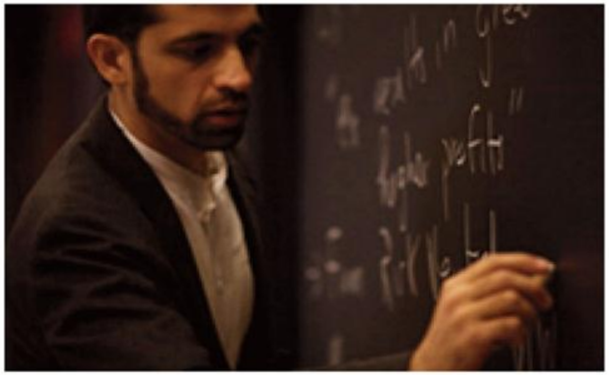

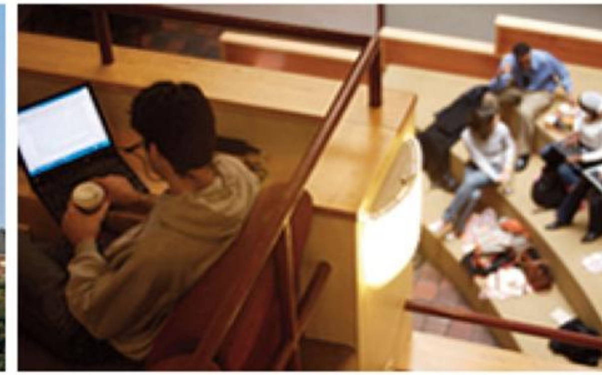

The EU and Gulf Cooperation Council: A New Path for European Energy Diversification

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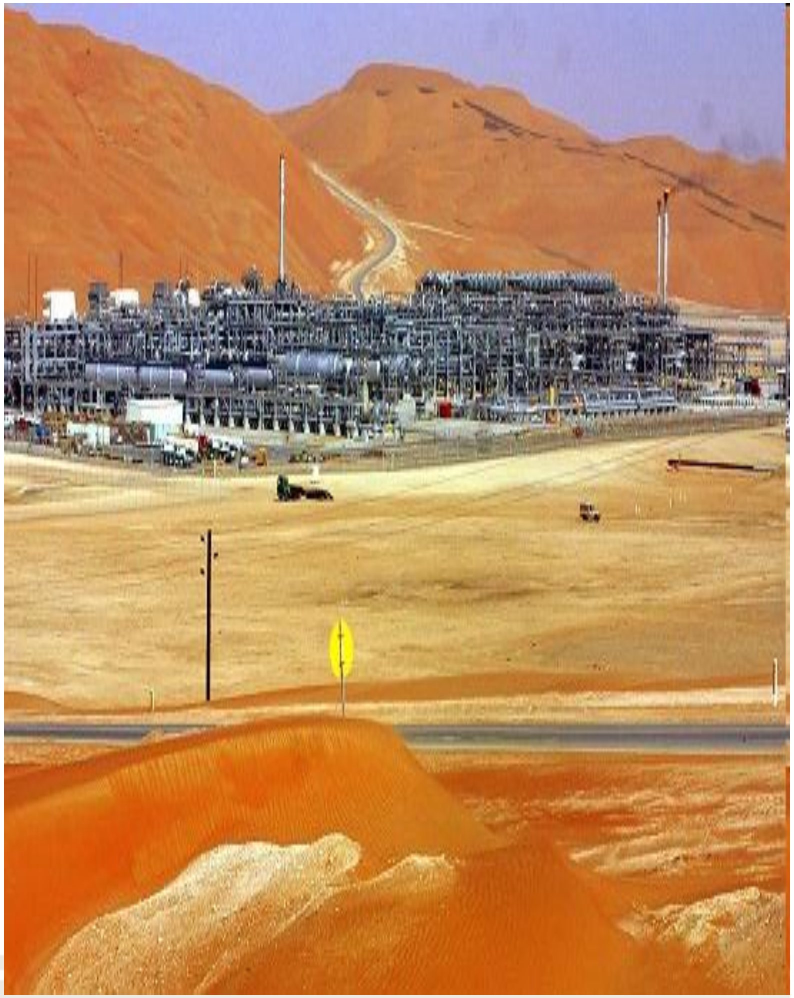
Main Discussion Points

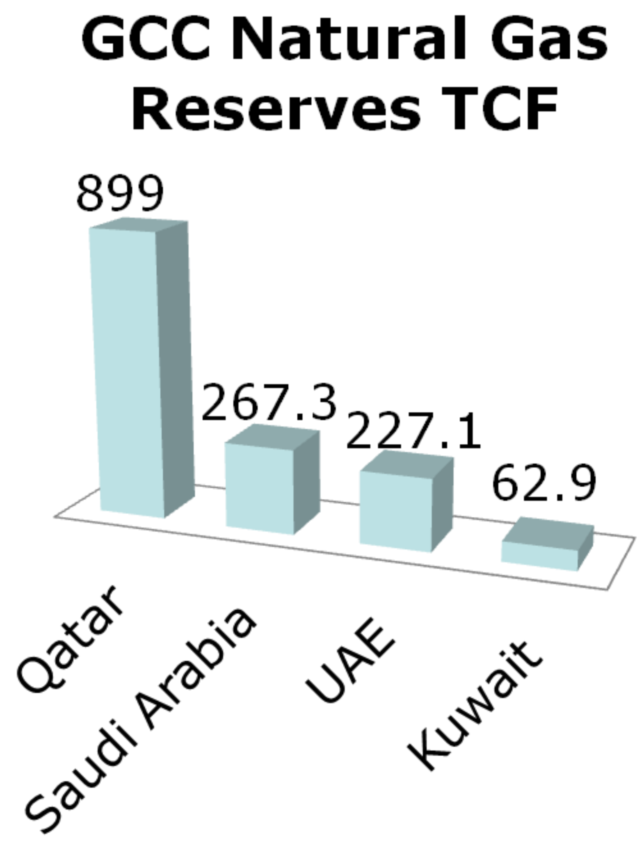
- The Basics of the Gulf Gas Sector
- The Basis of EU Diversification (The Context)
- Qatari Expansion into Eastern and Central Europe
- Future Challenges



