

“The dialogue with the Producers”

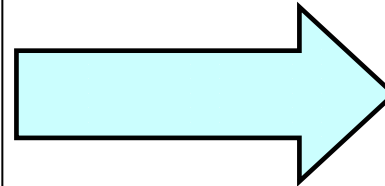
Domenico Dispenza
COO Eni G&P Division

EEF-Eurogas Dinner Debate
Brussels, 30 May 2006



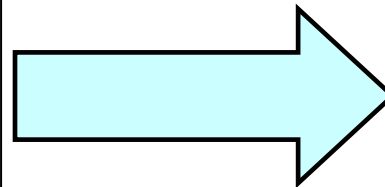
In an uncertain European scenario...

- Gas prices vs Brent prices
- Role of other energy sources:
 - Nuclear
 - Clean coal
 - Renewables



Actual rate of demand growth

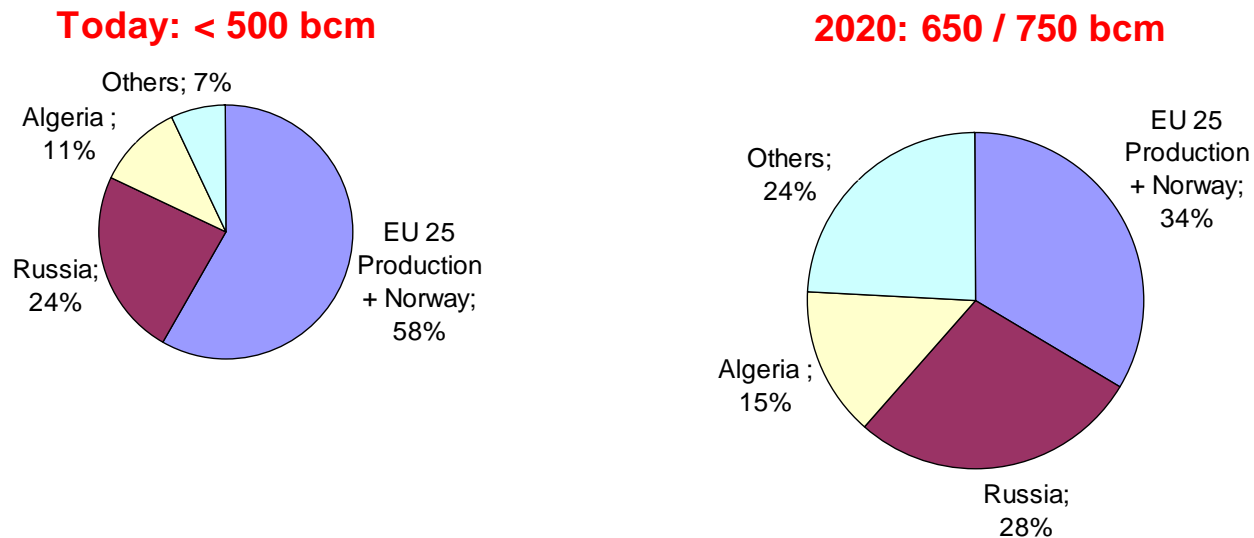
- Gas supply differentiation
- EU regulatory/technical armonization



Feasibility of a single EU-wide gas market

...we have two certainties:

- 1) From now to 2020 EU25 will need to procure, according to the various scenarios, between 150 and 250 bcm/y of additional gas supply, and build the related import/transmission infrastructure
- 2) In 2020 around 40% of gas in Europe will be Russian and Algerian

