

A large, light blue, stylized flame graphic on the left side of the slide, composed of several curved, overlapping shapes that suggest the movement of fire.

Russia and Italy: Natural Gas as Solid Basis for Cooperation

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15-16 February 2018

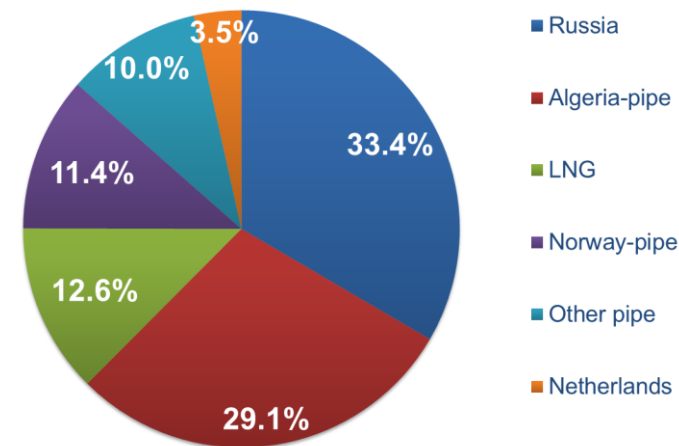
III SEMINARIO ITALO-RUSSO:
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Gazprom is the Major Supplier of Natural Gas to Italy



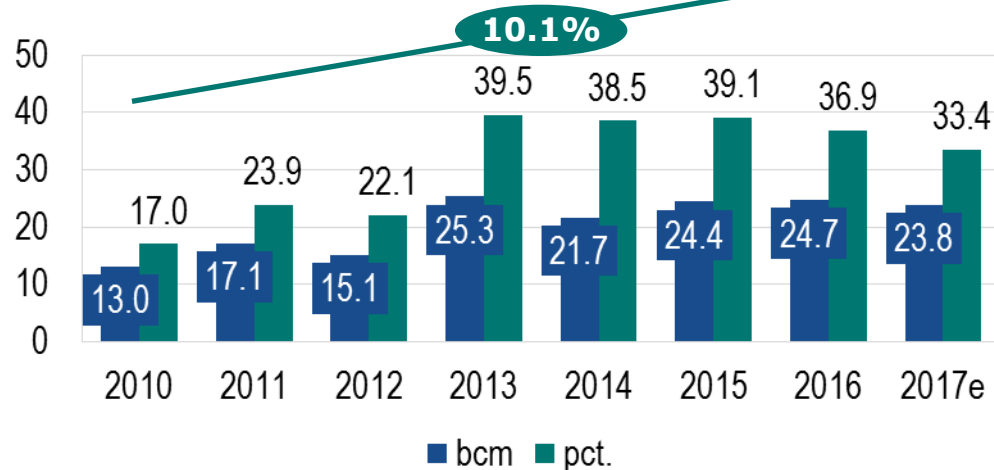
- Russia is the major gas supplier of natural gas to Italy with a share of 33.4% which doubled since 2010
- Other major suppliers are Algeria, Norway, Netherlands and LNG
- Italy is the third largest buyer of Russian gas
- Gazprom's export to Italy has been growing by 10.1% CAGR from 2010 in volume terms
- Price of Russia gas is in the mid-range of the Italian import prices

Natural Gas Imports Structure by Source
(2017, est.)



Source: Gazprom Export, IHS

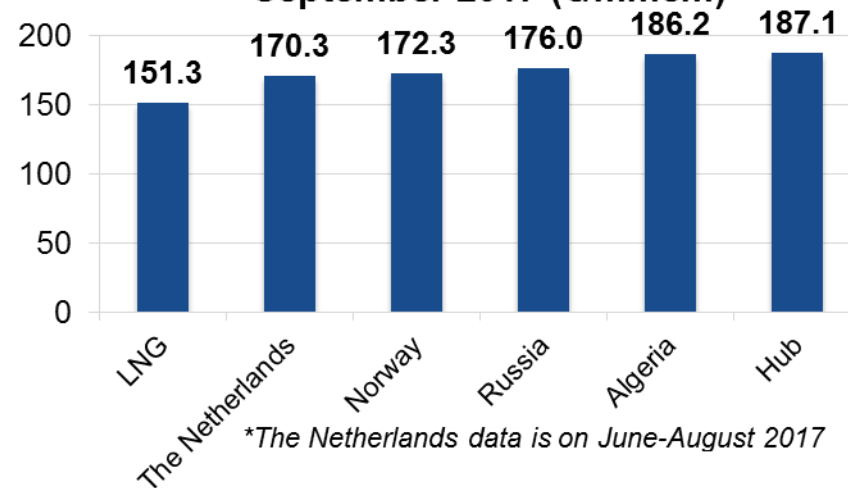
Gazprom Export Deliveries to Italy, Volumes and Shares in Italy's Imports



