

Nabucco Pipeline

Attachment

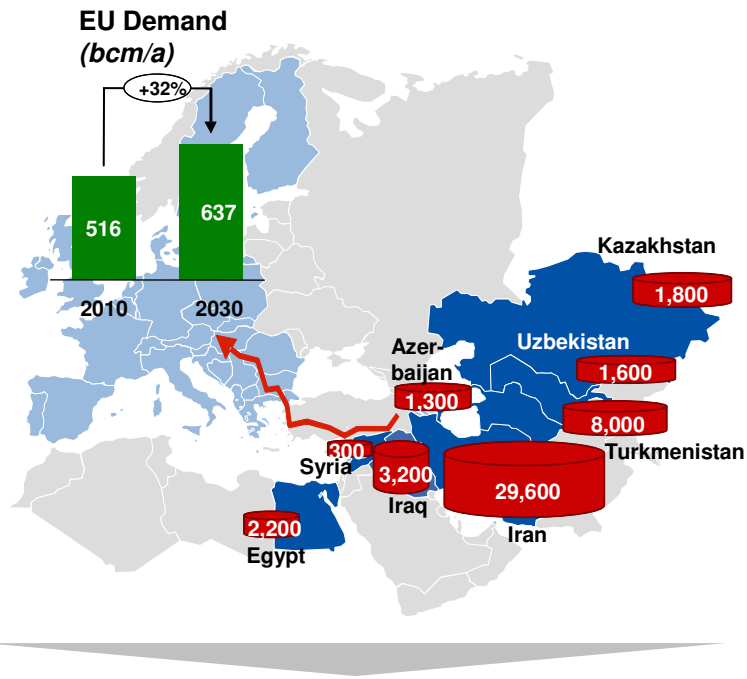
to the Response Paper to the MNI announcement of
3rd November 2011 regarding Israel's natural gas sector



Today the gas reserves in the Middle East & Caspian region and the European gas market are not directly linked – but Nabucco will achieve this

Europe

- > European domestic reserves declining; will become more and more dependent on gas imports in the future
- > 75% of Europe's gas imports today come from only two countries: Russia and Algeria
- > Europe needs to diversify its gas supplies to ensure better security of supply
- > Likely import gap of 150 bcm/a by 2030

