

Eni May Take Central Role in Azeri Gas Project

By LIAM MOLONEY

ROME—Eni SpA could resume exploration and production in Azerbaijan and take a central role in a project to ship compressed natural gas from Turkmenistan to the Azeri pipeline network, Chief Executive Paolo Scaroni said Tuesday in a telephone interview from Baku.

The Italian company—increasingly focused on the Caspian region—met Tuesday in Baku with President Ilham Aliyev and other Azeri government representatives, discussing a compressed natural-gas project that would allow the transportation and transit of Turkmen gas through the country via an existing pipeline.

"We are looking at between two billion cubic meters and three billion a year that will go mainly to Turkey," Mr. Scaroni said. "The gas would use an existing pipeline [in Azerbaijan] and [the project] won't be ready before 2012."

The Turkmen gas would be transported some 300 kilometers (186 miles) across the Caspian Sea via ship to Baku. Some of the gas would be Eni's, but most would have otherwise been flared during Turkmenistan's offshore oil-production process, said Mr. Scaroni.

Gas that is burned off during oil production is a significant source of greenhouse-gas emissions.

The environment would "have a big advantage" from this project, the Eni CEO said. The gas would be compressed in the ships—a cheaper method than using liquefied-natural-gas technology, Mr. Scaroni said. The Caspian area is "absolutely strategic" for Eni, he added.

Eni is a key operator in hydrocarbon-rich Kazakhstan with big stakes in the massive Karachaganak and Kashagan projects. It also has an oil-services venture in Azerbaijan through its subsidiary [Saipem](#) SpA.

Eni is also looking to expand in Turkmenistan. The company has operated in the country since 2008, and in 2009, daily production was 9,000 barrels of oil.

Turkmenistan has vast untapped gas reserves and is looking at ways to boost production and new export routes. The country's 2009 proved gas reserves amounted to 8.10 trillion cubic meters—the fourth biggest in the world, according to the BP Statistical Review of World Energy of June 2010.

The possible upstream comeback in Azerbaijan will focus mainly on oil, said Mr. Scaroni, but it also covers associated gas. The Eni CEO said the company may replace operators that want to exit, but that nothing was imminent.

Separately, Mr. Scaroni said Eni is willing to sell its 33.34% stake in Portuguese oil company Galp Energia SGPS SA if it is offered a strong "premium" to the share price. He said the company can't sell or negotiate with potential buyers of the stake under the current shareholders' "standstill" agreement, which expires at the end of December.

At current share prices, a 33.34% Galp stake is worth around €3.16 billion (\$4.09 billion), according to FactSet data. Portuguese and Italian media have said Brazilian state-run oil firm Petroleo Brasileiro SA, or Petrobras, is a possible buyer.

Mr. Scaroni said Eni has recovered in dividends the roughly €1 billion investment it made in Galp. He added that Eni is more than satisfied to stay in Galp, as the Portuguese company has a strong presence in Brazil's exploration and production, which is "one of the greatest discoveries in the last 10 years."

"We are in no rush [to sell]," Mr. Scaroni said. "It has been an excellent investment."