Source: Gazprom Export, IHS

Import Gas Prices in Italy: 2017 Q3

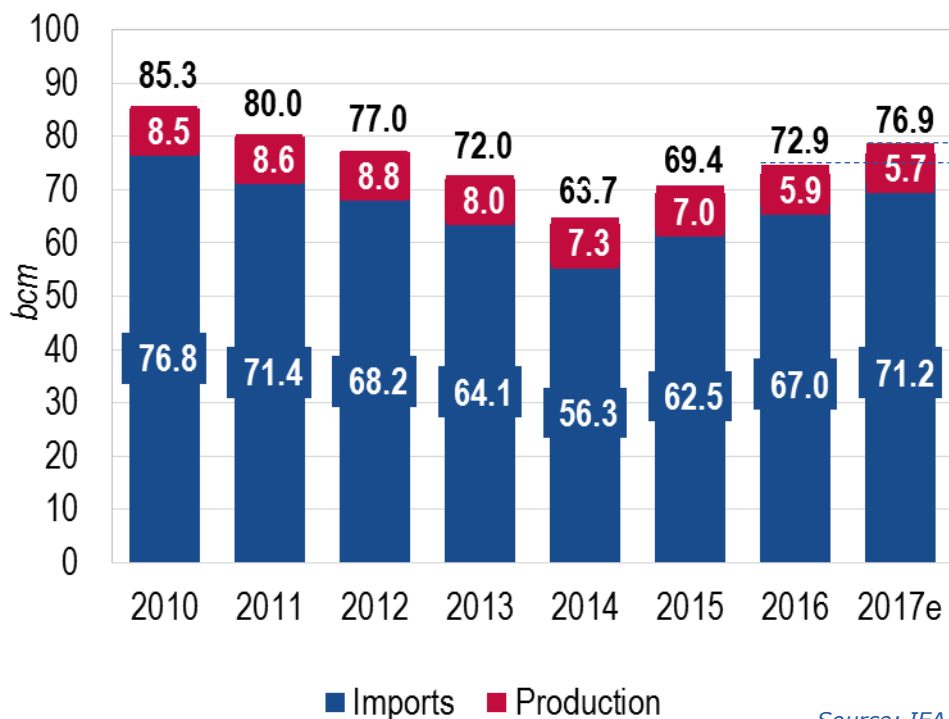
Wholesales Gas Prices in Italy: July-September 2017 (€/mmcm)*



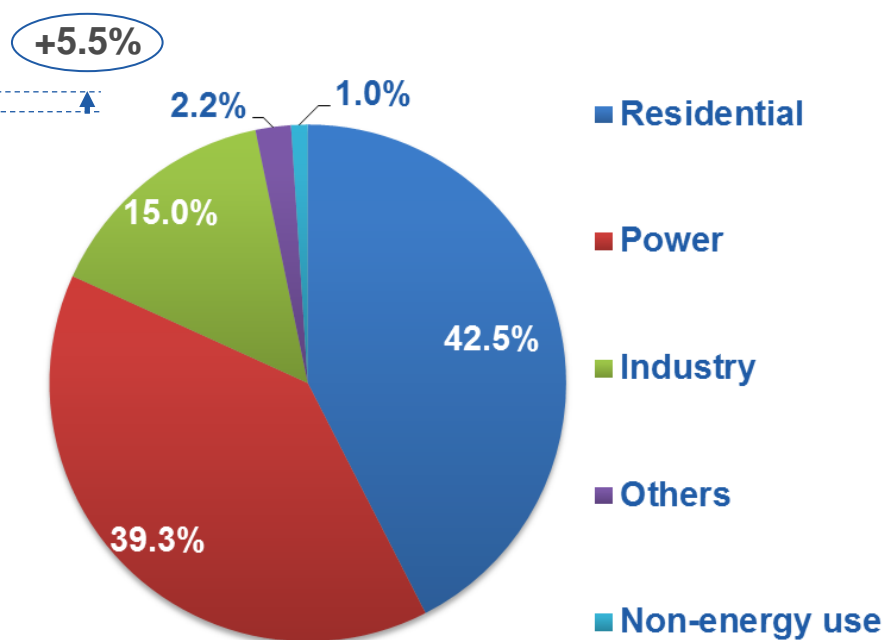
Source: DG Energy

Gas Demand Growth by Nearly 6 Percent in 2017

- Italian gas mix is dominated by residential and power sector gas demand, followed by industrial gas demand
- Power generation sector was the fastest growing market for gas in early 2000s. Prospects of this sector are not quite clear now due to competition with the renewables which are granted subsidies and priority dispatching
- In 2017 Italian gas demand rose by nearly 6% on an annual basis. Consumption increased in most sectors, with particularly strong gains in gas-to-power use



