

The Spanish Gas Industry

Antoni Peris, President

sedigas

Main figures

Gas natural network

Market operation

Prospective

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Europe natural gas market in 2007

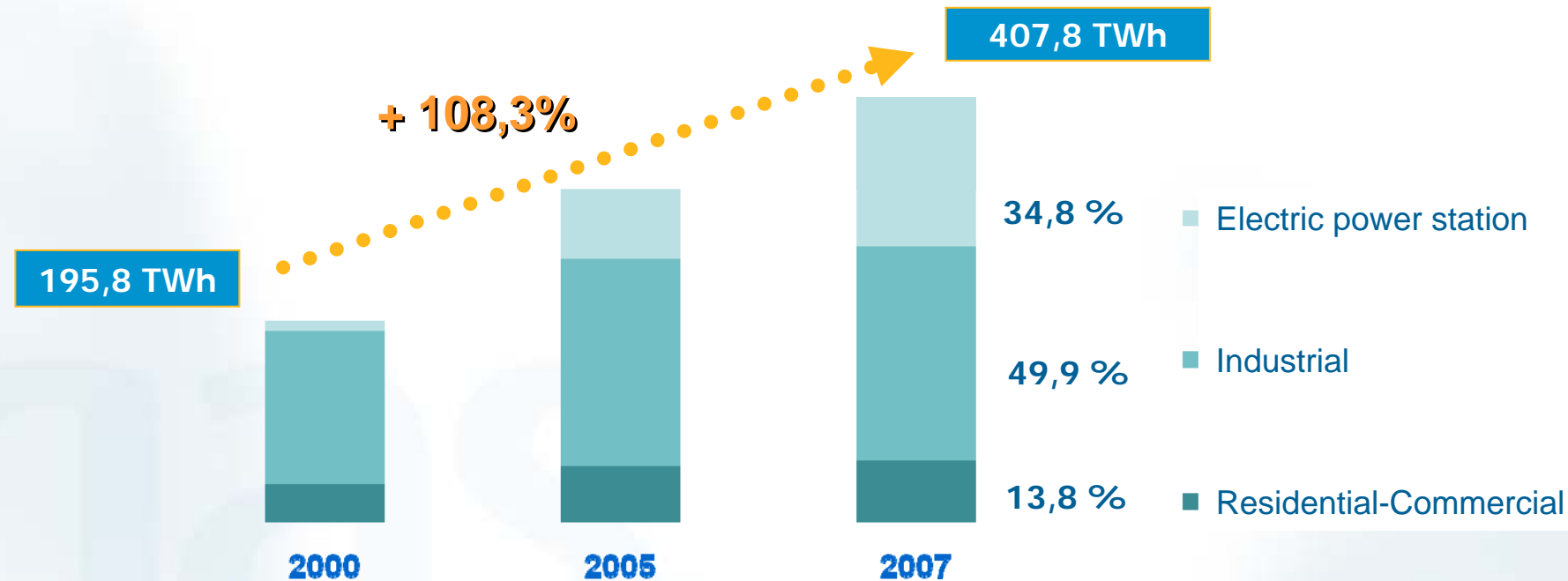
Spain natural gas growth was above the European average

TWh (109 kWh)	2006	2007	Increase 2007/2006
United Kingdom	1.046,3	1.060,3	1,3%
Germany	973,3	925,0	-5%
Italy	894,2	898,9	0,5%
France	511,9	496,8	-2,9%
Netherland	444,5	430,8	-3,1%
Spain	391,0	407,8	4,3%
Belgium	190,4	189,7	-0,4%
Romania	188,9	160,8	-14,9%
Hungary	148,4	139,9	-5,7%
Poland	149,5	149,9	0,3%
Check Republic	97,8	91,4	-6,5%
Austria	93,9	88,2	-6,1%
Eslovaquia	64,9	59,1	-8,9%
Denmark	50,0	43,9	-12,2%
Finland	50,2	48,2	-4,0%
Portugal	47,0	50,5	7,4%
Ireland	50,0	54,0	8%
Lituania	31,7	37,4	18%
Bulgaria	31,1	31,5	1,3%
Greece	34,8	43,1	23,9%
Letonia	18,2	17,6	-3,3%
Luxemburg	15,9	15,0	-5,7%
Eslovenia	11,9	12,1	1,7%
Sweden	11,2	11,6	3,6%
Estonia	11,1	11,1	0%
TOTAL UE 25	5.558,1	5.474,6	-1,5%