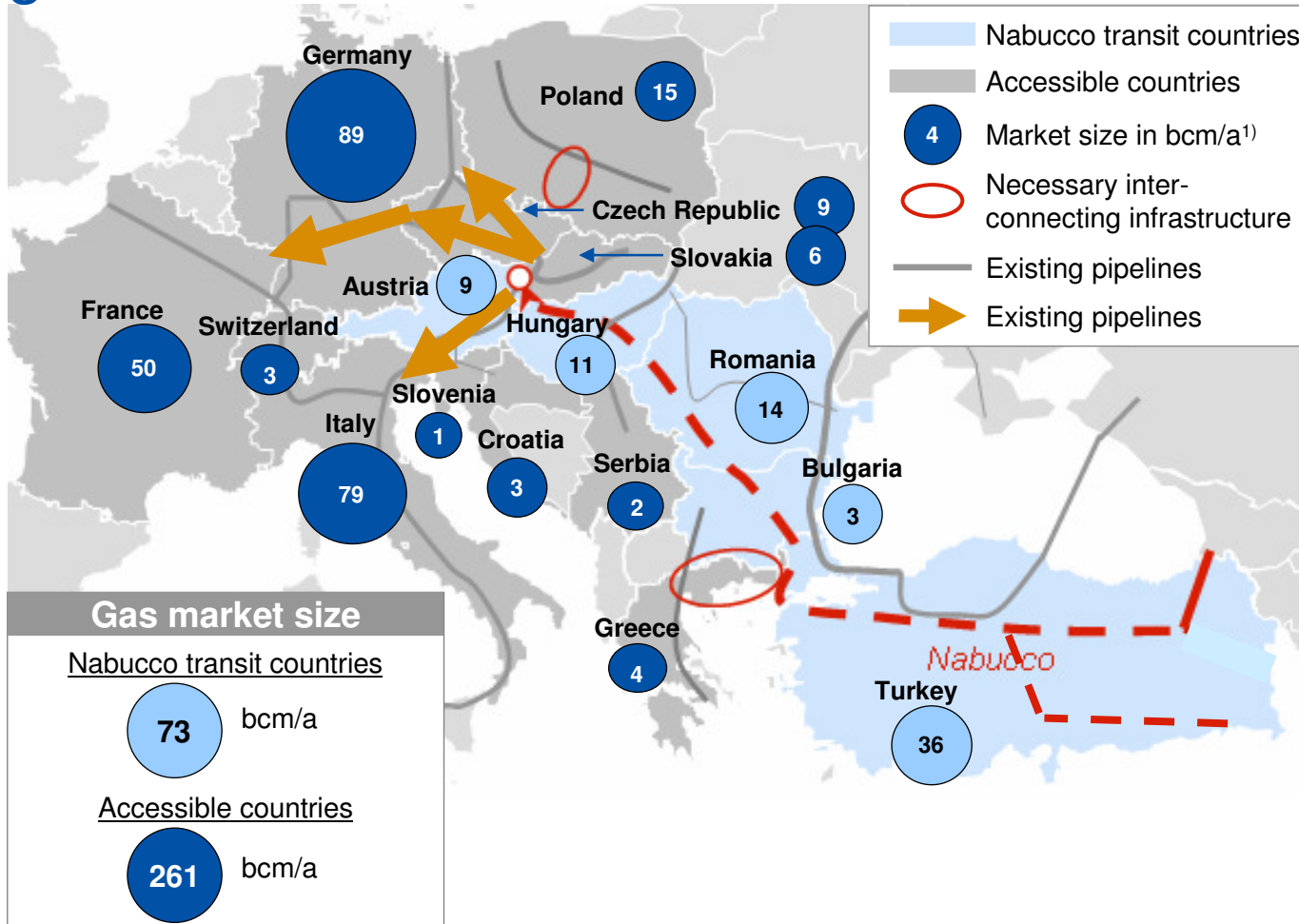


Nabucco provides security of demand (upstream), security of price (upstream), security of transit (midstream), and security of supply (downstream)

Middle East/Caspian

- > The Middle East and Caspian region have significant gas reserves
- > Today the region does not directly export gas to Europe – there is no transit route
- > A gas pipeline to Europe opening the Southern Corridor would bring a multitude of benefits to the Middle East and Caspian region, the transit countries and to Europe

Nabucco is the only pipeline project that could give Israel access to the European market – the largest interconnected gas market in the world



- > A direct route for gas from Israel into the centre of the strongest European economies and gas markets (such as Germany, France)
- > Via Nabucco suppliers can deliver to up to 15 countries with gas through existing or planned pipelines
- > Transits and links to Turkey and 4 countries in South East Europe which have an expected significant future demand growth

Nabucco Project – facts and figures

Nabucco – linking European gas markets directly to gas reserves in Caspian/Middle East Region