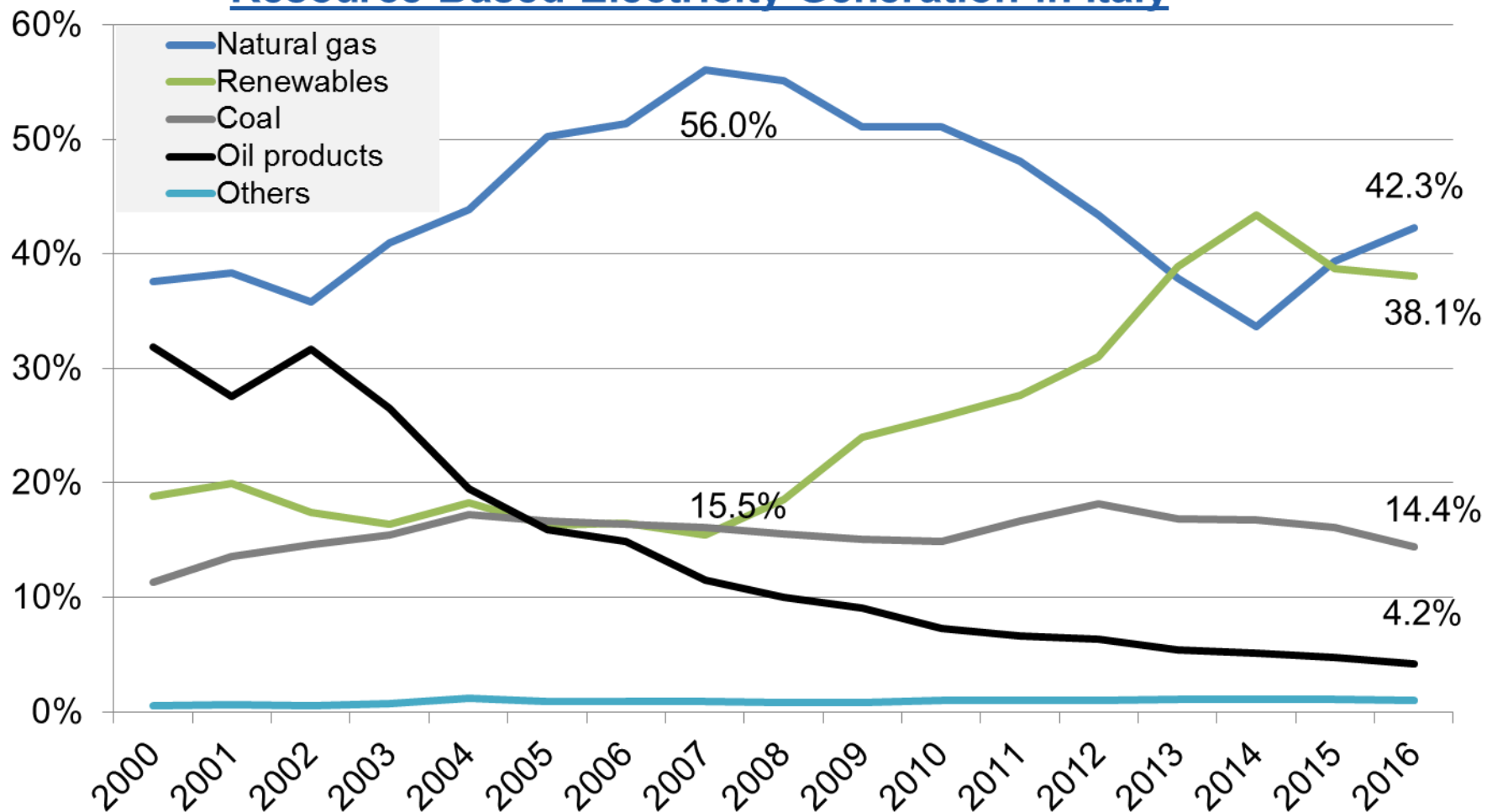
Source: IEA



Source: IEA

Renewables are Eroding Share of Gas in Power Generation Especially Since 2007 with Gas Comeback in 2016

