S&P Global Platts

TEN YEARS OF PROGRESS TOWARDS AN EU INTERNAL ENERGY MARKET

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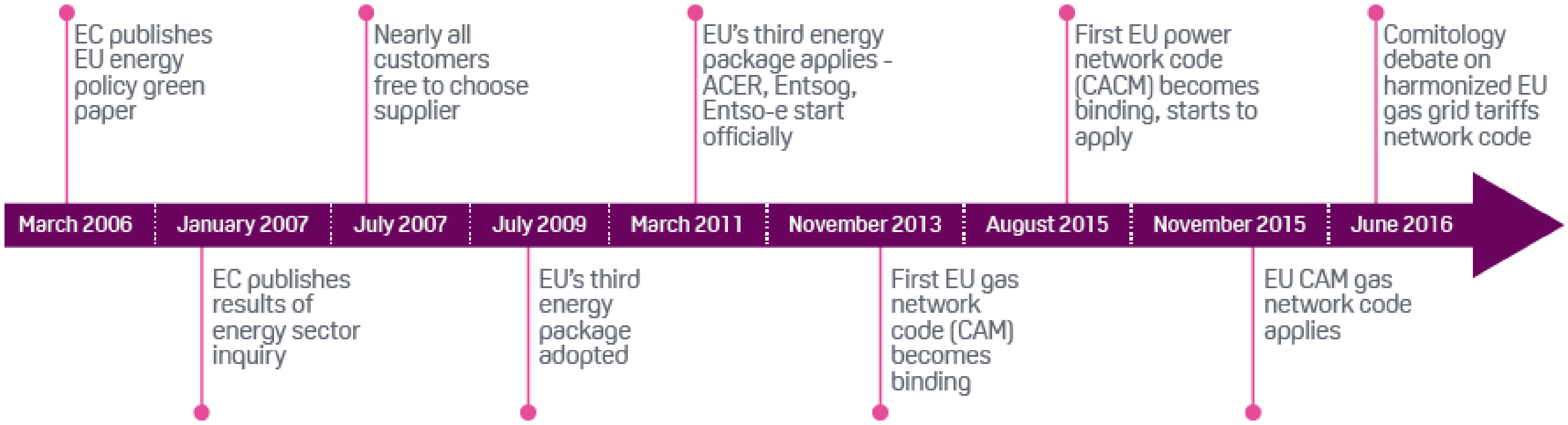
NATURAL GAS

SIX THINGS YOU CAN DO TODAY THAT WERE NOT POSSIBLE IN 2006

1. Choose your home energy supplier nearly everywhere in the EU
2. Gain (or offer) access to any grid on equal terms to everyone else
3. Agree binding EU network codes for grid operators and users
4. Buy (or sell) capacity on a joint TSO booking platform
5. Access (or provide) fundamental physical market data on a single EU website
6. Trade on any of 10 different gas hubs across the EU

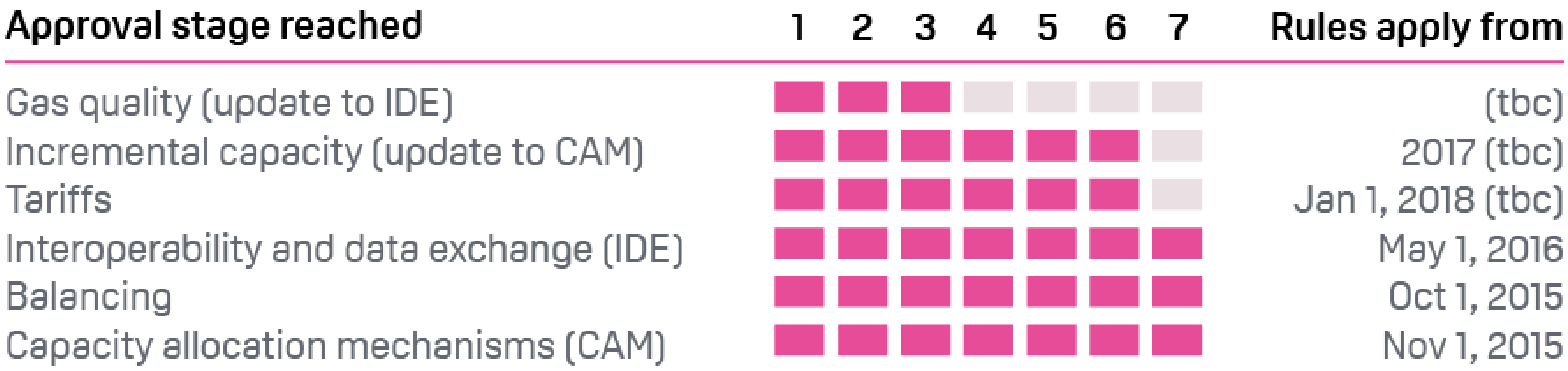
HOW DID WE GET HERE?

