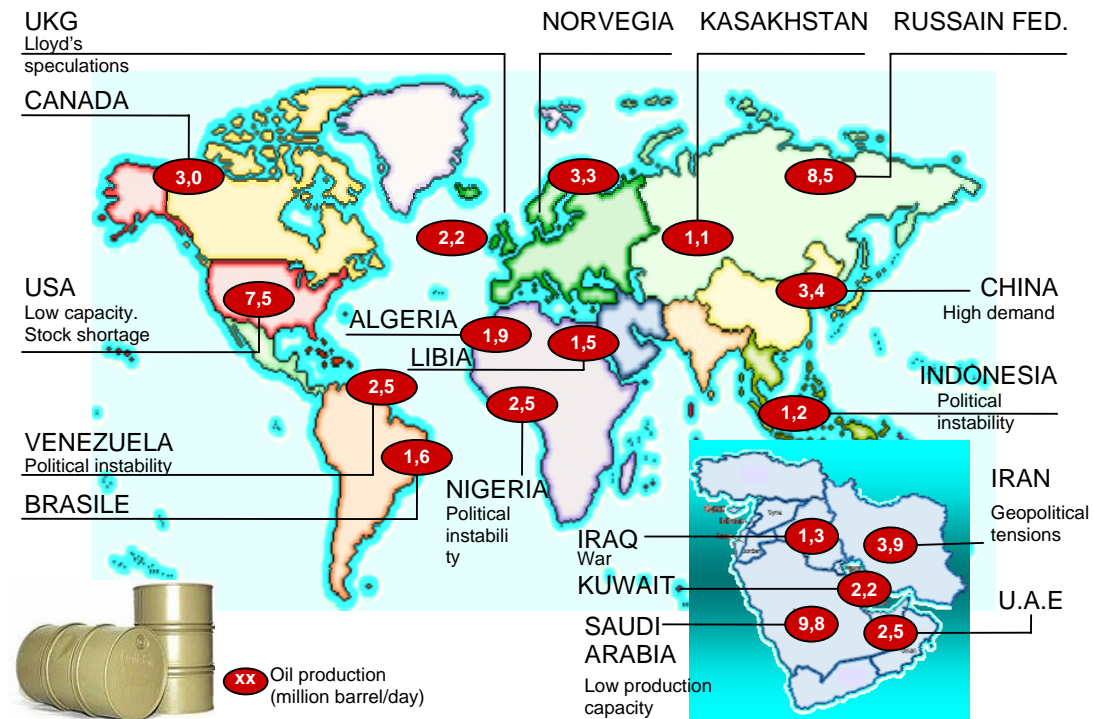


World Gas Organization –A Neccessity

CRUDE OIL

The oil market is a “free” market ruled by big multinational oil corporations through mechanisms of geographic subdivision and areas of political influence, as well as by the exercise of control on each production phase – up-stream and down-stream – and on distribution.

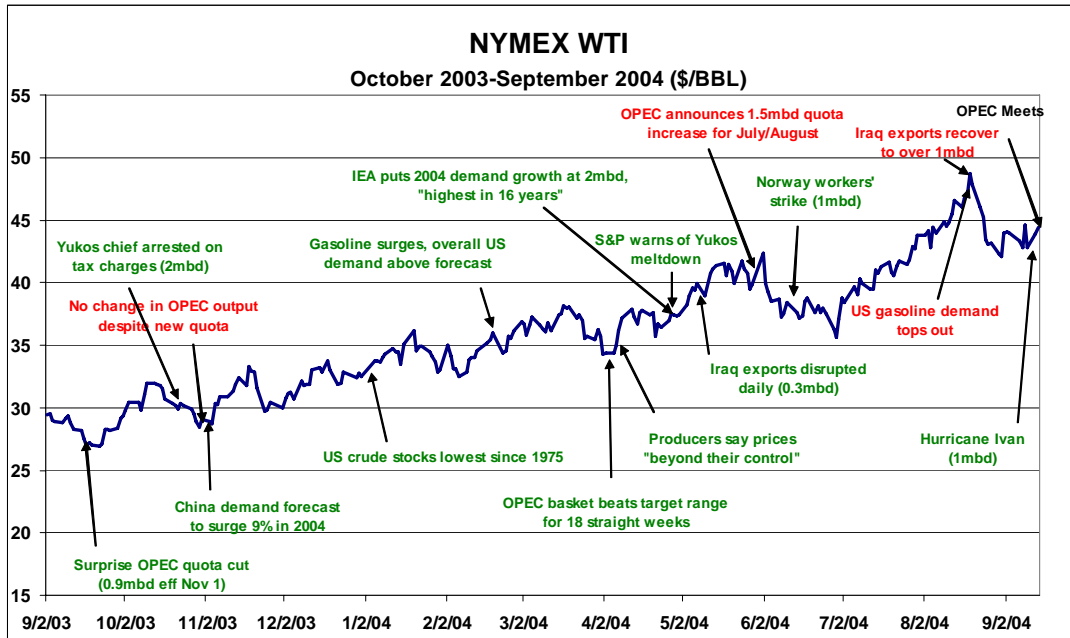
Global Oil Production and Potential Risk Factors



