

Snam Rete Gas today

gas supplies

infrastructures

national production

imports

import by tankers

import pipeline

Our activities

TRANSMISSION NETWORK

Snam Rete Gas plans, builds and manages a network of over 31,500 km, distributed across most of Italy. Development of the network also includes environmental restoration work, actions that give unique character to the company's commitment to environmental sustainability. In 2009, environmental restoration work was carried out in areas affected by the laying of over 260 km of pipelines.



snam rete gas

LNG REGASIFICATION

GNL Italia is active in the regasification of liquefied natural gas and operates at the Panigaglia plant, the first plant of its kind in Italy and one of just 40 in the world. It has a maximum capacity of 3.5 billion cubic metres of regasified gas a year.

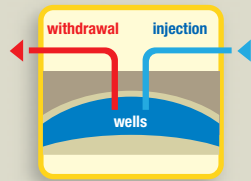


gnl italia

sales

STORAGE

Forty years of experience in gas storage using disused gas fields at a depth of around 1000-1500 metres, eight storage fields, wells, treatment plants and compressor plants: this is the integrated system that **Stogit** brings to the market.



electricity generation sector

industrial sector

DISTRIBUTION NETWORK

Founded in 1837, **Italgas** was the first Italian company to involve itself in the gas distribution sector. It is the leader on the Italian market, carries out its activities in over 1400 contracted municipalities, and manages a network of over 50,000 km and 5.7 million active meters.



residential sector

Snam Rete Gas today

Activities

Transmission

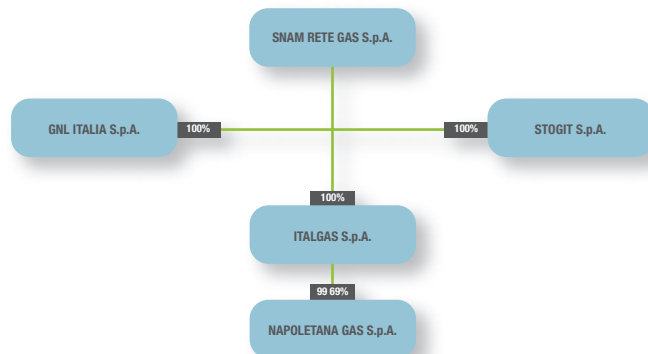
Snam Rete Gas takes charge of natural gas at delivery points. These are located at interconnections with import lines from Russia, Northern Europe and North Africa, with LNG regasification plants, and with domestic gas production and storage centres situated throughout Italy. The gas is then transmitted, on the basis of instructions provided by the customers, to the delivery points connected to local distribution networks and to major industrial users and power stations.

The gas transmission system is comprised of a network of gas pipelines extending for 31,531 km throughout most of Italy, 11 gas compressor stations, and 567 plant areas containing pressure reduction and regulation plants.

Control and management of the system are carried out by the Dispatching Centre in San Donato Milanese in cooperation with the local Operating Centres distributed throughout Italy. These Operating Centres, comprising 8 districts and 55 maintenance centres, are responsible for ensuring the operation, maintenance and control of the entire system.

The volume of gas put into the transmission network totalled 76.90 billion cubic metres, with a reduction of 8.74 billion cubic metres (-10.2%) over 2008 levels. The reduction is due to the lower demand for natural gas in Italy, which is mainly associated with the lower consumption of the thermoelectric sector (-15.5%) and the industrial sector (-14.6%) as a result of the difficult economic climate, the effects of which have in part been absorbed by the increase in consumption of the residential sector (+4.9%).

CORPORATE STRUCTURE



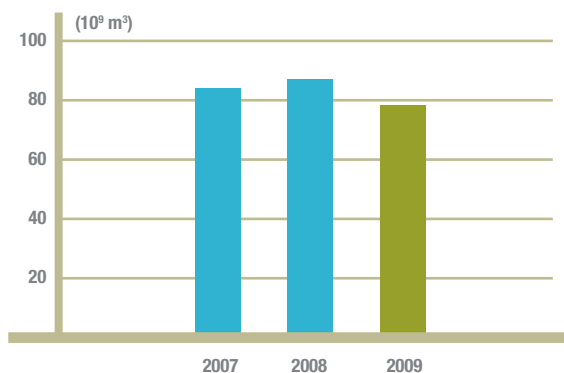
Regasification

GNL Italia is the company that takes charge of its customers' liquefied natural gas (LNG) at the Panigaglia facility, located in Fezzano di Porto Venere (La Spezia), regasifies it and injects it into the transmission network. This regasification is the last phase of the LNG chain which begins in the exporting country, where the natural gas is brought to a liquid state (by cooling it to -160°C at atmospheric pressure) and loaded on ships (called "methane tankers") for transportation by sea.

