“Turkish Natural Gas Market from the Perspective of Private Sector”

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Chairman of the Board

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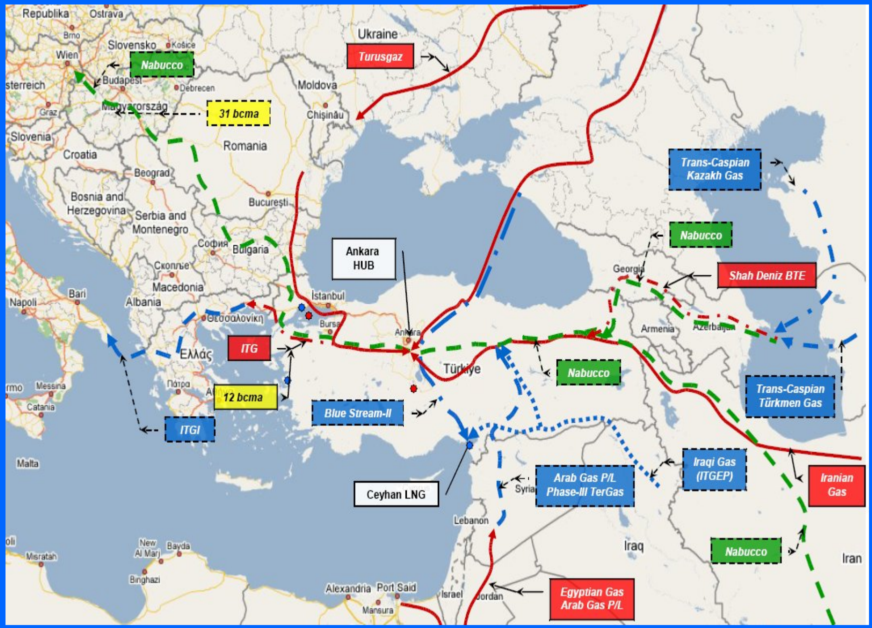

About PETFORM

- Established in September 2000, PETFORM played a crucial role in establishing and communicating the private sector views to the authorities especially on the Turkish energy legislation (Natural Gas Market Law, Petroleum Market Law, Turkish Petroleum Law…)

- There are 2 working groups under the Board:
  - E&P Group
  - Gas Group

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35 Member Companies

- AKENERJİ
- AKSA
- ALADDIN MIDDLE EAST
- ARGM
- ATTİLA DOĞAN İNŞAAT
- AVRASYA GAZ
- BOSPHORUS GAZ
- BP
- ÇALIK ENERJİ
- EDISON
- EGEGAZ
- ENERCO ENERJİ
- ENERGY OPERATIONS TURKEY
- ENERJİSA
- ENI
- E.ON RUHRGAS
- GENEL ENERJİ
- GÜNEY YILDIZI PETROL
- IBS RESEARCH
- MERTY ENERGY
- N.V.TURKSE PERENCO
- OMV
- OPALİT
- PALMET
- PEMI
- PETOIL
- PETROL OFİSİ
- SHELL ENERJİ
- STATOILHYDRO
- TEKFEN
- THRACE BASIN
- TOTAL
- TURCAS
- TURUSGAZ
- ZORLU PETROGAS

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Natural Gas in Turkey

1970: The first gas, discovered in Kumrular region around Kırklareli, began to be used at Pınarhisar Cement Factory.

1984: The first agreement on gas importation was signed between Turkey and the USSR by Council of Minister's Decree No.84/8806.

1986: The first agreement was signed between BOTAŞ and Soyuzgazexport; the construction of 842-km pipeline was launched.

1988 – 1996: The gas was supplied to residential and industrial customers in Ankara in 1988, in Istanbul and Bursa in 1992 and in İzmit and Eskişehir in 1996.