Source: Eurogas

Spain natural gas market

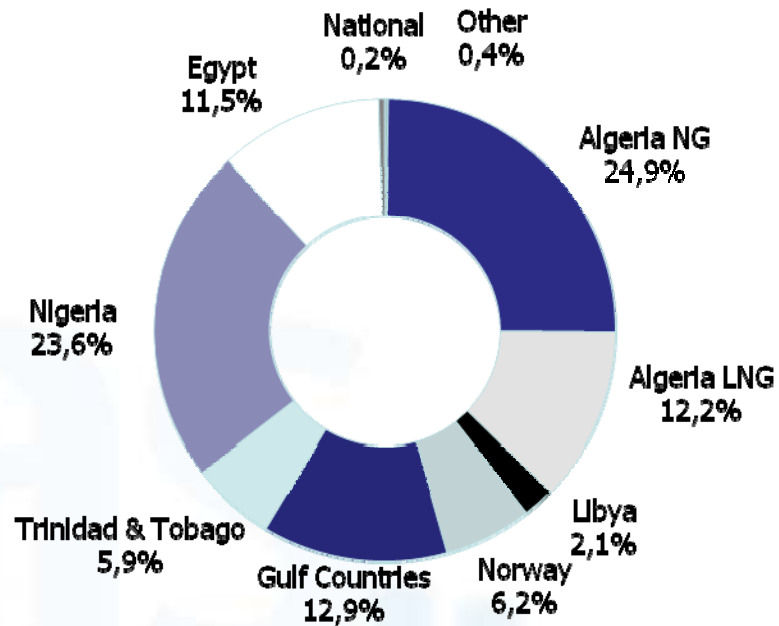
Consumption by sector



From year 2000 electric power stations have increased their gas consumption by 13 times

Spain has increased its suppliers up to 11 different countries

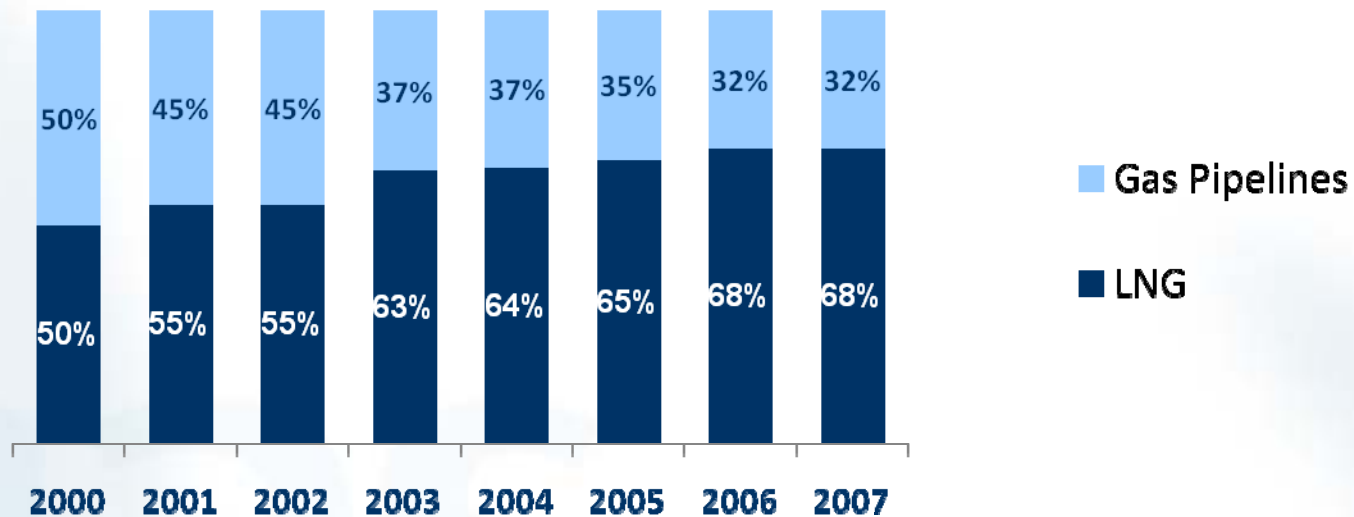
- RD 1716/2007 established 50% quota for the supplies of one country



