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The International Comparative Legal Guide to:
Gas Regulation 2009

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Italy

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1 Overview of Natural Gas Sector

1.1 A brief outline of Italy natural gas sector, including a general description of: natural gas reserves; natural gas production including the extent to which production is associated or non-associated natural gas; importation and exportation of natural gas, including liquefied natural gas (LNG) liquefaction and export facilities, and/or receiving and re-gasification facilities ("LNG facilities"); natural gas pipeline transportation and distribution/transmission network; natural gas storage; and commodity sales and trading.

In 2007, gas production in Italy reached 10 G (m3).

Natural gas used in Italy is mainly imported through pipelines from Algeria, Russia and, Northern Europe. In 2007, approximately 84.9 G (m3) of natural gas were consumed in Italy.

Italy is growing increasingly dependent on imports, mainly from Algeria and Russia, and the diversification of supplies is a crucial issue.

Libya, Norway, and Qatar (LNG) are major alternative natural gas suppliers for the Italian market.

The recoverable reserves of gas are 175 billion cubic metres and potential gas reserves are currently estimated at 120-200 billion cubic metres.

Snam Rete Gas (an ENI S.p.a. subsidiary) owns a network approximately 30,889 kilometres long, which in 2007 transported 88 billion cubic metres of gas. The company also owns the only Italian liquefied natural gas re-gasification plant, in Panigaglia in the Liguria region, having a capacity of 3.5 billion cubic metres per year.

Snam Rete Gas imports gas from The Netherlands, Algeria, Russia, Libya and Norway; Edison imports from Russia, Norway, Libya and Qatar (LNG); Enel imports from Algeria and Nigeria.

Local distribution consists almost entirely of sales by urban distribution companies to customers in the residential and commercial sector and to small industrial customers.

The biggest project developed and in operation since October 2004 is the \$ 4.5 billion "Western Libyan Gas Project", which provides the doubling of the current capacity of the "Green Stream" pipeline. Owned by ENI (majority shareholder) and by N.O.C. (a Libyan public company), the 370 mile long Green Stream pipeline connects Italy to Libya and has a capacity of 27.4 million cubic metres per day. The gas is treated in Melitah, 80 km from Tripoli, where it is transported via Green Stream, running under the Mediterranean and connected to the TransMed pipeline in Gela in Sicily.

In order to comply with Italian energy regulations, ENI agreed to

sell all gas supplied by Green Stream to other natural gas companies.

In February 2008, an agreement on the Western Libyan gas project was signed between ENI and N.O.C..

As for other new pipeline projects, see below.

LNG.

Although LNG constitutes a small percentage (approximately 9%) of Italy's natural gas imports, it is becoming increasingly important. In order to increase LNG imports, a number of companies are in the process of building re-gasification terminals. Presently, Italy has only one operative LNG terminal: ENI in Panigaglia.

In July 2007, GNL Italia spa submitted a project to increase the capacity of the Panigaglia terminal from 3.5 to 8 G (m3).

As for new LNG terminal projects, see below.

Natural Gas.

Italy has proven natural gas reserves of 8 trillion cubic feet (Tcf), the fourth largest in the EU. As already mentioned, the maturation of Italy's natural gas fields and the rapid advance in domestic consumption increased the country's reliance upon natural gas imports.

87% of the gas injected into the grid in 2007 was imported. The largest sources of such importations are Algeria (35.6%), Russia (29.1%), the Netherlands (12.1%) and Norway (7.4%).

3.2% of gas imported has been processed and injected into the grid at the terminal in Panigaglia.

Organisation and liberalisation.

ENI Group is the dominant player in all aspects of the natural gas sector. ENI sells gas directly to large industrial customers and urban networks, whilst several distribution companies, the majority of which are affiliated with ENI, supply the remaining customers.

ENI plays a dominant role in Italy's natural gas production.

An ENI subsidiary, Snam Rete Gas S.p.A., owns and operates the domestic natural gas transportation system. Another ENI subsidiary, Stocaggi Gas Italia S.p.A. (Stogit) manages most of the natural gas storage facilities in the country, while ENI's Gas & Power division manages import and selling activities.

Italy has mostly brought its natural gas sector into compliance with EU regulations concerning liberalisation.

Natural gas liberalisation is gradually eroding ENI's dominant position in the sector. There are also several, small, active companies in the retail distribution market, while another ENI subsidiary (Italgas), controls one quarter of the retail gas distribution market.

One outstanding issue in Italy's liberalisation plans is ENI's

majority ownership of Snam Rete Gas; in 2004, the Italian government introduced legislation (D.P.C.M. 11-5-2004, article 4) requiring ENI to reduce its holding in Snam from 50% to 20% by July 1, 2007.

Exploration, production, import and networks.

ENI controls more than 90% of Italy's domestic natural gas production through its subsidiary AGIP, and, indirectly, a similar percentage of total gas importation, in spite of the official ENI threshold fixed by the Antitrust Authority, for 2005, at 69% of the global gas importation. Such a threshold will decrease to 61% in 2010.

Supplies of natural gas are a crucial aspect of ENI's relationship with Russia; business relations between ENI and Russian Gazprom have been developing constantly since 1969.

Natural gas supplies from Russia in the past year amounted to 25 billion (m3), (21.30 for Italy and 3.68 for Turkey).

In November 2006, ENI and Gazprom entered into a strategic agreement in order to create an international alliance for projects related to natural gas and technological cooperation.

Such agreement provides that contracts to supply gas to ENI are extended to 2035, thus establishing ENI as the leading Gazprom client worldwide.

Moreover, as per the agreement, starting from 2007, ENI will directly sell a quantity of gas on the Italian market, which is expected to increase up to 3 billion m3 per year (amount to be reached starting from 2010).

Moreover, ENI and Gazprom intend to develop projects related to the transportation of natural gas and LNG.

In 2007, ENI acquired the asset Yukos through the consortium Enineftedgas (60% ENI, 40% ENEL); Gazprom has an option to enter the assets.

In June 2007, a Gas Sale Agreement between Karachaganak Petroleum Operating BV (KPO), a consortium participated in by ENI and BG and the joint venture KazRosGaz (KazMunaiGaz and Gazprom) was signed.

As per such Gas Sale Agreement, KPO is to provide, starting from 2012, 16 billion m3 of raw gas per year, to be refined at the Orenburg plant in Russia.

Italy has the third-largest natural gas European transmission system, (19,000 miles of pipeline). Italian laws guarantee open and non discriminatory access to the system.