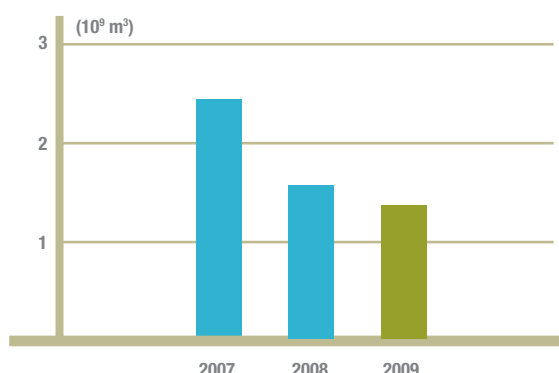
The convenience of transforming the natural gas, which in nature is present in its gaseous phase, to liquid form lies in the fact that its volume is reduced by a factor of around 600, both facilitating and making economic its transport by ship as an alternative to transmission via pipeline. This becomes particularly interesting when the need arises to diversify sources of supply, especially considering the increase in distance between the regions of production and the regions of consumption, thus enabling gas to be imported from producer countries that cannot be connected by pipeline.

The Panigaglia facility occupies a productive area of around 45,000 square metres and it is made up of two storage tanks of 50,000 cubic metres each, steam plants, and a berth for ships. In 2009, 38 tankers of different types were unloaded and around 1.32 billion cubic metres of natural gas were injected into the national transmission network.

NATURAL GAS INJECTED INTO THE TRANSMISSION NETWORK



LNG REGASIFIED



Storage

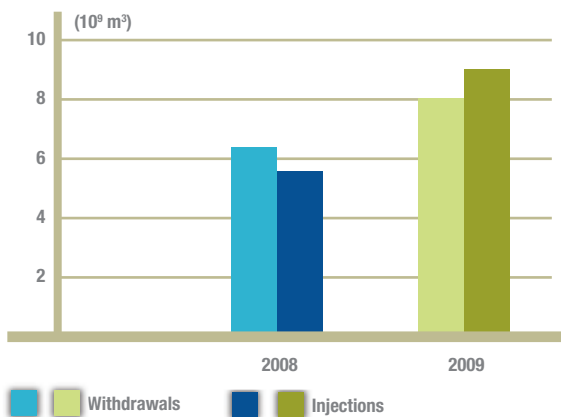
Stogit is the biggest operator in Italy and in Europe in the natural gas storage service activity; by means of eight storage fields, located in Lombardy (four), Emilia Romagna (three) and Abruzzo (one) the company puts its storage capacities at the disposal of the market according to technical and economic efficiency criteria. The company does that using an integrated system (gas fields, gas treatment plants, compressor plants and a dispatching system) that is capable of providing the required modulations of performance, compatibly with the available storage capacities.

The natural gas storage activity acts to compensate for the fluctuating needs between supply and consumption of gas. Actually supply is an essentially constant activity throughout the year, while the demand for gas has a strongly seasonal variability, with wintertime demand being significantly higher than summertime demand.

The activity is essentially divided into two phases. The injection phase, when the natural gas coming from the national transmission network is injected into the gas field (between April and October), and the supply phase, in which the natural gas is withdrawn from the gas field (between November and March), treated and delivered to the customers, again through the transmission network. For the storage, gas fields are used that have already been exploited for production, located at depth of around 1,000 - 1,500 metres.

In 2009 around 16.52 billion cubic metres of natural gas were handled (8.7 supplied and 7.8 injected), an increase of 4.95 billion cubic metres over 2008 (+42.8%). This increase can be attributed to the major withdrawal of gas during the Russian supply crisis in January 2009, and to the consequent increased injection to restore the volumes supplied and to progressively fill the additional capacity made available for the 2009-2010 thermal year.

NATURAL GAS MOVED THROUGH THE STORAGE SYSTEM



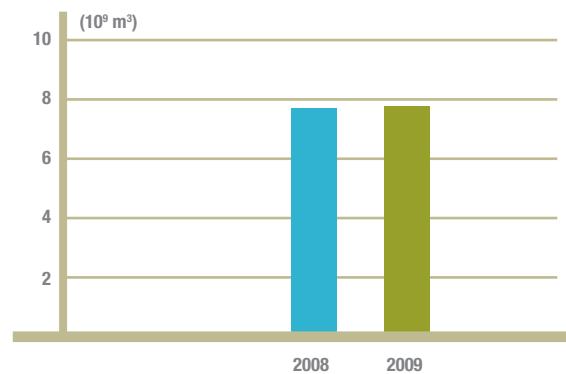
Distribution

Italgas, together with its subsidiary Napoletana Gas, provides a natural gas distribution service, under concession, for the selling companies authorised to sell on the gas (local public bodies). The activity is conducted by means of an integrated system of infrastructures (cabins for withdrawal, pressure reduction plants, distribution networks, delivery points), for the most part directly owned, which allow the companies to withdraw the gas from the national transmission network and deliver it to the end customers (domestic and industrial). At the withdrawal points, the gas (actually the gas itself is odourless) is also odorized to make its presence noticeable in the event of leaks. Of no lesser importance is the metering activity, which is carried out both at the withdrawal points and at the delivery points.

