gas & power

Natural Gas: How will the Crisis affect Demand and Supply of Natural Gas?

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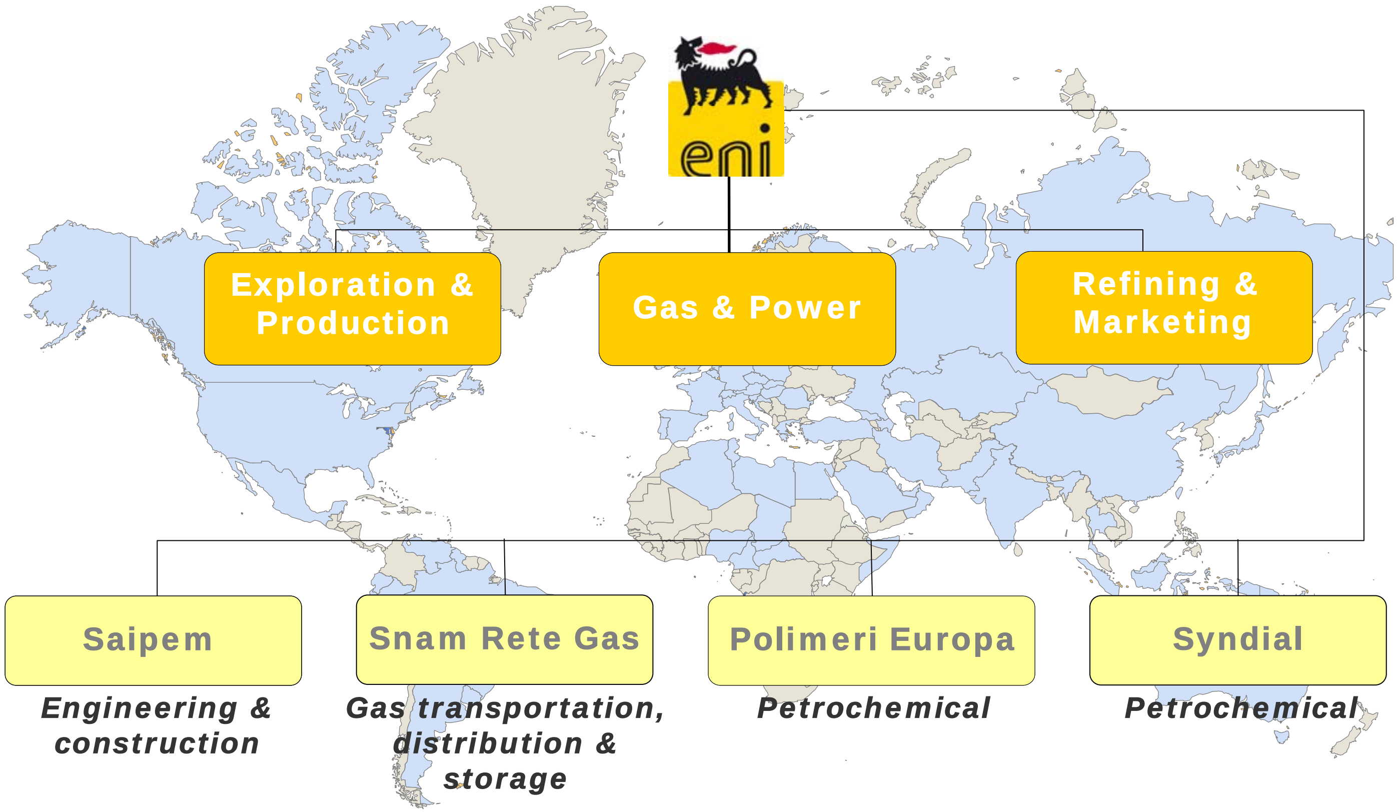
eni