Overview of the Gulf Gas Sector

Arabian Gulf Region home to some of the largest natural gas reserves:23% of global total, but only 8% of global production (very little utilization)

- Qatar 899 tcf (World's third largest) & World's #1 LNG exporter since 2006
- Saudi Arabia 267.3 tcf (world's fourth largest)
- UAE 227.1 tcf (World's fifth largest)
- Kuwait 62.9 tcf (World's 20th)



The Basis of EU Diversification

EU efforts to diversify its energy supplies and reduce reliance upon Russia have compelled the EU to strengthen relations with the Gulf.

EU energy policy is driven by "energy security" and climate change concerns.

Over the next 20-30 years, it is forecast that up to 70% of EU energy needs will have to be met externally.

However, the uncertainty about the continued accessibility of reliable gas imports led the EU to promote interregional relations with the GCC.

However, the most important development for Europe has been the growing availability of LNG. The diversification strategies of the EU and the massive gas reserves in the Gulf lead to a natural "fit" for the two regions.

Improving EU-GCC Ties

European Relations with the Arabian Gulf have been increasing.

The EU-GCC have initiated the first region-to-region FTA negotiations which will have a profound impact on bilateral relations.

The EU also initiated formal dialogue with OPEC to find common ground on issues of energy security.

The potential for the Gulf to participate in EU diversification is significant. However, several factors give EU officials pause when considering the region as a viable partner for its diversification plans.

- Perceived and actual political and security instability (Iraq, Iran, transnational terrorism, piracy, etc.
- Growing competition with the Asian market for LNG supplies
- Growing Gulf energy demand which will limit the availability for gas exports.
- Increased Russian interest in forming energy linkages which could limit the opportunities for EU companies in the region

Common Aims

Despite the differences between the two regions, there are several common energy goals.

Both regions are committed to enhancing the security and environmental sustainability of hydrocarbons.

The EU is particularly interested in supply diversity while the GCC, particularly Qatar, is interested in export diversity.

QATAR'S EUROPE STRATEGY

The Background of Qatari Expansion

Qatar mostly built up its LNG infrastructure in the 1990s and 2000s on expectation of strong US demand.

However, US natural gas prices slumped, because of rising domestic production from shale and a fall in energy demand in the aftermath of the 2008 financial crisis and subsequent recession.

Weak US demand, demonstrable by Henry Hub prices which dropped by 24% in 2008, and 7% in 2009, influenced Qatar to look to other markets, most notably Eastern Europe.

These changes in US demand for LNG imports may be structural as initial estimates have drastically increased the US' domestic production/supply of natural gas which would leave it less dependent on outside gas sources.

Current and Potential LNG Export Projects-Poland

Qatargas to export 1.5 BCM/yr (1/10 of Poland's annual consumption) 2014-2034 Deal worth $550 million. First gas agreement signed by Poland in the last 17 years.

Current and Continued LNG Projects, cont. Greece

In 2010: Qatar and Greece signed a MOU as a preliminary step for Qatar to invest $6.6 bn in Greece’s energy sector, including the construction of an LNG terminal for entry of Qatari gas into the Southeastern Europe.

According to the terms of the MoU, a US$4.5bn LNG regasification terminal with a capacity of 7bcm is to be built in western Greece by Qatar Petroleum (QP). The facility, to be located in the town of Askatos, will reportedly include provisions for liquefied petroleum gas (LPG) storage and will also produce electricity for domestic consumption and for export into the Italian market.

Current and Continued LNG Projects, cont. Greece

Because the deals envisions 70% of the electricity being produced to be exported to Italy, in fact, Qatar's Greek investment is primarily aimed at the Italian market.

- Italy is forecast to import 90 BCM by 2020, therefore, this deal would allow Qatar to sell to both markets simultaneously.

Current and Continued LNG Projects, cont. Bulgaria

In 2009, Qatar and Bulgaria signed an MOU for potential Qatari financing of a Bulgarian LNG terminal on Aegean coast as a gateway for Qatari imports to other Eastern European countries.

Also, Bulgaria signed an MOU to purchase Egyptian LNG, 1 bcm/yr starting poten. in 2012.

At the Sofia Summit in 2009, Bulgaria-Greece signed an agreement to link their respective gas grids.

Qatar has attempted to maximize its exports to Europe.

QP has equity stakes in the regasification terminals in Italy and Britain.

All of these LNG deals fit into the role of Qatar attempting to promote itself as a reliable supplier to Europe.

While it seems the EU and Russia are "talking" at each other, instead of "to each other." The clear beneficiary of this policy is Qatar who will be the "Saudi Arabia" of LNG for the foreseeable future.

Challenges

- The depressed price market has pushed Qatar and other major suppliers (i.e. Russia) to consult on production policies. Last year, Qatar idled 66% of its LNG production same time as Russia. Shut down 6 of 12 of its production units during the summer.
- Increasing regional and domestic demand could absorb much more Qatari natural gas and LNG.
- Increasing competition for LNG supplies from the Asian market.

Thank you for your Attention

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