Source: Corriere della Sera, “Punti nevralgici della produzione petrolifera” - 2005

The price of crude oil today exceeds 60 \$/barrel and in two years (October 2003 – October 2005) has increased by 200%. This is not the result of global demand, but of the trading speculations originating from limited refining capacity, political crises, environmental catastrophes and other “exogenous” factors which are immediately exploited by world traders and by the stock markets.

According to financial analysts, in the forthcoming years the price of crude oil will be subject to high volatility.



Source: Platts

Proven global oil reserves at the end of 2004 amounted to about 1.188,6 trillion barrels; oil production was equal to 80 million barrels/day. In 2004 the price of crude oil increased by 153%. (Source: BP, 2005)

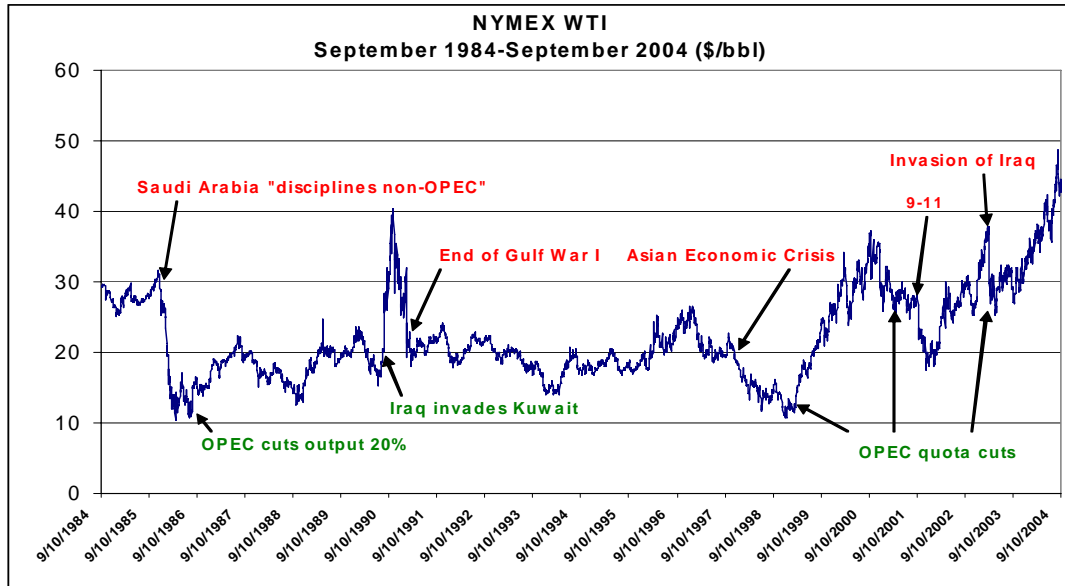
World refinery throughputs increased sharply in 2004 in response to very strong demand growth. The largest increases were recorded in Asia Pacific, Europe and Eurasia, and South and Central America. As a result, global average refining capacity utilization increased to 87%, the highest level in the past 25 years. Forecasts, considering investments and the relatively long time lag associated with the construction of new refineries (at least 5 years), are alarming – even without taking into consideration the progressive worsening of global climate conditions.