eni in the world

Active in more than 70 countries

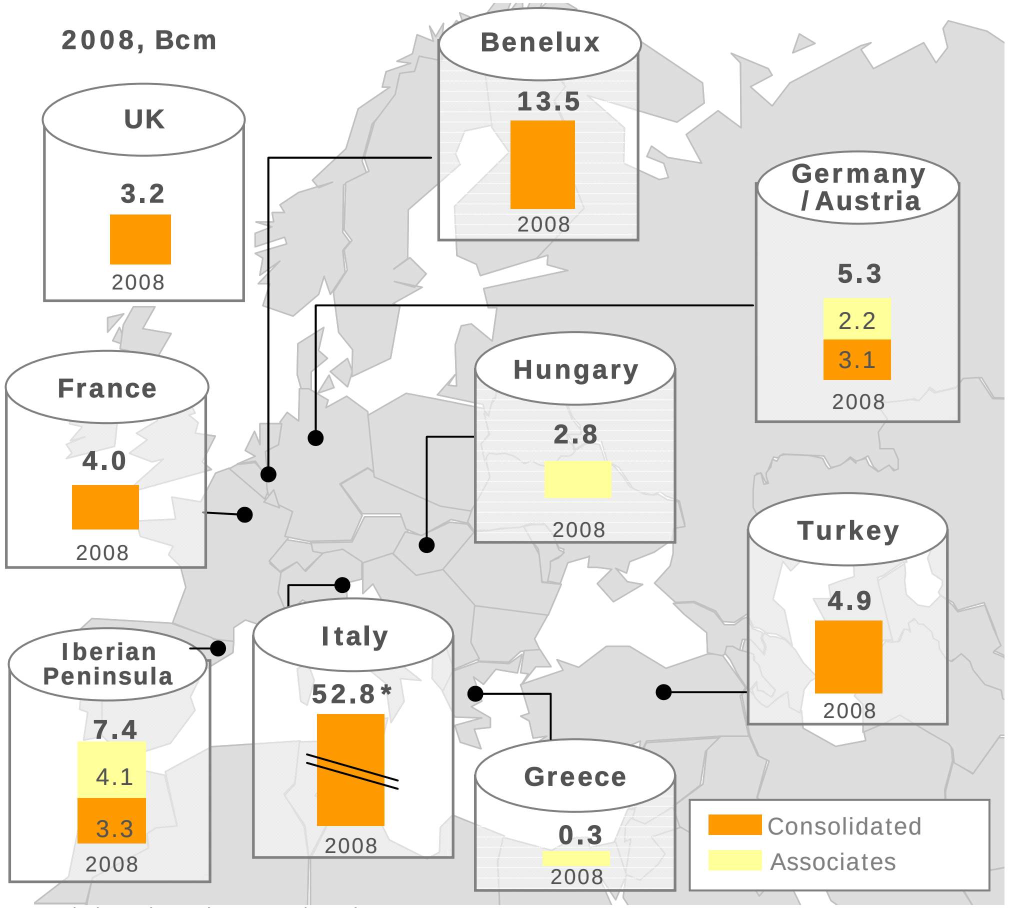


Employees	~79,000
Net sales	€108 bn
Operating Profit	€21.8 bn
Net Profit	€10.2 bn