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Natural Gas Reserves

- **Total Reserve : 22.6 bcm**
- **Recoverable Gas : 16.9 bcm**
- **Cumulative Production : 9.5 bcm**
- **Remaining Recoverable Gas : 7.3 bcm**
- **Production in 2007 : 0.9 bcm**
- **Distribution of Production : %54 » Private**
  %46 » TPAO

Source: GDPA

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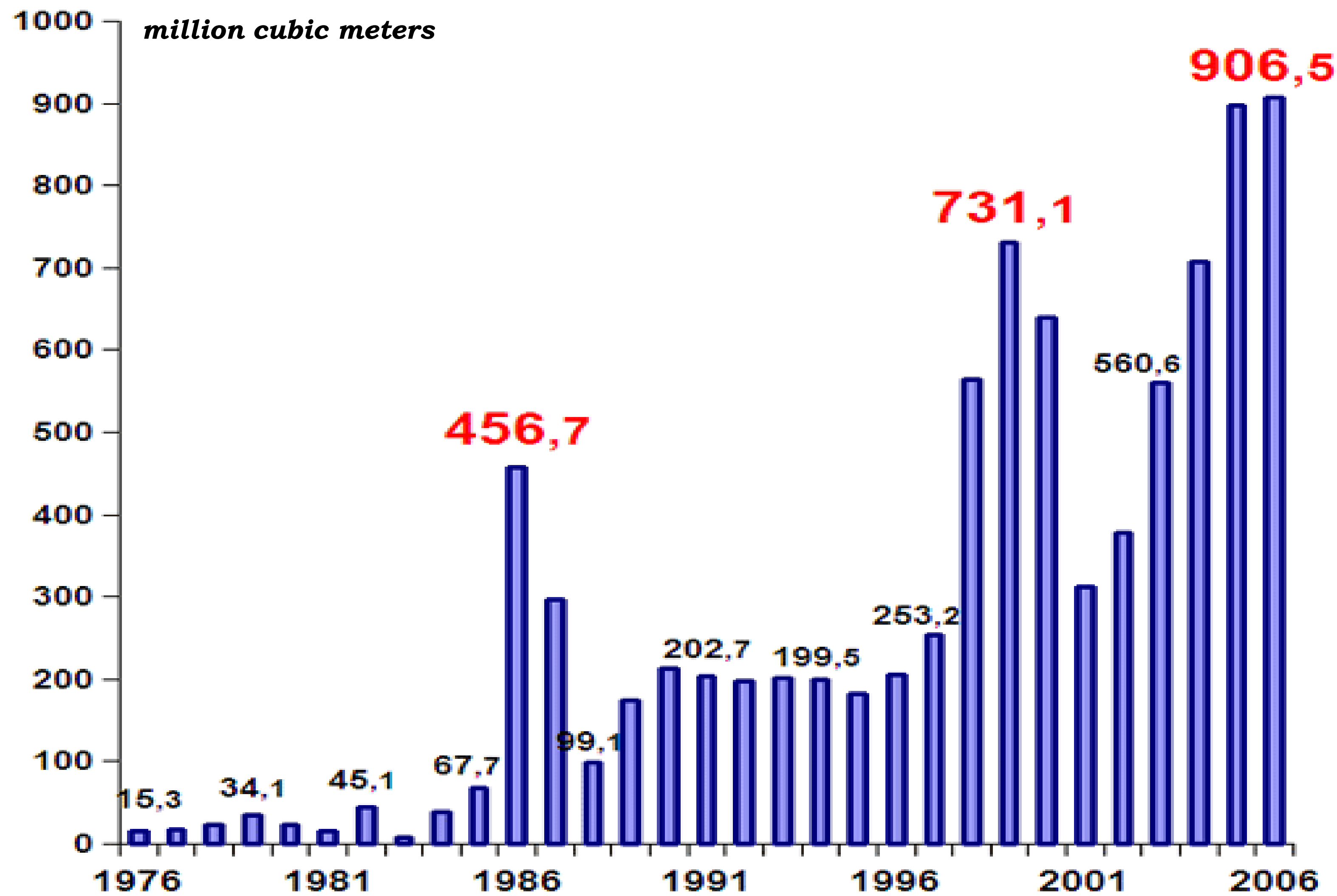
Natural Gas Production – I