→ Nabucco pipeline Nabucco transit countries

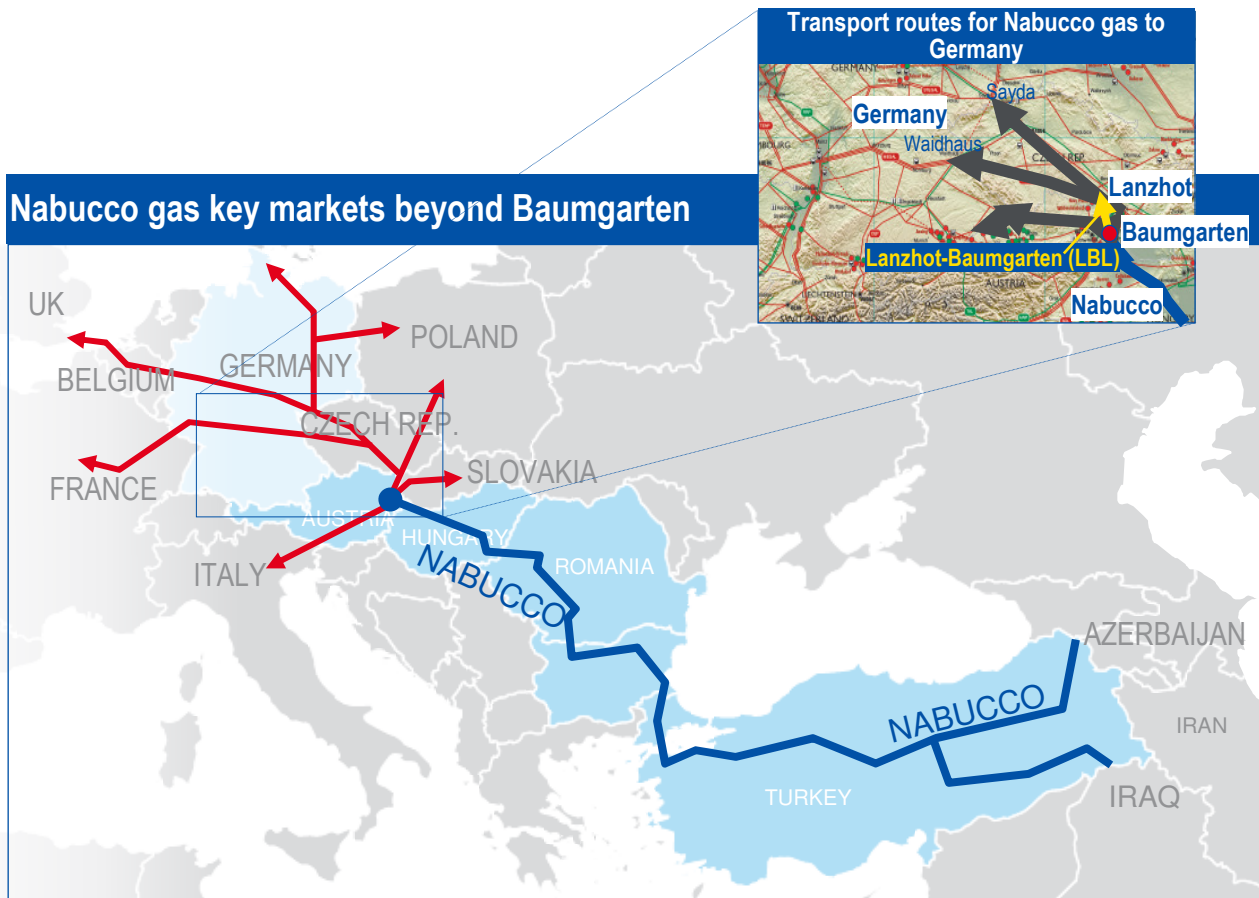
Nabucco – Facts & Figures

> Distance:	~3,900 km
> Construction Costs ¹⁾ :	approx. € 8 billion
> Transport capacity ²⁾ :	31 bcm/a
> Envisaged timeline:	
- Start of construction:	2013
- Availability of first gas:	2017
> <u>Shareholders (each 16.67%):</u>	
- BOTAS (Turkey)	- OMV (Austria)
- Bulgargaz (Bulgaria)	- RWE ³⁾ (Germany)
- MOL (Hungary)	- Transgaz (Romania)



1) Under review
 2) Depending on demand
 3) RWE joined Nabucco as sixth strategic partner in February 2008

Nabucco will supply gas “beyond Baumgarten” to the wider European market: Germany and many other countries



- > Approx. 2/3 of Nabucco gas (approx. 20 bcm/a) likely to arrive at Baumgarten
- > From there most of the gas will go to Germany, France, Poland, the Czech Republic, to Belgium and even the UK
- > The pipeline connections required to transport Nabucco gas from Baumgarten to these markets are in place or currently developed (e.g. LBL-project from Baumgarten to Lanzhot(CZ) by RWE/OMV, and the link from the Czech system to Poland)

Nabucco's business model offers gas suppliers an open, transparent and secure route to market for its gas