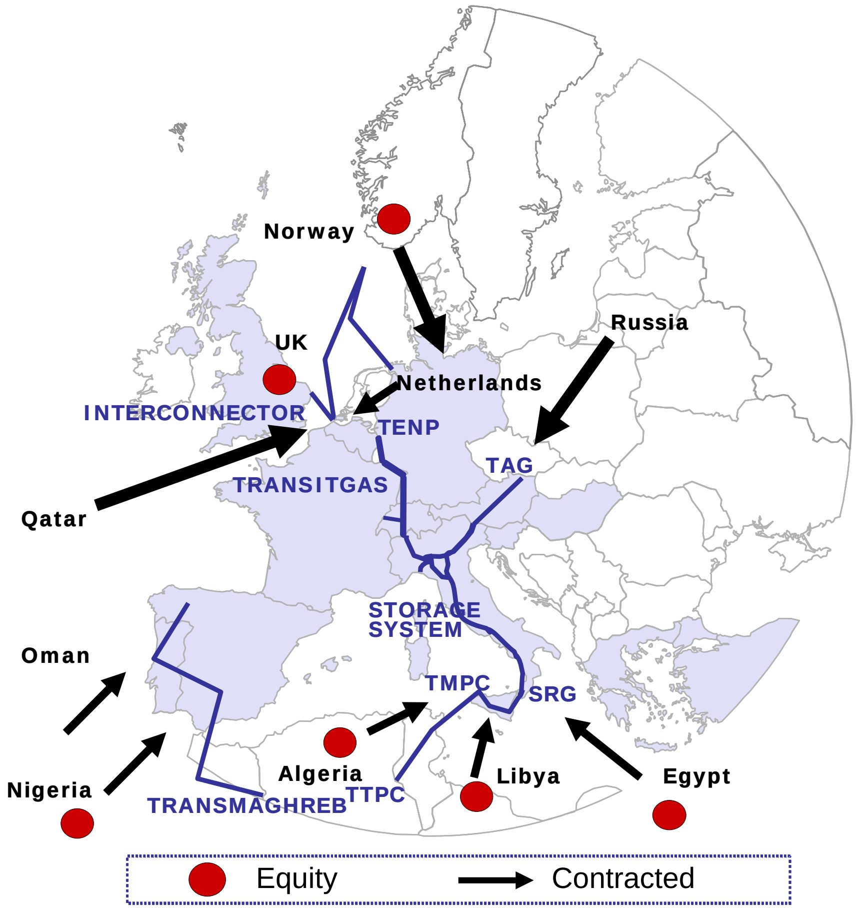
Divisions   Subsidiaries

Data at December 31, 2008

eni’s gas portfolio in Europe



* excludes sales to importers in Italy



Market share in Europe > 20%

Supply portfolio duration > 20 years

Agenda

- **Crisis: the market in 2009**
- **Short term outlook**
- **Long term outlook**
- **eni's strategy**

2009: gas demand reduction

2009: indicative trends - EU gas industry is facing drop in gas sales

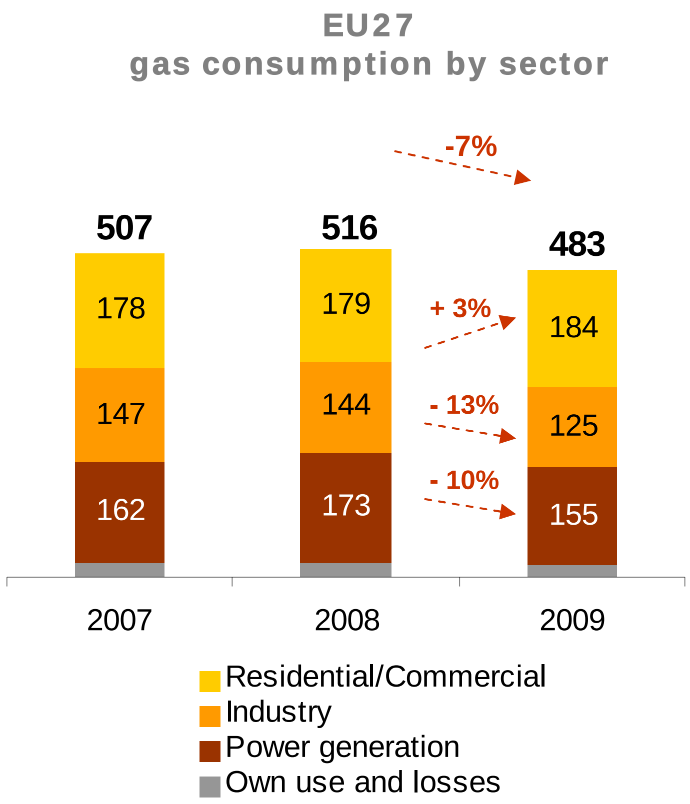
- estimated EU27 GDP drop of -4%
- significant industrial output slow-down

- expected gas demand decrease of -7%
- significant variations among countries:

  from -4% in Austria to -17% in Spain

Impact of the crisis on different sectors

- Demand decline is mainly due to <u>industrial</u> sales drop
  - steel and chemical are the most affected sectors
- Gas demand in <u>power</u> generation has also been hit
  - low demand for electricity and thus gas as the marginal producing fuel
- Residential sector has not been affected, also due to the cold winter season



Source: Analysis elaborated by eni on major research institutes' data

2009: gas oversupply

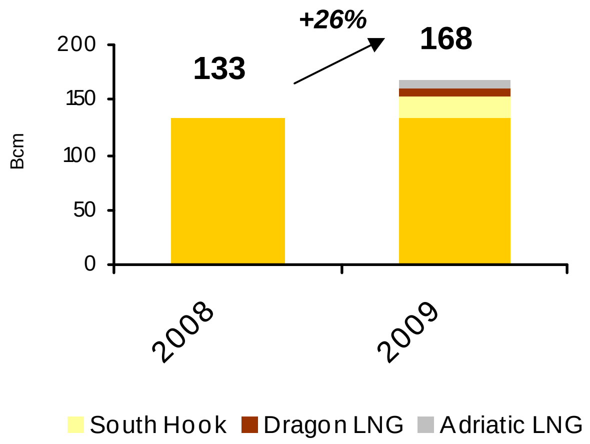
Gas supply at sustained level

- Limited gas production downward flexibility
- Take-or-pay obligations in long-term contracts of European operators

