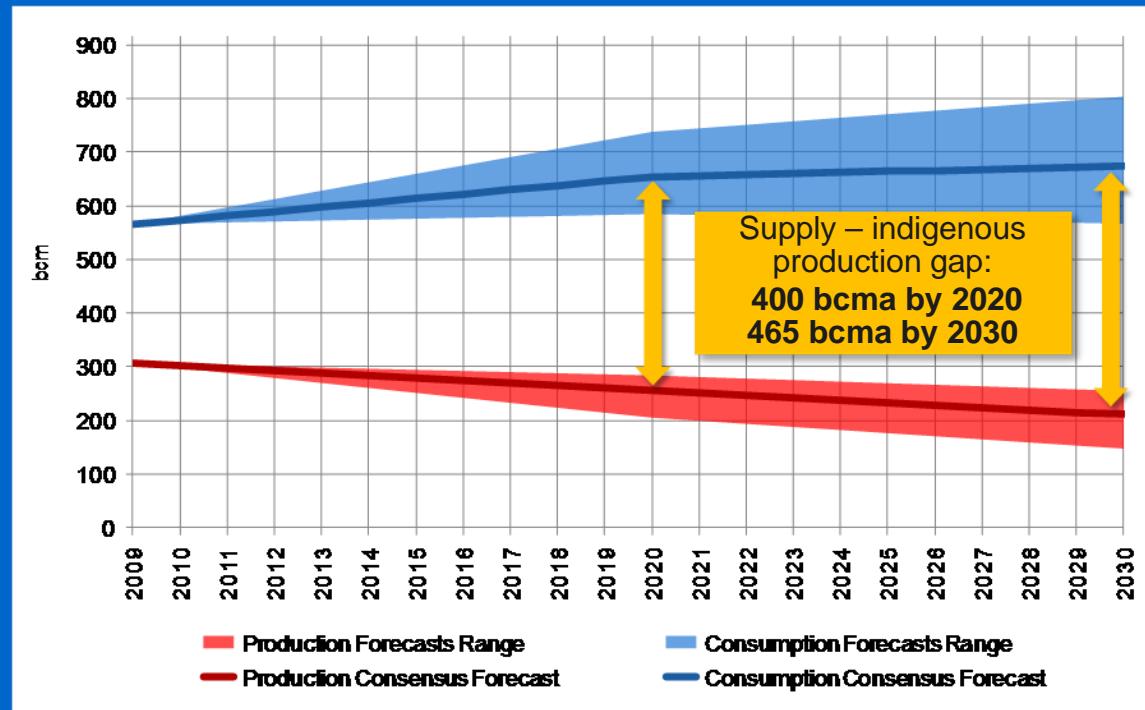


New gas infrastructure insuring Europe's energy security

Pavel Oderov,
Head of International Gas Infrastructure Projects Directorate
OAO Gazprom

Gas consumption and production scenarios and forecasts for 2020 and 2030

- Upward trend in European gas demand supported by most of forecasts
- Annual gas consumption in European countries is expected to reach 700 bcm by 2030
- Domestic production decline, gap of 400 bcm/a by 2020
- Room for various infrastructure projects: Nord Stream, South Stream, Nabucco, ITGI, etc.



Combination of countries included in the forecast may vary slightly between the forecast makers.

All the numbers are calculated based on CAGRs, published by forecast makers. All volumes are up to the Russian gas quality standard.

- Crisis of January 2009: political leadership of Ukraine shut down the flow of Russian export gas to Europe
- Interests of both the supplier and the consumers in Europe affected
- Gazprom increased gas supplies for Europe through Yamal and Blue Stream pipelines, but throughput capacities not enough
- Development of gas transit infrastructure is the way to insure security in supply
- Nord Stream and South Stream are designed to secure stable supplies, notwithstanding possible ruptures, and to enhance flexibility



- **New gas infrastructure projects (transit pipelines, storages, LNG regas) contribute to forming / transforming the regional gas markets into a pan-European market**
- **Further reinforcement of interconnections eliminates the bottlenecks in the national transit systems and provides backup supply**

Necessary infrastructure development requires stable investment environment, equal treatment of projects and acceptable returns to motivate and support investors in a long run

SOUTH STREAM: PROFILE

- Pipeline highway due to carry Russian natural gas across the Black sea, run through several countries of the Balkan region and end up in Austria and Italy
- Offshore part to stretch over 900 km
- Feasibility studies to be finalized at the beginning of 2011
- First commercial operations are set for the end of 2015



**AN ECONOMICALLY-SOUND
AND COMMERCIALY-DRIVEN PROJECT**

The ultimate goals of the project are:

1. Satisfying rising **natural gas demand** in Europe
2. Ensuring **flexibility** and **security** of supply
3. Generating **revenues** for participating companies across Europe
4. Boosting economic **development** and **new jobs** in **host countries**
5. Promoting natural gas as **environment-friendly** source of energy

- **Economical expediency based on three factors**
 - ✓ **Resource base: Gazprom gas portfolio**
 - ✓ **Market: EU demand growth projections**
 - ✓ **Financial and technical expertise and capabilities**

- **Experience: Blue Stream commissioned in the 90s to bring gas to Turkey, pipeline at depth of 2.2 km - deepest infrastructure facility in the world**

- **Pooling know-how, expertise and competitive advantages of three majors: Gazprom, Eni and Edf**



- Construction and functioning of South Stream will not lead to a distortion of competition on the EU internal market
- The project will be in compliance with Directive 85/337/EEC requiring environmental impact assessments
- The project will abide by Espoo convention and national environment protection laws
- Project has European scale, EU companies on board, supports long term relationship of buyers and sellers and deserves equal treatment with the projects of the kind



- Europe needs additional gas to offset looming domestic supply declines and demand growth
- New infrastructure ensures uninterrupted supply of natural gas as competitive, clean and efficient fuel to Europe
- Nord and South Streams, in particular, connect a strong resource base to growing demand
- Infrastructure projects mean new jobs, budget revenues and investment opportunities



THANK YOU FOR YOUR ATTENTION