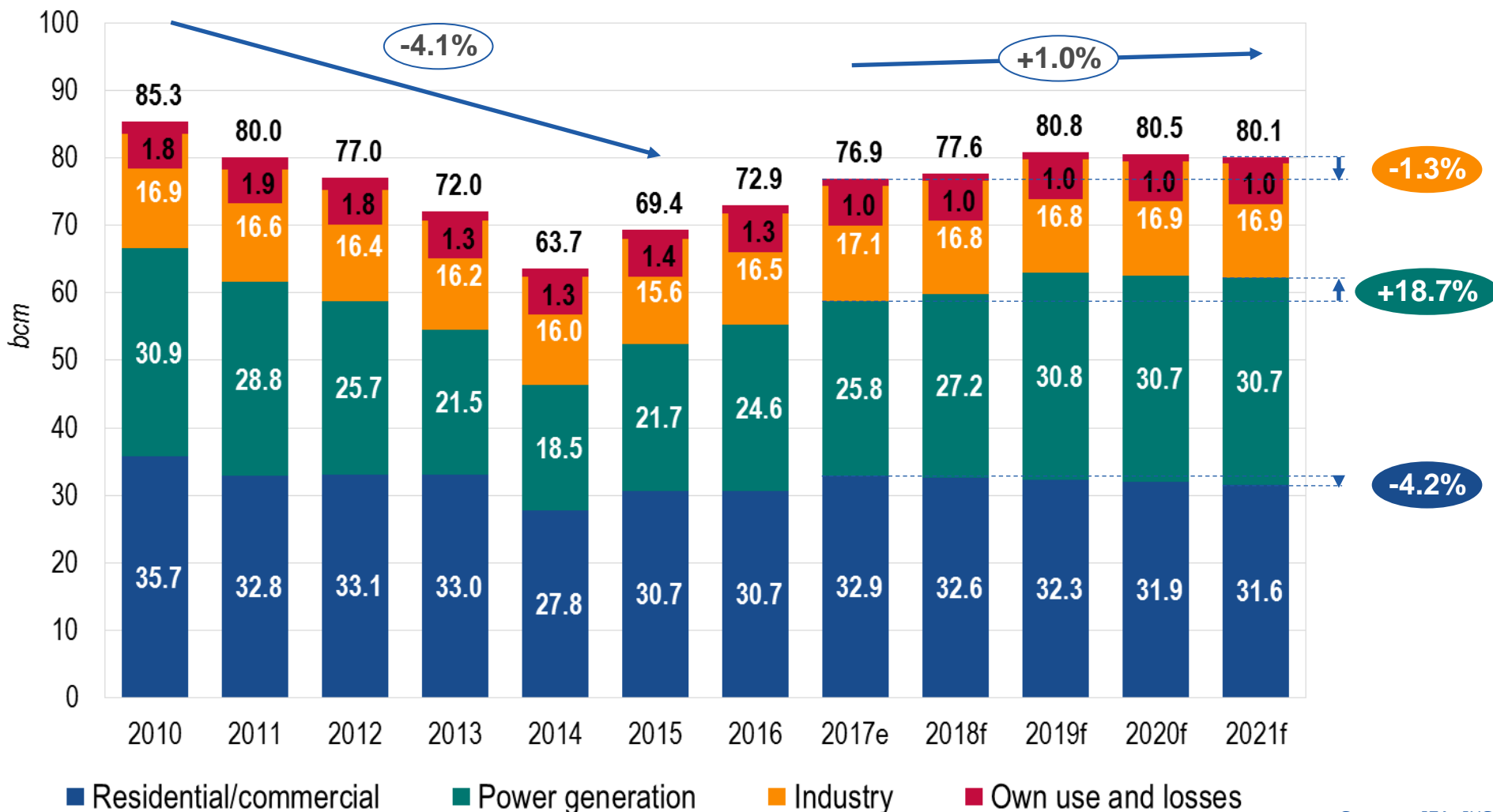
Resource Based Electricity Generation in Italy