KEY EU INTERNAL ENERGY MARKET MILESTONES



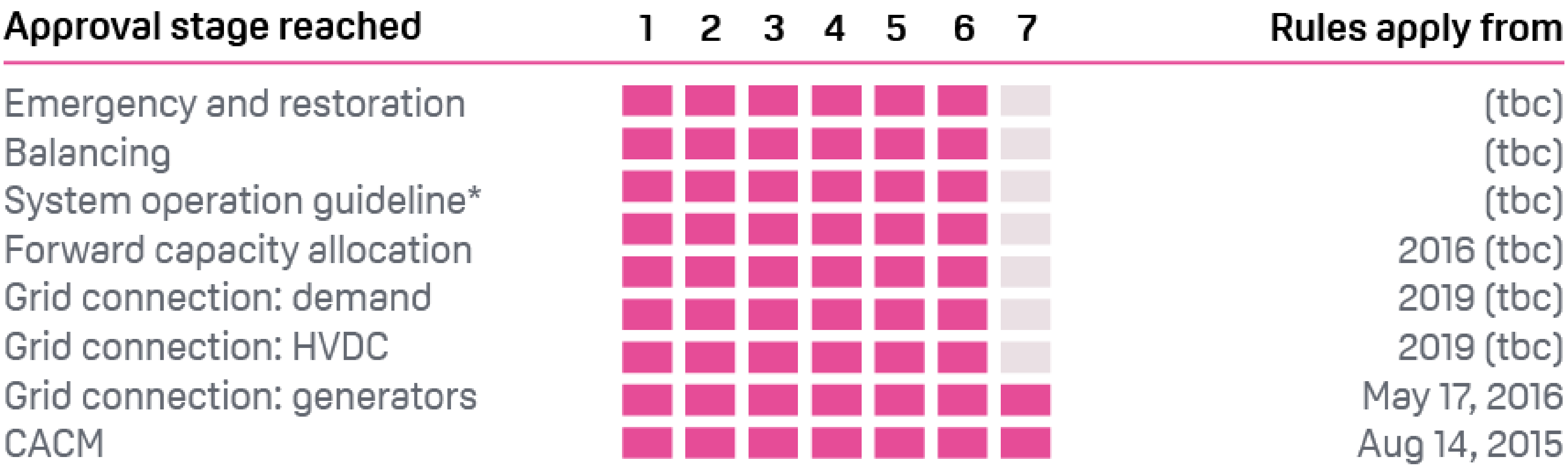
Source: S&P Global Platts

FIRST THREE BINDING GAS NETWORK CODES BEING APPLIED



Source: S&P Global Platts EU gas network code tracker (as of May 4, 2016)