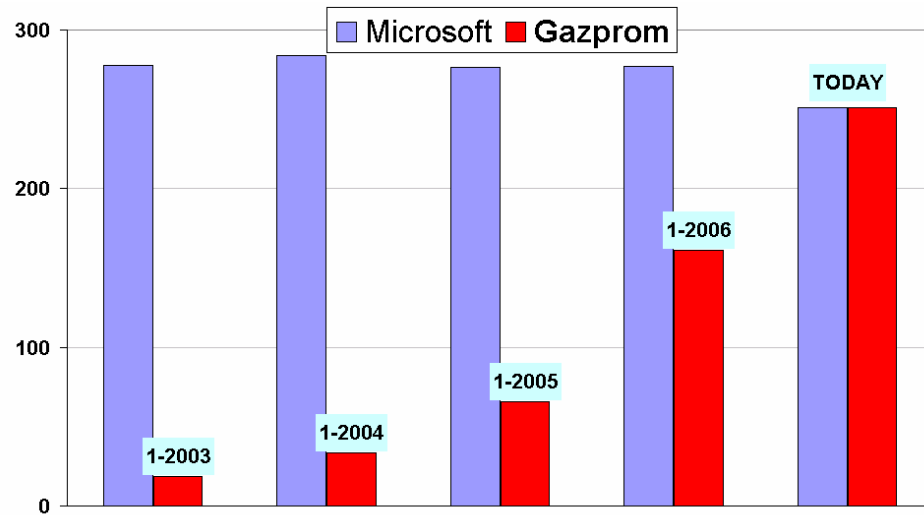


Sources: *Today*: based on data reported in "Eurogas Annual Report 2004/2005" – *2020*: based on: "Supply Capacities For Europe 2010-2020 (IEA/OME)" in Eurogas' Brochure "Natural gas - the energy for a sustainable future" – June 2005, plus CERA's Special Report "Long-term Outlook for European Gas" (July 2005) plus other intl. sources and Eni's estimates – 2020's split-up refers to the upper scenario. "Others" stands for: Central Asia, Middle East, Egypt, Libya, Nigeria, others.

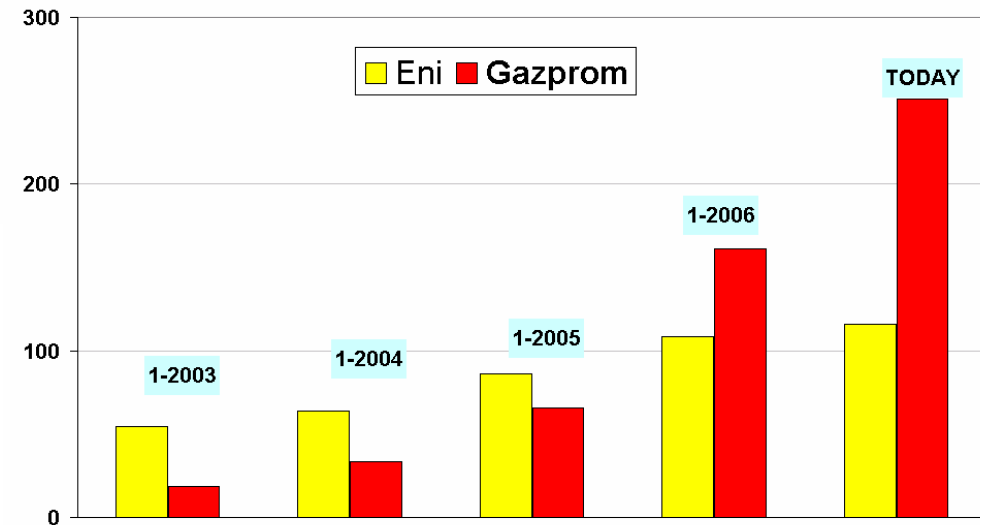
An OPEC for Gas?



Gazprom is today a world leading company



Sources/remarks: graph must be considered only as indicative ; Microsoft data as from NASDAQ website, last bar is May 1, 2006, Outstanding Shares for each year set equal to those available at May 1, 2006; Gazprom data: Gazprom's institutional presentation, April/May 2006



Sources/remarks: graph must be considered only as indicative ; Eni data making reference to the shares' component of the overall equity, as from latest Eni Annual Report, figures for bars are indeed those at 31 dec of the year before, assigned to 1 jan of the following year for compatibility with the other graph; Gazprom data: Gazprom's institutional presentation, April/May 2006

Market capitalization (Billion USD)

Its growth ambitions have “exploded”

APRIL 2006: **Wintershall**, Gazprom ink Siberia deal for **Yushno-Russkoye** gas field; E.ON still in the frame

APRIL 2006: UK rules out anti-Gazprom block ...**Centrica** just one of numerous possible targets, says Gazprom

APRIL 2006: Gazprom meets **BG** for **LNG talks**

APRIL 2006: **Shtokman** selection on track for spring

MARCH 2006: Preliminary agreement with Petro-Canada for **St. Petersburg LNG** liquefaction terminal (Baltic LNG)

MARCH 2006: **China and Russia** announced steps towards deepening energy cooperation in the areas of production and processing, on the final day of Russian President Vladimir Putin's visit to Beijing.

