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Galsi gas pipeline stalls as route awaits authorisation

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Project to transport Algerian gas to Italy faces delay until 2012.

The Galsi pipeline scheme to export Algerian gas to Italy could be delayed until mid-2012, according to the head of the project.

The 8 billion-cubic-metre-a-year pipeline, which will transport gas to the Italian mainland though Sardinia, was originally due for completion in 2009. But difficulties in obtaining authorisation for the pipeline route and landing points have added to delays already incurred through protracted intergovernmental negotiations in 2007.

"The intergovernmental agreement took about six months longer than expected, and now we are going through a detailed authorisation procedure," says Roberto Poti, chairman of the Galsi project company. "It involves two states, and two regions [of Italy], so it is quite an effort.

"We expect to be in a position to take a final investment decision by mid-2009 and construction should be completed between the end of 2011 and mid-2012."

There is still the potential for further delays, as authorisation from local authorities in Sardinia has not yet been granted.

"For the moment, Sardinia is not a problem, but the pipeline crosses many municipalities and we need approval from each of them," says Poti.

The Italian landing points have been confirmed. They are Cagliari in the south of the island of Sardinia, Olbia in the north and Piombino in Tuscany.

"Piombino was chosen rather than Livorno because the shallow water between Elbe and Livorno would have posed some problems," says Poti.

Pre-front-end engineering and design (FEED) work was completed in late 2007 and the FEED is now under way.

The Galsi project team, along with international consultants, is carrying out a study of the shore approaches to the landing points in Sardinia and Tuscany.

The Netherlands' Fugro is conducting a marine survey to finalise the details of the pipeline's route. Both are due for completion by mid-2008. The project will be carried out in two parts.

"The national [Italian] part of the project, which is being carried out by Snam Rete Gas [a subsidiary of Italy's Eni], will be separate from the international part," says Poti.

The 520-kilometre-long Italian section of the pipeline will account for about two-thirds of the cost, with the 310km section between Cagliari and El-Kala on the Algerian coast making up the balance.

It is yet to be decided whether construction contracts will be let on a lump-sum turnkey basis, or whether the cost-reimbursable model will be used to mitigate the impact of rising construction costs for contractors.

"We know the problem is there, but we will look at it towards the end of the year," says Poti.

In July 2007, Sardinia's Progemisa sold its stake in the Galsi project company to another Sardinian company, Sfirs.

In January 2008, the shares of Germany's Wintershall were distributed between the other consortium members: Sfirs, Algerian state energy company Sonatrach, and Edison, Enel and Hera Trading, all of Italy.

A framework agreement to carry out the project was signed by Rome and Algiers on 14 November 2007.

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