Source: GDPA

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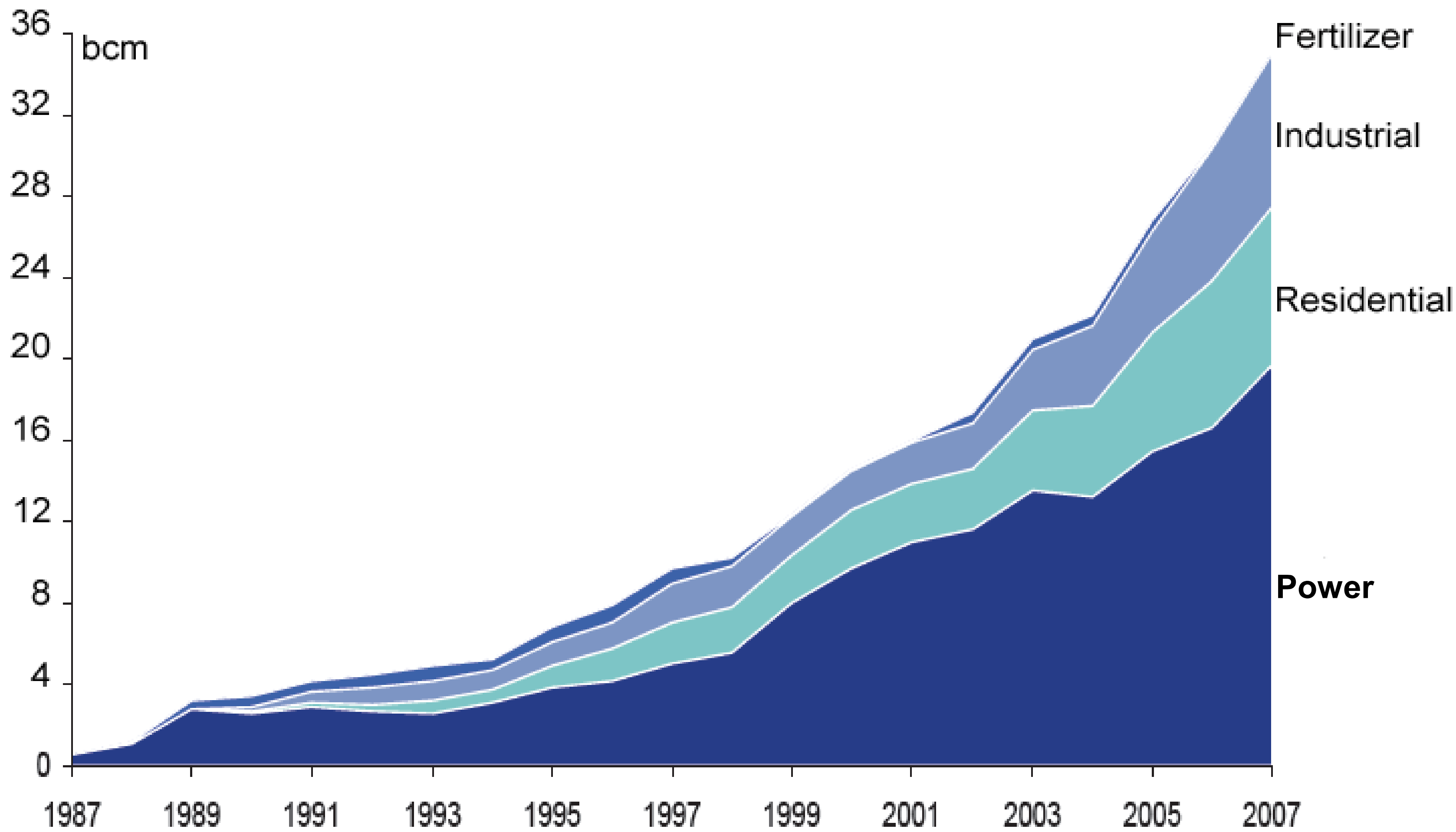
Natural Gas Production – II

- **The production increased only by *3* times when consumption by *72* times in last 20 years.**

- **The share of domestic production in total consumption dramatically decreased to *2.5%*.**