Most of Italy's natural gas imports enter the country through international pipelines.

Currently, in Italy, the following pipelines are used to import natural gas:

- the TRANSMED, a 670 mile long pipeline running from the Hassi R'Mel gas field in Algeria to Sicily, via Tunisia;
- the Trans-European Pipeline (TENP) and the Transitgas pipeline, which brings natural gas from northern Europe (mostly the Netherlands and Norway) to Italy;
- the Green Stream, a 600 km long pipeline, running from Libya under the Mediterranean sea to Gela in Sicily and connected with Transmed;
- the "Western Libyan Gas Project" (see above), which provides the doubling of the current capacity of the "Green Stream" pipeline;
- the Trans Tunisian Pipeline (TTPC), which imports Algerian gas into Italy at Mazara del Vallo. A project to increase the capacity of the TTPC is in progress. For such project, in December 2007, ENI was granted a 185 million Euro loan from the European Bank for Investments (BEI); and
- Italy imports natural gas from Russia at two entry points: via

the Trans-Austrian Gas Pipeline ("TAG") at Tarvisio, and via Slovenia in Gorizia. Work to increase the capacity of the TAG is in progress. In 2007, work commenced to expand the pipeline capacity from 33 to 37 billion m3 per year. Starting from October 1, 2008, such capacity will be further increased by 6.5 billion m3 each year.

Moreover, the following projects are currently planned:

- Edison, Botas, Desfa and Depa plan to build a new pipeline connecting Turkey, Greece and Italy, thus allowing the import in Italy of gas from the countries located in the Caspian sea/Middle east area. The project (the "ITGI corridor") has a crucial strategic value, since such countries have approximately 20% of the gas reserves in the world, but do not have any independent link with the European market yet. An agreement for the development of the ITGI project was signed between the governments of Italy, Greece and Turkey on the July 26, 2007, in Rome;
- currently Italian and Algerian governments are working to reach an agreement on the GALSI project, which is aimed at connecting Italy with Algeria through a (partly submarine) pipeline reaching the coast of Sardinia. The project will be developed by Galsi Spa, participated in by the Algerian company Sonatrach Spa, Edison, Enel spa, Hera Trading Srl, Wintershall A.G., Progemisa Spa, Sfers Spa;
- the EGL group is developing the TAP (Trans Adriatic Pipeline) project, i.e. a pipeline aimed at connecting Puglia with Greece through Albania and the Adriatic sea. EGL's goal is to import natural gas from Europe and the Middle East. Work is to begin in 2008 while the conclusion is planned for 2010 and other players are expected to enter in the project;
- the Interconnectirol; aimed at connecting Austria with Italy (Bressanone);
- the Pan-European Pipeline (PEOP); a proposed oil pipeline to run from Constanta in Romania, via Serbia and Croatia, to Rijeka and from there through Slovenia to Trieste in Italy; and
- the South Stream; a proposed gas pipeline, aimed at transporting 30 billion (m3) of natural gas from Russian to Italy. The project originates from an agreement between ENI and Gazprom.

The South Stream shall cross the Black Sea from the Bergovaya station on the Russian coast to the Bulgarian coast, extending more than 900 km and reaching 2000 metre in depth. In January 2008, ENI and Gazprom incorporated South Stream AG (50% ENI; 50% Gazprom) for the purpose of studying the feasibility of the pipeline.

Liquefied Natural Gas (LNG).

Imports of LNG constitute a very small portion of Italy's total natural gas imports.

Currently, Italy has only one operative LNG receiving terminal in Panigaglia (Liguria Region), located on the country's western coast near La Spezia. In July 2007, GNL Italia Spa submitted a project aimed at increasing the capacity of the terminal from 3.5 to 8 G(m3). The project faced opposition by the local authorities.

Several natural gas companies are planning to construct LNG receiving terminals in Italy in order to meet estimated future demand.

Exxon Mobil and Qatar Petroleum are involved in a joint venture with Italian Edison, to build an LNG receiving terminal in Porto Levante, near Rovigo. The work on the terminal was finished and tested last September; however, the plant will not be fully operative until 2009. The terminal is located 15 km off the coast in the Veneto Region and goes down to a depth of 28 metres. Owned and managed by Terminale GNL Adriatico Srl (Qatar Terminal Limited (45%), ExxonMobil Italiana Gas (45%) and Edison (10%) and

boasting a capacity of more than 8 billion cubic metres per year, the Rovigo terminal is expected to become the most important offshore plant in the world for LNG and to satisfy 10% of the demand of natural gas in Italy.

A consortium, between British Gas and Enel, plans to construct a new LNG receiving terminal in Brindisi, on the southeast coast of Italy. The authorisation to build has been issued, but it is being challenged before the competent regional administrative tribunal (T.A.R.).

In May 2004, the Offshore LNG Terminal (OLT) consortium received environmental approval for its proposed LNG receiving terminal near Livorno. OLT, composed of Golar LNG and Italy's Cross Gas, plans to permanently moor a standard LNG tanker offshore, convert it into a floating storage and re-gasification unit and connect it to the coast via a sub-sea pipeline.

A consortium between BP, Edison, and the chemical company Solway plans to construct a 290-Mmcf/d LNG terminal on the site of a former Solway chemicals plant in Rosignano, near Livorno. In January 2005, Italy's Ministry of Environment approved plans for the construction of the project. However, local government leaders raised strong objections to the project, so it is possible that the planned initial production date of 2012 will be postponed.

In March 2005, Spain's Gas Natural (GN) presented plans for the construction of two LNG receiving terminals in Italy -to be located in Trieste and in the southern port of Taranto- to local authorities. GN plans to complete the projects sometime in 2009.

GN is also working on another terminal in Taranto and has recently submitted the documents required for the environmental impact evaluation (hereinafter: "VIA") to the competent authorities.

Royal Dutch/Shell and Italy's ERG are developing an LNG receiving terminal next to ERG's oil refinery in Priolo Gargallo, Sicily, to be completed in 2010.

Also, the following companies have LNG terminal projects in progress: LNG MedGas Terminal in Gioia Tauro (RC); Endesa Italia in the gulf of Trieste; Nuove Energie (99% owned by Enel) in Porto Empedocle (AG); ERG Power&Gas and Shell Energy Italia in Rada di Augusta (SR).

Projects for new terminals to be built in Ravenna and on the coast of the Marche have been submitted to the competent authorities by Atlas LNG (Belleli group) and by Gaz de France, respectively.

