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FULVIO CONTI ILLUSTRATES THE TERMS OF THE “ENERGY EQUATION” AT THE INTERNATIONAL ENERGY FORUM IN ROME

- *Abstract from Fulvio Conti's speech*

Rome, 20 April, 2008 – Fulvio Conti, CEO and General Manager of Enel is among the top executives attending the International Energy Forum hosted in Rome from 20 to 22 April, 2008.

The Forum gathers energy ministers and top executives of the largest international energy groups from more than 30 countries and focuses on four key issues:

- how to ensure energy resource availability
- how to secure sufficient investment in infrastructure
- the way forward to a sustainable energy future with a special attention to the environment
- how to guarantee energy security and the dialogue among producers and consumer countries.

In his speech Fulvio Conti outlines the scenario that both countries and energy companies have to cope with and outlines the terms of the “energy equation”.

“We need to guarantee an adequate, secure, sustainable and cheaper energy supply in order to cope with this complex scenario” says Fulvio Conti.

To face this challenge Fulvio Conti identifies 4 areas of activities:

- 1) efficient markets with a stable, transparent and symmetric regulatory framework
- 2) energy partnerships among exporting and importing countries
- 3) investments in diversification of energy mix as well as in new infrastructures for energy production and transmission and for import and export of raw materials
- 4) investments in new technologies and innovative projects in generation as well as in energy distribution

The liberalization process in Europe has shown how an efficient and competitive market can boost investments and improve energy security and efficiency. Yet some big differences still exist among the countries. Italy and the United Kingdom are examples of a successful liberalization process whereas some other European countries still maintain their national “champions”. The existence of such regulatory asymmetries among European countries prevents the creation of an integrated, trans-national market thus slowing down investment dynamics and limiting energy security.

The EU is strongly dependent on imports since 62.1% of its needs come from abroad. Those imports are expected to rise sharply in the near future and will bring the import gas share from current 52% to 78%. Gas supply essentially comes from a few exporting countries, mainly Russia and Algeria which together account for more than 70% of supply.

Political coordination among EU countries is important to cope with scarcity of access to raw material (oil and gas) rather than 27 different bilateral efforts. To avoid security of supply being jeopardized by shortages and price increase, it is of paramount importance to establish effective partnerships between producing and consuming countries. Enel is working towards this direction having established a partnership with Gazprom. Following this agreement Enel entered the gas upstream sector, becoming the first foreign power generator and supplier vertically integrated in Russia.

Reciprocity should be encouraged to achieve common objectives by facilitating mutual exchange of skills and efficient deployment of resources. With this perspective Enel is committed to opening a portion of its domestic market to Gazprom, a similar cooperation has been recently launched with Egas, the Egyptian Gas Company, and is working to develop further agreements with other upstream companies.

Enel is massively investing in the diversification of its fuel mix, in new infrastructures as well as in implementing energy efficiency.

The use of clean coal technologies, nuclear and renewables, represents a concrete possibility to successfully face the energy challenge in the near future.

Infrastructures are also fundamental to support proper logistics such as pipelines and regassifiers which need to be accompanied by more gas interconnection among EU countries and expanded LNG facilities.

Energy efficiency is another essential measure to meet the goals of energy security, competitiveness and sustainability.

Technology and innovation are key elements in solving the energy equation.

Enel is investing 7.4 billion euros in new renewable sources worldwide as well as in new technologies in the next 5 years. Enel is carrying out large and advanced research projects on CCS, hydrogen use in power generation, innovative solar thermodynamic, concentrated photovoltaic technologies as well as multi-generation systems. In addition Enel is committed to develop nuclear power generation and is currently exploiting different technologies (VVER in Slovakia, American in Spain, EPR in France, whereas Canadian Candu could be added in the near future) and will also participate in the research for new nuclear technologies.

Yet research programs demand major financial resources and bear significant investment risks, both in terms of timing and capital expenditures. Steady and clear regulatory framework and a truly free market should enable cash flows to support investments.

Some limited support from governments will be necessary to fund these programs, as well as public to private structures will have to be made available for vertically integrated energy projects.