



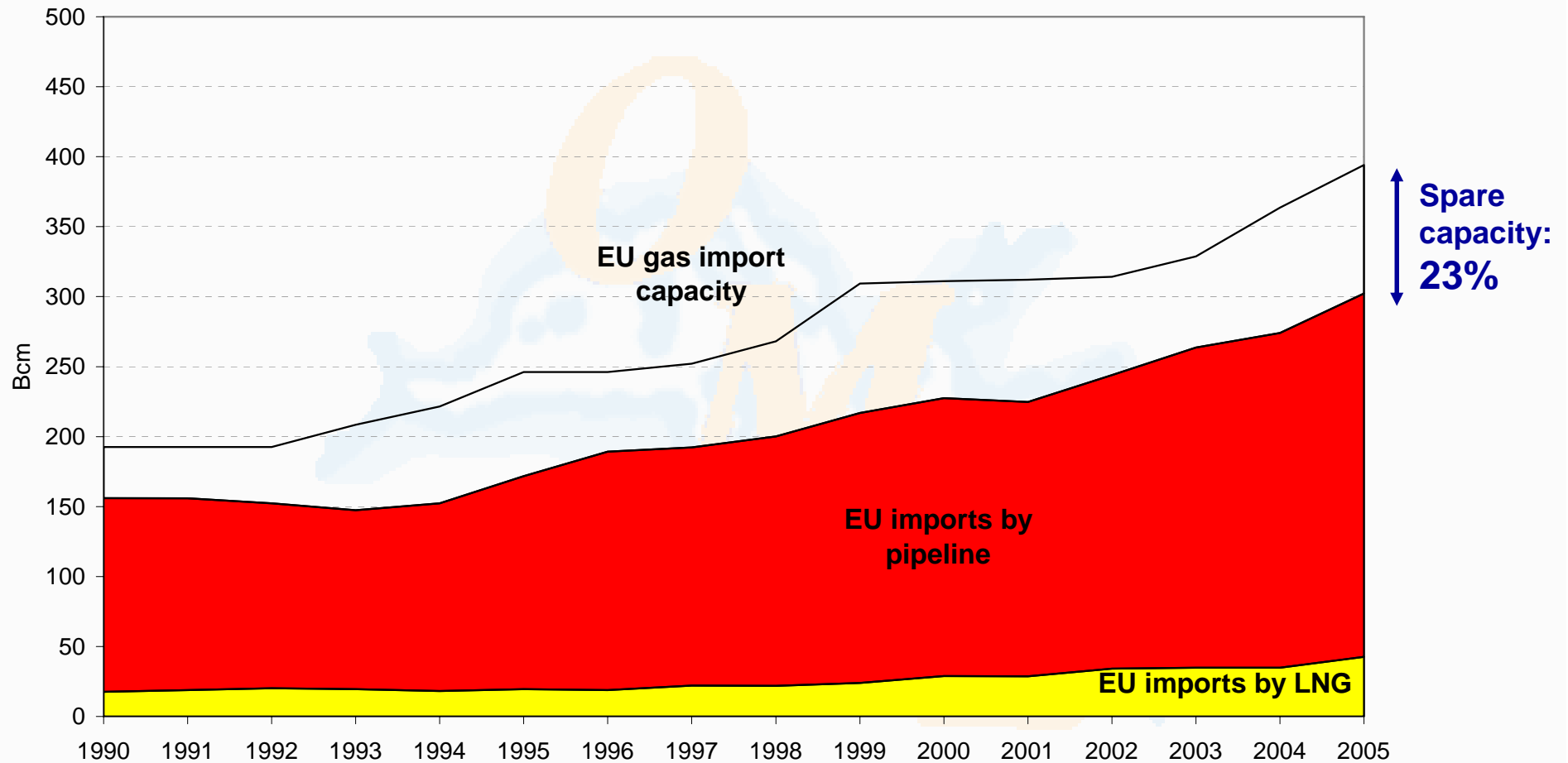
# The strategic dimension of gas import project development in Europe

Benoît Esnault  
Senior Energy Analyst  
Observatoire Méditerranéen de l'Énergie



Congrès du Gaz, Atelier 14  
Paris, 13/09/2007

# EU gas imports: large spare capacities



Source: OME





# Key issues at stake for gas projects selection

Key issues	Examples of associated problems and risks
<b>Economic issues</b> (Project characteristics)	<ul style="list-style-type: none"><li>- Volume</li><li>- Price</li><li>- Timing</li></ul>
<b>Strategic issues</b> (Investors' behaviour)	<ul style="list-style-type: none"><li>- Market penetration</li><li>- Market pre-emption</li><li>- Consolidation</li></ul>
<b>Political issues</b> (Legal context)	<ul style="list-style-type: none"><li>- Regulation</li><li>- International relations</li><li>- Transit issues</li></ul>



# 3 categories of gas projects

- **“Upstream promoted” projects**
  - Long term approach
  - Covering long term import requirements defined as the difference between domestic demand and production evolution
- **“Downstream promoted” projects**
  - Security of supply
  - Strengthening incumbents’ market position
- **“Mid-stream promoted” projects**
  - “Pure” market based approach
  - Market penetration by small operators and new entrants
  - Developed by transportation companies