The Gavio group plans to build an LNG terminal in Civitavecchia (Region Lazio).

Natural gas storage.

Storage in Italy remains a de facto monopoly in the hands of ENI, through its subsidiary Stogit, which controls approximately 98% of the gas storage capacity in Italy.

Currently, as per article 11 of Decree 164/2000, in order to store natural gas, a concession (whose duration cannot exceed 20 years) by the Ministry for economic development (hereinafter: the "MED") is required.

Each company to which such a concession is granted has to draft its own "storage code", which, if in compliance with criteria set forth by the Authority for electricity and gas (hereinafter: "AEEG")'s Deliberation 119/2005, is approved by the AEEG itself.

With AEEG Resolution 220/2006, the AEEG approved the storage code issued by Stogit.

1.2 To what extent are Italy's energy requirements met using natural gas (including LNG)?

See question 1.1.

1.3 To what extent are Italy's natural gas requirements met through domestic natural gas production?

See question 1.1.

1.4 To what extent is Italy's natural gas production exported (pipeline or LNG)?

Exportations of gas from Italy are practically insignificant.

2 Development of Natural Gas

2.1 Outline broadly the legal/statutory and organisational framework for the exploration and production ("development") of natural gas reserves including: principal legislation; in whom the State's mineral rights to natural gas are vested; Government authority or authorities responsible for the regulation of natural gas development; and current major initiatives or policies of the Government (if any) in relation to natural gas development.

The legislation framework.

The main law sources on gas in Italy are legislative decree 164/2000 (hereinafter: the "Letta decree"), which implements EU directive 98/30/CE, and law 239/2004 (hereinafter: the "Marzano Law").

The Letta decree regulates both the *up-stream* (importation and production) and the *down-stream* (transportation, distribution, sale and storage) phases of the gas business.

One of the material innovations contained in the Letta Decree is the separation between the distribution and the sale of gas (article 21), *i.e.* the distribution and the sale of gas are to be managed by two different companies (it is an application of the so-called *unbundling* principle, contained in EU Directive 96/92/CE).

The Marzano law is aimed at completely reorganising the rules and the normative competences on gas in Italy; it also provides that, starting from July 1, 2004, any customer is free to choose its gas supplier (article 1, paragraph 30).

Detailed provisions on gas are also contained in deliberations issued by the AEEG and in ministerial decrees.

Regions may, within the framework rules set forth in national laws, issue their own laws on production, transportation and distribution of natural gas.

The competent authorities.

The MED is responsible for issuing provisions related to national energy policies.

As already mentioned above, the Regions are allowed to issue, within the framework rules set at national level, laws on energy production, transportation and distribution of natural gas.

An independent regulatory authority, the AEEG, was created with law 481/1995 in order to implement European directives on energy market liberalisation and to regulate and control the electricity and gas sectors.

As per law 481/95, the AEEG pursues two main objectives: guaranteeing the promotion of competition and efficiency and ensuring adequate service quality standards in the electricity and gas sectors.

The AEEG has full independence within the general policy guidelines issued by the Government and Parliament, and enjoys a high degree of autonomy in its judgments and evaluations.

It also sets the technical and economic conditions governing access

and interconnections to the networks for those services where technical, legal or other constraints would interfere with normal competitive market conditions and the ability of the market to protect the interests of users and consumers.

The AEEG formulates observations and recommendations for the Government and Parliament and presents an annual report to Parliament and the Prime Minister on its activities and on the state of the regulated services.

Its regulatory powers include setting tariffs and defining service quality standards. Due to the structure of Italian gas distribution, fragmented into more than 700 local gas entities, the gas distribution tariffs have always been regulated. An important role is played by companies partially owned by local authorities.

As already mentioned, the Italian market is currently conditioned by the fact that Italy is an importing country and strongly depends on gas import.

In addition, the national operation and transmission network is congested, and it is difficult for new entrants to import supplementary gas through the existing network.

In order to introduce gas in the final market, new players have to ask ENI Group for network availability and ENI is obliged to allow their access to the gas services (e.g.: in February 2005, the AEEG sanctioned GNL ITALIA for having rejected the request of Gas Natural Italia to access the re-gasification service in the Panigaglia plant during the year 2003-2004).

Local distributors have sometimes acted in contrast to the liberalisation process. The AEEG had to intervene several times, ordering them to cease and desist in the interest of users' rights and allowing new operators access to the networks.

2.2 How are the State's mineral rights to develop natural gas reserves transferred to investors or companies ("participants") (e.g. licence, concession, service contract, contractual rights under Production Sharing Agreement?) and what is the legal status of those rights or interests under domestic law?

As per D.P.R. 382/94, D.P.R. 484/1994 and Legislative Decree 625/1996, exploration of natural gas fields is subject to a permit issued by the Ministry for economic development provided that a positive evaluation of environmental impact (VIA) is previously obtained.

The exploration permit expires after three years, but it may be extended.

The results of the exploration have to be communicated to the MED.

The cultivation of natural gas fields is subject to a temporary concession, separate from the exploration permit, to be issued by same Ministry.

As per article 1, paragraph 77-9, Marzano law, both the exploration permit and the cultivation concession replace any other authorisation required by law.

As per article 16, R.D. 1443/1927, those to whom the exploration permit was granted have the right to be preferred over any other applicant in the granting of the cultivation concession.

Those who obtained an exploration permit but not the cultivation concession have the right to recompense, proportional to the importance of the discovery, to be paid by the subject to whom the concession is granted.

2.3 If different authorisations are issued in respect of different stages of development (e.g., exploration or production arrangements), please specify those authorisations and briefly summarise the most important (standard) terms (such as term/duration, scope of rights, expenditure obligations).

See question 2.2.

2.4 To what extent, if any, does the State have an ownership interest, or seek to participate, in the development of natural gas reserves (whether as a matter of law or policy)?

As mentioned, the Ministry of Economy and Finance (hereinafter: "MEF") owns 30.3% of ENI's voting share capital (20.3% is directly owned by MEF and the remaining 10% is indirectly owned by MEF through its 70% controlled Cassa Depositi e Prestiti S.p.A.).