Oil refinery utilization – Percentage (Source BP, 2004)



Considering oil production figures for 2004, for each \$12.5 increase in the price of an oil barrel, oil companies have earned 1 billion \$/day, i.e. exactly 1% of the world's GDP. Taking into account the profits generated by the whole production cycle (refinery and commercialization), their earnings exceed 2.1% of the GDP (in 2003 the world GDP amounted to \$36,3 billion – Source: Exxon Mobile)

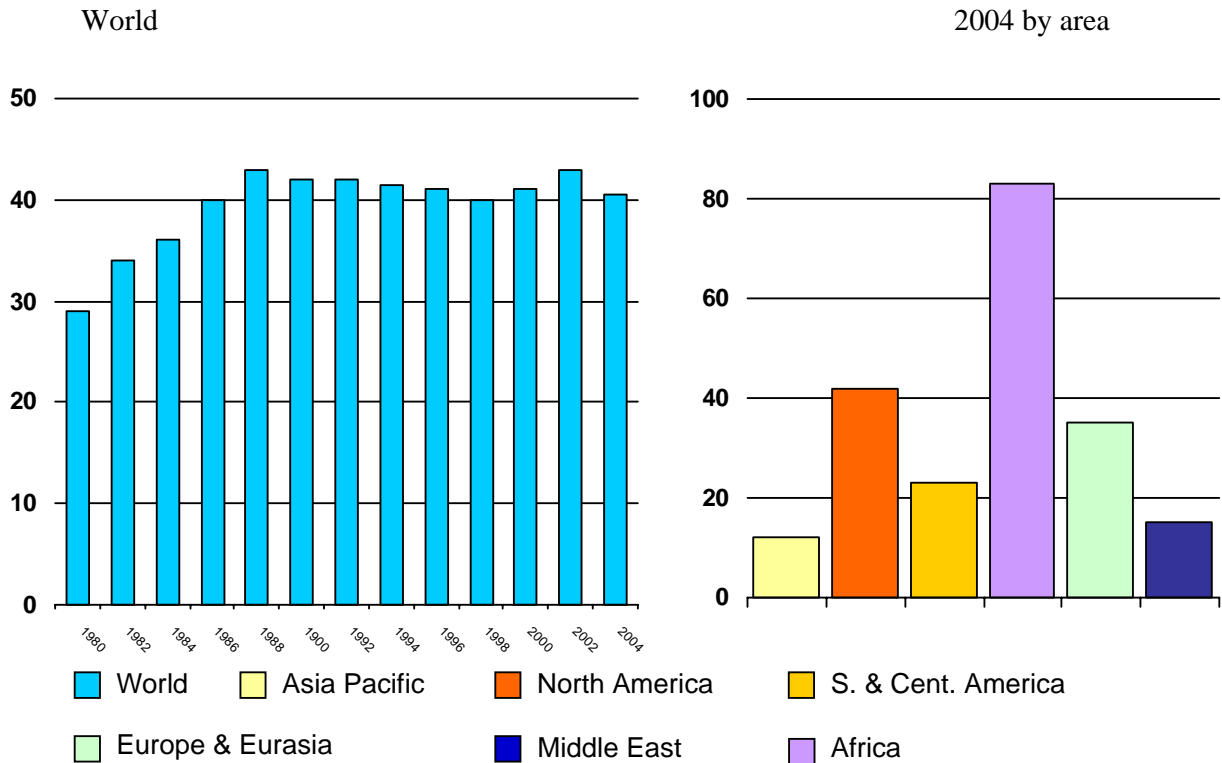
The last 20 years were marked by important political events: the end of the Cold War, the fall of the Berlin Wall, the Gulf War, the conflicts in the Balkan region, September 11, the invasion of Iraq. All of these events have had different impacts on the crude oil market.



