MINISTERIO
DE ECONOMÍA

DIRECCIÓN GENERAL DE POLITICA ENERGETICA Y MINAS

SUBDIRECCION GENERAL DE HIDROCARBUROS

OVERVIEW OF THE SPANISH GAS MARKET IN THE YEAR 2003

CONSUMPTION

♦ **NATURAL GAS:**

- In year 2003 initial reports suggest a total natural gas sales in Spain of 275 000 Gwh with a 12.92% growth rate in comparison with 2002. 235 000 Gwh were sold in the industry/households/commercial market, 18 975 Gwh more than previous year (8.78% growth rate), and the rest was sold to power plants.
- Again, during year 2003, power generation was the market with the strongest growth, with a consumption of 40 000 Gwh, a 46.36% rise in comparison with 2002 figure (27 329 Gwh), driving its share in the total consumption from a 11% in year 2002 to a 15% last year, because of the operation of three new power plants. For the year 2004 another five new combined heat and power plants (CHP) will be put into service.

♦ **LPG**:

LPG sales continue with the declining trend of past years, in accordance with the expansion of natural gas. The drops happened both in the cylinders and in-bulk markets, falling total sales from 2 340 million Tonnes sold in 2002 to 2 274 million in year 2003.

Also in January 2003 Tax of LPG for use as fuel for private vehicles, was lowered from 795 to 125 cts/litres.

INFRAESTRUCTURE & BUSINNESS DEVELOPMENT

♦ In the year 2003 investment efforts from companies has gone on, especially focused in increasing entry capacity to the network and reinforcing existing main lines.

♦ In the month of November, the Energy Secretary of the Ministry of Economy inaugurated the first 62 Km section of the new gas pipe Huelva-Madrid. When finished it will increase drastically the transport capacity of natural gas from the Magreb gas pipe and the Huelva LNG terminal to the centre of Spain. During the month of December another 45 Km section of the gas pipe was connected.

♦ During year 2003, 122 Km of transport gas pipe (operation pressure over 16 bars) were put in operation and through year 2004 about 1.400 Km are expected to start operation (550 Km belongs to the new Huelva-Madrid gas pipe). The other 750 Km of gas pipes will expand the natural gas grid all over the country.

- Also during August 2003 the new LNG plant locate in the sea shore of Bilbao (Spanish North East) started test operation and it began commercial operation in the month of December. It adds 800 000 m^3/h of new emission capacity and two 80 000 m^3 LNG tanks to existing plants (Cartagena, Huelva y Barcelona). It will supply gas to the attached power plant (CHP) and the industry and residential markets in the North of the country. The property of the plant is divided among BP, Repsol-YPF, the electric utility Iberdrola and “Ente Vasco de la Energía”, an energy body of the Regional Government.
- In 2003, existing LNG terminals were enlarged: In the Barcelona terminal a new sea port was built in order to unloading 140 000 m^3 vessels. Also a 150 000 m^3/h vaporizer in Huelva terminal was replaced.
- Along year 2004 it is projected to boost emission capacity of the Cartagena LNG terminal reaching 1 105 000 m^3/h and also a new 130 000 m^3 LNG tank will be built.