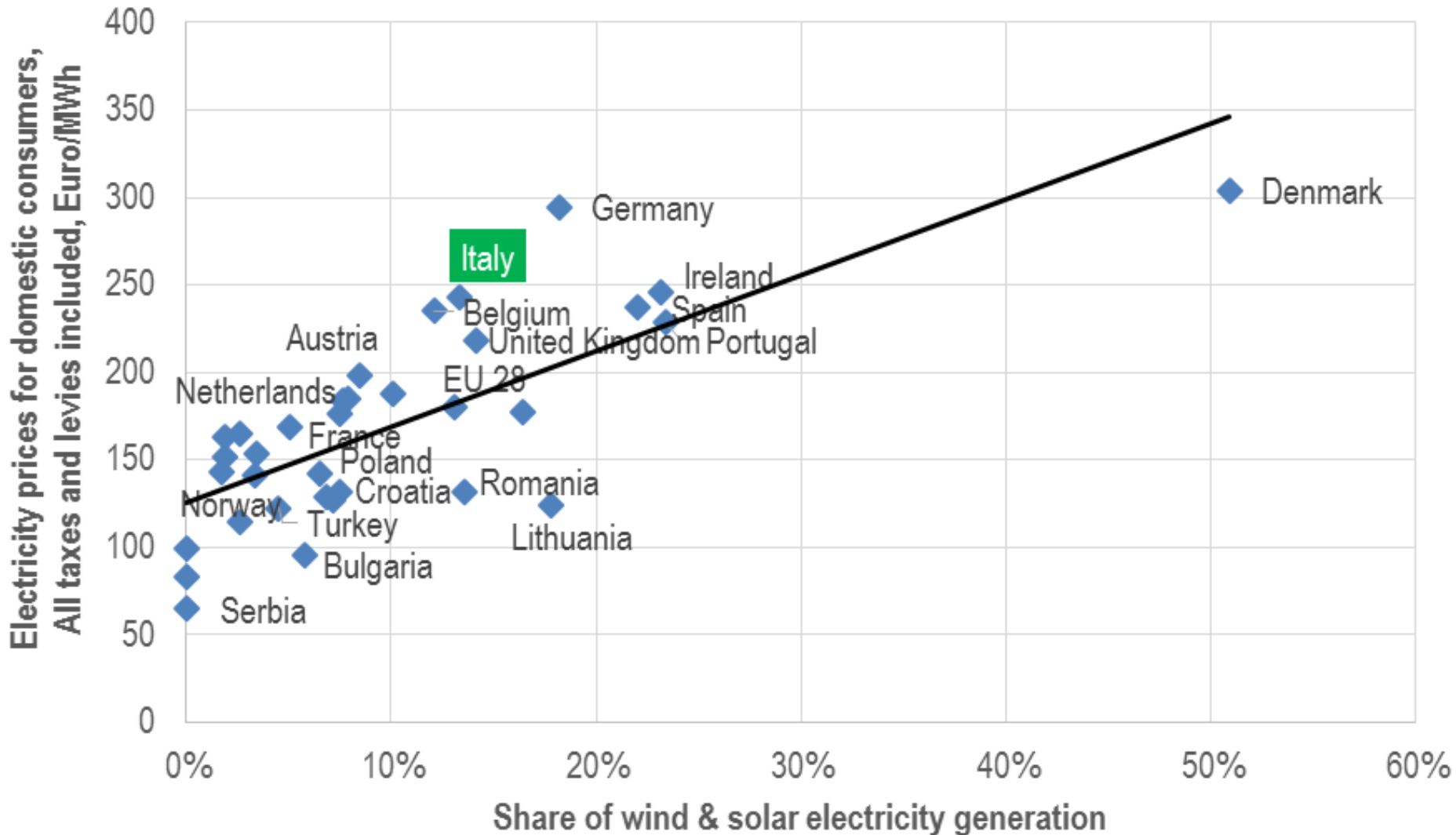
Source: IEA

Where Gas Demand will Come from in Italy?

- Power generation sector may be the source of growth in the nearest future with potential increase by 18.7% in 2021 as opposed to decrease in the other sectors. Plan to phase out coal helps to drive up overall gas demand.