Moreover, Article 6.2 of ENI's By-laws acknowledges that the Italian State holds certain special powers pursuant to Law No. 474 of July 30, 1994; in particular:

- a) the right to oppose the acquisition of material shareholdings by entities affected by the shareholding limit as set forth in Article 3 of Law Decree No. 332 of May 31, 1994, converted with amendments into Law No. 474 of July 30, 1994, which, as per Decree issued by the Minister of Treasury on October 16, 1995, include those representing at least 3% of the share capital with the right to vote at the ordinary Shareholders' Meeting;
- b) right to oppose with respect to the subscription of shareholders, pacts or agreements as per Article 122 of Legislative Decree No. 58 of February 24, 1998, involving, as per Decree issued by the Minister of Treasury on October 16, 1995, at least 3% of the share capital with the right to vote at ordinary Shareholders' Meetings;
- c) right of veto with respect to resolutions to dissolve the company, to transfer the business, to merge, to demerge, to transfer the company's registered office abroad, to change the company purpose and to amend the By-laws cancelling or modifying the "special powers"; and
- d) right to appoint one Board member with no voting rights. Should such appointed Director cease to hold office, the MEF, in agreement with the Minister of Economic Development, will appoint his substitute.

With decision published on May 23, 2000, the European Court of Justice declared that Italy, in granting the Minister of Economy and Finance "special powers" and by introducing them in the By-laws of some privatised companies, violated the obligations imposed by Articles 43 (former Article 52, right of establishment), 49 (former 59, free provision of services) and 56 (former 73b, free movement of capital) of the European Treaty. In accordance with past decisions, the Court analysed Italian legislation in force at the expiration of the terms defined in the European Commission's informed opinion. Therefore the Court did not take into account DPCM of May 4, 1999, Article 66 of Law No. 488/1999 and DPCM of June 10, 2004 and Law No. 350 of December 24, 2003 which included provisions limiting those "special powers" of the MEF and the Minister of the Economic Development. These are currently being analysed by the European Commission.

In light of above, the State controls ENI Group activities, within the framework given by the MED and disciplined by AEEG rules.

Currently, the antitrust ceilings allow ENI 69% capacity for import - to go down to 61% in 2010 - and 50% for the sale of gas.

2.5 How does the State derive value from natural gas development (e.g. royalty, share of production, taxes)?

Mainly from general taxation and royalties deriving from permits and concessions.

2.6 Are there any restrictions on the export of production?

As per article 1, Letta Decree, export of natural gas is a free activity.

2.7 Are there any currency exchange restrictions, or restrictions on the transfer of funds derived from production out of the jurisdiction?

No there are not.

2.8 What restrictions (if any) apply to the transfer or disposal of natural gas development rights or interests?

See question 2.10.

2.9 Are participants obliged to provide any security or guarantees in relation to natural gas development?

As per articles 10 and 19, R.D. 1443/1927, although the landowners of the sites on which the exploration is to be carried on cannot prevent it they may request a guaranty. No guaranty is due to the landowners by those to whom a cultivation concession is granted.

In case the gas development activity causes any damage to the sites, the participant is obliged to refund the landowners.

2.10 Can rights to develop natural gas reserves granted to a participant be pledged for security, or booked for accounting purposes under domestic law?

As per article 8s and 27 of R.D. 1443/1927, consent of the MED is required in order to transfer an exploration permit/cultivation concession.

As per article 21, the creation of a mortgage on the site on which the cultivation is carried out is subject to the Ministry's consent.

2.11 In addition to those rights/authorisations required to explore for and produce natural gas, what other principal Government authorisations are required to develop natural gas reserves (e.g. environmental, occupational health and safety) and from whom are these authorisations to be obtained?

As per article 1, paragraph 77, Marzano law, the exploration permit/cultivation concession also authorises the building of all the plants and works required for such activities. Such permit/concession replaces any other authorisation required by other laws.

As per article 1, paragraph 79, Marzano law, in case national or regional laws also require a VIA in order to build the aforementioned plants/works, the authority responsible for issuing it shall express its evaluation in the same administrative procedure triggered to issue the permit/concession.

As per article 7 of Legislative Decree 152/2006, the authority responsible for issuing a VIA varies according to the size and type of plant/works which is to be built. Annexes to Decree 152/2006 list the projects for which the Ministry for environment is competent, and the projects for which the Regions are competent.

Each region regulates the VIA procedure with its own laws and may delegate the responsibility to issue the final evaluation to another local authority (e.g. the Province).

2.12 Is there any legislation or framework relating to the abandonment or decommissioning of physical structures used in natural gas development? If so, what are the principal features/requirements of the legislation?

Usually, the single permit/concession regulates such issues.

Please note, however, that the discarding of any machinery used in natural gas development will have to comply with general rules on disposal of wastes as set out in legislative decree 152/2006 and in regional laws.

3 Importation / Exportation

3.1 Outline any regulatory requirements, or specific terms, limitations or rules applying in respect of cross-border sales or deliveries of natural gas (including LNG).

While, as already mentioned above, as per article 1 of the Letta Decree, export of natural gas is a free activity, as per article 3 of such Decree the importation of natural gas produced in sites outside the European Union has to be previously authorised by the MED on the basis of objective and non-discriminatory criteria.

Authorisation is to be deemed as having been issued if the application for it is not expressly rejected within three months.

In order to be authorised, applicants have to: (a) prove that they have the technical and financial capability to carry out the import activity; (b) provide adequate information and guarantees on the origin of the gas; (c) prove that the gas supply and the transportation system is reliable; (d) prove to have strategic storage available in Italy for an amount of 10% of the quantity of gas imported each year; and (e) prove to have the financial capability to create structures for the development, transport and distribution of natural gas.

Importation of natural gas produced on sites *within* the European Union does not require previous authorisation, but only a previous notice to the MED and to the AEEG within 60 days (article 3, paragraph 7, Letta Decree) along with the following information regarding the import agreement:

1. duration and prospective extension of the agreement;
2. quantity of the gas imported, along with the possibility of annual and seasonal modulations;
3. the country where the gas is produced and the international structures used to transport it; and
4. any obligation, related to the agreement, which may be relevant for the safety of the system.

4 Transportation

4.1 Outline broadly the ownership, organisational and regulatory framework in relation to transportation pipelines and associated infrastructure (such as natural gas processing and storage facilities).

96% of the national gas transportation system (more than 31,000 km out of 32,900 km of existing pipeline) is owned by Snam Rete Gas, which is obviously the most important player in Italy, while Società Gasdotti Italia Spa manages the remaining 1,263 km of pipeline.

In accordance with the Letta Decree, AEEG resolution 120/2001,

and Ministerial Decree 29/09/2005, Italian gas pipelines have been divided into two parts: the first one qualified as the “national gas pipeline network” (which approximately equals the portion of pipelines owned by Snam Rete Gas), for a total of 8,479 km and the second one qualified as the “regional gas pipeline network”, for the remaining 22,410 km.