New supply to Europe

- New LNG terminals operative
  - South Hook and Dragon (UK)
  - Adriatic LNG (Italy)
- Increasing LNG availability for Europe
  - New LNG projects on stream:
    - Qatar: Qatargas II Train 4, RasGas III Train 6
    - Yemen: Train 1
  - Development of unconventional gas in US
- Pipeline expansion (Transmed)

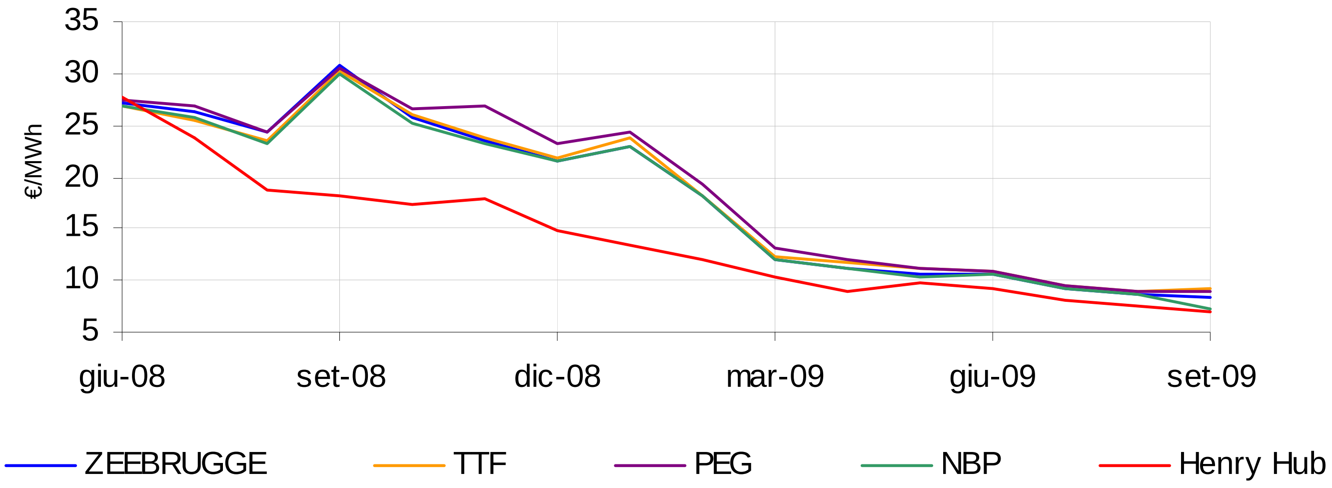
EU Regas nominal capacity



Source: Analysis elaborated by eni on major research institutes' data

2009: downward impact on prices

- High price volatility
- Decoupling of gas market and oil market
- Oversupplied hubs with depressed spot prices
  - Henry Hub traded as low as 2$/MMbtu in Sept 2009
  - European hubs following the downward trend
- Significant gap between spot and border prices averaging 7€/MWh in mid 2009 (WoodMac)
- End-users seeking for spot-related pricing
- Pressure on long-term supply contracts



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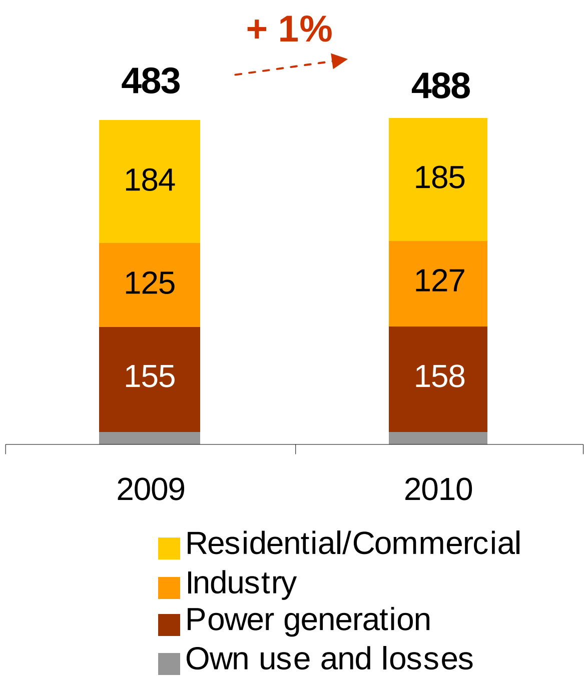
Short term demand outlook

