

Rif. ALNG-0027

**Milan,
23 Jan. 08**

Subject: Response to ERGEG consultation paper of the “Draft Guidelines of Good Practice on Third Party Access for LNG System Operators”

Terminale GNL Adriatico Srl (“Adriatic LNG”) is a joint venture company (Qatar Terminal Limited, ExxonMobil Italiana Gas, Edison) that is building, and will soon operate, a regasification terminal 15km offshore of Porto Levante (Italy, in the Adriatic Sea), that will be the first of its kind in terms of technology and type of operations, providing a new entry point into the Italian gas network, a significant contribution to diversifying Italy’s gas supply and improving the country’s energy security.

Adriatic LNG welcomes the opportunity to respond to ERGEG consultation paper of the “Draft Guidelines of Good Practice on Third Party Access for LNG System Operators” (“GGPNLG”) issued on the 11th December 2007 (Ref E07-LNG-03-06). We believe that dialogue between the Regulatory Authorities and members of the natural gas industry, including producers, importers, regasification terminal operators is essential to establishing the regulatory framework that best serve the needs of the gas consumer and market participants. The ERGEG consultation paper fosters such dialogue.

Adriatic LNG has already provided detailed input to the response by Gas LNG Europe (“GLE”). However, as LNG projects are large integrated projects designed to meet the highest standards of efficiency and apply the latest technology, each LNG regasification terminal is characterized by unique features in its operational structure and we would like to further comment more specifically on the Guidelines.

Our general view is that, should a harmonisation of all European regulated LNG terminals be pursued, caution should be applied and, in order to achieve long term benefits, Regulatory Authorities should take a light-handed approach to rTPA and avoid being too prescriptive, particularly in markets which are early in their evolution and where there are few LNG terminals in operation

In particular we believe that GGPNLG should not apply to exempted LNG terminals under Article 22 of Directive 2003/55/EC (“exempted terminals”). When granting an exemption, the Regulatory Authorities should only take into account, at a European level, the five criteria detailed under the Art. 22 of the Directive; any further requirement would go beyond the intended scope as put forward by ERGEG in the GGPNLG introductory section.

Adriatic LNG will operate an LNG importation facility that has been granted exemption from TPA for 80% of its regasification capacity.

We believe that LNG terminals that have received exemption for only a portion of their regasification capacity should not be subject to GGPNLG to their non-exempted portion.

In fact, we believe that such practice, if enacted, would risk:

- a) undermining the effectiveness of the exemption received
- b) introducing additional, and potentially unnecessary, complexity within the same infrastructure



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Adriatic LNG is supportive of efforts to identify certain common operational areas, definitions and procedures. In this area we foresee there may be benefits that LNG System Operators (“LSOs”) can bring in linking upstream and downstream markets and improving efficiency of communication. Any attempt to go beyond the areas identified above, we believe, would become too specific and over-prescriptive thereby limiting the extent to which these guidelines can be implemented in each country. As an example, the definition of specific ancillary and unbundled services available to users will be a function of the technical and geographical constraints of each LSO as well as gas quality requirements and the network located downstream of the terminal, hence there is not a single solution that will fit all the European LSOs. Similarly interruptible and firm services will depend heavily on the technical set-up of each terminal.

Furthermore, a prescriptive GGPLNG would incur conflicts with existing non-harmonised regulation (i.e. current Italian regulations require for Terminal Operating Company to secure long term access to the Italian National Grid and costs to be passed to users).

We would like to stress that the existing LSOs business models and long-term contractual commitments and associated risk-balances are reflective of this regulatory environment and significant changes such as those outlined by the GGPLNG would heavily impact the operation of the terminal and, in our judgement, would ultimately result in incremental costs for LSOs which will need to be recovered through its users.

Finally, Adriatic LNG would like to question the proposed introduction of a “Code of Conduct” and of an “Independent Compliance Officer” to guarantee non-discrimination and confidentiality, in a regulatory framework that already provides for principles aimed at protecting users for discriminatory access and discriminatory tariffs.

We believe that compliance with the access rules, which normally are subject to National Regulatory Agency (NRA) approval, and whose adherence to by the LSO can be audited for compliance by the NRA, should be sufficient to protect third party users from discriminatory access and that introduction of a “Compliance Officer” would introduce unnecessary complexity, representing an additional administrative burden resulting in greater cost for the investors and the system.

In summary, Adriatic LNG believes that there is value for the market in developing GGPLNG for full-TPA terminals as a set of harmonised general principles allowing for each LSO to develop its products and services for its users that fit its existing contractual, technical and regulatory positions.

A handwritten signature in blue ink that reads "D.S. Miller".

D.S. Miller
Managing Director