

“SOUTH STREAM EVENT”

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GOOD AFTERNOON LADIES AND GENTLEMEN. IT IS AN HONOUR AND A PLEASURE TO BE HERE TODAY TO TALK ABOUT SOUTH STREAM, AND WHY IT IS IMPORTANT FOR EUROPE.

THE SOUTH STREAM PROJECT WAS JOINTLY LAUNCHED BY ENI AND GAZPROM IN 2007 WITH THE AIM OF BRINGING NEW GAS INTO EUROPE FROM RUSSIA, PASSING THROUGH THE BLACK SEA AND THEN THROUGH BULGARIA, ROMANIA, HUNGARY AND INTO AUSTRIA. IN TERMS OF PROGRESS, SOUTH STREAM WILL EXPAND ITS SHAREHOLDER REGISTER TO INCLUDE OTHER EUROPEAN OPERATORS FROM FRANCE,, AND WE ARE CLOSE TO FINALIZING THE JOINT VENTURE THAT WILL BUILD AND OPERATE THE

OFFSHORE SECTION OF THE SOUTH STREAM, UNDOUBTEDLY THE MOST DIFFICULT PART OF THE PROJECT.

SOUTH STREAM IS AN IMPORTANT PROJECT FOR EUROPE BECAUSE IT WILL ENHANCE GAS SUPPLY SECURITY IN TWO WAYS: BY MAKING ADDITIONAL VOLUMES AVAILABLE TO EU MEMBER STATES AND BY DIVERSIFYING TRANSIT RISK. GAS TRANSPORTED THROUGH SOUTH STREAM WILL REACH THE EUROPEAN MARKET WITHOUT ANY ONSHORE TRANSIT, ENHANCING SECURITY PARTICULARLY FOR THOSE COUNTRIES WHICH HAVE BEEN MOST AFFECTED BY THE TENSIONS WHICH OCCURRED IN UKRAINE IN 2006 AND AGAIN IN 2009.

THIS IS ESSENTIAL BECAUSE SUPPLY SECURITY IS AGAIN SET TO BECOME A PRESSING ISSUE FOR EUROPE. THE EU HAS LONG RECOGNISED THE IMPORTANCE OF SUPPLY SECURITY, MAKING IT THE CORNERSTONE OF ITS ENERGY POLICY FROM THE PUBLICATION OF ITS WHITE PAPER "AN ENERGY POLICY FOR THE EUROPEAN UNION" IN THE MID 1990S. BUT OVER THE LAST COUPLE OF YEARS ONE COULD

HAVE BEEN FORGIVEN FOR THINKING THAT WORRIES ABOUT SUPPLY SECURITY WERE BEHIND US: THE COMBINATION OF ABUNDANT LNG SUPPLIES AND AN ECONOMIC CRISIS WHICH DEPRESSED DEMAND TURNED A TIGHT MARKET INTO A VERY VERY AMPLE ONE.

BUT NOW THERE ARE SEVERAL REASONS TO THINK THE MARKET WILL TIGHTEN AGAIN. SOME OF THESE ARE SECULAR TRENDS AND SOME ARE RELATED TO RECENT EVENTS.

THE FIRST IS THAT EUROPEAN DEMAND IS SET TO RISE; GAS IS THE CLEANEST FOSSIL FUEL AND A CRUCIAL PILLAR OF EUROPE'S EFFORT TO CURB CARBON EMISSIONS.

THE SECOND IS THAT DOMESTIC EU PRODUCTION CONTINUES TO DECLINE, BY ABOUT 4% A YEAR.

THE THIRD IS THAT THE ROLE OF NUCLEAR POWER IN OUR ENERGY MIX WILL SUFFER A SETBACK FROM THE FALLOUT OF THE FUKUSHIMA DISASTER IN JAPAN. GERMANY HAS ALREADY DECIDED TO TEMPORARILY SUSPEND

OPERATIONS AT ITS OLDER PLANTS, AND PLANS TO INCREASE NUCLEAR POWER GENERATION IN MANY OTHER COUNTRIES WILL BE SLOWED DOWN OR EVEN TEMPORARILY SHELVED.

LAST BUT NOT LEAST, RECENT EVENTS IN NORTH AFRICA WILL SERVE TO REMIND US OF JUST HOW VULNERABLE OUR SUPPLY SECURITY IS. THE WAR IN LIBYA HAS TAKEN SOME 10BCM OF GAS IMPORTS OUT OF THE MARKET, MAINLY AFFECTING ITALY. THIS IS AN AMOUNT WE CAN DO WITHOUT, ALSO THANKS TO OUR STORAGE CAPACITY AND ADDITIONAL SUPPLIES FROM ALGERIA AND RUSSIA. BUT IT REDUCES OUR SPARE CAPACITY, WHICH WE CAN CALL UPON TO FACE UNEXPECTED DISRUPTIONS. THE UNREST IN OTHER NORTH AFRICAN COUNTRIES, AND IN PARTICULAR IN TUNISIA, IS ALSO A REMINDER OF THE RELEVANCE OF TRANSIT RISK: TUNISIA IS NOT IN ITSELF AN IMPORTANT PART OF OUR SUPPLY SECURITY, BUT IT DOES HOST THE TTPC PIPELINE, BRINGING ALGERIAN GAS INTO ITALY.