- EU27 GDP is forecasted to level-off in 2010 entailing positive growth rates of the economy
- Increased demand for power generation
  - new gas-fired capacity
  - increased competitiveness of gas to coal

- Economic upturn is expected to result in natural gas consumption recovery of about 1%

EU27
gas consumption by sector



Source: Analysis elaborated by eni on major research institutes' data

Forecasted supply and impact on prices

New infrastructure coming on stream

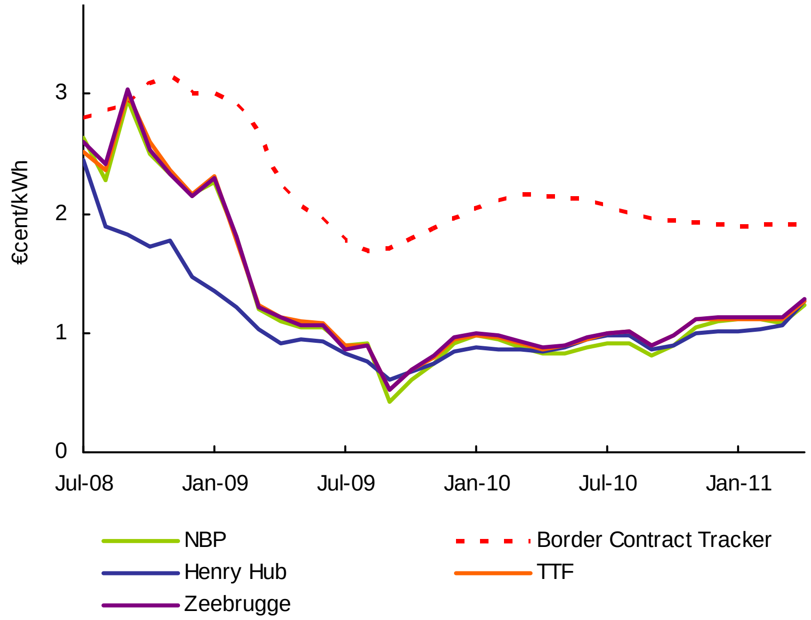
- Fos Cavaou, Montoir I expansion (France)
- Isle of Grain expansion (UK)
- Gate (The Netherlands)
- Livorno offshore (Italy)
- Medgaz (Spain)
- Greenstream expansion (Italy)

New gas supply

- Qatar:
  - Qatargas II Train 5
  - Qatargas III Train 6
  - Qatargas IV Train 7
  - RasGas III Train 7
- Yemen:
  - Yemen: Train 2

Impact on gas prices

- Oversupply situation continuing in the coming years despite expected demand recovery
- Weak prices and expected persisting gap between oil-linked and hub-related prices