Nabucco is a pure midstream project

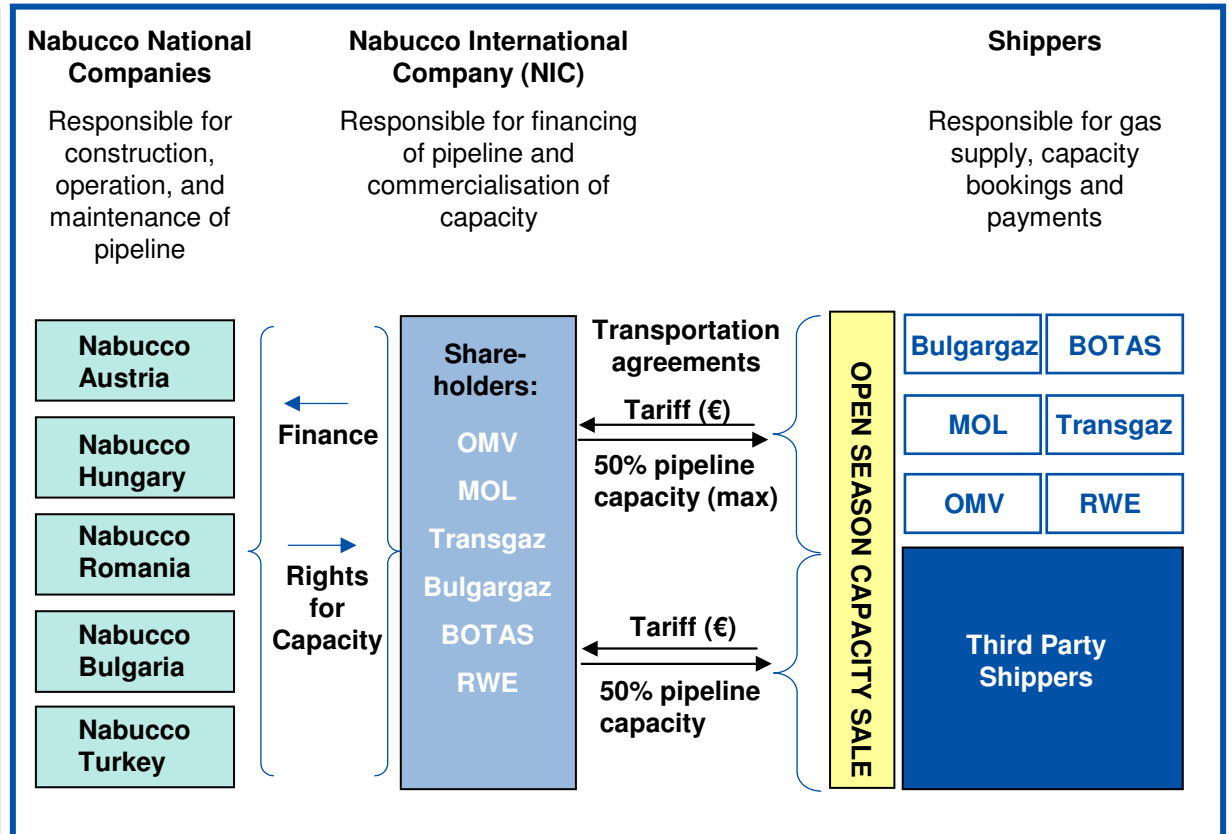
- > Shippers contract with gas producers for gas supplies

Open Season access to capacity bookings on non-discriminatory basis

- > Capacity is open to Nabucco shareholders and 3rd parties
- > 50% of capacity offered first to shareholders; remainder offered to both shareholders and 3rd parties

Fair capacity tariff

- > Tariff is fixed upfront over the full term of the contract and calculated in €/1,000m³/a/km (valid for full pipeline length, same for all parties)



Openness, transparency and security of delivery and transit – Nabucco is a dedicated transportation pipeline under private ownership, control and operatorship

Strong political support for Nabucco

EU

- > The EU Commission strongly supports Nabucco which is the highest priority project in the Southern Corridor, an EU energy policy initiative to increase supply security and diversification of energy supplies to Europe

Turkey

- > The Turkish Government sees Nabucco as essential for Turkey's aims for energy security and becoming an energy hub

USA

- > The US Government is keen to see Nabucco being built soon. The US value EU energy security and reduced dependence on Russian gas as politically important

Germany

- > The German Government and Chancellor Merkel fully support Nabucco. Nabucco is a priority project for diversifying gas supplies as stated in the Government's current coalition programme

Nabucco Gas Pipeline – Benefits for Israel

Direct market access & link to Europe

- > Market access leads to security of demand: Gas from Israel could directly reach via Nabucco, without intermediaries or bottlenecks, the markets of Turkey, South East and Central Europe, and via Baumgarten the wider European volume markets including Germany, France, Poland, and others

Political stability

- > Stability by treaty: The Nabucco Intergovernmental Agreement is a treaty with the force of international and national law. All participants to the IGA (Turkey, Bulgaria, Romania, Hungary, Austria) declare their compliance with European energy law. European contracts are legally enforceable under a predictable political and legal framework