Total: 410,4 TWh (35,3 bcm)

LNG worldwide reference

Spain is the third LNG worldwide importer after Japan and Korea



LNG imports reached 68% of total supply in 2007

The 8 bcm capacity from Medgaz will bring a desirable equilibrium between LNG and pipeline and will considerably enhance security of supply

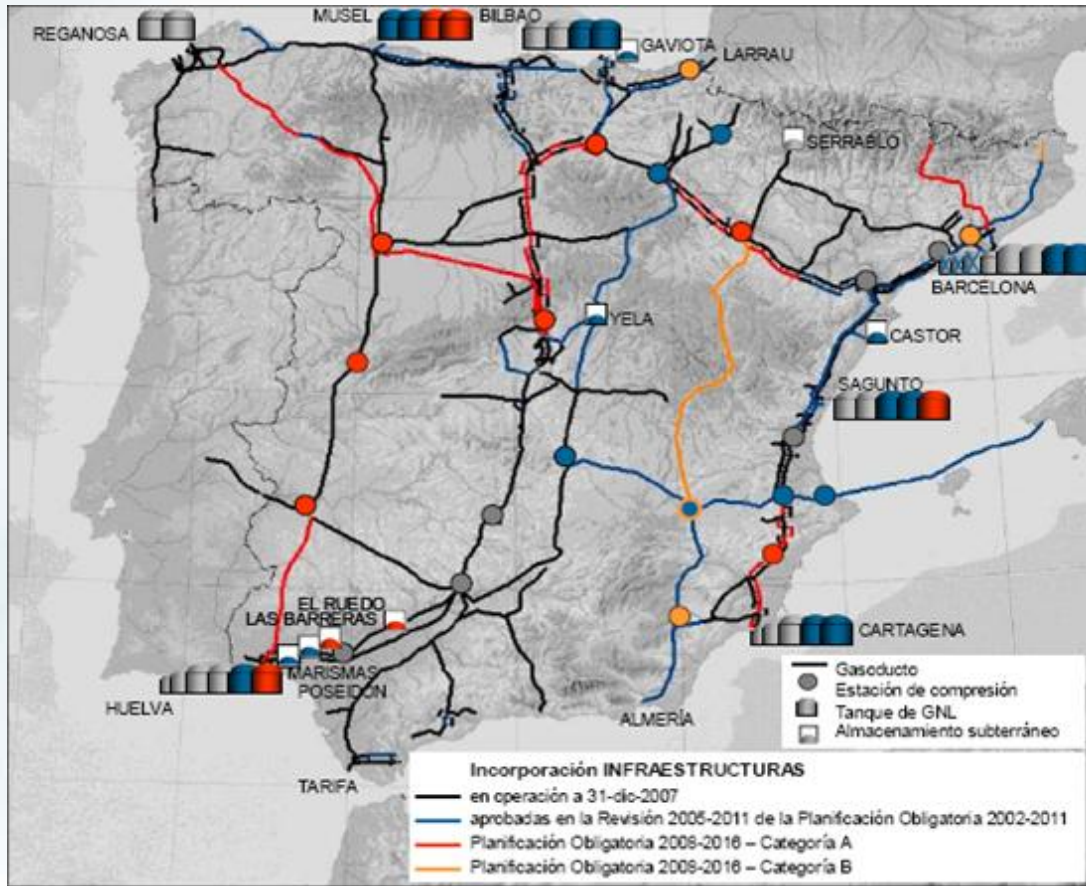
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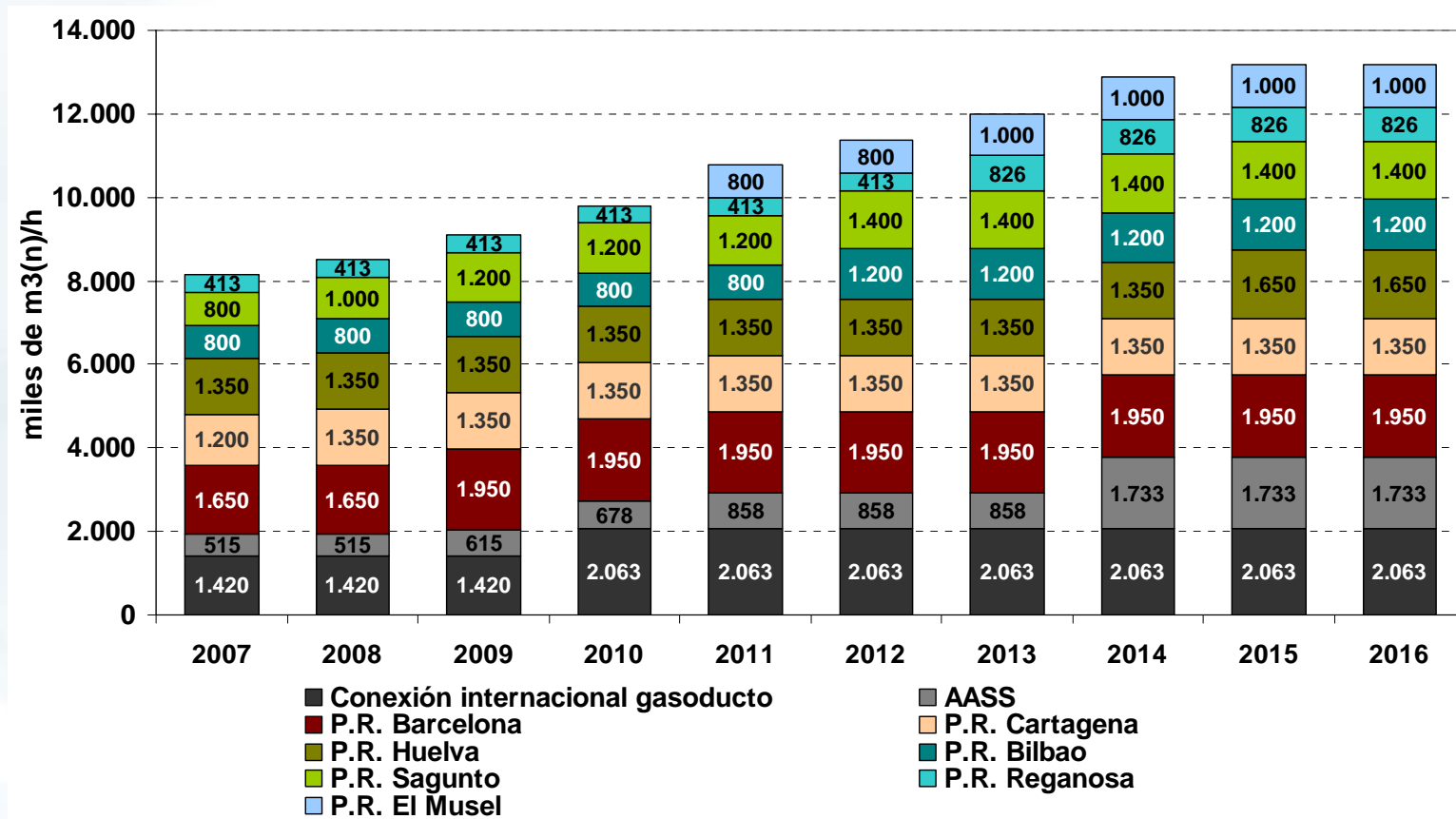
Spanish natural gas transmission network