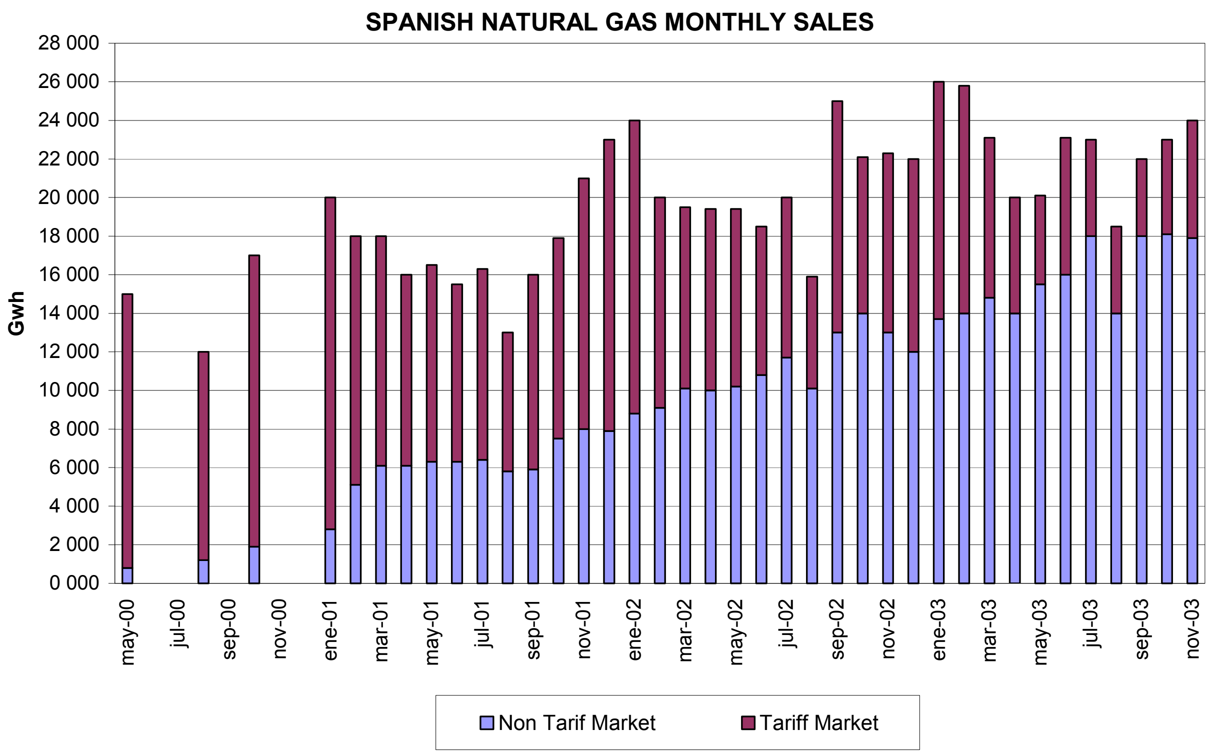
MARKET OPENING

The complete opening of the Spanish Gas Market took place in January 1st 2003 (industry, residential and commercial sector), in accordance with the Royal Decree 6/2000. This regulation set the aperture schedule, lowering gradually the threshold to become eligible customer: From three million m^3 in August 2000, one million in January 2002 and fully aperture in January 1st 2003.

This calendar was followed by a set o regulatory measures, the core is the new economic framework that included a postal TPA tariff settled on January 2002, and the Royal Decree 14/34/2002 which regulated the activities of transport, distribution and supply of natural gas.

The effects of all these legislative instruments, complemented with several reductions in the level of TPA tariff have lead to an impressive growth of the market share of new suppliers and to important discounts in the price paid for final consumers.

In the year 2003 estimated consumption in the TPA market amounted to 183 250 Gwh, with 185 000 customer while total market reached 275 000 Gwh and 5 300 000 customers. That means 66% share of total market. Along year 2004 it is estimated that around 500 000 residential customers will choose a new supplier.