Source: Platts

The world's oil reserves-to-production ratio fell to 40.5 years in 2004, down from 43.3 in 2002. This means that at today's consumption rates, in 40 years all oil reserves will be depleted. In some regions the situation is critical. The forecast is: 13 years for Pacific Asia, 16 years for the Middle East, 36 years for Europe and Eurasia. (Source BP, 2004)

Oil reserves-to-production (R/P) ratios



During the first six months of 2005 aggregate profit margins of multinational oil companies exceeded 30% of their combined sales, making it their best results in history. Considering a limited increase in production volumes (4-5%), this demonstrates their strategy of maximizing profits.

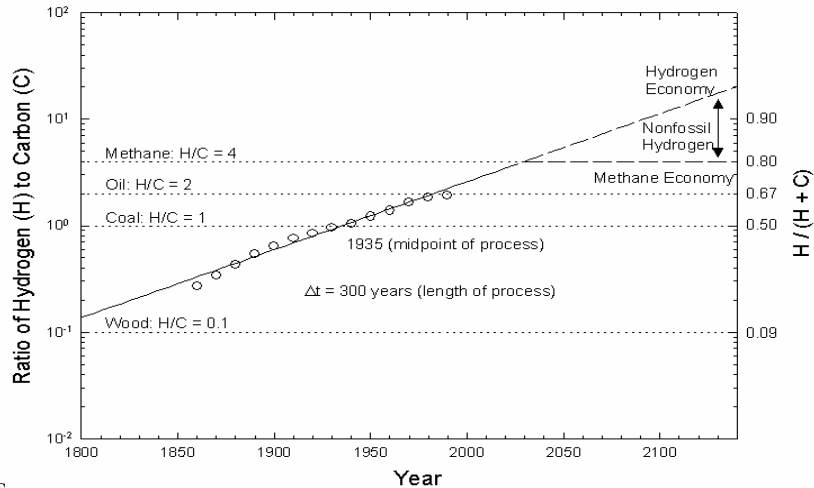
NATURAL GAS

Until recently, the discovery of natural gas used to be considered a hitch, with little or no profit margins. Today, the great advantage of its use in substitution of crude oil and coal, its high energetic value, its full combustion and the consequent higher efficiency in the production of electric power have transformed gas into the fuel of prime choice.

According to the estimates of the U. S. Department of Energy (DOE), the world natural gas consumption will increase until 2020 at a rate of approximately 3.2% per year, as opposed to a 2.2% increase in oil consumption.

In the future, natural gas will therefore have a decisive role in the energy market, which is now shifting toward fossil fuels characterized by a higher ratio between hydrogen and carbon. The graph below shows how the world moved from the fuelwood age to the methane age with a steady progression marked by the search for the perfect fuel: *hydrogen*.

Ratio of Hydrogen (H) to Carbon (C) for Global Primary Energy Consumption since 1860 & Projections for the Future (Source: Rockefeller University, New York City – Professor Jesse H. Ausubel)



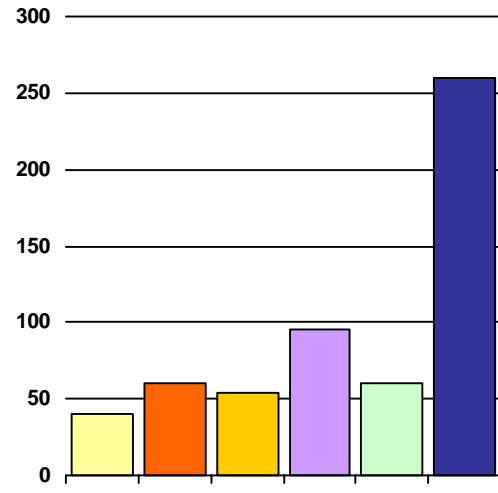
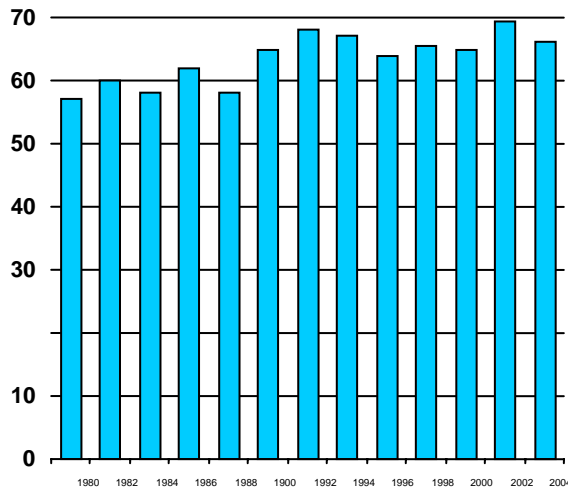
Natural gas is the most important energy source for Europe and will be approximately 25% of primary energy requirements. In power generation, natural gas will register a double growth up to 2020, with respect to the power production of 2004. In addition, the chemical composition of natural gas determines a production of CO₂ and other pollutants far lower than that of fossil fuels, making it less environmentally unfriendly and reducing the cost of exhaust treatment.