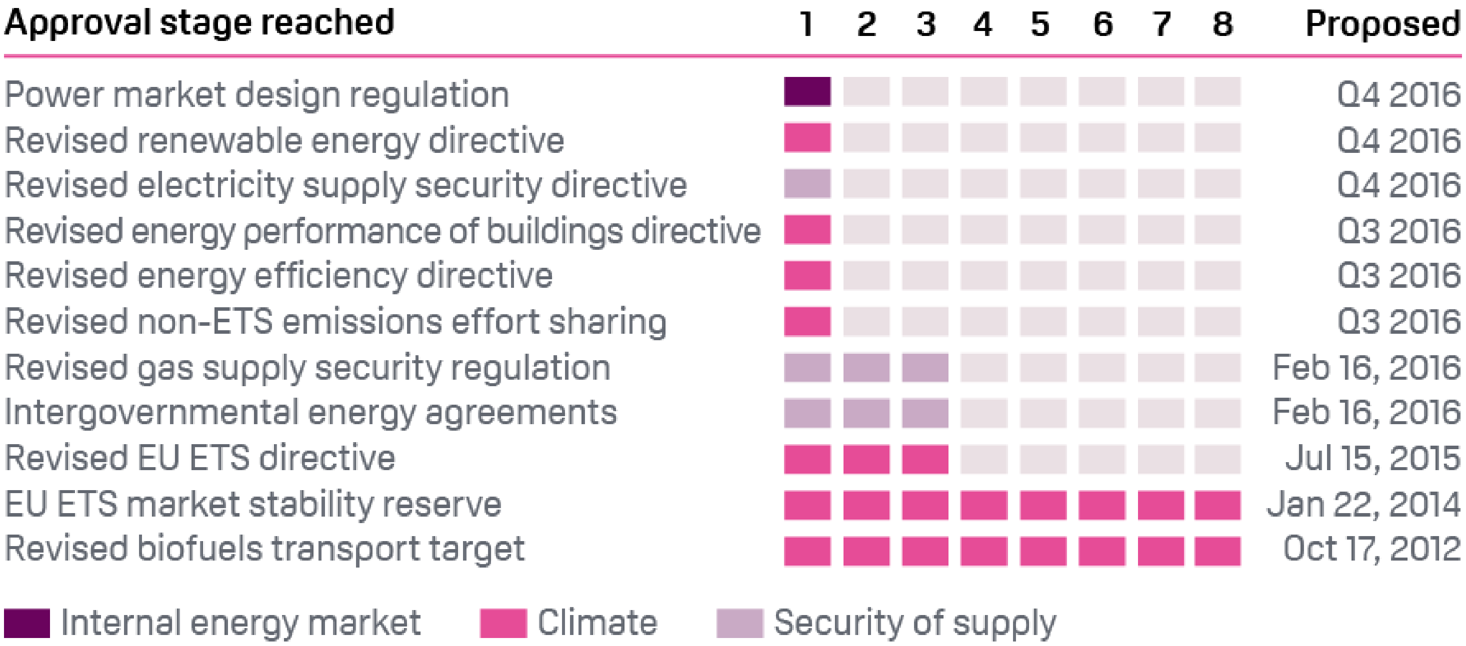
FIRST TWO BINDING POWER NETWORK CODES BEING APPLIED



* Includes codes on operational planning and scheduling, security and load frequency control and reserves.

Source: S&P Global Platts EU power network code tracker (as of May 4, 2016)

NO FOURTH ENERGY PACKAGE PLANNED IN 2016



Source: S&P Global Platts EU energy legislation tracker (as of June 1, 2016)

WHO WINS ON A LEVEL PLAYING FIELD?

