



P R E S S R E L E A S E

MEDGAZ BEGINS CONSTRUCTION PHASE OF THE ALGERIAN-EUROPEAN GAS PIPELINE VIA SPAIN

- The project has received all the required regulatory approvals within the scheduled timeframes.
- MEDGAZ will invest roughly €900 million in this infrastructure.
- Construction work is due to begin in 2007 and start-up is slated for 2009.
- MEDGAZ will enhance security of supply through a direct link between the Algerian gas fields and the Spanish market.

The Board of Directors of MEDGAZ, S.A., the company in charge of designing, building and operating the Algerian-European gas pipeline via Spain, today announced that a Firm Investment Decision (FID) has been made. This milestone marks the end of the permit phase of the project and the beginning of the construction phase. MEDGAZ has been granted all the required government approvals within the scheduled timeframes. During the ceremony, a new shareholders agreement was signed, the EPC contracts were awarded and the final investment was approved.

Shareholding Structure

As envisaged, the shareholding structure has been determined based on the natural gas supply agreements between each partner in the project and Sonatrach. Therefore, the new shareholding configuration of MEDGAZ is as follows:

	Volume of contracted natural gas	Shareholding in MEDGAZ
	bcm ¹ /year	%
SONATRACH	2.88	36
CEPSA	1.60	20
IBERDROLA	1.60	20
ENDESA	0.96	12
GAZ DE FRANCE	0.96	12
TOTAL	8.00	100

¹ bcm: billion cubic meters.



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Capital Expenditures

MEDGAZ will invest roughly 900 million euros, a figure that includes past costs of the project, the construction and start-up of an initial gas pipeline (with a capacity of 8 BCM/year) and the pre-installation in the coastal sections of a future extension. MEDGAZ will comply with the most stringent international standards in all environmental, safety and health-related aspects.

Key Contracts

MEDGAZ has awarded the main contracts for construction of the gas pipeline. The first invitations to tender (ITT) were launched in accordance with the tendering procedures agreed to with the European regulatory authorities at the beginning of 2006. All of the successful bidders are globally-renowned companies that specialize in this type of infrastructures, using the most cutting-edge technologies available on the market.

Technical Features

With an initial capacity of **8 BCM/year**, MEDGAZ will transport natural gas from Beni Saf on the Algerian coast up to landfall in Almeria. The total offshore distance of the pipeline is **210 km** across the Mediterranean seabed, and the central section will reach a maximum water depth of **2,160 meters**.

In Algeria, it will hook up to the Hassi R'Mel-Beni Saf gas pipeline operated by Sonatrach, while in Spain, it will link up with the Almería-Albacete gas pipeline belonging to ENAGAS, which will facilitate its connection to the Spanish and European gas grid.

MEDGAZ will also be in charge of building and operating a Compressor Station in Beni Saf and a Receiving Terminal in Almería.

Strategic Project

MEDGAZ is strategic for both Algeria and Spain as well as the rest of Europe. On the one hand, natural gas will be supplied directly from Algeria, without requiring transit through third countries, which will considerably enhance security of supply. On the other hand, it is the most cost-effective way of delivering natural gas to Southern Europe and creating a future gas hub, as highlighted by world-reputed energy pundits and experts such as the Mediterranean Energy Observatory (OME) and Wood Mackenzie. Additionally, the planned sub-sea link will help meet the goals and targets set out in the Kyoto Protocol.

As a result, Spain's Government, in the 2005-2011 revision of the "Planning of the Gas & Power Sectors", assigned this project Priority "A" status.



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MEDGAZ has likewise been included in the list of “Projects of Common Interest” within Trans-European Energy Networks (TEN).

Timeline

- Overall Planning

	2001		2002		2003		2004		2005		2006		2007		2008		2009		
	1 S	2 S	1 S	2 S	1 S	2 S	1 S	2 S	1 S	2 S	1 S	2 S	1 S	2 S	1 S	2 S	1 S	2 S	
Project Launch		■																	
Feasibility Study			■	■	■														
Route Confirmation & FEED*					■	■	■												
Transition to Construction Company								●											
Commercial Agreements					■	■	■	■	■	■	■	■							
Permitting					■	■	■	■	■	■	■	■							
Firm Investment Decision (FID)													●						
Project Execution													■	■	■	■	■	■	■
Start-up (First Gas)																			●

*Front-End Engineering & Design

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- Construction Phase

	2006				2007				2008				2009			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Firm Investment Decision				●												
Contract awards				■												
Manufacturing					■	■	■	■	■							
Detailed engineering					■	■	■	■								
Construction									■	■	■	■	■			
Commissioning													■	■		
Start-up (First Gas)																●

* Images available at www.medgaz.com/medgaz/pages/galeria_imagenes.htm

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 MEDGAZ
 External Relations
 Tel. +34 91 312 54 24
www.medgaz.com