# Companies involvement by type of project

	Upstream promoted	Downstream promoted	Midstream promoted
Exporting companies	<b>Leader</b>	Partner	Partner/ not involved
Importers (incumbents)	Partner	<b>Leader</b>	Partner/ not involved
Private producers & transporters	Partner (sometimes)	Partner	<b>Leader/Partner</b>
Entrants	Partner (rare)	Partner	<b>Leader/Partner</b>
Number of partners	Low	Low	High

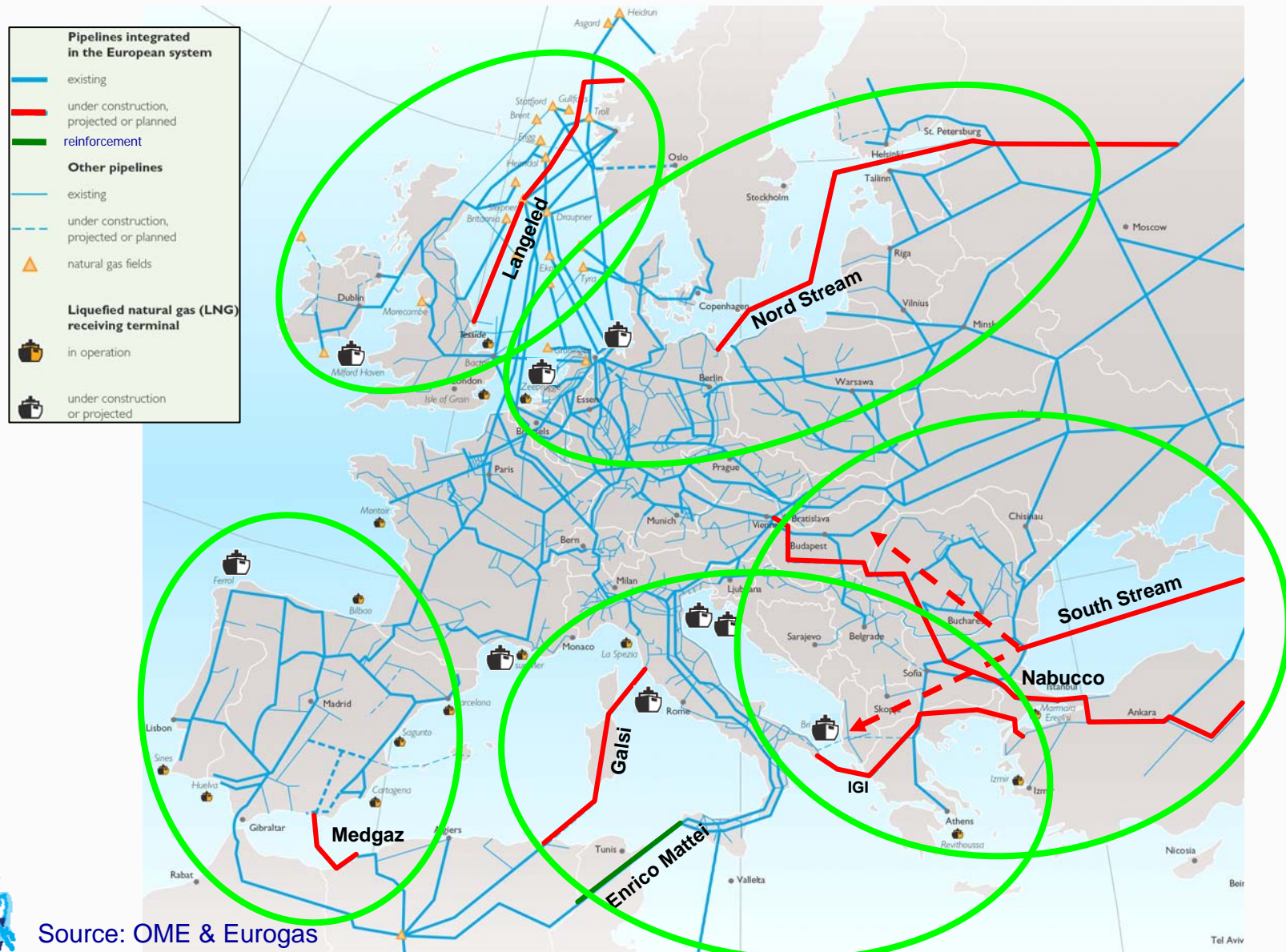
# European import projects by category

	Upstream Promoted	Downstream promoted	Midstream promoted	
Langeled	X			} Competition
LNG UK			X	
Nord Stream	X			} Competition
LNG North Europe		X	X	
South Stream	X	X		} Competition
Nabucco			X	
Turkey Greece Italy			X	
LNG Italy			X	
GALSI	X	X	X(1)	} Competition
Transmed (reinf.)		X		
MEDGAZ	X	X		

(1) GALSI's status shifted from "midstream promoted" to priority project (politically & industrially)



# Competition between gas import projects in Europe



Source: OME & Eurogas



# How strategy influences the “merit order” of projects

## ■ Vulnerability to market risk

- Low for upstream and downstream promoted projects
- High for midstream promoted project
- Competitive advantage for incumbents (upstream & downstream)

## ■ Impact on project timing

- Anticipation on « market signals » for upstream and downstream promoted projects: pre-emption and consolidation
- Midstream promoted projects wait for market signals

## ■ Political influence

- Direct intervention of governments (GALSI)
- TPA exemptions and other regulatory arrangements (IGI, LNG terminals, etc.)

