

# FACTS

NEWSLETTER ABOUT THE NATURAL GAS PIPELINE ACROSS THE BALTIC SEA ISSUE 9/1-2009



Over 1,000 samplings of water and soil have been taken from the Baltic Sea.

Each pipe has a length of twelve metres and a diameter of 48 inches.

## NORD STREAM SETS COURSE FOR 2009

After essential progress in 2008, the pipeline project is moving forward as planned

Looking back at an eventful 2008, Nord Stream has reached important milestones and continued detailed planning of all project aspects. At the same time, the company maintains an open dialogue with experts and the general public, addressing their concerns about environmental impact by conducting additional surveys of the Baltic Sea. All of this has led to the Environmental Impact Assessment (EIA) materials being finalised. Some national applications and EIA materials were submitted in late 2008 and others will be delivered in early 2009. Nord Stream also plans to formally submit and publish the transboundary environmental report (Espoo Report) to national authorities in the Baltic Sea states in early 2009. The

document will form the basis for public consultations in each of these countries. The process ensures that all countries are sufficiently informed on possible transboundary environmental impacts.

### Solid framework for 2009

Since minimising environmental impact is of high priority, extensive seabed surveys, munitions screenings and examinations of historic shipwrecks continued throughout the year. Following these analyses, Nord Stream introduced the optimised "S-Route" south of Bornholm in Denmark. Proven expertise and technology are crucial to the project. Nord Stream hired additional professionals, increasing the staff to

over 130 people, and upgraded its technical concept. In particular, a technological solution has been developed to operate the pipeline without an intermediate service platform, which was initially planned to be built in the Swedish Exclusive Economic Zone. Besides, key supply contracts have been signed with Italian firm Saipem for pipe laying and the French company EUPEC for concrete coating and logistics.

In June 2008, N.V. Nederlandse Gasunie officially joined Nord Stream as the fourth shareholder with a nine per cent share and the Shareholders' Committee was expanded from eight to ten seats. Following an assessment of the key cost drivers, Nord Stream estimated the overall project

budget at 7.4 billion euros which is confirmed by the shareholders. This makes the project one of the largest private infrastructure investments in Europe. Given the current economic slowdown it is beneficial for Europe that the Nord Stream investment will contribute to creating many new jobs.

To date, Nord Stream is the most advanced of all gas infrastructure projects and has thus been designated a "priority project" by the EU. The outlook for 2009 is for an equally industrious year, since the project is well prepared for the upcoming challenges such as external financing and completion of the permitting process.

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Please note: Nord Stream has launched a new online newsletter! **Published online regularly in English, it will keep you updated on the latest developments in the pipeline project.**

Please visit [www.nord-stream.com](http://www.nord-stream.com) to subscribe.

## “NORD STREAM INDISPENSABLE”

A project with a European dimension

The German government's 2008 report on oil and gas market strategies deemed the Nord Stream Pipeline indispensable for ensuring transport of growing gas imports and diversifying supply routes in the future.

The Federation of German Industries (BDI) supports key aspects of the report, and stressed that access to energy sources is the foundation of energy security.

> [www.nord-stream.com/offshore-advantages.html](http://www.nord-stream.com/offshore-advantages.html)

## EU COMMISSION: NEED FOR NEW IMPORT ROUTES

Additional import infrastructure is of vital importance for Europe's security of supply



A Green Paper by the European Commission recognises the need for major investments in new energy networks.

In November 2008, the EU Commission issued a Green Paper titled “Towards Secure, Sustainable and Competitive European Energy Networks,” which recognises the need for investments in new energy networks across the EU. The document states that with the rise in energy imports, new import routes are “urgently needed” to give the EU greater flexibility of supply. Later in the month, Marc Franco, Head of the European Commission's delegation to Russia, said in Moscow that the Nord Stream Pipeline is “important to the EU.” Franco added that the EU had never doubted the need to invest in the project, and emphasised that environmental regulations should be observed.

> [www.nord-stream.com/gas-supply.html](http://www.nord-stream.com/gas-supply.html)

## GAS DEMAND GROWS 1.8% PER YEAR

The International Energy Agency's World Outlook 2008 report addresses key challenges in the gas industry

According to the International Energy Agency's (IEA) World Outlook report, issued in late 2008, average world demand growth for natural gas in the years 2006–2030 is 1.8 per cent per year.

The natural gas market outlook has world primary demand expanding by over 50 per cent between 2006 and 2030. The power sector accounts for 57 per cent of projected growth. According to the International Gas Union, increasing gas demand calls for investments of 230 billion dollars

per year until 2030. Much of the world's current gas infrastructure needs to be replaced by 2030

and additional production needs to be developed, without which energy demand cannot be met.



Natural gas market outlook: world primary demand to grow.

EUROPEAN GAS DEMAND ACCORDING TO THE IEA WOE 2008



Nord Stream's gas import calculations yielded additional import needs at 195 bcm per year by 2025. This forecast was derived from the European Commission's baseline scenario of April 2008, which is based on the high demand predictions of many important sources such as the IEA World Energy Outlook 2008, Eurogas and CERA, as well as the lower estimates of the European Commission's New Energy Policy scenario from November 2008.

> [www.nord-stream.com/gas-for-europe.html](http://www.nord-stream.com/gas-for-europe.html)

## INTERNATIONAL EXPERTS ENSURE PROVEN TECHNOLOGY

Nord Stream is a pan-European endeavour with multinational co-operation at all levels

**T**he pool of international expertise at Nord Stream AG is growing consistently and the company now employs around 130 staff from 17 different nations. Quality Assurance/Quality Control Manager Anthony Griffiths and Offshore Pipeline Engineering Manager Trond Gjedrem are two professionals who exemplify Nord Stream's approach of hiring employees with the best qualifications and international experience.