Proven world natural gas reserves at the end of 2004 amounted to about 179,54 bn/m³. The ratio between reserves and yearly production (R/P) indicates 67,1 years of existing reserves. (Source BP, 2004)

The estimates of the International Energy Agency (*World Energy Outlook 2004*), based on current consumption and recently discovered natural gas resources, confirm the existence of natural gas resources for another 200 years.
Natural gas resources are larger and will last much longer than those of crude oil.

Natural gas reserves-to-production (R/P) ratios

World 2004 by area



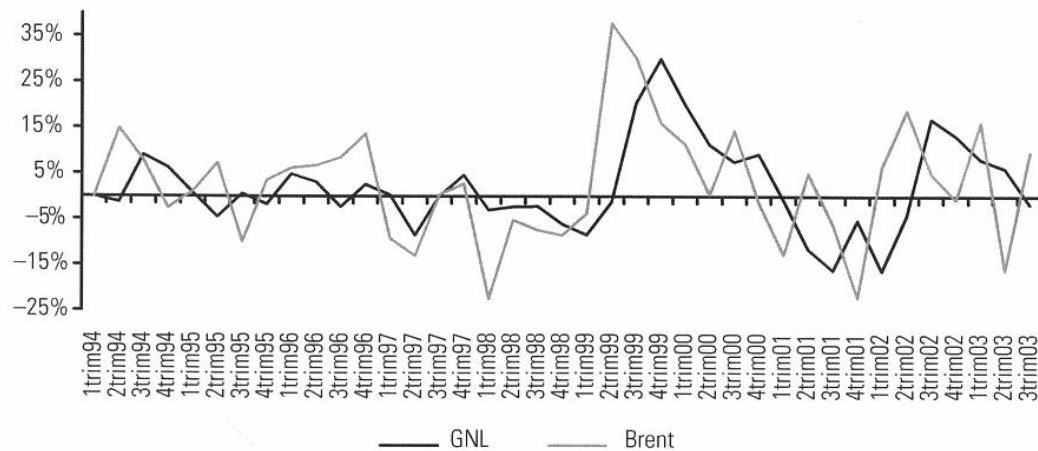
“Take or pay” contracts are the legal instruments used to regulate the natural gas market. These are very complex contracts from both the economic, the technical and the legal point of view.

“Take or pay” contract’s formulae are very different in the USA and in Europe. European contracts usually use formulae linked to the price of crude oil and of the oil products that gas is “substituting”.

The truth is that today the price of natural gas is determined by the price of crude oil and the price of oil products through different “time lag” methodologies, calculated as monthly, quarterly, semi-annual or nine-month averages, before the month of reference.

Border Price medio europeo del GNL e prezzo Brent, 1994-2003

Source: World Gas Intelligence, DataStream, 2003



This graph shows that the price of LNG (Liquid Natural Gas) is tied to the price of Brent through a simple deferment due to the “*time lag*” formulae being applied.

The gas chain is very different from the oil chain. Whereas oil is complex from a chemical point of view and simple from a commercial/distribution one, gas is chemically simple and rather complex in its commercial and distribution aspects.

In the gas market sellers and buyers are tightly bound, both in case of NG (Natural Gas) carried through pipelines, and of LNG (Liquefied Natural Gas) delivered by sea. Gas logistics require reciprocity of planning and investments, as well as a strategic and long-term bond between seller and buyer.