The national gas pipeline network consists of all the natural gas pipelines and plants established and verified, taking into consideration the limitations imposed by importation, by the main national productions and by storage, with the function of transferring significant quantities of gas from inlet points in the network to macro consumption areas. Certain interregional natural gas pipelines, as well as certain smaller pipelines that close the network grid created by the above mentioned pipelines are also part of the network and have the same objective. The national gas pipeline Network also includes the compression plants connected to the above mentioned pipelines.

The regional gas pipeline network consists of the remaining natural gas pipelines that are neither included in the national gas pipeline network or in the plants connected to it. The principal function of the regional network is to move and distribute natural gas across well-defined territorial areas, typically on a regional level.

Five players (Retragas Srl, Metanodotto Alpino Srl, Carbotrade Spa, Consorzio della Media Valtellina per il Trasporto del Gas and Netenergy Service Srl) own parts of the regional pipelines.

As per article 8, Letta Decree, transportation of natural gas is an activity of public interest, therefore companies carrying out such activities are obliged to connect any users to their network.

In compliance with the *unbundling* principle contained in EU Directive 96/92/CE, as per article 21, Letta Decree, the transportation activity has to be separated from any other activity in the natural gas field, with the exception of storage activities.

As per article 10, Letta Decree, transportation of gas through pipelines which directly connect the supplier with the customer (“direct pipelines”) is subject to authorisation by the Region.

Each transportation company drafts a network code where rules for the operation of the pipelines it owns and manages are defined. Such rules must comply with the principles set forth by the AEEG, which can approve or modify the network codes. To ensure that the codes are as uniform as possible, the AEEG decided to draw up a master code in collaboration with the industry associations; companies may choose to develop their own codes or simply adopt the master code.

4.2 What Governmental authorisations (including any applicable environmental authorisations) are required to construct and operate natural gas transportation pipelines and associated infrastructure?

As per article 52 *quinquies*, DPR 327/2001 and article 1 *sexies*, D.L. 239/2003, in order to construct natural gas transportation pipelines and associated infrastructure authorisation from the MED is required. The VIA procedure, if required, takes place in the same procedure started to issue such authorisation, which replaces any other authorisation required by law.

4.3 In general, how does an entity obtain the necessary land (or other) rights to construct natural gas transportation pipelines or associated infrastructure? Do Government authorities have any powers of compulsory acquisition to facilitate land access?

As a general rule, as per article 52 *bis* DPR 327/2001 and article 30, Letta Decree, the construction of a natural gas transportation

pipeline is considered a work of public interest, and therefore the land required for it may be expropriated.

Similarly, in case a project for the development of the gas network has been qualified by the authorities as “public works” to be executed by companies selected through a tender, the final approval of the technical project triggers the expropriation process, if required (article 30, Letta Decree and article 12, DPR 327/2001).

4.4 How is access to natural gas transportation pipelines and associated infrastructure organised?

As per article 21 of Letta Decree, in compliance with the “unbundling principle” contained in EU Directive 96/92/CE, the transportation activity has to be separated from any other activity in the natural gas field, with the exception of storage activities.

As already mentioned, pursuant article 10 of Letta Decree, transportation of gas through pipelines which directly connect the supplier with the customer (“direct pipelines”) is subject to authorisation by the Region.

Detailed rules on access to gas transportation pipelines are contained in the network codes each company has to draft in compliance with AEEG Deliberation 137/2002, which set the general *criteria* to grant free access to the transportation system.

The AEEG supervises the transportation activity in order to ensure that the network codes are observed and that access to the system is granted equally to all users.

Please find below a brief outline of the provision contained in national law.

Access by gas companies.

As per article 24, Letta decree, companies operating in the natural gas business must grant access to anyone meeting the technical conditions set forth in the Decree.

Access can be denied only when:

- (1) those who request it do not have the required capacity;
- (2) granting access would prevent the companies from complying with their public service obligations; and
- (3) granting access would cause serious economic or financial difficulties to companies already operating in the system, with regard to “take or pay” agreements signed before EU Directive 98/30/CE came into force.

The refusal to grant access has to be motivated and notice of such must be sent to the AEEG, the Competition Authority, and to the MED.

Access regarding natural gas produced within Italian territory cannot be refused.

Access by customers.

As per article 8 of Legislative decree 164/2000, transportation of natural gas is an activity of public interest; as a consequence, companies carrying out such activity are obliged to connect to their network any user complying with the technical *criteria* set forth by AEEG.

In case of refusal, customers may notify such to the AEEG, which shall verify whether such refusal is in breach of the network code. Should that be the case, the AEEG may order the company to connect the customer.

4.5 To what degree are natural gas transportation pipelines integrated or interconnected, and how is co-operation between different transportation systems established and regulated?

The gas transportation service in Italy is a well integrated service,

starting from the inlet points of the national network to the withdrawal points of the regional network. The Italian transportation network extends 32,190 km.

In order to allow the interconnection of systems, with D.M. 19/02/2007, D.M. 16/04/2008 and 17/04/2008, the MED defined the technical rules for projecting, constructing and operating gas infrastructures, as well as gas chemical-physical specifications.

Currently, the average booked capacity is very close to maximum capacity in all of the interconnection infrastructures.

4.6 Outline any third-party access regime/rights in respect of natural gas transportation and associated infrastructure. For example, can the regulator or a new customer wishing to transport natural gas compel or require the operator/owner of a natural gas transportation pipeline or associated infrastructure to grant capacity or expand its facilities in order to accommodate the new customer? If so, how are the costs (including costs of interconnection, capacity reservation or facility expansions) allocated?

See above, question 4.4.

4.7 Are parties free to agree the terms upon which natural gas is to be transported or are the terms (including costs/tariffs which may be charged) regulated?

As per law 481/1995 and as per Decree Letta, article 23, the AEEG sets the tariffs to be applied to transportation and storage, for the use of LNG terminals and for distribution.

Such tariffs are to be intended as price cap tariffs (*i.e.*: company cannot apply higher tariffs).

5 Transmission / Distribution

5.1 Outline broadly the ownership, organisational and regulatory framework in relation to the natural gas transmission/distribution network.

As already mentioned above, distribution and sale of natural gas are to be managed by two different companies (article 21, Letta Decree).