An integral part of the infrastructure is the Integrated Supervision Centre, which constantly monitors the plant remote control systems, to ensure rapid response in the event of anomalies and also in the event of limitations or interruptions to the service. The data coming from remote control and remote reading is made available immediately throughout Italy by telematic means, so as to allow the operating units to have a picture of the status of the distribution system that is always up-to-date.

In 2009 the volume of gas distributed in the distribution network was 7,537 million cubic metres, an increase of 106 million cubic metres over 2008 (+1.4%), basically as a result of the effect of climate and the development of the network. At the end of the year the gas distribution service was provided in 1,441 municipal concessions and with 5,770,672 active meters installed at end customers' premises.

NATURAL GAS DISTRIBUTED



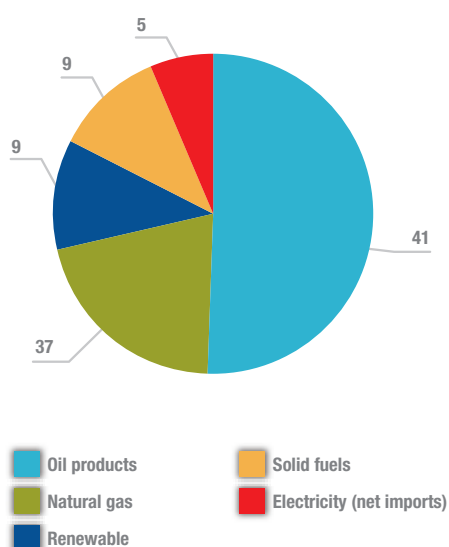
The energy scenario

In the Italian energy system, natural gas is the energy source with the highest rate of growth measured in recent years and is expected to remain so in the medium-to-long term.

From 2001 (the year Snam Rete Gas was founded) to 2008 consumption of natural gas grew at a rate of 2.6% annually on average, going from 70.9 to 84.9 billion cubic metres. The share held by natural gas of total primary energy consumption went from 31% in 2001 to 37% in 2008, the gains serving predominantly to replace petroleum products. This growth is mainly due to the electricity production sector: in 2008, natural gas was used to generate around 173 TWh or 68% of the 254 TWh total thermoelectric production from fossil fuels. Today natural gas represents by far the most important fuel in the Italian electricity system. This position has been achieved in a relatively short period of time, considering that in 2001 electricity production from natural gas was only 96 TWh, equivalent to 44% of the 216 TWh deriving from thermoelectric production from fossil fuels.

In the 2001-2008 period, the growing use of natural gas with high-efficiency combined-cycle technology (replacing the traditional technology) in the electricity sector has enabled the electricity generation sector to save over 5 billion cubic metres of natural gas, thus avoiding the emission of over 10 million tonnes of CO₂ from natural gas. If we also consider that natural gas has displaced fuels that produce higher emissions, like fuel oil in the electricity generation sector, then the contribution of natural gas to environmental quality is even more noteworthy.

ENERGY NEEDS IN ITALY IN 2008 SUBDIVIDED BY PRIMARY SOURCE (%) 191.5 Mtoe



The financial crisis of 2008-2009 had a significant negative impact on international and Italian energy consumption. In particular, it is estimated that consumption of natural gas decreased by 7 billion cubic metres, going from 84.9 billion cubic metres in 2008 to 78.1 billion cubic metres in 2009, equivalent to a negative growth rate of 8%. Nevertheless, from 2010 onwards we expect that the national and worldwide economic recovery will lead to a gradual return to growth in the overall energy consumption and also in natural gas.

With regard to Europe, according to the latest World Energy Outlook of the IEA (International Energy Agency), natural gas should be the only traditional energy source expected to have an increase in demand in the coming years (about 1% annually), while demand for oil and coal are expected to decrease.

Beside the quantitative aspects, we believe that important changes will affect the context in which the gas industry will be operating. It will be characterised by an emphasis on sustainability. Indeed, the European Union has made significant commitments to the challenge against climate change and to improving air quality. These commitments have been translated into real-world action through a series of EU directives, implemented by national legislation in the various member states. The prospective energy scenario will therefore see a growing effort to promote further reductions in emissions, greater energy efficiency in end uses, and wider use of renewable energy sources both in end uses and in the electricity generation sector. The pursuit of these objectives will require the launch of research and development programmes aimed at identifying innovative technological and economic solutions in the efficient use of energy resources and in the production of electricity from renewable sources. In any case, natural gas is destined to play a central role in this scenario, with an ever more important impact in its use to generate electricity with conventional technologies (the IEA forecast an increase on the order of 1.4% annually), in addition to a supporting role in the development of electrical power generation from renewable sources, considering that gas turbines with their flexibility can provide the optimal option in terms of reliability and cost-benefit to ensure reserve capacity.

