



Press Release

PROTOCOL OF INTENTS BETWEEN ITALY AND AZERBAIJAN FOR THE DEVELOPMENT OF TURKEY-GREECE-ITALY NATURAL GAS TRANSIT CORRIDOR

Both Ministries are committed in the support of the negotiations between Edison and Socar for the supply of natural gas to Italy

The IGI pipeline, recognized as a project of strategic interest by the European Union, will be ready within 2012: it will help increase the reliability and diversification of the supply sources of natural gas and increase competition.

Baku (Azerbaijan), December 12, 2007 – Meeting today in Baku, Pier Luigi Bersani, Italy's Minister of Economic Development and Heydar Babaye, Azerbaijan's Minister of Economic Development, signed a Protocol of Intents for the development of the natural gas transit corridor to import natural gas from the Caspian Basin and the Middle East, where over 20% of the world's reserves are located (30,000 billion cubic meters of natural gas), passing through Turkey and Greece.

By this official document, **the two governments recognize the strategic value of this natural gas transit corridor and the importance of the negotiations between Edison and Socar for the supply of natural gas, with the goal of shortening ITGI construction time and achieve operations within 2012.**

Today's protocol has signed the constitution of an intergovernmental coordination committee with the specific task of monitoring and supporting the definition of commercial contracts for the supply of natural gas between Socar and Edison.



The Turkey-Greece-Italy corridor consists of **three sections**: the Turkish network of natural gas pipelines, which will be enlarged to allow the transmission of natural gas destined for the Greek and Italian markets; the project to connect the Turkish and Greek networks (ITG), which will go on stream in 2007 with a maximum transmission capacity of about 11.5 billion cubic meters of natural gas a year; and the project to connect the Greek and Italian networks (IGI), which will have a transmission capacity of about 8 billion cubic meters of natural gas a year when up and running within 2012.

The IGI pipeline will have a length of about 800 kilometers, 600 kilometers of which will be built by Desfa in Greece. The remaining section of about 200 kilometers, which will run under the sea between Greece and Italy, will be handled by Poseidon, a 50-50 project joint venture of Edison and Depa.

In consideration of the fact that Poseidon has been recognized as a project of European Interest by the European Union, the Italian government, acting on the strength of a positive ruling issued by European Union on May 22, 2007, granted Edison and Depa the right to use the pipeline's entire transmission capacity, exempting them for 25 years from the obligation to provide access to the pipeline to third-party operators. Under an agreement executed by the two companies, **80% of the transmission capacity will be reserved for Edison, with Depa taking up the remaining 20%**. In addition, Edison and Depa agreed to expand the pipeline's transmission capacity, which they will make available to third parties through an "open season" procedure, and to increase swaps of natural gas at the Virtual Italian Swap Point, thereby contributing to the establishment of a Natural Gas Exchange.

Applications for permits to build and operate the IGI gas pipeline have been filed in Italy and Greece. In Italy, local and regional administrations have expressed significant interest in this project and Edison has been working actively with them to define the best conditions for its development. The pipeline is expected to make landfall near the city of Otranto, in an area identified as best suited for this purpose from multiple standpoints.

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