SPANISH NATURAL GAS MONTHLY SALES
Gwh
28 000
26 000
24 000
22 000
20 000
18 000
16 000
14 000
12 000
10 000
8 000
6 000
4 000
2 000
0 000
may-00
jul-00
sep-00
nov-00
ene-01
mar-01
may-01
jul-01
sep-01
nov-01
ene-02
mar-02
may-02
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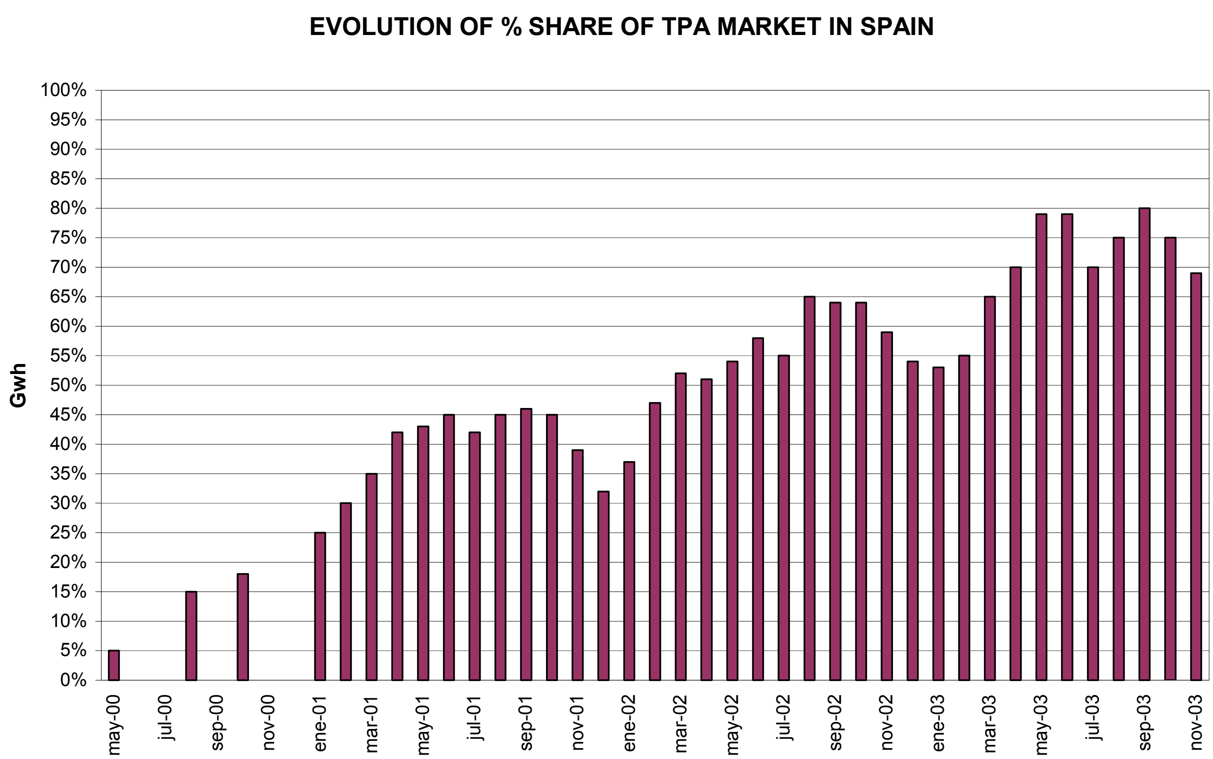
Non Tarif Market
Tariff Market


EVOLUTION OF % SHARE OF TPA MARKET IN SPAIN
Gwh
100%
95%
90%
85%
80%
75%
70%
65%
60%
55%
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
may-00
jul-00
sep-00
nov-00
ene-01
mar-01
may-01
jul-01
sep-01
nov-01
ene-02
mar-02
may-02
jul-02
sep-02
nov-02
ene-03
mar-03
may-03
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nov-03

SUPPLIES

- Total natural gas imports (LNG + gas) during year 2003 increased a 13.7%, and it amounted to 276 240 Gwh (242 929 Gwh during year 2002). This growth was backed on LNG purchases (175 091 Gwh, 21.7% more than year 2002) while GN acquisitions stagnated in 103 678 Gwh (104 933 Gwh in year 2002).

- During year 2003, Algeria with 161 630 Gwh continued as the main supplier of natural gas of Spain and keeping the same quota in the imports basket than the year 2002: 58.5% of total imports.