The theory of the internal energy market

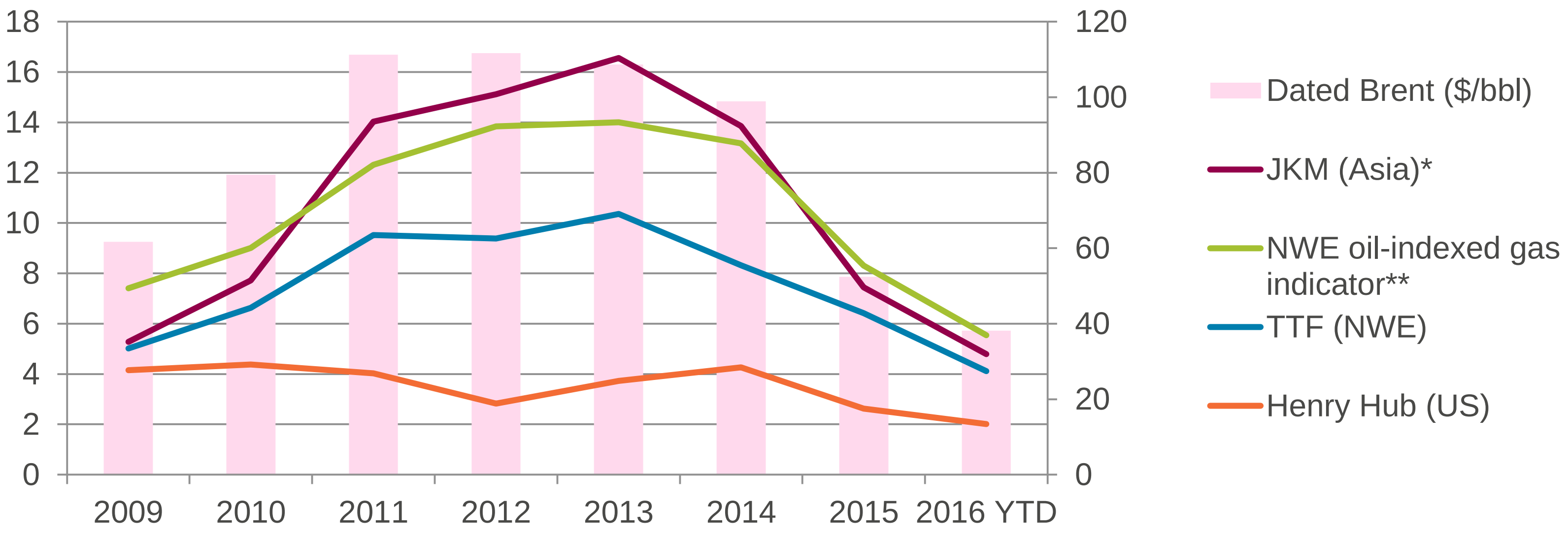
Breaking the power of national incumbents in their home markets and encouraging cross-border competition…

…creates a level playing field and competitive prices for gas and power consumers within the EU…

…which improves the EU's competitiveness with other economic blocs like US, Asia.

COMPETITIVE OPEN MARKET PRICES ARE NOT ALWAYS LOWER PRICES…

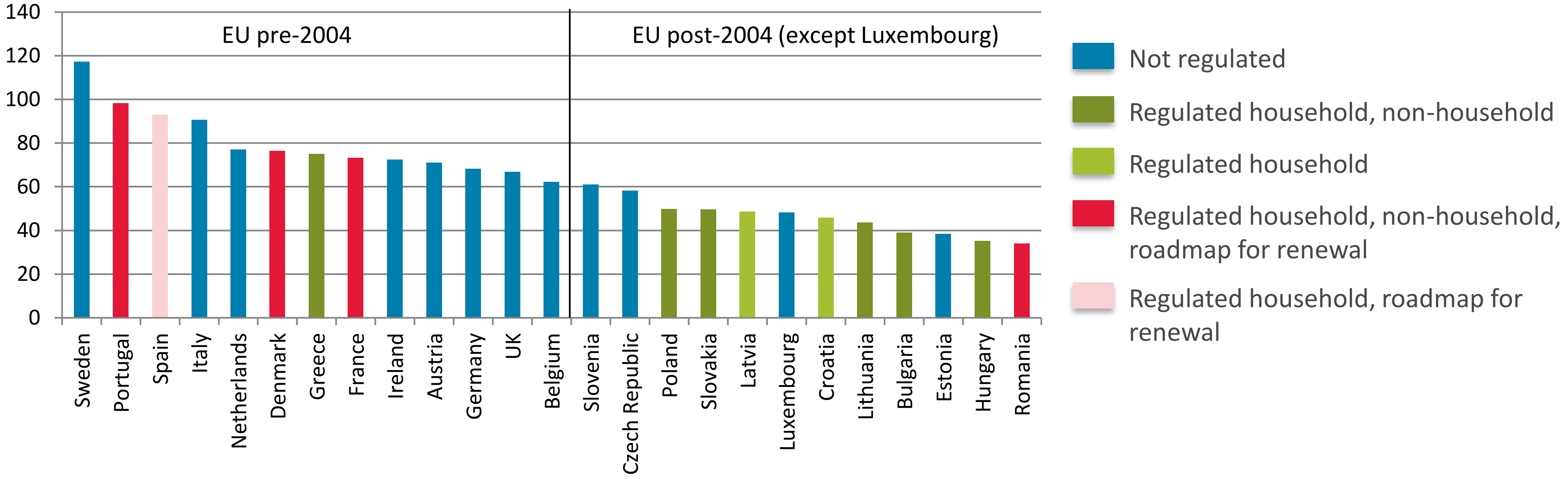
AVERAGE GLOBAL MONTH-AHEAD GAS PRICES SINCE 2009 ($/MMBTu)