Source: Analysis elaborated by eni on major research institutes' data

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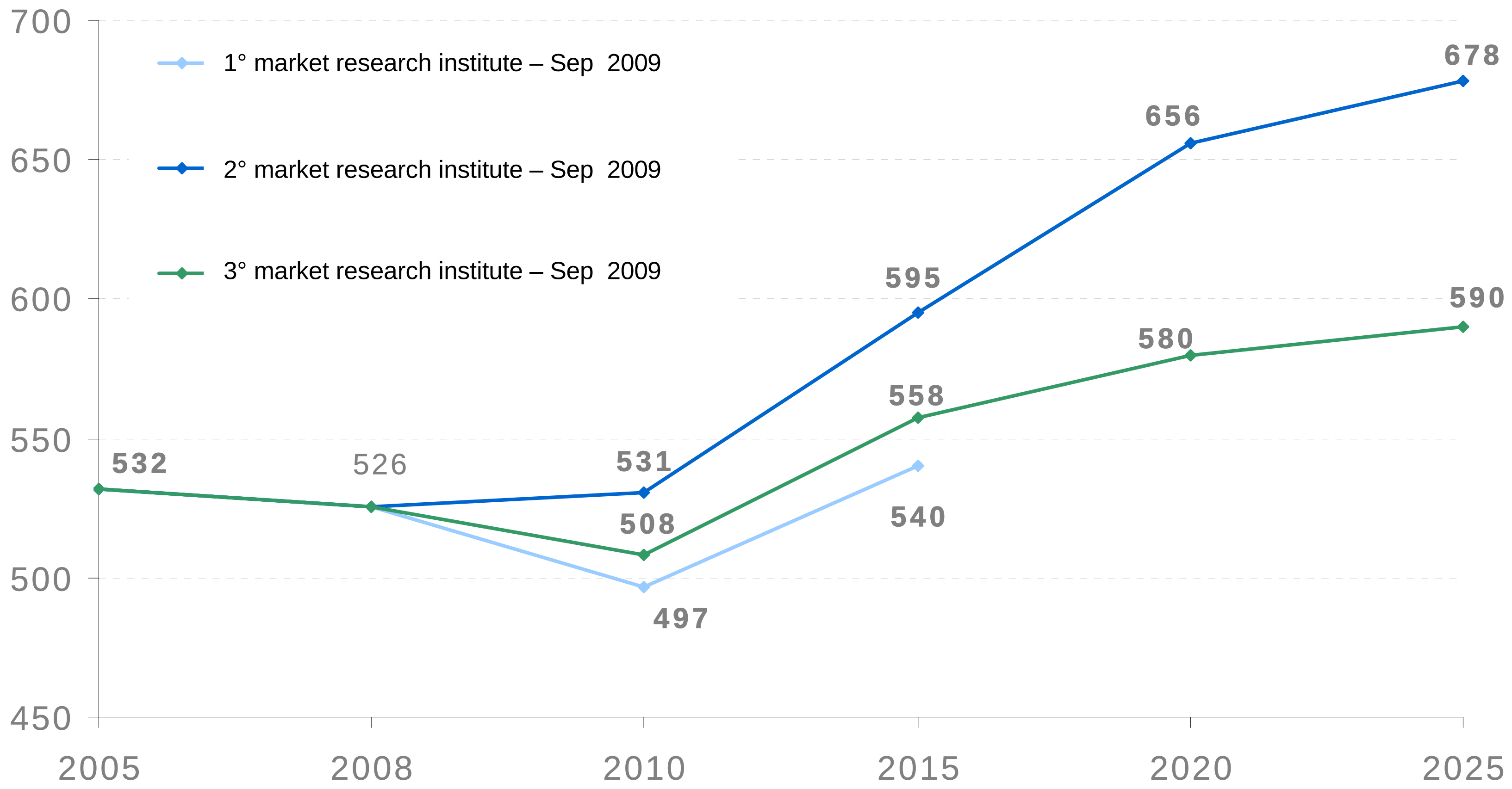
Long-term demand outlook

Significant discrepancies in analysts' forecasts for EU27 gas demand



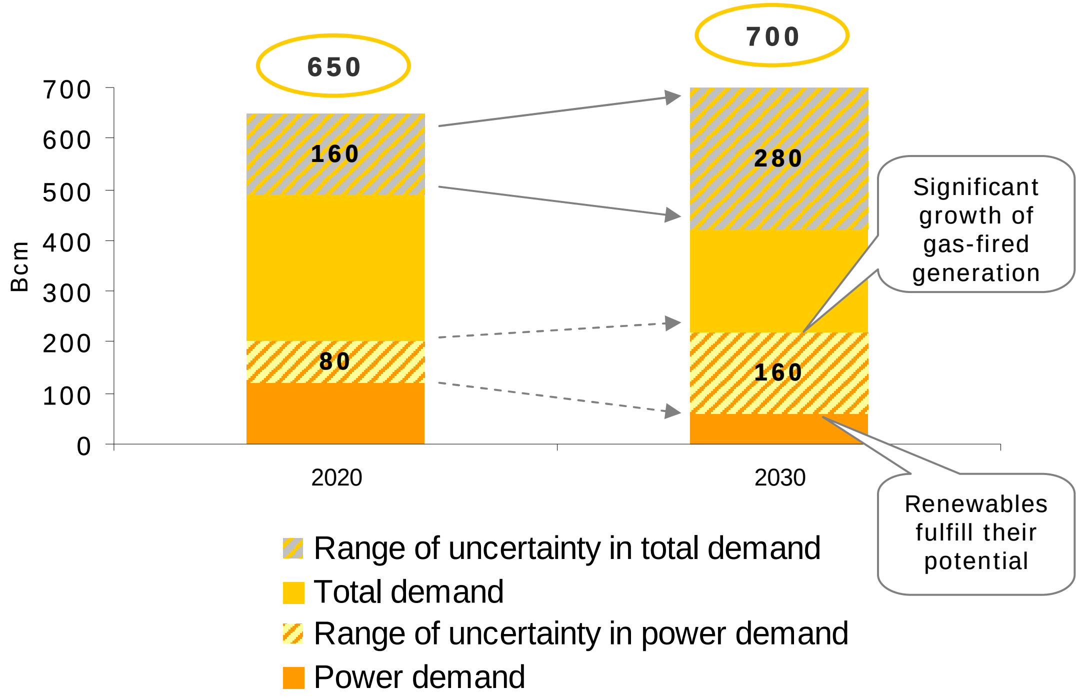
Source: Analysis elaborated by eni on major research institutes' data