Gas Consumption by Sector



Source: Deloitte

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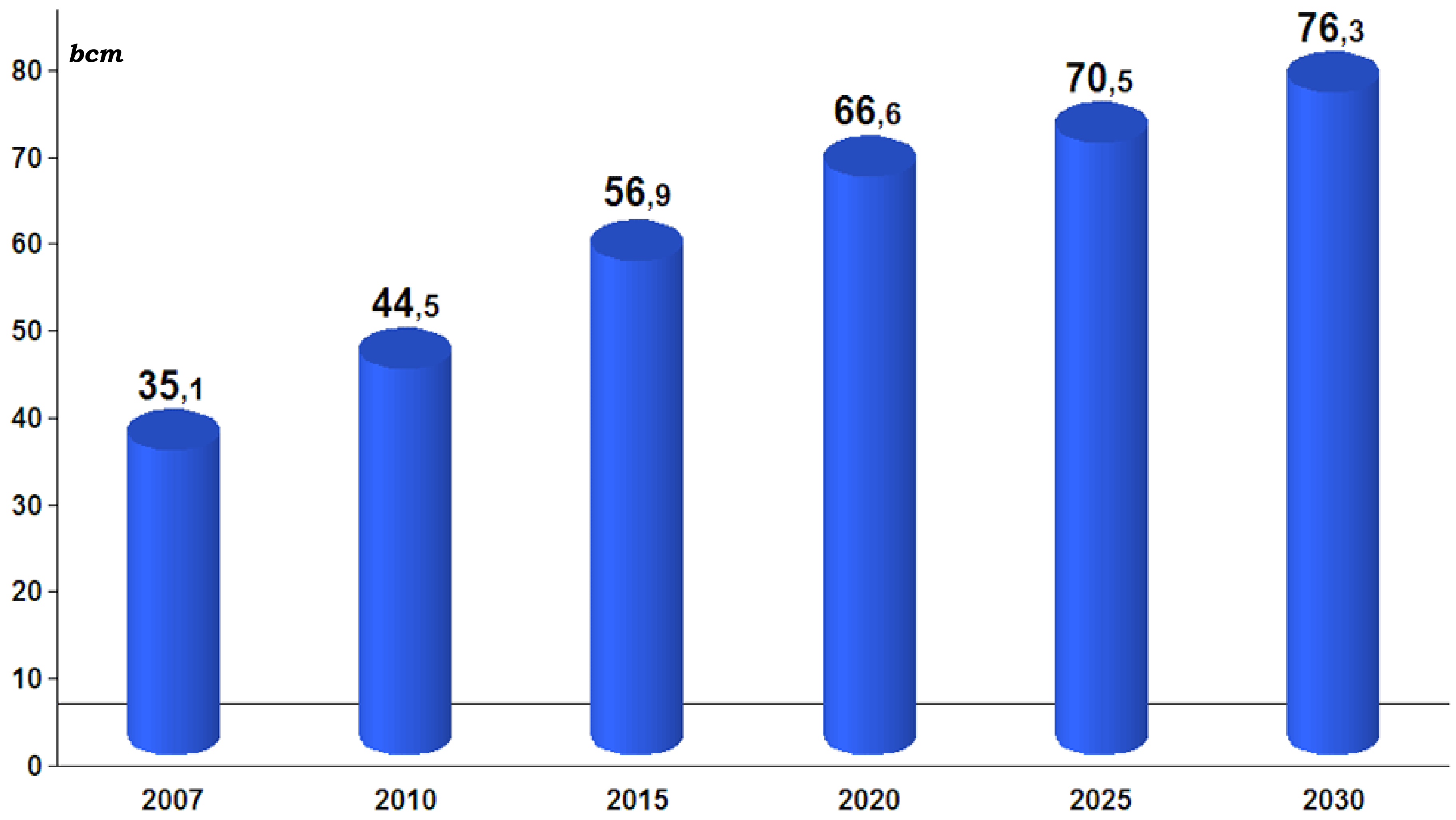
Gas Imports in 2007

• **Russia**	**: 63.5%**	**- 23.1 bcm**
• **Iran**	**: 16.9%**	**- 6.1 bcm**
• **Algeria**	**: 11.8%**	**- 4.2 bcm**
• **Nigeria**	**: 3.9%**	**- 1.4 bcm**
• **Azerbaijan**	**: 3.4%**	**- 1.2 bcm**
• **Spot LNG**	**: 0.5%**	**- 0.1 bcm**