MARCH 2006: Signature of preliminary agreement **Gazprom/Sonatrach** on joint hydrocarbon projects and political talks between **Russia and Algeria**

Beginning of 2006: Setting up of the **Ukranian** gas price/gas transportation dispute.

3Q 2005: Gazprom Signs Transit Deal With **Uzbeks**

3Q 2005: **Hydro**, Gazprom to drill **Shtokman**

3Q 2005: Gazprom, E.On, BASF unite for **Baltic pipeline (NEGP)**

3Q 2005: **Yamal** pipeline capacity increases 27% after compressors fitted

3Q 2005: Russia to help **Turkey** build gas exports, says Putin

3Q 2005: **Shell**, Gazprom ink memo on swap

2Q 2005: Gazprom close to first **LNG swap deal** (for the U.S.)

Excerpts from the following press sources: Platts (ENGR), Petroleum Argus (AGC), Heren (EGM), Energy Intelligence Group (WGI)



The media Hype

FINANCIAL TIMES

EUROPE THURSDAY APRIL 20 2006

BRIEFING

Mittal prepares to unveil €20bn bid for Arcelor

Lakshmi Mittal prepared to unveil his hostile €20bn bid for rival steelmaker Arcelor, which says that shareholders may revolt against its takeover plans at the annual meeting next week. Page 13

Court backs Prodi

Italy's highest court confirmed the victory of centre-right leader Romano Prodi in last week's elections. Page 4, Lex, Page 10; www.ft.com/lex/2006

EU food rules attacked

Environmental groups have accused the European Union of double standards over genetically modified food. Page 2

Effage repels Sacyr

Small shareholders rallied to the defence of Spanish construction group Effage as it quacks off an attempted push by Sacyr led by Spanish bank Banco Vialba. Page 13; www.ft.com/lex/2006

Schösel warns judges

American chancellor Wolfgang Schäfer, whose country holds the 103 presidency, said judges at the European Union's top court must pay more attention to national constitutions. Page 4; Observer, Page 16

Bush continues shake-up

President George W. Bush accepted the resignation of press secretary Scott McClellan and stepped his shift in political strategy. Both moves are key to his domestic agenda. Page 4; Observer, Page 16

Gaps in flu plans

The first independent analysis of official pandemic flu preparations across Europe found serious gaps in national plans. Page 2

Turkey backs reforms

Turkey's parliament approved new social security and health insurance reforms. Page 3

Slovakia motors ahead

Slovakia's new move in applying its socialist expertise in military engineering to its own domestic industries is set to

Gazprom threat to supplies

- EU is told not to thwart international ambitions
- Group says it may redirect gas to other regions
- Warning follows UK fears over Centrica takeover

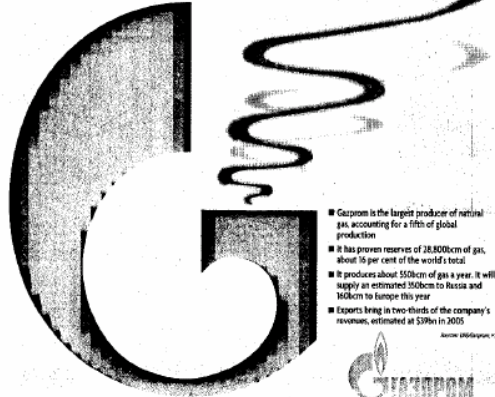
By Neil Buckley and Arshady Ghanshyam in Moscow and Jan Jagerski in London

Gazprom, Russia's state-controlled gas monopoly, yesterday told European Union countries not to block its international ambitions, warning that it would redirect supplies to other markets.

In a statement after a meeting between Alexander Miller, Gazprom's chief executive, and EU ambassadors, the company said: "Attempts to limit Gazprom's activities in the European continent and political activities of gas supply, which in fact are of an entirely economic nature, will not lead to good results."