Another strategic area on which energy policy of European countries will be concentrated is the security of supplies, especially for natural gas: the recent crises linked to the supply of Russian gas have highlighted the strategic necessity for Europe to actively promote the diversification of sources of supplies. This has a twofold objective, i.e. preventing the producer countries from gaining excessive negotiating power and the use of energy supplies as an instrument of political pressure.

The natural gas industry in Europe will thus find itself faced with a threefold challenge: environmental sustainability, cost efficiency, diversification and safety of supplies.

In the Italian energy context, the issues just described will hold special significance. Indeed, Italy is one of the most important natural gas markets in Europe, both in terms of consumption (third place

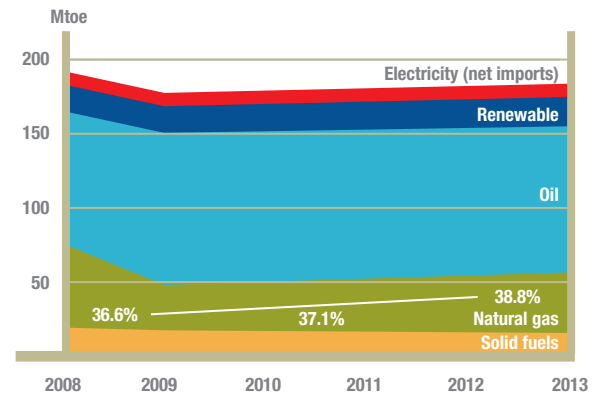
after the United Kingdom and Germany) and in terms of the transportation and distribution network. We expect this trend to strengthen further in the future in terms of the relative share of natural gas in the consumption of primary energy, rather than in the production of electrical power. In Italy, the phenomena of offshoring and restructuring seen in the last few years by industrial sectors have translated to a limited growth in energy consumption, especially in the energy intensive categories. The current crisis will probably further accelerate this phenomenon, tending to limit growth in Italy's energy consumption: in 2013 we expect a consumption of primary energy of around 183 million TOE, a lower level than the 191.5 million TOE consumed in 2008. The share of natural gas in matching this energy demand is expected to reach 39%, a slight increase over the 37% share recorded in 2008 (data prepared by the Ministry for Economic Development).

The demand for natural gas in Italy in 2009 was 78.13 billion cubic metres, down by 6.75 billion cubic metres, or 8%, compared with 2008 owing to the effects of the economic crisis. The reduction was concentrated mainly in the thermoelectric (-15.5%) and industrial (-14.6%) sectors, although this was partly offset by higher demand from the residential and tertiary sector (+4.9%) owing primarily to weather conditions.

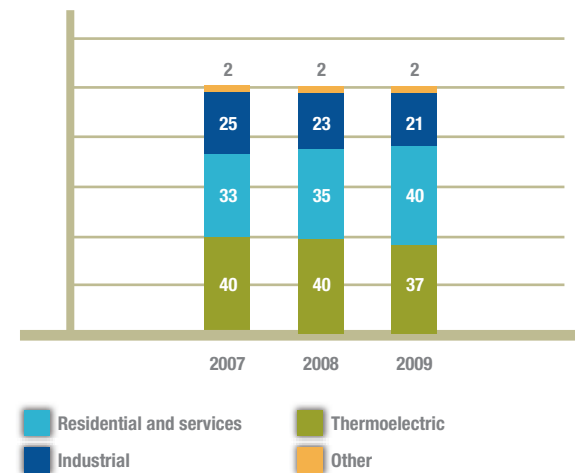
Based on the most recent estimates, domestic natural gas demand is expected to grow by an annual average of more than 2% in the four years from 2010 to 2013. The predicted growth is due to consumption in the thermoelectric sector, which is expected to increase annually by an average of more than 5%.

Smaller increases are predicted in residential, tertiary and industrial consumption.

CONSUMPTION OF PRIMARY ENERGY



GAS DEMAND BY SECTOR (% OF TOTAL GAS DEMAND)



NATURAL GAS DEMAND

(billions of m ³)	2007	2008 (*)	2009
Residential and tertiary	28.18	30.18	31.65
Thermoelectric	34.29	33.90	28.66
Industrial (**)	20.89	19.31	16.49
Other	1.54	1.49	1.33
	84.90	84.88	78.13

(*) Gas demand was aligned with the data published by the Ministry of Economic Development.
 (**) Includes consumption by the industrial, agricultural and fishery, chemical synthesis and automotive sectors.