

Development of the Austrian Gas Industry in 2005

Current State of the Gas Industry in Austria

According to preliminary figures total gas consumption in 2005 increased by 5.6 % to 9 bcm compared to 8.6 bcm in 2004.

This increase is mostly due to colder weather which can be derived from the development of so called “heating degree days”: they increased in 2005 by nearly 6 % compared to 2004 and nearly the same percentage in relation to long time average.

Indigenous production decreased by 17 % to 1.6 bcm. The production level of OMV Exploration & Production GmbH remained stable but Rohöl-Aufsuchungs Aktiengesellschaft retracted gas production due to construction of a huge storage site at Haidach. The share of indigenous production therefore decreased from 20 % to 15 % of supply.

The main source of natural gas imports accounting for 9 bcm in total is Russia, representing about 60 % of supply. Imports from Norway and Germany have a share 25 % in total.

Large underground storage facilities are available to balance peak and seasonal demand. They are operated and marketed by OMV Gas GmbH and Rohöl-Aufsuchungs Aktiengesellschaft. The four facilities have a maximum working volume of 2.8 bcm and a maximum withdrawal capacity of 33 mcm p.d. At the end of year 2005 a quantity of 2.2 bcm was stored.

Technological Development

OMV Gas will expand the capacity of its Trans Austria Gas Pipeline (**TAG**) step by step till 2009. The TAG gas pipeline extends from the Baumgarten gas hub in Lower Austria to Arnoldstein on the Italian border. The 380 km long pipeline delivers gas to Italy, Austria, Croatia and Slovenia. Currently, its total annual delivery capacity is 37 bcm

The completion of the third stage of the TAG Loop II extension will increase the total annual delivery capacity to approximately 41 bcm per year in 2007. Through the planned construction of the compressor station near Weitendorf (Styria) another 3.2 bcm per year will be added from 2008. The construction of another compressor station will increase the total capacity of TAG to 47.5 bcm per year starting with April 2009.

OMV Gas will expand the capacity of its West Austria Gas Pipeline (**WAG**) as well. This will happen step by step till 2011. The WAG gas pipeline extends from the Slovakian-Austrian border near Baumgarten gas hub in Lower Austria to Oberkappel on the German border where OMV's Penta West Gas pipeline and E.ON Ruhrgases'

MEGAL is connected to. The 245 km long pipeline delivers gas to Austria, Germany and via MEGAL further to France. Currently (2005), its total annual delivery capacity is 5.3 bcm per year.

First step of capacity expansion by construction of a compressor station in Rainbach was completed in January 2006 resulting in an annual delivery capacity of 7.1 bcm per year.

Second step of capacity expansion by construction of a compressor station in Kirchberg and revamp of existing compressors and pipeline facilities is foreseen to be completed in 2007, expanding the pipeline's capacity up to 9 bcm per year.

Third step of capacity expansion by construction of a partial loop in spring 2008 will increase the capacity up to 9.6 bcm per year.

And finally, fourth step of capacity expansion by construction of a further partial loop will increase the capacity up to 11 bcm/year in 2011.

Nabucco Gas Pipeline

European gas demand is expected to increase considerably in the current and the upcoming decade. Sufficient gas reserves around Europe are available to meet additional future gas demand. The big challenge however is to transport this gas to the consumers. Nabucco Gas Pipeline - is an answer to this challenge. OMV Gas together with other partners - MOL Plc., Hungary, S.N.T.G.N. Transgaz S.A., Romania, Bulgargaz EAD, Bulgaria and Botas Petroleum Pipeline Corporation, Turkey have developed a project which will connect Europe to the Caspian region and the Middle East as the regions with rich gas reserves having yet no connection to the European gas markets. Thus, a totally new supply route for Europe is to be created.

Strategic Goals of the Project are as follows:

- Opening up a new gas supply corridor for Europe and for the countries involved in the project, from the Caspian region and the Middle East, for very cost-effective gas sources.
- Raising the transit role of the participating countries along the route.
- Contribution to the security of supply for all partner countries, SEE-countries and for Europe as a whole.
- Strengthening the turntable position of Austrian pipeline grid and the Hub Baumgarten within the European network.

At present, half of the consumption within the EU is covered by indigenous production. The imports coming from Russia, Norway, Algeria and to a very small part from other sources amount to 51 % in total. In the future, this picture will change substantially. The share of natural gas as primary energy source will increase from 23% to 34% on the long run. The consumption will increase, and we will face a decline of the production within Europe. That all will lead to considerably increased imports to Europe (Based on EU forecasts up to 80% in 2030). Market studies indicate that in 2020 volumes between 25 and 30 bcmy of natural gas pipeline

transports from the Caspian region and Middle East are reasonable in order to cover the expected increase of European gas demands.

According to the geographical parameters the Nabucco gas pipeline is very competitive for the targeted markets in Central and Western Europe as well as in the Balkans.

In 2004 a Feasibility Study was completed with following major findings:

- Routing corridor defined
- Border Crossings fixed
- Pipeline Diameter: 56"
- Distance: 3,300 km
- Nominal pressure: 90 bar
- Investment: 4.6 bill. EUR
- Gas flow through Nabucco:
 - 2011: Base Case 4.5 bcm, High Case 13 bcm
 - 2020: Base Case 25.5 bcm, High Case 31 bcm

The final conclusion of the study is that the Project is technically and financially feasible and bankable. At present the Project has been in the development phase which will last till 2007. Next phases are scheduled as follows:

- 2008 – 2010: Construction, 1st step
- 2011: Start of Operating
- 2011 – 2012: Construction 2nd step

Pipeline Route:

