BOSPHORUS GAZ
CORPORATION A.Ş.

The Mediterranean Mega Projects
- From the Turkish Perspective -

EBC Working Committee - Energy
Athens, May 30th 2014

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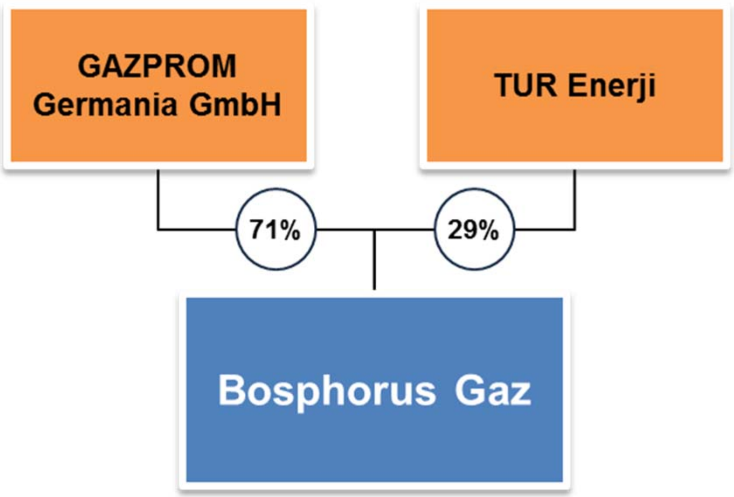
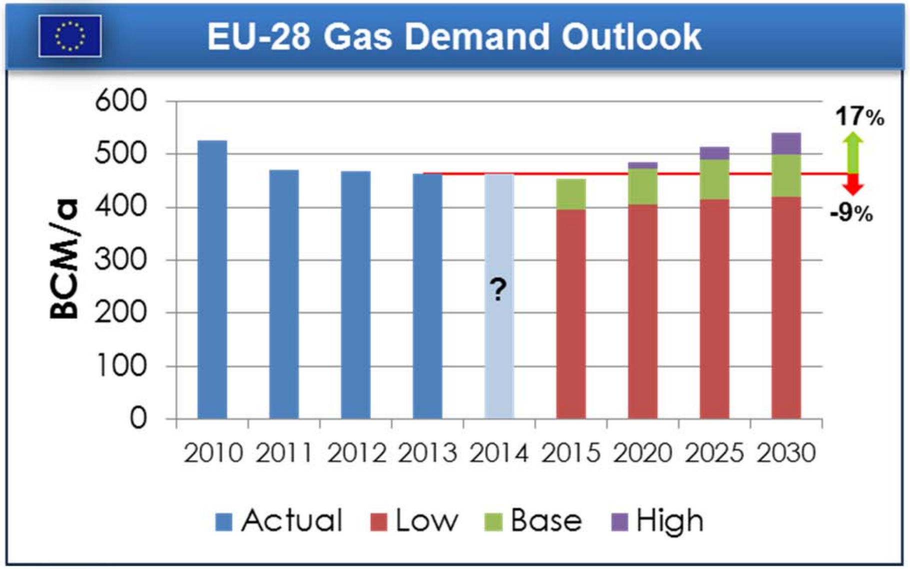
Head of Procurement, Storage & Logistics

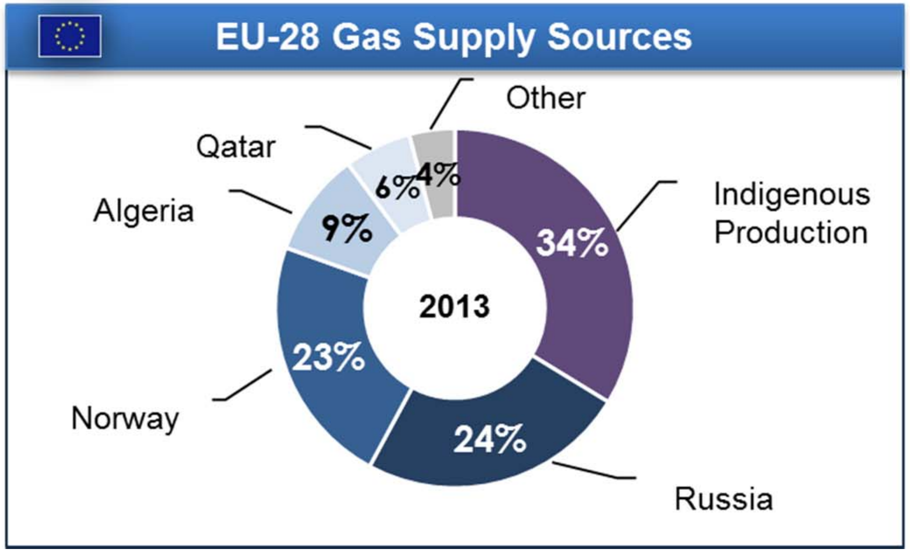
Who we are



- Bosphorus Gaz Corporation A.Ş. is registered in Istanbul, Turkey, since 2003
- Shareholders are GAZPROM Germania and TUR Enerji
- Core activities:
  - Import of natural gas and LNG into Turkey
  - Electricity wholesale and trading

EU28 Gas Demand Outlook



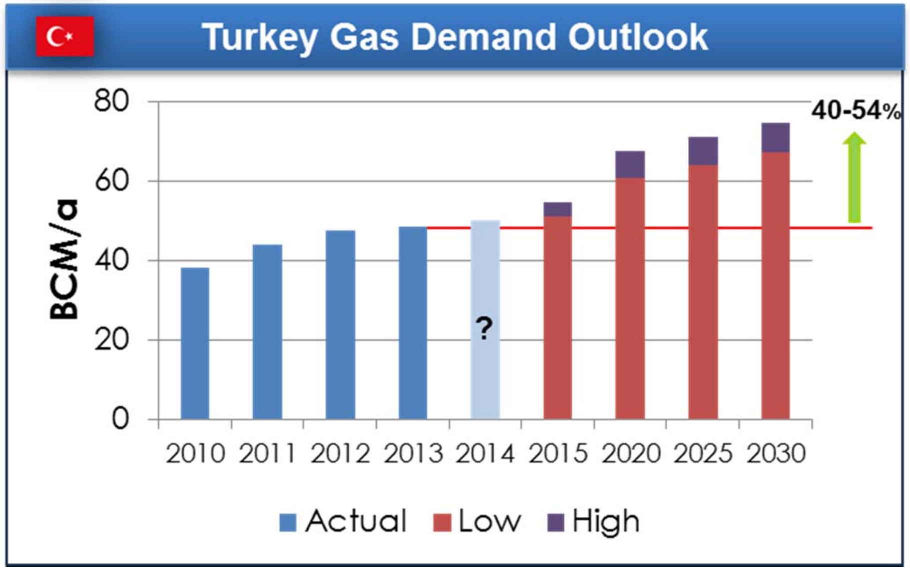


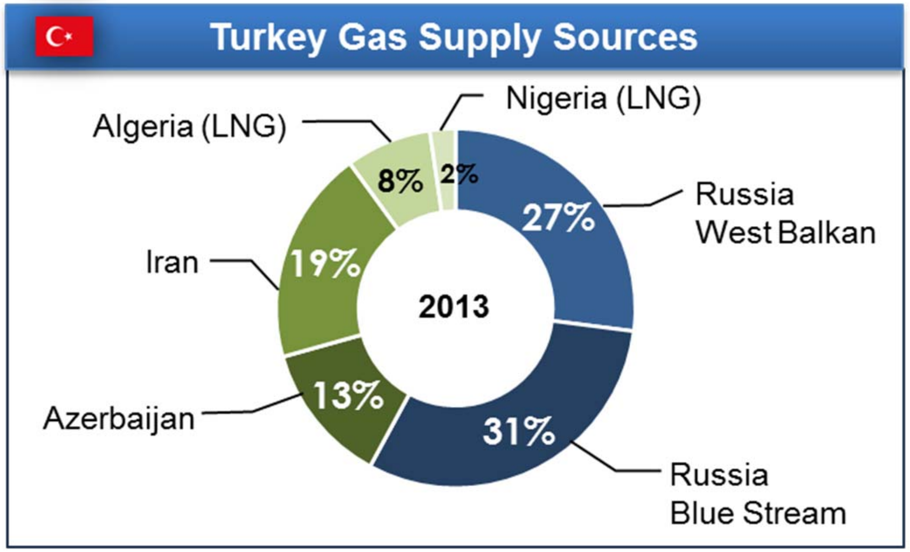
EUROGAS Long-term outlook for gas to 2035, Oct 2013

- European experts predict either a gas demand increase by 17% or a decrease by 9% until 2030 compared with the gas consumption of 2013 depending on their case scenario
- The Base Case assumes little or no investments in the gas sector
- The High Case assumes a restored economic growth together with investments in Gas-for-Power and Gas-for-Transport
- The Low Case assumes that gas projects become less competitive as a result of policies hostile to gas

- The gas business in the EU still needs to decide where to go
- However, major investments require a lead time of 10 years and more

Turkey Gas Demand Outlook





- Turkey's gas consumption is driven by a substantial Gas-for-Power demand increase until 2020
- High population and economic growth rates as well as gas for heating and industry further increases the gas demand
- Natural gas is integral to helping Turkey meet its fast-growing power needs
- In 2013 Russia supplied 58% of Turkey's gas demand via the West Balkan and Bluestream pipelines

Turkey is one of top 6 gas markets in Europe

- demand growth is faster than in other major markets

Mega Projects that matter the Mediterranean

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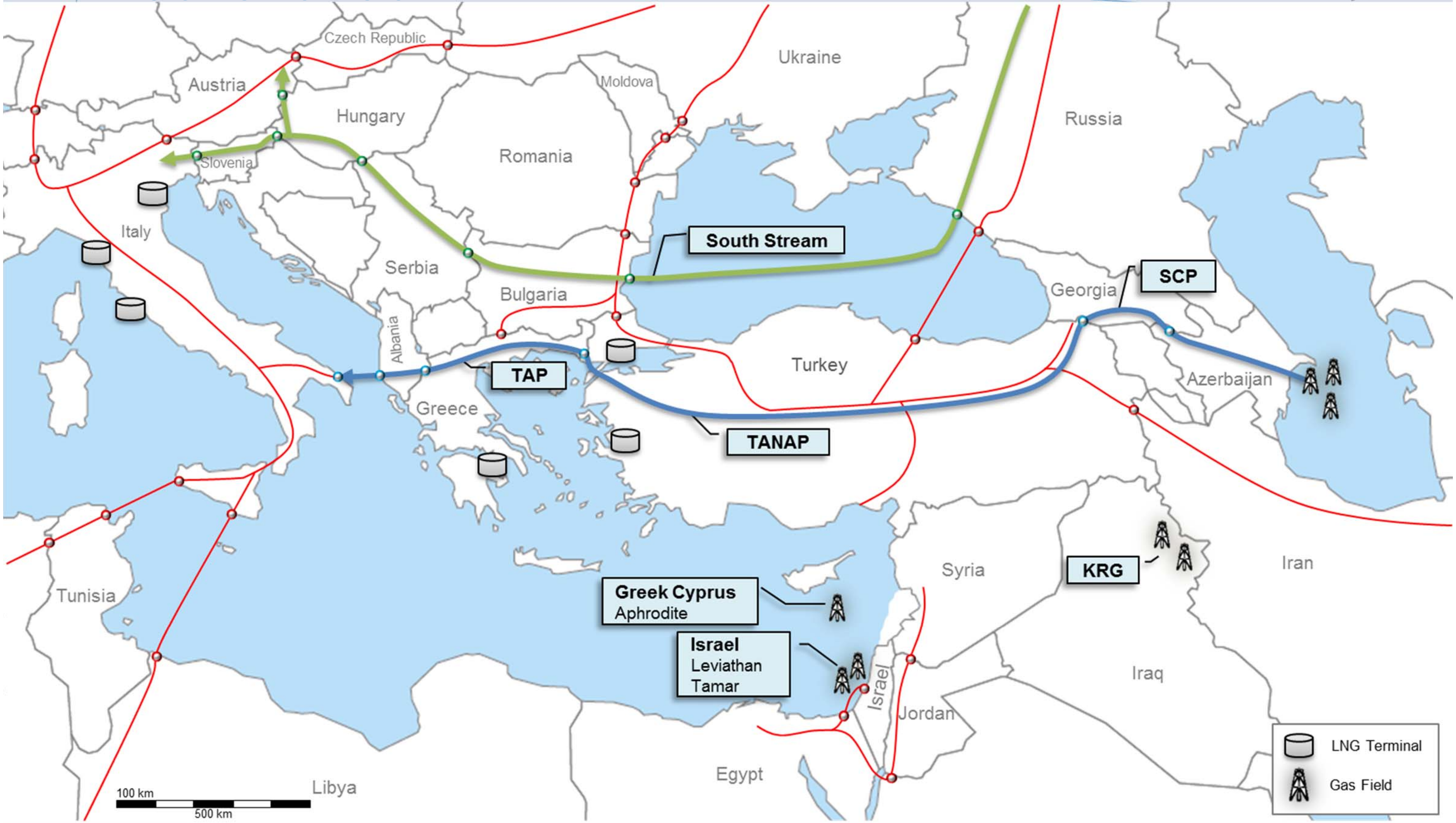

Situation in the Kurdish Region of Iraq

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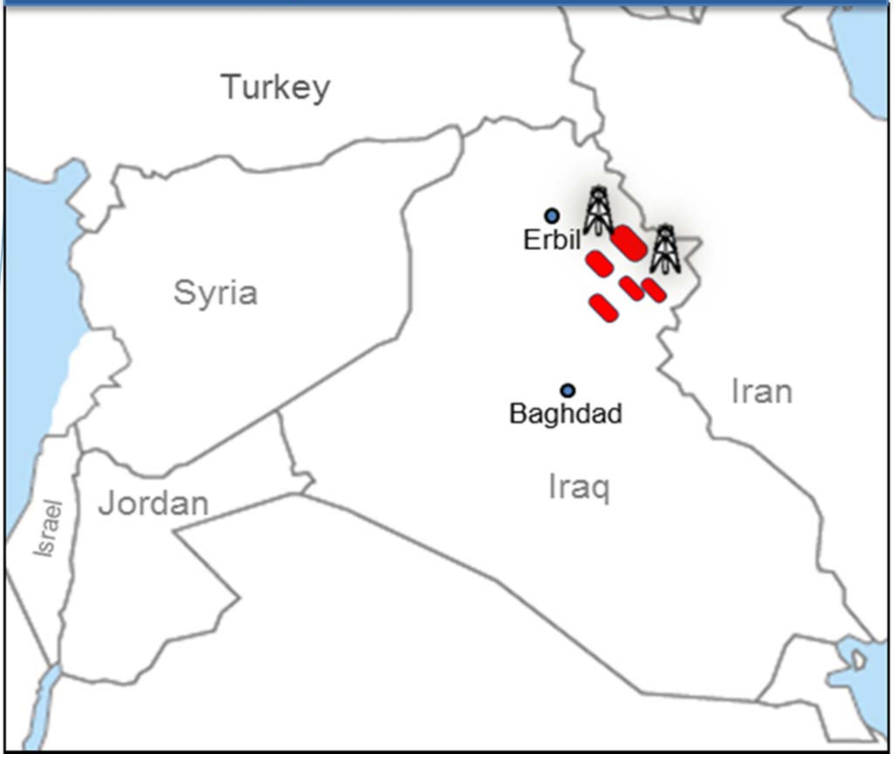
Gas Export Potential > 220 BCM



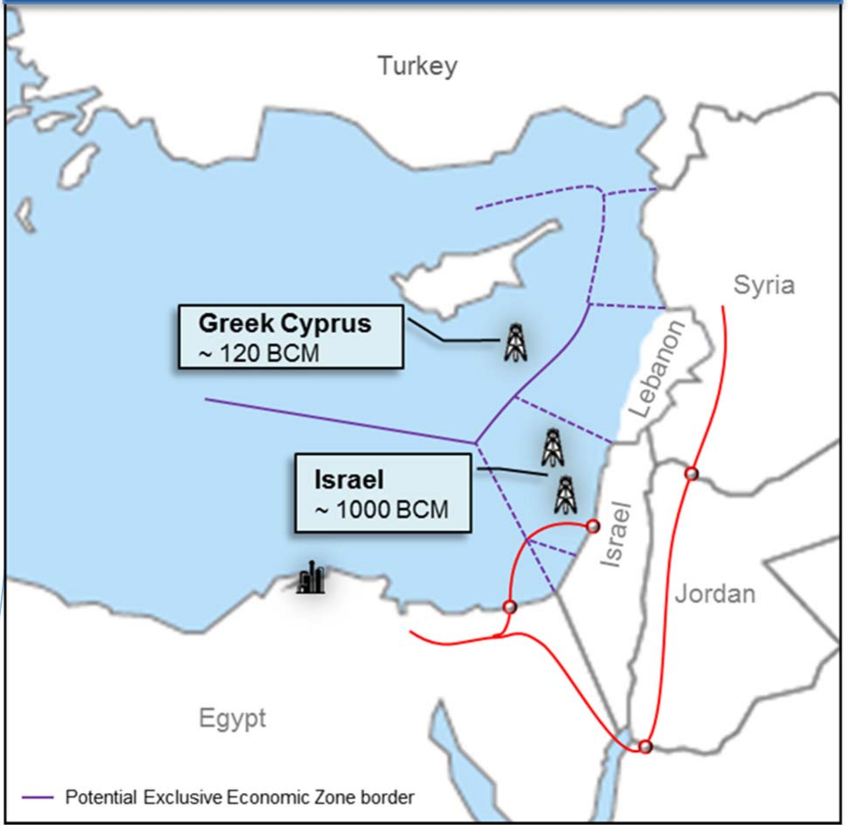
- 5 gas fields under exploration
- Estimated reserves in excess of 220 BCM
- No gas export infrastructure in place