A) Distribution of natural gas

Distribution can be divided into:

- primary distribution to major industrial users, power stations, and distributors is still dominated by Snam Rete Gas (ENI group); and
- secondary distribution on low pressure distribution grids to end users, other than major industries and power plants, which is also dominated by a company of the ENI Group (Italgas Spa).

Italgas Spa, in fact, holds a market share of about 21.4%. The closest competitors to Italgas Spa are Enel Rete Gas Spa, Hera, Aem Spa and Enia Spa.

The top 20 players in the secondary distribution market cover almost 67% of the market.

Secondary distribution to end-users of medium and low-pressure gas, both for domestic and commercial purposes, is performed by approximately 308 local operators.

In Italy, natural gas is distributed to around 5,800 municipalities, with more than 20 million customers. Local distribution consists almost entirely of sales by urban distribution companies to customers in the residential and commercial sectors and to small industrial customers.

As per article 14 of the Letta Decree, the distribution of gas is to be deemed as a public service. Such service is entrusted by local authorities through public tenders, for a period of no more than twelve years. The tenders are awarded taking into account the following criteria: the best financial terms, quality and safety standards, investments plants, and the managements skills offered.

Local authorities also supervise distribution activities; their relationship with the distributor companies is regulated by agreements, which have to comply with a standard contract drafted by the AEEG (Deliberation 55/2004). Such agreements regulate, *inter alia*, the terms and conditions for the provision of the service and the quality standard to be achieved.

As per article 16, Letta Decree, companies carrying out distribution activities are obliged to connect any customer residing in the area in which the service is carried out, provided that they comply with technical criteria set out by the AEEG.

In case of refusal to connect, in breach of such *criteria*, the AEEG may order the distribution company to connect the refused party.

Detailed regulations on distribution are set out in the network codes each company has to draft according to AEEG Deliberation 108/2006.

B) Sale of natural gas

As per article 17, Letta decree, companies intending to sell gas must be authorised by the MED.

In order to be granted such authorisation companies have to prove their technical and finance capability and demonstrate the origin of the gas and the reliability of their transport service.

As per article 18, of Letta Decree, the AEEG supervise the sales agreements with the customers and may draft a code of commercial conduct, regulating the levels of information the sales companies have to provide their customers with.

5.2 What Governmental authorisations (including any applicable environmental authorisations) are required to operate a distribution network?

See question 5.1.

5.3 How is access to the natural gas distribution network organised?

See question 5.1.

As per article 19, paragraphs 2 and 3 of the Letta decree, starting from 2002 until December 31, 2010, no company is allowed to: (a) sell to customers more than 50% of the gas consumed in Italy each year; (b) inject into the grid a quantity of imported or domestically-produced gas, for the purpose of selling it, higher than 75% of the gas consumed in Italy each year; such ceiling is to decrease by 2% each year after 2002, until 61% is reached.

5.4 Can the regulator require a distributor to grant capacity or expand its system in order to accommodate new customers?

As per article 16 Letta Decree, any client located within the geographical area of the concession has the right to be connected to the distribution grid by the local distributor, unless the connection requires works that are technically or financially impossible according to the criteria set out by the AEEG. In case a company denies access in breach of such criteria, the AEEG - after due cross examination with the distribution company - can order the connection.

The powers of the AEEG do not preclude those of the Competition

Authority in this field regarding possible abuses of a dominant position.

5.5 What fees are charged for accessing the distribution network, and are these fees regulated?

See above question 4.7.

5.6 Are there any restrictions or limitations in relation to acquiring an interest in a gas utility, or the transfer of assets forming part of the distribution network (whether directly or indirectly)?

As per legislative decree 267/2000, private partners of public companies have to be selected through a public tender.

There are no restrictions on an acquisition of an equity stake or a takeover of a distribution company owned by private entities, nor specific procedures to be complied with, except those requested by the securities regulations, when the target is a company listed in a regulated market.

6 Natural Gas Trading

6.1 Outline broadly the ownership, organisational and regulatory framework in relation to natural gas trading. Please include details of current major initiatives or policies of the Government or regulator (if any) relating to natural gas trading.

As per AEEG Deliberation 137/2002, Snam Rete Gas created the “virtual trading point”, i.e. a system for the daily trading of gas over its own network, approved with AEEG Deliberation 22/2004.

Along with the electronic bulletin board for capacity trading and selling, the new system facilitates bilateral transaction among users. Snam Rete Gas’s network code is set up to acknowledge VTP transaction.

Located conceptually between the entry and the exit points of the national pipeline network, the VTP is where users can trade and sell gas on a daily basis.

The VTP is regarded as the first step towards the development of a full-fledged “Gas stock-exchange”. With Deliberation 21/2008, AEEG defined the criteria which the future Gas stock-exchange will have to comply with.

6.2 What range of natural gas commodities can be traded? For example, can only “bundled” products (i.e., the natural gas commodity and the distribution thereof) be traded?

See question 6.1 above.

7 Liquefied Natural Gas

7.1 Outline broadly the ownership, organisational and regulatory framework in relation to LNG facilities.

As per article 8, law 340/2000, authorisation to build a LNG terminal is issued by the MED; the VIA procedure takes place in the same procedure triggered to issue such authorisation.

As per Letta Decree, article 30, since the construction of a LNG facility is deemed to be of public interest, private land may be expropriated for such purpose.

In setting the rules for priority access to the new LNG re-gasification terminals, the AEEG tried to reconcile the long-term access guarantees demanded by those interested in the construction of the LNG terminals with the rights of other customers who want short or long-term access to the new capacity.

As per Deliberation 91/2002, the maximum quota granted to those willing to bear the cost of construction - to whom is granted a priority access right - was set at 80% of the new re-gasification capacity of each terminal, for a period of no longer than 20 years. The remaining 20% was available to all the other operators at the tariffs set by the Authority.

This system was supposed to remain in effect until Italy’s total re-gasification capacity reached 25 billion cubic metres per year.

Deliberation 90/03, however, in application of law 273/2002, has amended Deliberation 91/2002 and currently the capacity limit of 25 billion cubic metres has been cancelled.

Moreover, access is now granted to anyone who bears the cost of the plant, even through project financing.

As per article 24, paragraph 5, Letta Decree, companies involved in the LNG business have to grant free access to LNG services. For such purpose, each company drafts its own network code which has to comply with criteria set out in AEEG Deliberation 167/2005.

7.2 What Governmental authorisations are required to construct and operate LNG facilities?

See question 7.1.