- 2008-2016 Planning
- Increase LNG storage facilities and emission capacities
- Gas pipelines to all the national territory, to Europe and from Algeria
- New underground storages
- Modifications to Ministerial Orders to increase retribution for underground storages

Entry capacity 2008-2016

Regasification plants are the 63% of the total incremental entry capacity por the period



Storage capacity up to 2016

The new infrastructure plan will increase the storage capacity and the regasification capacity

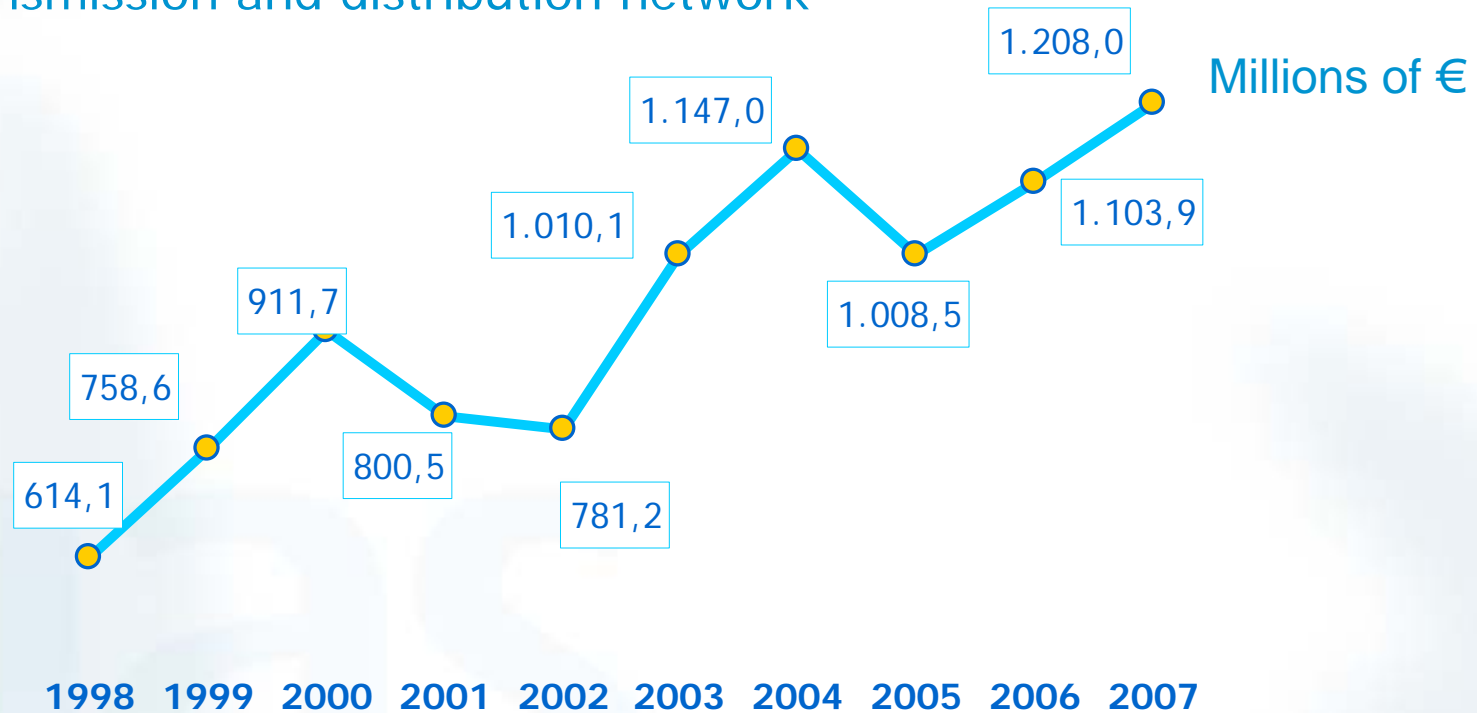
Regasification Plants	2006	2016	2006-2016
Storage capacity (Mm3 LNG)	1.895	4.585	142%