- Turkish gas companies are in talks with representatives of the Kurdistan Regional Government (KRG) to import gas
- The export/import model proposed by Turkey to the KRG has not been approved by the Federal Government of Iraq
- The Federal Government and KRG are in dispute over distribution of revenues from gas
- Recently the Federal Government cut the KRG's budget due to unilateral oil exports to Turkey

- It can be assumed that the disputes between KRG and Federal Government will not be resolved anytime soon
- Production start-up might be delayed

Eastern Mediterranean

Political issues need to be resolved



- Israel earmarked 500 BCM for domestic consumption

- Various gas export options exist for the region, but none of them are political y or commercially feasible at this time

Offshore pipeline

- Offshore connections face crossing problems of disputed maritime borders
- Requires amicable solutions with neighboring countries

Onshore connection to Turkey

- Major political issues need to be resolved between all countries involved

Floating LNG or LNG exports from Egypt

- LNG might not be competitive against pipeline gas in the Mediterranean

- Short-term solutions are not to be expected

South Stream – TANAP/TAP

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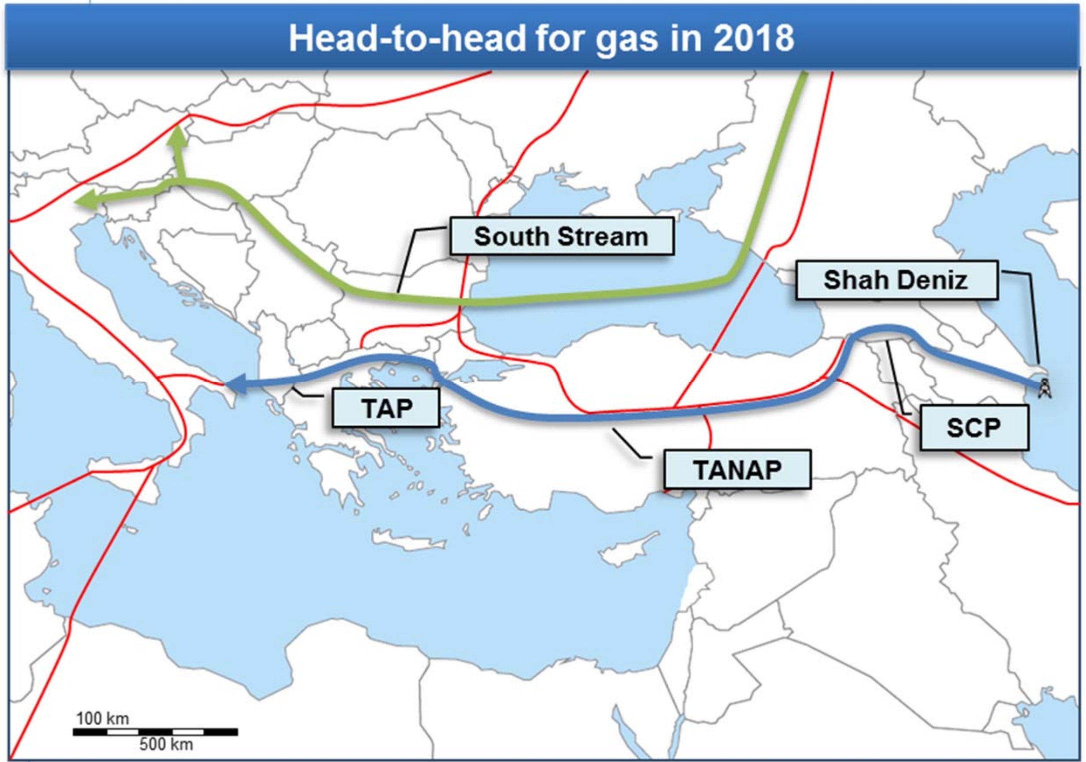

TANAP/TAP

- Enable new gas flows into Europe
- Final Investment Decisions for Shah Deniz Phase II, SCP and TAP were taken
- However, currently TANAP is facing financing issues

South Stream

- Aimed at enhancing the energy security of Europe
- Offshore construction is awarded to SAIPEM
- The project does not enjoy full support by the EU

- TANAP will transport additional gas for Turkey
- South Stream will increase the security of supplies for Turkey

Conclusions

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- EU-28 future gas demand does not show any major upward trend; however, additional gas imports are required to compensate for the decline in indigenous production
- Turkey´s future gas demand will increase significantly; however, current import capacities are technically constrained
- EU´s decision on how and from where to increase gas supplies also impacts Turkey
- For now only South Stream and TANAP/TAP can be considered feasible projects to increase security of supply and to transport additional gas into Europe
- Other gas projects in the Middle East are premature and their political and/or commercial issues need to be resolved

Thank you for your attention!

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