Source: S&P Global Platts

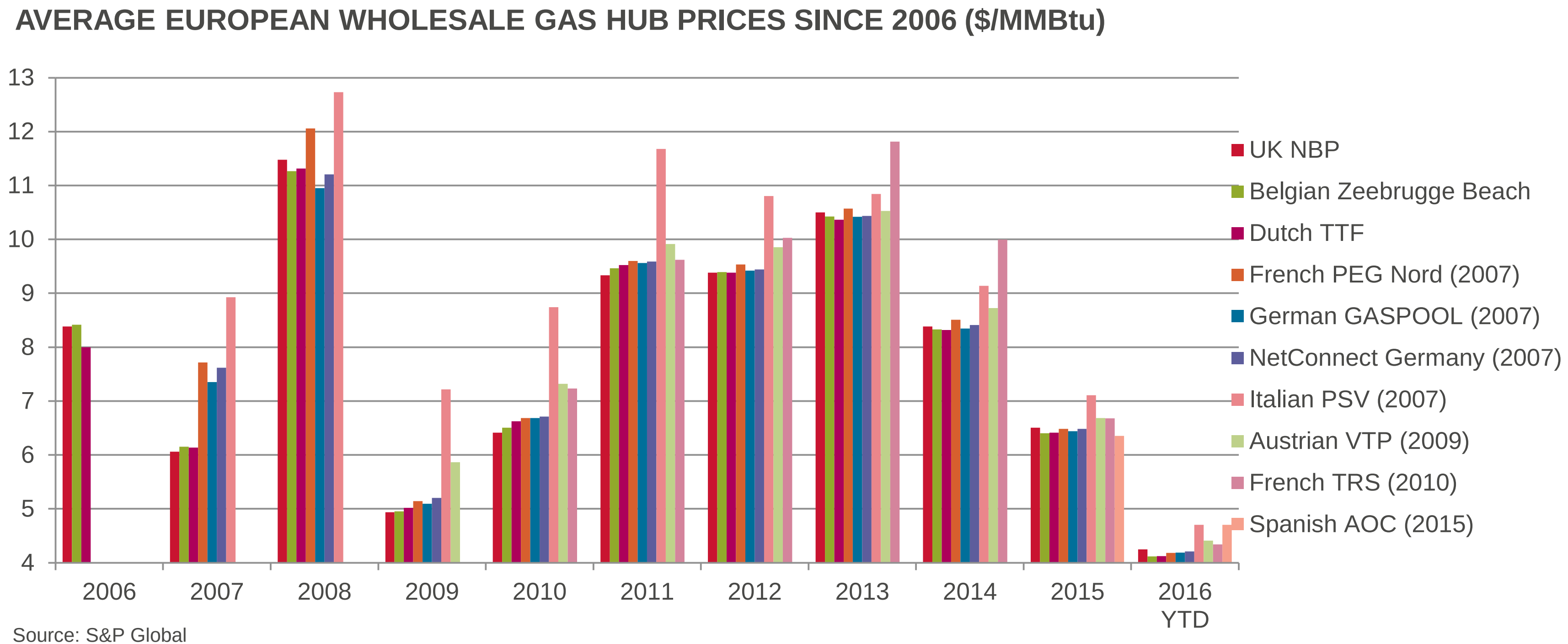
…AND SO MANY IN EASTERN EUROPE PREFER REGULATED PRICES

AVERAGE EUROPEAN HOUSEHOLD GAS PRICES H215 (€/MWh)



Source: S&P Global Platts based on Eurostat H215, ACER/CEER 2014 data

OPEN MARKET PRICES AT 10-YEAR LOW - GOOD TIME TO OPEN UP?



Source: S&P Global Platts

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CONCLUSIONS

- Clear progress toward an EU energy regulator, EU grid operator, EU grid code
- Clear trend from voluntary arrangements to binding rules
- Price convergence in integrated, open markets means some will pay more
- Current global gas glut favors open, flexible markets