Underground storage	2006	2016	2006-2016
Operative capacity (Mm3 N)	1.659	5.600	238%
Injection capacity (Mm3 N)	8,2	37,2	354%
Extraction capacity (Mm3 N)	12,9	68,5	431%

Source: Gas&Electricity planning (2008-2016), MITyC

Investments in the gas natural industry

Transmission and distribution network



Source: Sedigas

Investments 1998-2007: 9.344 millions of €

Other economic indicators

	1995	2000	2006	2007	Increase 2006/2007
Customers	2.775.611	4.203.168	6.476.778	6.782.579	4,7%
Network (Km)	21.162	37.022	58.870	63.199	7,4%
Towns	544	948	1.248	1.325	6,2%
Employment	-	4.371	5.987	6.127	2,3%

Source: Sedigas

Around 70% of the Spanish population lives in towns with natural gas infrastructure

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The regulatory framework made possible the liberalization of the market

Some main legislative changes

- July 2005: legislation (Royal Decree 942) that allowed the liberalization of the industrial market
- Oct 2005: the network code for the system management was approved (NGTS)
- March 2006: Gas&Electricity planning review 2002-2011
- September 2006: indications to winter plan measures were included
- December 2007: legislation that modifies the hydrocarbons law
 - 1st July 2008 all the customers are supplied by the liberalized market
 - Last resort tariff establishment,
 - Tolls and fares for TPA,
 - Mechanisms for underground storage development
- May 2008: New Gas&Electricity planning 2008-2016
- July 2008: liberalization of the market completed

Spanish market is supplied by 14 active traders



Liberalized market share-out sales 2007

Incumbents	60,6%
Newcomers	39,4%

Spanish TSO (GTS) is operating the network

GTS is operating with transparency and independency of the rest of the market:

- The GTS is an independent isolated entity inside Enagas:
 - GTS CEO named by the board of the company and aproved by the Spanish Ministry
- Enagas:
 - Maximum limit of 5% Board representation by single shareholder (1% for gas operators).
 - Maximum limit of 40 % of total shares owned by companies operating in the natural gas sector
 - Independent accounts books

NGTS (network code)

- NGTS are in place since October 2005
- The NGTS working committee is responsible for updating these regulations; it is driven by the GTS with the collaboration of all the agents

Switching office (OCSUM)

- Foundation of the OCSUM, in charge of supervising that the switching mechanism is done in a transparent, objective and independent way, both for gas and electricity markets
 - Capital share-out (20% max by Group)
 - 15 % Gas distribution companies
 - 15 % Electricity distribution companies
 - 35 % Electricity marketer companies
 - 35 % Gas shipper companies
- Recent authorization resolution of Ministry of Industry approved the foundation of the office

Last resort tariff

- Maximum tariff (regulated) that a last resort shipper can charge to a customer with supply pressure not greater than 4 bar and annual consumption not greater than the limit specified by the Spanish Regulator; or clients that did not switch to the liberalized market before 1st July 2008
 - TUR Calendar potential customer:
 - 1st July 2008: <4 bar annual natural gas consumption <3 GWh
 - 1st July 2009: <4 bar annual natural gas consumption <2 GWh.
 - 1st July 2010: <4 bar annual natural gas consumption <1 GWh.

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First data 2008 (1st semester)

- Natural Sales amounted to 231,975 GWh
- It represents an increase of around 17% in relation to 2007
- Electricity generation market is the most dynamic market, exceeding the figure in 2007 by 56%
- The cogeneration gas consumption has increased around 13%

The natural gas industry is expected to keep growing

- The average accumulates growth (from 2006) in total demand for natural gas will be 3% until 2016
- Combined cycle power plants demand will grow at an average annual rate of 2% until 2016 (according to TSO numbers)
- Residential-industrial market sales will keep its 66% share