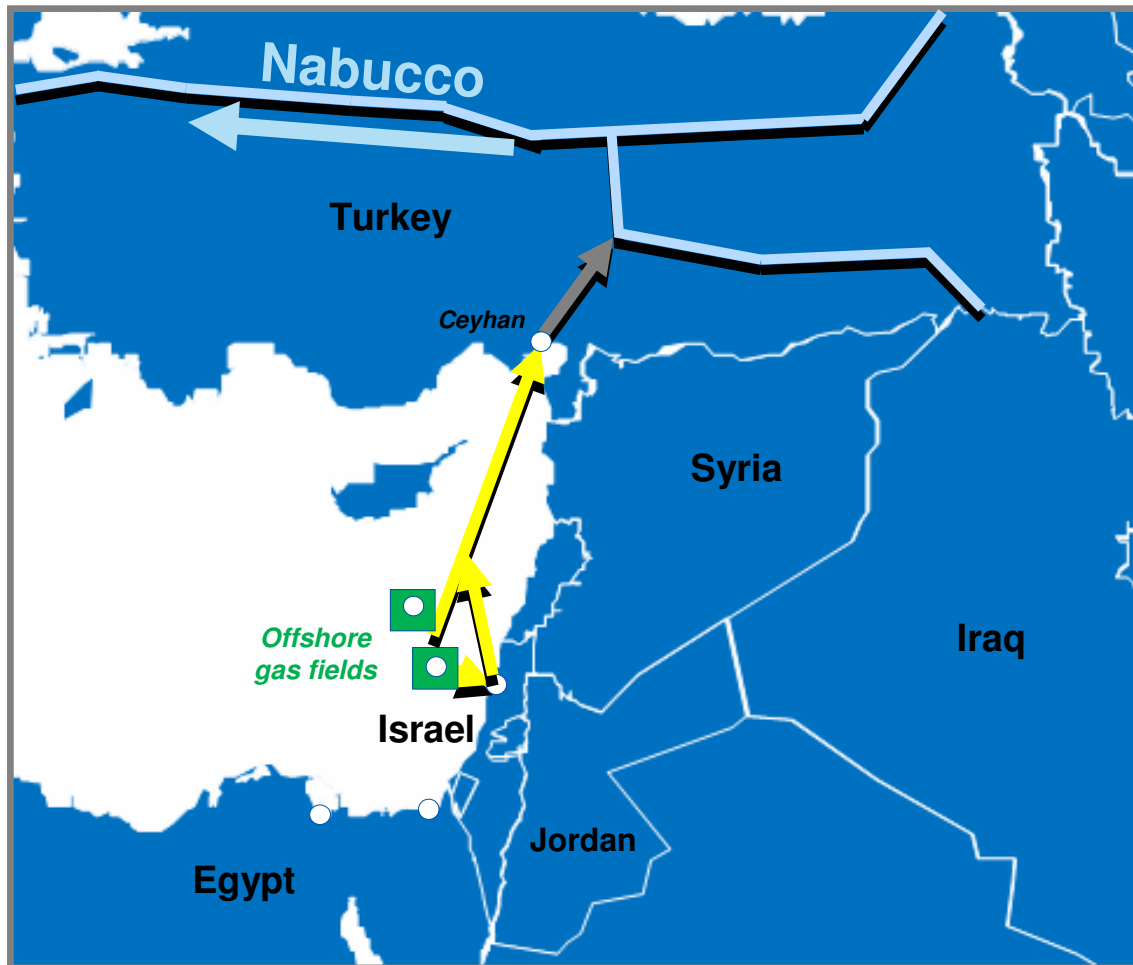
Open, transparent business model

- > Third Party Access: Nabucco offers 16 bcm/a of transport capacity to third parties to be booked in a transparent open season process at fair capacity tariffs
- > Transparent and legally enforceable transportation contracts guarantee secure transit of Israel's potential gas exports




Accelerated build-up of Israel's gas sector

- > Linking Israel to Nabucco will attract further investment into the capital-intensive upstream sector in Israel and encourage an accelerated build up of Israel's domestic natural gas sector

Potential to connect Israel's gas fields to Nabucco through an offshore pipeline to Turkey



- > Direct offshore pipeline from Israel's gas fields to Turkey with landfall near Ceyhan
- > Tie-back pipelines to mainland Israel, from where an offshore export pipeline could run to Turkey with landfall point near Ceyhan
- > Both ways would connect from landfall point near Ceyhan to Nabucco via the Turkish BOTAS gas pipeline system

-  Nabucco Pipeline (Planned)
-  Turkish BOTAS pipeline (Existing)
-  Potential link from Israel to Turkish and Nabucco pipeline system