Key growth drivers

Variables and uncertainties

- Competitiveness of gas
- Energy policy in Europe
- Climate protection
- Role of nuclear energy
- Growth of renewables
- Industrial segments recovery/ relocation
- Energy efficiency and saving

Potential demand trends in Europe
(a leading market research institute's example)



Range of uncertainty:

- 160 bcm by 2020 and 280 bcm by 2030,
- of them in power generation 80 bcm and 160 bcm respectively

Source: Analysis elaborated by eni on major research institutes' data

Long term vision

- Gas as a target fuel complementary to renewables in a low carbon economy: clean, abundant, easy to transport and store, flexible source of energy
- Decline of EU gas production: EU increasingly dependent on gas imports
- Security of supply of key importance in the long term
- Despite a perception of enduring oversupply, a long-term approach to supply development is needed, short-term vision can be extremely risky (global cyclic industry)

- The crisis has made investments more difficult in all segments of the gas chain: operators are reconsidering or delaying production, transportation and storage projects
- A shortsighted underinvestment vision can be very dangerous, potentially leading to undersupply in the long term
- Need for investments in upstream and midstream aimed at guaranteeing the security of gas supply for Europe

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eni's future investment projects for Europe

Maintaining a long term commitment to security of supply

Upstream

- Investments in key gas producing regions
  - Africa: Algeria, Egypt, Libya, Nigeria, Angola
  - Asia: Kazakhstan, Russia
  - Europe: Italy, Norway, UK

Midstream

- Investments in key gas supply infrastructure
  - Transportation: South Stream, Greenstream
  - Storage: Hewett
  - LNG regasification: Panigaglia (expansion)

Technology

- Unconventional gas
- Enhanced transportation technology

eni's sales in France

- Present in France since 2002
- **eni**'s gas sales in 2008: 4 bcm
- **eni** is present across all business segments in France

- Integrated distrigas I&C portfolio
- Partner for major heating operators and independent power producers

ALTERGAZ

Partenaire de eni

- Active in retail and commercial business
- Leading independent gas supplier in France

GazdeBordeaux

Partnership with Gaz de Bordeaux

- **eni**'s share 17% and Altergaz' share 17 %
- 220.000 retail customers

eni

culture de l'énergie
énergie de la culture

eni "Mécène Principal" of the exhibition at the Louvre "Titien, Tintoret, Véronèse...Rivalités à Venise"

eni guarantees flexibility with a solid background of a major integrated energy company

eni's commercial offer

- Sound competitive advantage thanks to well-balanced and diversified portfolio of equity production and long-term supply contracts
- More than 50 years of experience in the gas sector
- eni's has a dedicated sales team of professionals in order to satisfy customer's needs in a changing environment
- Wide product range to let the customer benefit from market opportunities

eni's commercial offer:

1. Tailor-made and competitive products with best flexibility
2. Fix for Floating option: benefit from market opportunities during the whole contract duration
3. Multi-site and multi-country coverage
4. Risk management services (cap/collars, options, etc.)

Conclusions

- Gas oversupply in the next coming years due to current economic crisis and LNG deliveries
- Despite future uncertainties, in the medium/long term gas demand is expected to return at sustained level
- In such situation security of supply becomes a critical point
- Need to invest both in production and infrastructure in order to guarantee the necessary security supply in the main European countries, such as France

Thank you for your attention!