7.3 Is there any regulation of the price or terms of service in the LNG sector?

Pursuant to article 23, Letta Decree, the AEEG sets the maximum tariffs according to criteria contained in Deliberations 120/2001 and 73/2003.

Article 23 also states that tariffs for the utilisation of LNG terminals must allow for their development, encouraging investments for the increase of their capacity, also taking into account several related issues (such as risks, difficulties and distances in transportation, the necessity of assuring the maximum performance).

8 Competition

8.1 Which Governmental authority or authorities are responsible for the regulation of competition aspects, or anti-competitive practices, in the natural gas sector?

Both domestic and foreign undertakings which operate in the natural gas sector are subject, as far as the domestic markets are concerned, to the powers of the Autorità Garante della Concorrenza e del Mercato (the “Italian Antitrust Authority”), the independent agency responsible for enforcing Law no. 287 of October 10, 1990 (the “Italian Competition and Fair Trade Act”) which prohibits: (i) agreements that have as their object or effect appreciable prevention, restriction or distortion of competition within the national market or within a substantial part of it; (ii) abuses of a dominant position; and (iii) mergers and acquisitions creating or strengthening a dominant position with the effect of eliminating or restricting competition appreciably and on a lasting basis.

The Italian Antitrust Authority may exercise its statutory function against any suspected competition law infringement ex officio, pursuant to a complaint made by any natural or legal person and, in the natural gas sector, following a report by the Italian Regulatory

Authority for Electricity and Gas (AEG). Under the new Law 239 of August 23, 2004 on the reorganisation of the energy sector, the enforcement powers of the Italian Antitrust Authority have been extended to cover also specific breaches of the competition regulation purposed for the natural gas markets.

8.2 To what criteria does the regulator have regard in determining whether conduct is anti-competitive?

The Italian Antitrust Authority establishes the anti-competitive nature of conduct on the basis of the criteria deriving from the application of the Law 287/90, which mirror the provisions set forth in Articles 81 and 82 of the EC Treaty and which must be interpreted consistently to the EU principles, case law and practice.

The fundamental principle is the prohibition of all agreements between undertakings, decisions by associations of undertakings and concerted practices which effectively or potentially prevent, restrict or distort competition, and of any unilateral abuse of a dominant position by one or more undertaking, provided that such conduct affects the national market or a substantial part of it.

8.3 What power or authority does the regulator have to preclude or take action in relation to anti-competitive practices?

In order to seek evidence of anti-competitive conduct, the Italian Antitrust Authority is empowered to raid offices (without prior warning), to conduct inspections of the company books and records and make copies of them, and to request companies, entities and individuals to supply any information in their possession and to exhibit any document that may be relevant to the investigation.

As regards the substantive powers against detected infringements, the Authority may decide not only to prohibit an agreement or to issue an injunction that a restrictive practice shall be stopped, but also to impose fines on the infringing companies. The amount of the fine is calculated depending on the seriousness and the duration of the offence and it cannot exceed 10% of the annual turnover generated by the undertakings involved during the prior financial year. If the Authority finds that a violation has been committed and the party concerned fails to desist after the decision has been taken, further fines may be imposed, and - in the event of repeated offences - the Authority may order companies to cease operations for a period of up to 30 days.

In any event, no criminal penalties are provided under Italian law for offences against domestic competition rules, although a special kind of corporate liability has been recently introduced in Italy to prosecute cases where a financial crime is committed by a manager or other company representative in the company's interest or for its profit.

8.4 Does the regulator (or any other Government authority) have the power to approve/disapprove mergers or other changes in control over businesses in the natural gas sector, or proposed acquisitions of development assets, transportation or associated infrastructure or distribution assets? If so, what criteria and procedures are applied? How long does it typically take to obtain a decision approving or disapproving the transaction?

All business operations in the natural gas sector which lead to a long-lasting change in the control-structure of the participating undertakings, by means of (i) a merger, (ii) acquisition of control of the whole or parts of another undertaking, or (iii) constitution of a joint venture, hence performing a "concentration", are subject to prior notification to the Italian Antitrust Authority in the case that they meet the minimum specified thresholds of domestic sales,

without prejudice of the prevailing applicability of the EC Merger Regulation.

Such thresholds are regularly updated by the Authority.

The Italian Antitrust Authority may impose administrative fines, on undertakings which fail to comply with the prior notification obligation, up to the amount of 1% of the total turnover generated during the last financial year.

The timing of the process depends on whether or not the Authority decides to open an in-depth investigation on the notified concentration. For operations which do not raise serious doubts as to their compatibility with the national market, the Authority reaches a clearance decision within 30 days from receipt of a complete notification.

The same deadline must be respected by the Authority for issuing a second-phase opening decision. In such case a further 45 days are available to the Authority in order to reach a final decision as to the approval of the operation (on a conditional basis, if necessary) or as to its prohibition. In reaching a decision, the Authority shall consider whether or not the merger threatens to create or strengthen a dominant position, as a result of which competition would be eliminated or significantly reduced in the relevant market.

If the merger has already been completed, the Antitrust Authority may impose the measures necessary to restore conditions of effective competition by eliminating the anticompetitive effects of the merger. Moreover, the Italian Antitrust Authority shall impose administrative fines on undertakings which implement a concentration in violation of the prohibition to the transaction or which fail to comply with the instructions issued in order to implement the measures necessary to restore conditions of effective competition, ranging from a minimum of 1% to a maximum of 10% of the turnover of the business forming the object of the concentration.

The European Commission recently (October 2008) decided to authorise the acquisition by ENI of the Belgian energy company Distrigaz, reasoning that this M&A does not imply obstacles to free competition within the EEA.

9 Foreign Investment and International Obligations

9.1 Are there any special requirements or limitations on acquisitions of interests in the natural gas sector (whether development, transportation or associated infrastructure, distribution or other) by foreign companies?

According to article 1, paragraph 29, Law 239/04, until a united European market of electricity and natural gas is created, in cases where companies from EU countries where no adequate reciprocity guarantees exist partake in concentrations of companies operating in the electricity/natural gas business, a special regime applies.

In particular, within 30 days from the notification of the operation to the Italian Antitrust Authority, the President of the Council of Ministers, along with the Minister of Finance, upon proposal by the Minister for economic development, in order to protect the security of national supplies as well as the fair competition in the market, may set restrictions and conditions that the aforementioned companies will have to comply with.

9.2 To what extent is regulatory policy in respect of the natural gas sector influenced or affected by international treaties or other multinational arrangements?