• **Total**	**: 36.4 bcm**	

Source: BOTAŞ

Gas Demand Forecast



Source: BOTAŞ

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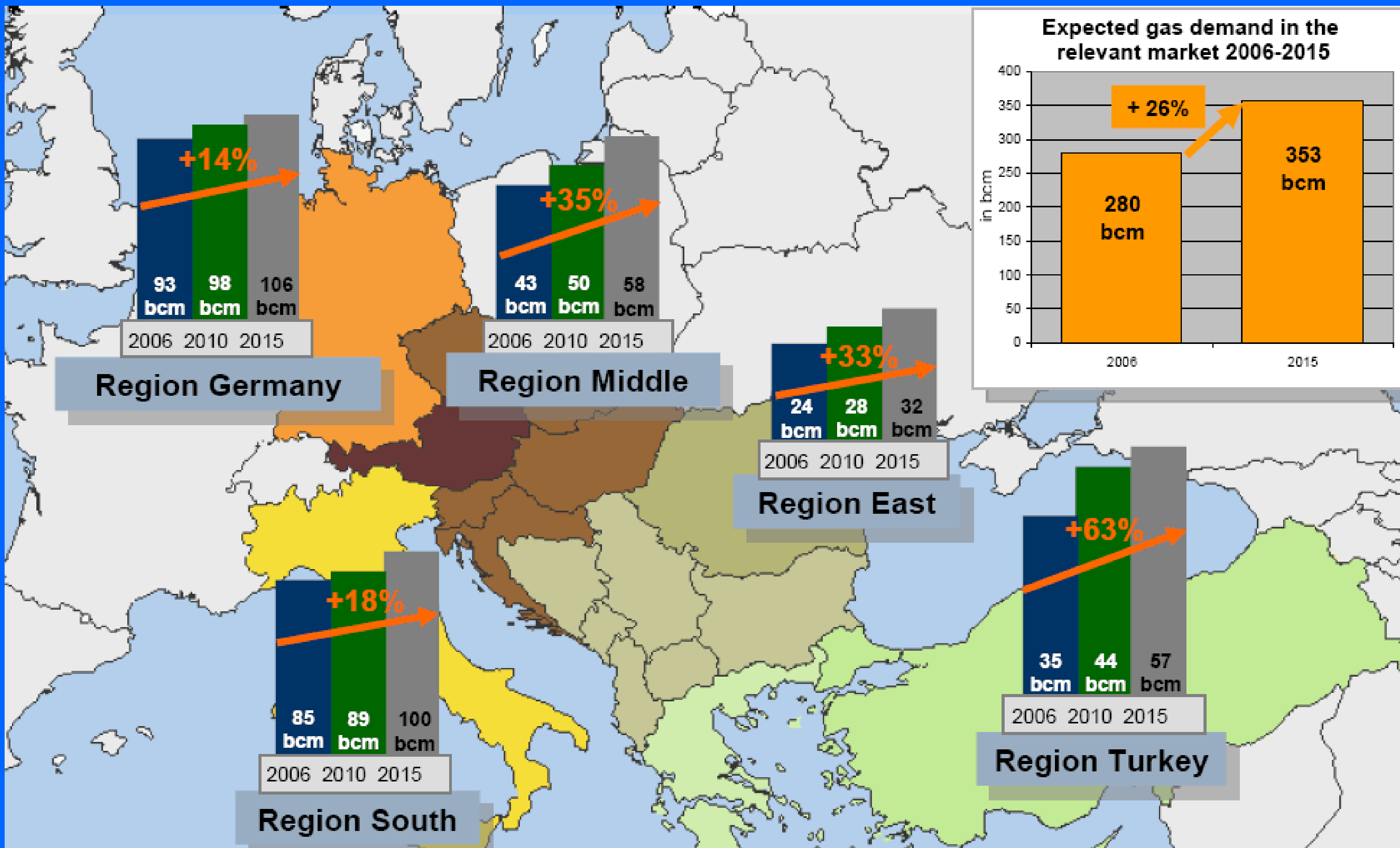
Gas Demand Forecast – Europe