The warning follows the revelation earlier this week in the Financial Times that the US government had considered closing the merger rules to block a potential Centrica takeover of British Gas, Britain's biggest gas supplier.

Mr Miller met ambassadors of the 27 EU states in Moscow on Tuesday to discuss Gazprom's relations with Europe. He insisted at the meeting that his company, the world's largest gas producer, understood its responsibilities as a supplier of gas to the EU.



But in yesterday's statement, Gazprom threatened to divert more of the company's supplies to fast-growing markets elsewhere if plans to expand in Europe "were an obstacle to its more intensive gas development in other regions."

"It should not be forgotten that we are actively familiarizing ourselves with new markets, such as North America and China. Gas reserves in central Asia are also paying attention to the Chinese market. This is not by chance competition for energy resources is growing," it said.

Gazprom said that while it would fulfil its current contracts with European clients, the future relationship with these countries "should also include the Russian company's desire to move into the domestic market."

Robert Rijkman, a spokesman for Gazprom, yesterday told the FT: "We just want European countries to understand that we have other alternatives to gas sales. We have a fast growing Chinese market and a market for liquefied natural gas in the US. If the European Union wants our gas it has to consider our interests as well."

Gazprom's statement appears to be a response to the revelation that the British government considered amending its merger control regime in the wake of a potential takeover bid for Centrica.

Alan Johnson, the UK trade and industry secretary, was briefed by officials on the changes to the law required to allow ministers to vote a Gazprom bid over. A move to tighten the UK's merger controls remains an option if any bid is made that threatens the UK's security of energy supply, according to Department of Trade and Industry officials.

Gazprom's threats follow an earlier agreement between Britain and China to supply the Chinese market with gas from western Siberia, which is also the main source of gas for Europe.

Given that Gazprom's reserves have been stable for the past five years, the supply of gas to China will increase the volume of gas available to European countries.

The Russian group has made no secret of its ambition to supply up to 30 per cent of the UK's security of energy supply, according to Department of Trade and Industry officials.

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German regulator shamed by fraud allegation

By Patrick Jordan in Frankfurt

BAFIC, Germany's chief financial regulator, has suffered an embarrassing setback after a senior manager, Christoph Schmidt-Jewele, was accused of financial fraud among the financial community and criticism from government representatives.

Since prosecutors in Bonn and Frankfurt said that the head of BAFIC had been arrested on charges of corruption and breach of fiduciary duty. A secretary and a friend from outside the regulator were also being investigated on suspicion they conspired in the fraud, using the outsider's contact with the regulator at least once of late.

Although the affair has no bearing on BAFIC's core regulatory work, the fact that a senior manager was apparently able to divert funds for more than two years has been criticised in the financial community. The alleged fraud was discovered after a nine-month probe by the Federal Criminal Office.

Wolfgang Cerny, professor of finance at the University of Cologne, told the Financial Times: "If this kind of thing had happened at one of the banks that BAFIC regulates, it would have said that corporate governance was inadequate."

The regulator and its IT chief had been suspended several weeks ago. He was arrested the week on his return from a holiday in Africa. Prosecutors said he had obtained partial reimbursement for the fees.

BaFin said it had launched an "immediate examination of its internal processes."

Between 2003 and 2006, prosecutors said, the manager built a luxurious lifestyle with a pension fund and several cars, comparable with chauffeur.

The prosecutors said BaFin refused to identify any of the people involved in the case.

Additional reporting by Arshady Ghanshyam in Berlin and Thomas Geier in Bonn.

FINANCIAL

BRIEFING

Autostrade-Abertis link creates toll road leader

Italy's Autostrade and Abertis of Spain have struck a deal that they say will create the world's largest toll road operator and infrastructure company. Page 17

Gazprom announcement

Gazprom is expected this week to reveal its partners in the vast Barents Sea Shokman gas field, a project that could eventually make the Russian group one of the biggest suppliers to the US. Page 2; Vladimir Milov, Page 15

IMF wins key role in closing

All Excerpts are from Financial Times



The media Hype

FINANCIAL

EU F

BRIEFING

Blair to warn MPs of disaster if he is ousted

British prime minister Tony Blair will today throw down the gauntlet to rebel Labour MPs, trying to avert a civil war within his party by warning that a forced change of leader would lead to electoral disaster. Page 2

