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Galsi, Snam Rete Gas commit to pipeline construction

Filed from Houston
10/1/2008 1:39:19 PM GMT



MILAN, ITALY: Galsi and Snam Rete Gas signed an agreement confirming the mutual commitment to, and setting out the conditions for, the construction of the Italian section of a new pipeline importing gas from Algeria to Italy, via Sardinia.

The Galsi project includes the international subsea section, from the Algerian coast to the south of Sardinia, near Cagliari, and the Italian section comprising the overland section crossing Sardinia (to the Olbia area) and a new subsea section to Tuscany (near Piombino), where the pipeline will be connected to the Italian national transport network.

The pipeline will be approximately 559 miles (900 km) in length overall, of which 373 miles (600 km) will be offshore and at a maximum depth of around 9,186 feet (2,800 m) between Algeria and Sardinia. The initial transport capacity will be 282.5 Bcf per year.

The agreement addresses the development, realization and start-up of the Italian section of the project. According to the agreement, Galsi will develop the engineering and obtain the main permits and authorizations required, while Snam Rete Gas will build the pipeline and subsequently manage the gas transport activities.

The agreement reached confirmed the commitment of Galsi and Snam Rete Gas to invest resources in the construction of one of the biggest natural gas procurement projects in Italy's history and one that represents, beyond the new technological challenge, the first step towards a methane supply for Sardinia, a region that currently does not have natural gas available.

This agreement represents another strategic stage in the process of opening up the gas market in Italy and in Europe, since it will allow the importation and sale of natural gas along a new route and allow new operators to embark on the Italian market. The agreement follows a memorandum of understanding signed on Nov. 7, 2007, and it lies in the framework of the subsequent inter-governmental agreement between Italy and Algeria signed on Nov. 14, 2007.

Galsi is a joint venture between Sonatrach (41.6 percent), Edison (20.8 percent), Enel (15.6 percent), Sardinia Region (11.6 percent) and Hera Trading (10.4 percent). Snam Rete Gas, in which Eni owns a majority interest, is the main Italian operator transporting and dispatching natural gas over the national territory.

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