Source: OMV

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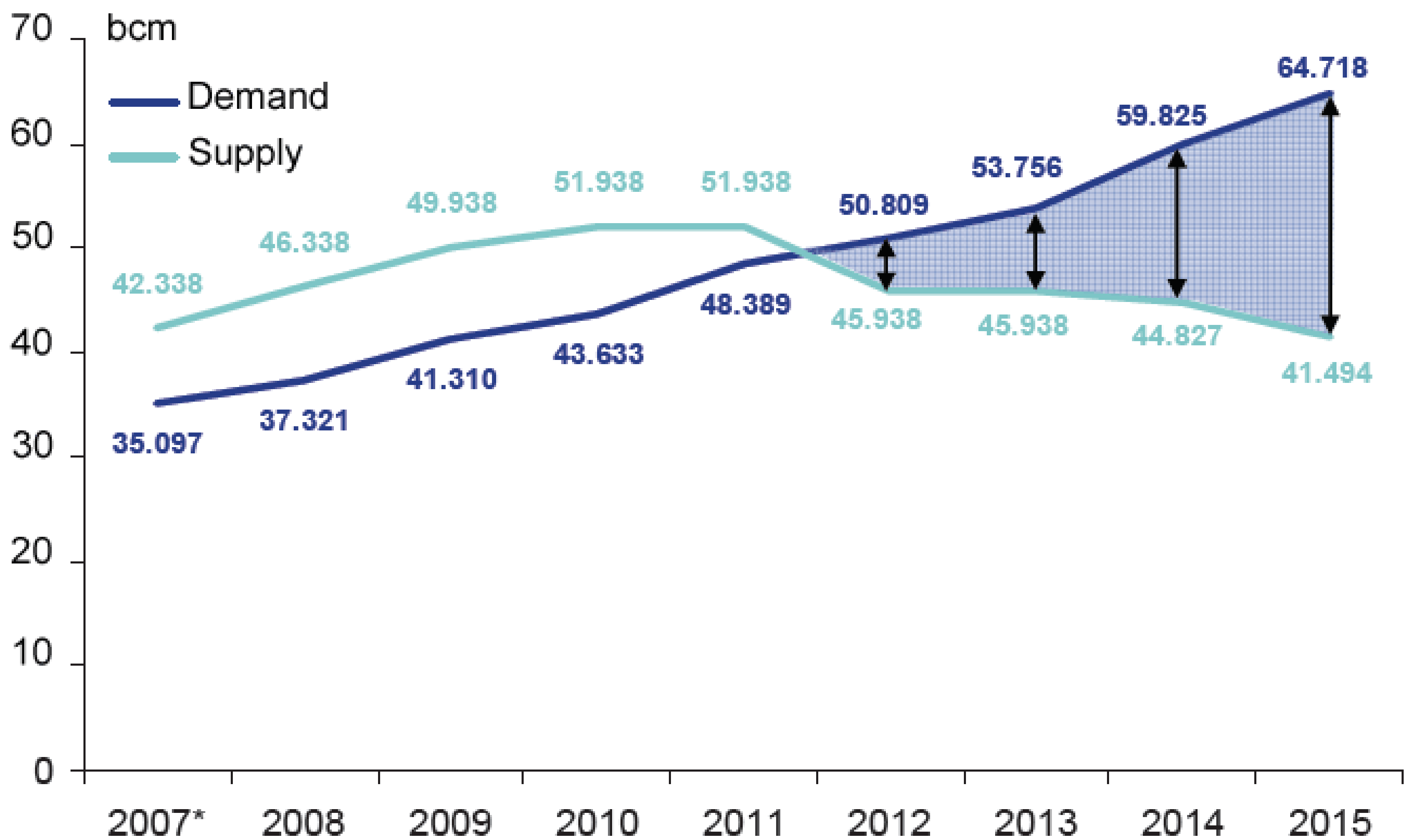
Supply – Demand Balance



Source: Deloitte

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Natural Gas Market Law (2001)

- **Creating a liberal and competitive gas market**

- **Providing benefits to customers by supplying sustainable, cost-effective and environment friendly source of energy**

- **Reducing the market share of BOTAŞ to 20% by 2009 through a gas release programme**

- **Legal unbundling of BOTAŞ**

1st Contract Release Programme

- **Shell Enerji : 0.25 bcm**
- **BosphorusGaz : 0.75 bcm**
- **Enerco Enerji : 2.50 bcm**
- **Avrasya Gaz : 0.50 bcm**

4.00 bcm

PETFORM Members' Expectations

- Immediate legal unbundling of BOTAŞ
- Implementation of Cost - Based Pricing Mechanism fully in order to provide a healthy competition in the market
- Continue contract and/or volume release programmes to reduce market share of BOTAŞ
- To free up importation for the security of supply and market liberalisation purposes

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Thank You