- GNL from Nigeria have raised a 158%, scaling from 18 695 Gwh in year 2002 to 48 280 Gwh in the 2003, turning this country into the second supplier of Spain after Algeria.

- Therefore Gulf countries (Abu Dhabi, Qatar and Oman) come down to the third position with 29 335 Gwh (40 636 Gwh in the previous), closely followed by Norway that sold 26 640 Gwh, nearly the same figure of year 2003.

DOMESTIC PRODUCTION

- The indigenous production plunged from 5 831 Gwh in the year 2002 to 2 529 Gwh in year 2003 (57% reduction). In year 2003 it only covered 0.92% of consumption, this small significance of this Spanish production justify its high variability.

REGULATORY POLICIES

- In January 2003 the Ministry of Economy set in force three new Orders updating the economic framework of the Spanish gas system: In the Order 30/2003 revenues for local distribution companies and for transport firms were increased by a 8% and 11% respectively, in the second one (Order 31/2003) tariffs for final users in the regulated market were reduced by a 1.25% and finally Order 32/2003 lowered a 1.68% TPA tariffs.

- Also through year 2003 the Ministry of Economy produced two instructions that adjusted tariff for final users in accordance with evolution of import cost of natural gas: in the month of April (a 1.1% cut) and a 3.4 in the month of July

SPANISH NATURAL GAS CONSUMPTION

	1996	1997	1998	1999	2000	2001	2002	2003 (*)
HOUSEHOLD-COMMERCIAL	21 271	21 648	26 488	31 979	34 253	40 183	42 855	50 245
INDUSTRIAL	77 511	93 938	111 309	128 825	144 993	152 933	167 006	178 677
RAW MATERIAL FOR FERTILIZER	6 590	6 825	6 807	6 103	6 130	6 087	5 752	6 078
POWER PLANTS	2 293	20 425	7 206	7 673	10 378	12 730	27 375	40 000
TOTAL	**107 665**	**142 836**	**151 810**	**174 580**	**195 754**	**211 933**	**243 525**	**275 000**

Unit: Gwh (*) Provisional

TOTAL NUMBER OF NATURAL GAS CUSTOMERS

1996	1997	1998	1999	2000	2001	2002	2003 (*)
2 990 535	3 219 280	3 492 660	3 845 653	4 203 385	4 606 335	4 935 784	5 316 000

(*) Provisional

SPANISH NATURAL GAS SUPPLIES

IMPORTS	1996	1997	1998	1999	2000	2001	2002	2003 (*)
ALGERIA LNG	55 502	37 842	41 169	45 618	48 512	50 603	69 144	87 121
ALGERIA NG	7 465	54 990	59 921	70 209	71 576	62 265	72 669	74 509
LIBYA	14 008	12 980	10 561	11 201	9 293	9 228	7 341	8 590
NORWAY	15 348	20 045	26 719	26 773	26 856	26 833	26 433	26 640
AUSTRALIA	488	0	0	0	0	0	835	788
GULF COUNTRIES	10 943	15 774	12 966	13 397	8 752	20 601	40 226	29 335
OTHERS	4 352	7 198	4 309	3 460	3 518	0	2 244	0
TRINIDAD Y TOBAGO	0	0	0	8 687	9 157	6 806	5 342	977
NIGERIA	0	0	0	888	21 822	28 209	18 695	48 280
TOTAL IMPORTED	**108 107**	**148 829**	**155 645**	**180 233**	**199 486**	**204 545**	**242 929**	**276 240**

Unit: Gwh (*) Provisional

SPANISH LPG SALES

	1999	2000	2001	2002	2003 (*)	2003/2002
L.P.G. CYLINDERS	1 756	1 744	1 597	1 569		-1,76%
L.P.G. IN BULK	736	804	735	771		4,93%
TOTAL	2 492	2 548	2 332	2 340		0,33%

(*) Provisional