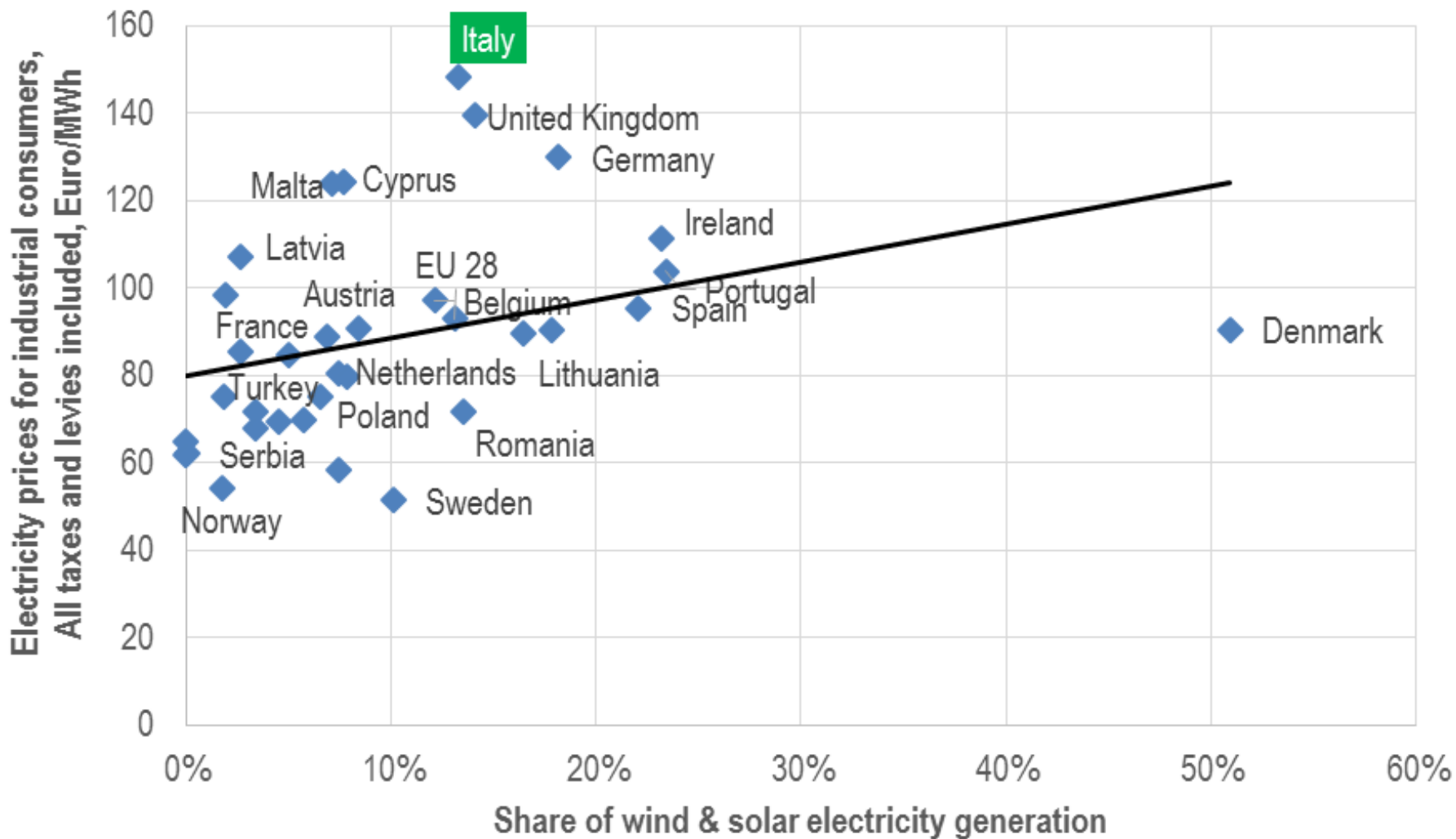


There is strong positive correlation between share of RES and electricity prices for end users (households)



Source: Eurostat, 2015.

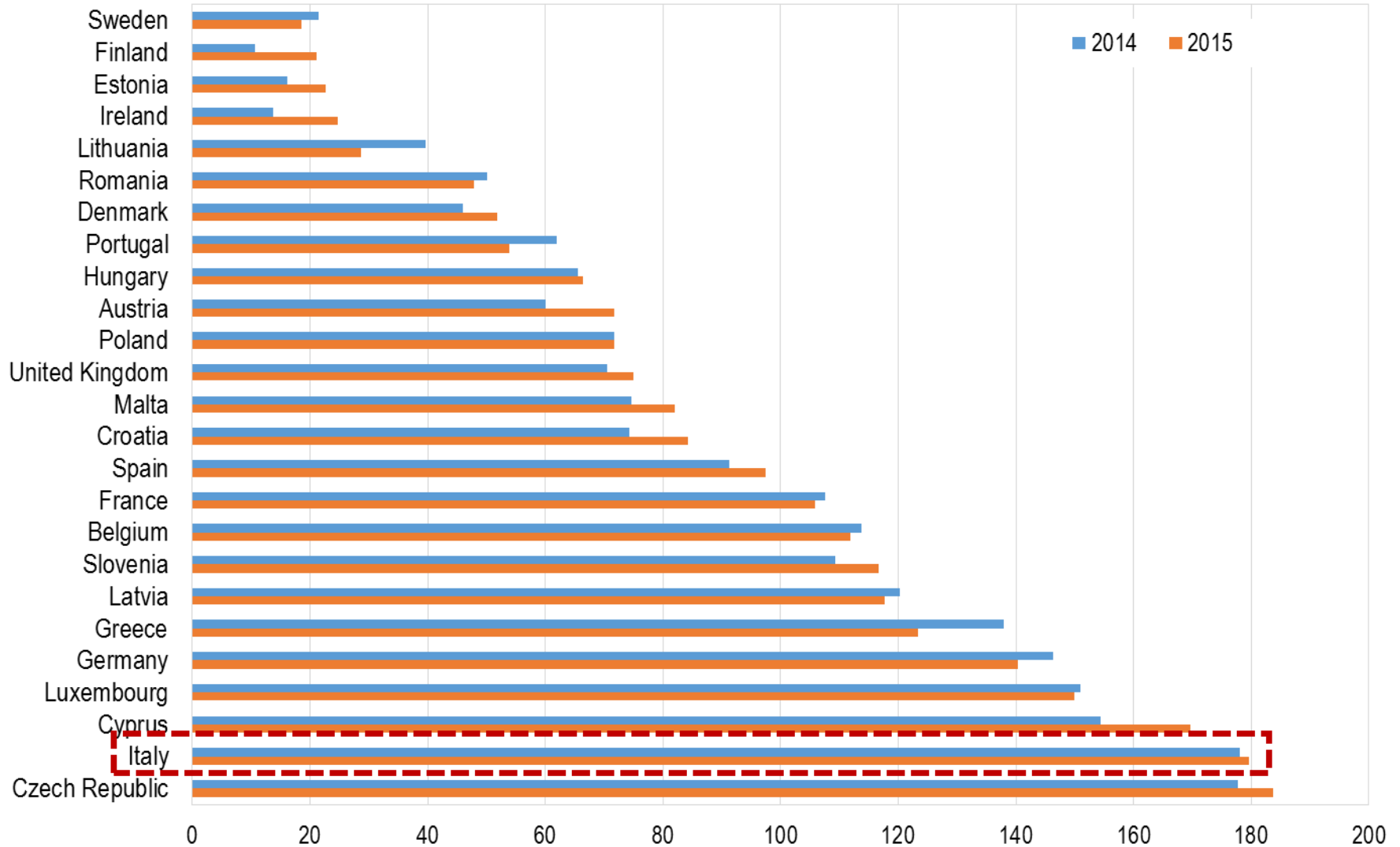
There is strong positive correlation between share of RES and electricity prices for end users (industry)



Source: Eurostat, 2015.

