winter.

During the first eleven months of the calendar year, domestic production and imports increased respectively by 4% and 9%. In particular, imports through Passo Gries were reduced by 30% due to the Transitgas disruption; therefore volumes coming from Algeria increased by 20% and the total amount of LNG imports in Italy also increased noticeably, mainly due to the Rovigo terminal activity.

P-GAS

On March 18th the Ministry for Economic Development published a decree implementing a trading platform for natural gas starting from May 10th 2010 with the purpose of increasing competition and flexibility on wholesale markets. Management and organization of this platform are entrusted to an independent operator, the GME (Gestore del Mercato Elettrico) the same in charge of the power trading platform.
The decree stated that trading on the so-called P-Gas platform would initially involve just certain parcels of gas imported from countries outside the EU under quotas set by the energy regulator (AEEG). However, for the moment volumes traded are still moderate.

Decree 130/2010

On August 18th, the Ministry of Economic Development issued a decree implementing new provisions on antitrust ceilings for gas sales, on storage services and on gas balancing regime. In particular, in relation to storage services, decree 130/2010 requires that the development of

new storage capacity be funded through competitive procedures open to final gas intensive customers (i.e. large industrial customers or industrial associations, aggregations of Small/Medium Enterprises and gas-fuelled power plant operators).

TENP, Transitgas and TAG pipelines stakes

During the last months of 2010, eni has started the process of selling its stakes in the companies owning the TENP and Transitgas pipelines which carry gas from northern Europe into Italy. The divestment strategy is part of a binding agreement with the European Commission to sell the entirety of its stakes in three European gas transit pipelines to settle an EU antitrust investigation.

Eni's stake in the Trans-Europa-Naturgas pipeline (TENP), which transports gas from Germany up to the Switzerland border, was 49%, and 46% in Transitgas. The divestment of eni's stake in the third pipeline of the binding agreement, the Trans Austria Gasleitung (TAG) – transporting Russian gas through Slovakia and Austria into Italy — is also still underway.

Developments in new LNG regas terminals

In July 2010, BG Group has confirmed that it has secured the environmental permit for the troubled 8-bcm/y Brindisi LNG terminal; however, BG still has obstacles to overcome, as local opposition is strong.

In December 2010, Edison and BP obtained the environmental permit for the Rosignano Mare regasification terminal, but the Tuscany region said the project was unsustainable since regional energy plan envisages only one regasification plant and the competing OLT offshore LNG project, backed by E.On and Iride, has received all its approvals and is moving ahead.