Yahoo overhauls adverts

Yahoo will today unveil an overhaul of its online advertising system, setting the stage for a showdown with Google and Microsoft in the race to dominate the field. Page 16

Bush to pick CIA chief

President George W. Bush is today expected to announce his pick to replace Porter Goss, the Central Intelligence Agency director who was ousted on Friday over White House concerns about his performance at the spy agency. Page 4

EU watchdogs warned

Warring financial watchdogs in Europe have been told to look into resolving disputes through official mediation, in an effort to make cross-border regulation more consistent. Page 2

Madrid jobs crackdown

Spanish prime minister José Luis Rodríguez Zapatero is poised to approve labour reforms that aim to promote stable employment and curb the abuse of fixed-term contracts affecting one in three salaried workers in Spain. Page 3

Media start-ups boost

Cash is pouring into internet media start-ups as venture capital groups, hedge funds, private equity firms and larger media rivals with billions of

Russia's energy minister hits back

■ Calls on west to recognise shift to democracy

By Neil Buckley in Moscow

The Russian government has hit back at accusations by Dick Cheney, US vice-president, that it was energy resources as "tools of intimidation and blackmail". It urged the west to recognise Russia's progress towards market principles and democracy.

Writing in today's Financial Times, Viktor Khristenko, the country's energy minister, says it is "deeply puzzled by recent commentary in the west that distorts Russian energy policies". He calls on international leaders to work together at the G8 summit Russia will host this summer as a plan for global energy security.

Mr Khristenko says: "Russia has moved away from Soviet-era arrangements of subsidising energy prices to our neighbours and turned to market-based pricing mechanisms. We are aware that old impressions fade slowly, but it is time for the west to recognise the maturing role and state of progress that Russia has achieved."

Sergei Lavrov, the Russian For-

Russian natural gas giant, to cut off supplies to Ukraine in a pricing dispute in January.

Mr Cheney accused Russia on Thursday of using energy policy for political ends and restricting citizens' rights.

Russia has also faced calls from José Manuel Barroso, European Commission president, and Andrieu Debaig, EU energy commissioner, to open Gazprom's pipeline monopoly to independent producers and warning that the EU wants to diversify its energy supplies.

Separately, Radek Sliwinski, the Polish defence minister, last week criticised Russia's deal to build a gas pipeline under the Baltic Sea to Germany, bypassing Poland and the Baltic states, in the Molotov-Ribbentrop pact that divided eastern Europe between the Nazis and Soviets.

Mr Khristenko makes no direct reference to Mr Cheney but warns of a deal to avoid falling back into rhetoric of the past. He notes he was "received with open arms" on a US trip last autumn. "Let us hope that, this July,

US warns Putin over 'blackmail' on energy

■ Cheney criticises Kremlin's growing authoritarianism

Secretive gas tycoon looks at a public life

War of words Gazprom hits out at EU gas plans

Soros says Rosneft IPO raises concerns

RUSSIAN FRONT

Behind Rosneft: the deals and that IPO ANALYSIS ■ PAGE 11

Putin power Russian president rebukes US

All Excerpts are from Financial Times







Let the dust settle

- Gas producers are just pursuing an optimization path down the value chain
- At the same time they face important challenges in further developing their resources upstream
- European gas companies have a role to play in such scenario:
 - Their long term relationship with the producers
 - Their know-how (technology and home markets)
 - The possibility of improving at the same time the producer's upstream and midstream infrastructures and the European security of supply
- Continue to push for preminence of market forces

The basics of the gas market remain unchanged

What can we do?

-  Monitor behaviour of leading gas provider(s)
-  Dialogue with media, politics, regulators to fight misconceptions
-  Help Promote regulation to create level playing field and favour investments
-  Develop vital infrastructure to satisfy demand and diversify supply/fight NIMBY

Only market forces can stop a "Gas OPEC"

The Role of Eurogas

Long term institutional dialogue:

- Associate membership of Russian Gas Society in Eurogas
- Active participation in the Official EU-Russia Energy Dialogue

Ad hoc initiatives:

- Joint Russian Gas Society/Eurogas Conference in Berlin (May 2006)
- The Eurogas conference of 22nd September 2006