Italy's RES support is Second Highest in the EU

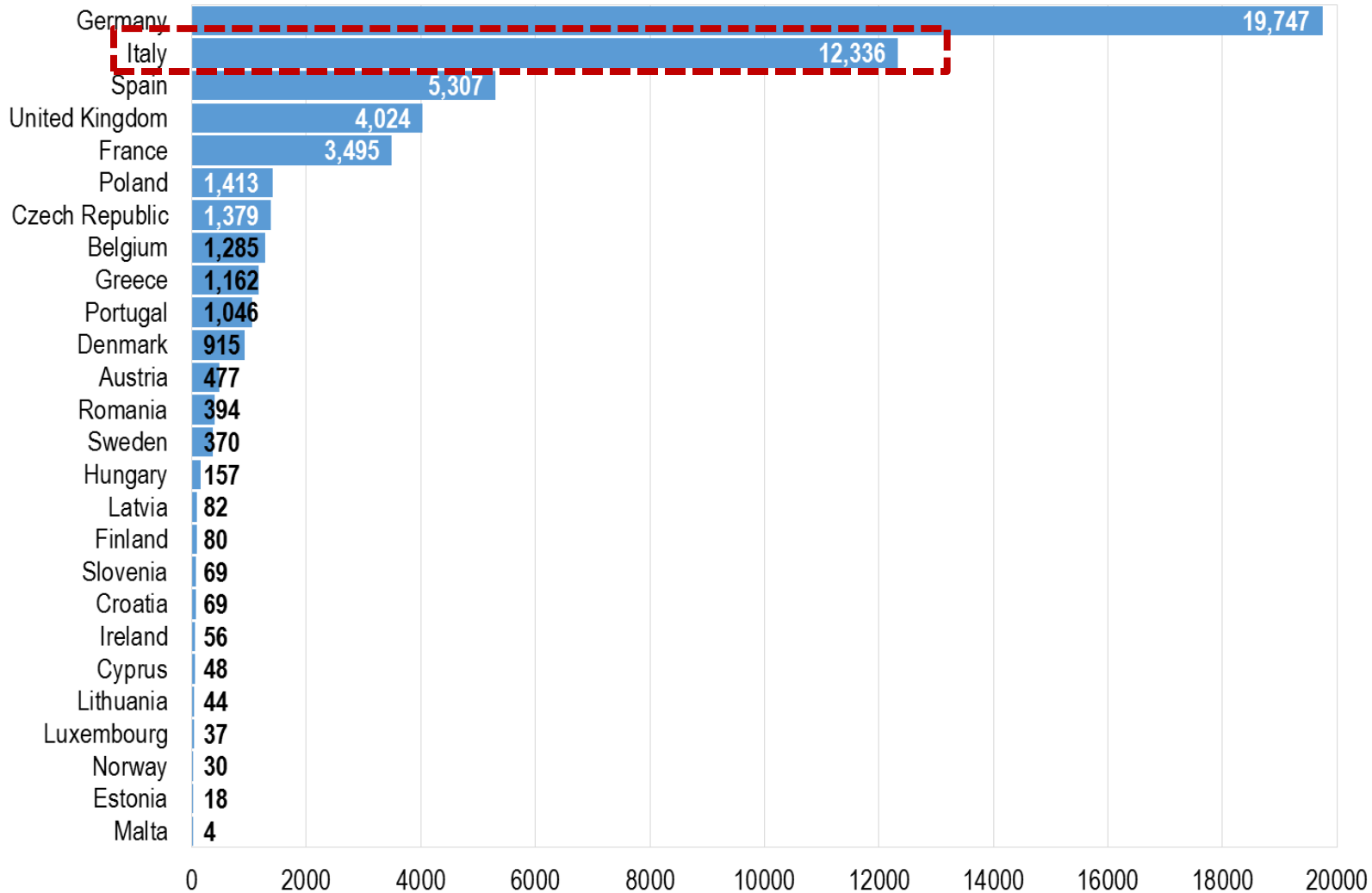
Weighted average support level, Euro/MWh