Since Italy is a member of the European Union, it is subject to EU

Law.

The Italian government is currently addressing the issue of the full domestic implementation of Directive 2003/55/EC (which cancelled Directive 98/30/EC), which has been applied to date only through decisions by the AEEG, and of Directive 2004/67/CE concerning the provisioning of natural gas.

On 09/06/2006, Italian parliament drafted a bill (*Delega al Governo per completare la liberalizzazione dei settori dell'energia elettrica e del gas naturale e per il rilancio del risparmio energetico e delle fonti rinnovabili, in attuazione delle direttive comunitarie 2003/54 e 55 e 2004/67*) for the complete implementation of the aforementioned directives. The bill has not yet been approved.

Italy also signed the Kyoto Protocol of the 1992 United Nations Framework Convention on Climate Change and the 1994 Energy Charter Treaty designed to promote east-west industrial cooperation by providing legal safeguards in areas such as investment, transit and trade. Accordingly, any decision made by the Italian government must comply with those arrangements.

10 Dispute Resolution

10.1 Provide a brief overview of compulsory dispute resolution procedures (statutory or otherwise) applying to the natural gas sector (if any), including procedures applying in the context of disputes between the applicable Government authority/regulator and: participants in relation to natural gas development; transportation pipeline and associated infrastructure owners or users in relation to the transportation, processing or storage of natural gas; and distribution network owners or users in relation to the distribution/transmission of natural gas.

At the moment, the Italian System does not provide for any special form of dispute resolution procedures applying to the natural gas sector, including procedures applying in the context of disputes between the applicable Government authority/regulator and: (a) participants in relation to natural gas development; (b) transportation pipeline and associated infrastructure owners or users in relation to transportation, processing or storage of natural gas; and (c) distribution network owners or users in relation to the distribution/transmission of natural gas.

However, Law no. 481 of November 14, 1995 entitles the AEEG to handle out-of-court settlements and arbitrate in disputes between users or consumers and service providers and a regulation providing the criteria, the conditions, the terms and the modalities for alternative dispute resolutions and arbitrations before the AEEG in case of disputes arising between final users and suppliers of gas has been issued with AEEG Resolution 173/07/CONS.

AEEG's resolutions, like all administrative deeds, may be challenged before the Regional Administrative Tribunals (hereinafter: "TAR") within 60 days or before the President of Republic within 120 days. Appeals against the TARs decisions are decided by the Consiglio di Stato (Council of State), Italian supreme administrative court.

10.2 Is Italy a signatory to, and has it duly ratified into domestic legislation: the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards; and/or the Convention on the Settlement of Investment Disputes between States and Nationals of Other States ("ICSID")?

Italy signed the New York Convention of Recognition and

Enforcement of Foreign Arbitral Awards. Such Convention was introduced into the Italian legal system with Law no. 62 of January 19, 1968.

Since 1971, Italy has also ratified the Convention on the Settlement of Investment Disputes between States and Nationals of Other States ("ICSID").

10.3 Is there any special difficulty (whether as a matter of law or practice) in litigating, or seeking to enforce judgments or awards, against Government authorities or State organs (including any immunity)?

There are specific rules that must be respected whenever a party brings a case against government authorities or state organs, mainly concerning venue, legal assistance and representation. Other than that, there is no special difficulty in seeking enforcement of properly litigated judgments or awards against public entities.

10.4 Have there been instances in the natural gas sector when foreign corporations have successfully obtained judgments or awards against Government authorities or State organs pursuant to litigation before domestic courts?

There is no particular rule which may render lawsuits filed by foreign corporations/companies before Italian courts less likely to be won.

Decision November 22, 2006 issued by the T.A.R. of Latium (hereinafter "T.A.R.") is an example of a partially favourable decision obtained by a company regulated by foreign law (TTPC Ltd, an ENI subsidiary).

Although the decision is essentially unfavourable to ENI and TTPC Ltd, the T.A.R. ruled against the quantification of the fine imposed by the Antitrust Authority.

The Italian Antitrust Authority, on February 15, 2006, ruled that ENI had abused its dominant market position by hindering, from March 2007, the entry of independent operators into the Italian market for the wholesale supply of natural gas.

Specifically, the conduct under review consisted of the discontinuation of upgrades to the TTPC gas pipeline, which had been started some time before, and for which "ship or pay" transport contracts had been signed with a number of shippers.

For this reason, the Authority imposed a fine of 290 million Euro, ordering ENI to desist from its anti-competitive conduct and, through its subsidiary Trans Tunisian Pipeline Company Ltd., to give third parties access, by October 1, 2008, to 6.5 billion cubic metres p.a. of additional gas transport capacity via the TTPC pipeline.

ENI and Trans Tunisian Pipeline Company Ltd. appealed the decision of the Italian Antitrust Authority, asking T.A.R. to annul it.

T.A.R. confirmed nearly all the findings of the Italian Antitrust Authority, but as far as the quantification of the fines is concerned, T.A.R. underlined that the Italian Antitrust Authority has qualified the infringement as a very serious infringement only on the basis of the dominant position of ENI. In this way, the Italian Antitrust Authority has failed to comply with the "Guidelines on the method of setting fines imposed pursuant to Article 15 (2) of Regulation No 17 and Article 65 (5) of the ECSC Treaty fines" which, providing three categories of infringements (i.e. minor infringements; serious infringements; and very serious infringements) states that, in assessing the gravity of the infringement, relevance must be given to both the dominant position of the undertaking concerned and the existence of clear-cut abuse, and consequently annulled the decision of the Italian Antitrust Authority with reference only to the quantification of the fines.

11 Updates

11.1 Please provide, in no more than 300 words, a summary of any new cases, trends and developments in Gas Regulation Law in Italy.

Bills 1441 *bis* and 1441 *ter*, currently under scrutiny by Italian parliament, contain some provisions, which may have an impact on the natural gas sector.

As per article 18, bill 1441, *ter*, all the disputes regarding energy are to be decided by the TAR of Roma (Lazio).

Bill 1441 *ter* also provides that the GME, a company owned by the Ministry of Finance, having the task of managing transactions in the electricity Market under transparency and objectivity criteria, promoting competition between producers and ensuring the availability of an adequate level of Reserve Capacity, will also be responsible for regulating the gas sector.

The GME will also be responsible for realising the much awaited gas stock exchange.

As per article 21, bill 1441 *bis*, the government is entitled to completely rearrange provisions on the managing of local services.



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