IN THIS CONTEXT, IT IS ALL THE MORE CRUCIAL FOR

POLICYMAKERS AND ENERGY COMPANIES TO WORK TOGETHER TO ENHANCE SUPPLY SECURITY.

THERE IS MUCH THAT THE EUROPEAN UNION CAN DO TO HELP.

FIRST OF ALL, A CLEAR ROLE FOR GAS IN OUR FUTURE ENERGY MIX MUST BE ONCE AND FOR ALL OPENLY RECOGNIZED BY EUROPEAN POLICYMAKERS, STARTING FROM THE UPCOMING EU 2050 ENERGY ROADMAP. FOR AVOIDANCE OF ANY DOUBT WE DO NOT MEAN THAT THE EUROPEAN ENERGY POLICY SHOULD NOT HAVE ENERGY EFFICIENCY AND DECARBONISATION AMONG ITS MAIN GOALS. IT MEANS THAT A ROLE SHOULD ALSO BE GIVEN TO GAS IN A CONSISTENT AND HARMONIZED EUROPEAN ENERGY POLICY.

SECONDLY, AN EXCESS OF REGULATION MUST BE AVOIDED AND THE APPROPRIATE INVESTMENT CLIMATE HAS TO BE CREATED. NEEDLESS TO SAY THAT THIS APPLIES NOT ONLY FOR THE SOUTH STREAM PROJECT BUT FOR ALL THE NEW GAS INFRASTRUCTURE (INTERCONNECTORS, STORAGE AND

LNG TERMINALS) THAT EUROPE NEEDS TO SECURE ITS GAS SUPPLY IN A TRULY INTEGRATED GAS MARKET.

A LEVEL PLAYING FIELD HAS TO BE ENSURED TO ALL PROJECTS THAT IN A WAY OR ANOTHER CONTRIBUTE TO INCREASING EUROPEAN SUPPLY SECURITY. ON THIS FRONT, WE THINK SOUTH STREAM MEETS THE CRITERIA TO BECOME A “PROJECT OF EUROPEAN INTEREST”, WHICH WOULD FACILITATE EFFORTS TO SECURE FINANCING AND SPEED UP CONSTRUCTION.

FOR THEIR PART, ENERGY COMPANIES HAVE A LOT TO CONTRIBUTE TO EUROPEAN SUPPLY SECURITY.

THEY CAN CONTRIBUTE IN TERMS OF EXPERTISE: ENI, FOR EXAMPLE, HAS BEEN BUILDING PIPELINES CONNECTING GAS FIELDS TO CONSUMER MARKETS SINCE THE 70S. WE STARTED WITH THE TENP AND TRANSITGAS WHICH BRING NORTH EUROPEAN GAS INTO CONTINENTAL EUROPE, FOLLOWED BY TWO OFFSHORE PIPELINES BRINGING GAS FROM NORTH AFRICA TO EUROPE. MORE RECENTLY WE HAVE BUILT AND OPERATE THE BLUE STREAM, A PIPELINE

THAT REPRESENT THE MOST AMBITIOUS AND TECHNICALLY CHALLENGING PROJECT WE HAVE EVER DEVELOPED.

ENERGY COMPANIES CAN ALSO CONTRIBUTE IN TERMS OF ENSURING AMPLE SUPPLY VOLUMES ARE AVAILABLE, THROUGH CONTRACTS WITH DIFFERENT SUPPLIERS. WE AT ENI HAVE ONE OF THE MOST SOLID AND DIVERSIFIED SUPPLY PORTFOLIOS, BUYING GAS FROM ALGERIA, RUSSIA, THE NETHERLANDS, LIBYA, NORWAY, THE UK AND QATAR, AMONGST OTHERS. AMPLE GAS SUPPLIES MEAN THAT GAS CAN BE SOLD AT COMPETITIVE CONDITIONS, WHICH IS IMPORTANT FOR EUROPEAN CONSUMERS AND BUSINESSES.

IF WE ALL ENGAGE TO GIVE OUR CONTRIBUTION WE WILL BUILD NOT ONLY A NEW IMPORTANT PIECE OF IMPORT INFRASTRUCTURE, WE WILL ALSO GIVE A MATERIAL CONTRIBUTION TO A MORE SECURE AND SUSTAINABLE ENERGY FUTURE FOR EUROPE, A FUTURE IN WHICH NATURAL GAS REMAINS AN IRREPLACEABLE PILLAR.

THANK YOU FOR YOUR ATTENTION.