**Trond Gjedrem**



**Anthony Griffiths**

### Excellent industry experience

Nord Stream's international staff has decades of experience and great competence in the oil and gas industry that closely matches the project's profile. This helps to ensure that the pipeline's construction and operations will be as reliable as possible.

Trond Gjedrem is responsible for technical planning, which includes the detailed engineering and technical support during procurement of materials. He is from Norway and has a Master of Science degree in offshore engineering. Trond has extensive experience with offshore pipelines from projects around the world, including Europipes I and II, two large diameter offshore gas pipelines between Norway and Germany.

Anthony Griffiths is from the UK, has a Master's degree in Welding Engineering and is a Lead Quality Auditor. He began his career over 30 years ago with the Statfjord B Development in the North Sea and has worked on pipelines and other facilities.

To date, Griffiths is responsible for monitoring the quality of contractors' products and services, and the company's quality systems.

### STATUS

#### APPLICATION MATERIALS SUBMITTED IN GERMANY

Nord Stream has submitted the documents required for the German permitting process in December 2008 to the Stralsund Mining Authority and the Federal Maritime and Hydrographic Agency. The more than 3,700 pages of documents contain the results of Nord Stream's extensive environmental surveys and planning. The start of the public consultations, as required by law, is planned for the first quarter of 2009.

### AGENDA

- 09.02. – 13.02.2009:**  
CERAWeek 2009, Houston, Texas, USA
- 26.02. – 01.03.2009:**  
8th Baltic Sea NGO Forum, Ellsinore, Denmark
- 17.03. – 18.03.2009:**  
4th Annual European Energy Policy Conference 2009, Brussels, Belgium
- 17.03. – 19.03.2009:**  
Baltic Sea Days, St. Petersburg, Russia

## GREAT ADVANTAGES: MORE NATURAL GAS = LESS GREENHOUSE GAS

Coal, oil and natural gas are needed to bridge the economic transition to a world of renewable energy. Of these, gas is the cleanest.

**W**hy does using more natural gas to generate electricity reduce the amount of greenhouse gas? First, gas burns more cleanly. Compared with coal and oil, it contains less carbon, which combines with oxygen when burned to produce carbon dioxide (CO<sub>2</sub>).

Second, burning gas generates electricity far more efficiently. A combined-cycle gas power plant burns gas in a gas turbine to produce electricity. The hot gases that emerge create steam to drive a second turbine. Coal can be burned only to create steam without the benefits of a combined-

cycle process. The same is true of nuclear power.

Third, coal mining releases large quantities of methane – the main component of natural gas – into the atmosphere. By contrast, output from a natural gas field is captured into a pipeline.

More gas means less coal and oil as well as fewer greenhouse gases. Until or unless renewable energy replaces all fossil fuels, natural gas will remain the world's most environmentally friendly fuel.

> [www.nord-stream.com/gas-climate.html](http://www.nord-stream.com/gas-climate.html)

## IN BRIEF



Baltic Development Forum

### LIVELY DEBATE AT BALTIC DEVELOPMENT FORUM

“Energizing the Climate for Business” was the motto of Baltic Development Forum Summit 2008. At the international event, experts from all Baltic Sea countries discussed key issues of Northern European energy needs.

Danish and Estonian Prime Ministers, Anders Fogh Rasmussen and Andrus Ansip, and the Swedish and Danish Ministers of Foreign Affairs, Carl Bildt and Per Stig Møller, addressed the key challenges of security of supply at the 2008 Summit held in December in Copenhagen and Malmö. A Nord Stream seminar attended by Baltic government officials and NGOs prompted lively debate on climate change, EU emissions targets (20-20-20 by 2020) and the environmental impact of infrastructure projects.

> [www.nord-stream.com/bdforum.html](http://www.nord-stream.com/bdforum.html)

## DID YOU KNOW ...

**1** The European Union receives around 45 per cent of gas imports via offshore pipelines in the North Sea and Mediterranean.

**2** The Baltic Sea hosts around 110 species of fish. Cod, herring and sprat account for 90 per cent of the total Baltic catch. Nord Stream will not endanger fish. During construction work fish will temporarily avoid the area and return afterwards.

**3** The Nord Stream Pipeline will be laid at a rate of 3 km per day, much faster than building a pipeline on land.

## FINANCING ON TRACK

Pipeline project is attractive to lenders

**D**espite the global economic downturn, Nord Stream remains of strong interest to lenders thanks to its strong fundamentals.

First, there is the size and strength of its shareholder structure. Second, Nord Stream's economics are based on guaranteed long-term revenue and a solid contractual framework. Both factors underpin Nord Stream and make it less vulnerable to market uncertainties.

### Cost certainty

Shareholders have provided all funding to date and in total will finance 30 per cent of the budgeted investment of 7.4 billion euros. 70 per cent will



Paul Corcoran, Financial Director



Long-term revenue and a solid contractual framework characterise the basis of Nord Stream's economics.

be raised through project finance. Fears that financial markets may not provide the 3.5 billion euros in project finance that Nord Stream is seeking by July 2009 for the first phase are misplaced, says Financial Director Paul Corcoran, because bankers feel safer funding projects like Nord Stream than they do lending to each other.

Since its revenues are made up of gas transportation fees, which are a small part of the overall gas price, Nord Stream will stay financially robust even in the face of volatile energy prices. Plans are on schedule for the pipeline to go on stream in 2011.

> [www.nord-stream.com/financing.html](http://www.nord-stream.com/financing.html)

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