Source: CEER

Italy was the 2nd largest country by RES support in 2014

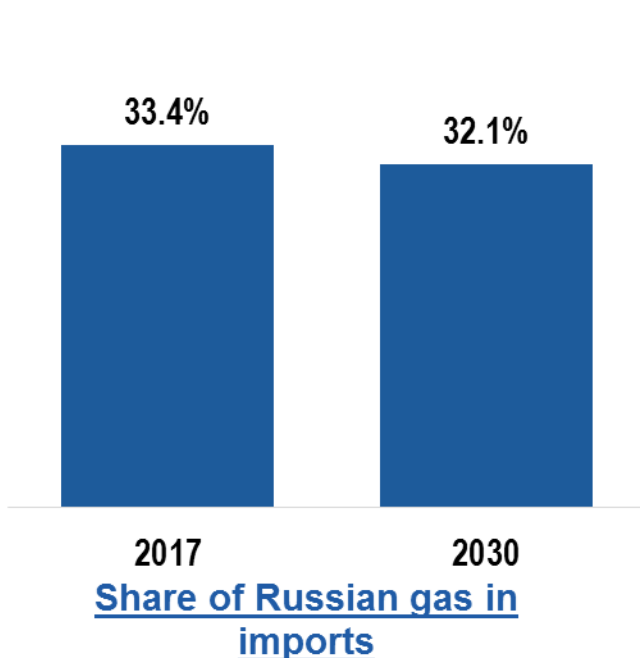
2014 RES support expenditure, mln Euro



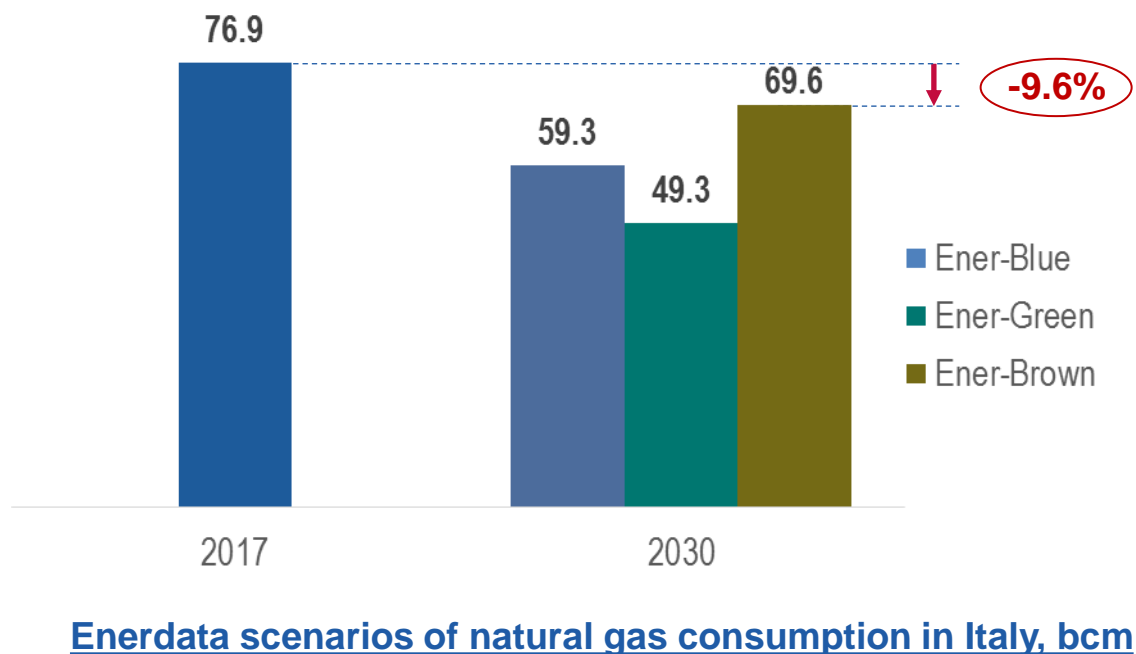
Source: CEER

Prospects of Natural Gas in Italy

- According to Enerdata scenarios, natural gas consumption **may decrease** even under the favorable conditions including low prices and technological improvements. However, natural gas may retain its role as economically sound and reliable energy source
- Despite the decrease of natural gas consumption, Russia will preserve its share of 30% in Italian natural gas imports in 2030



Source: IHS



Source: Enerdata, IEA

Towards Diversification of Transit Routes of Russian Gas to Italy

The Trans Austria Gas (TAG) pipeline ending in the town of Tarvisio, in Italy's northern Friuli region, supplies nearly all Russia gas to the country

Explosion and fire at Austria's Baumgarten gas hub on 12 December 2017 raises a question of diversification of transit routes of gas from Russia to Italy.





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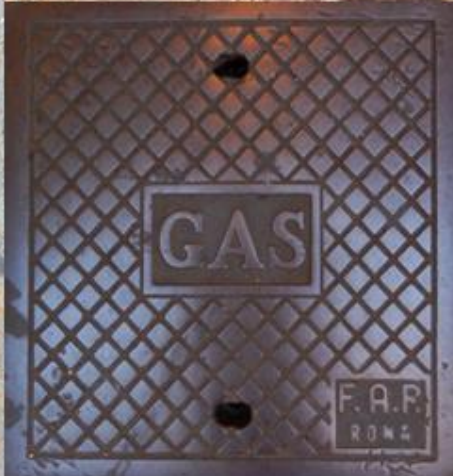
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