

3rd Latin American & Caribbean Gas and Electricity Congress

**Energy Market, Investment Outlook.
Development of Gas and Electricity Projects.**

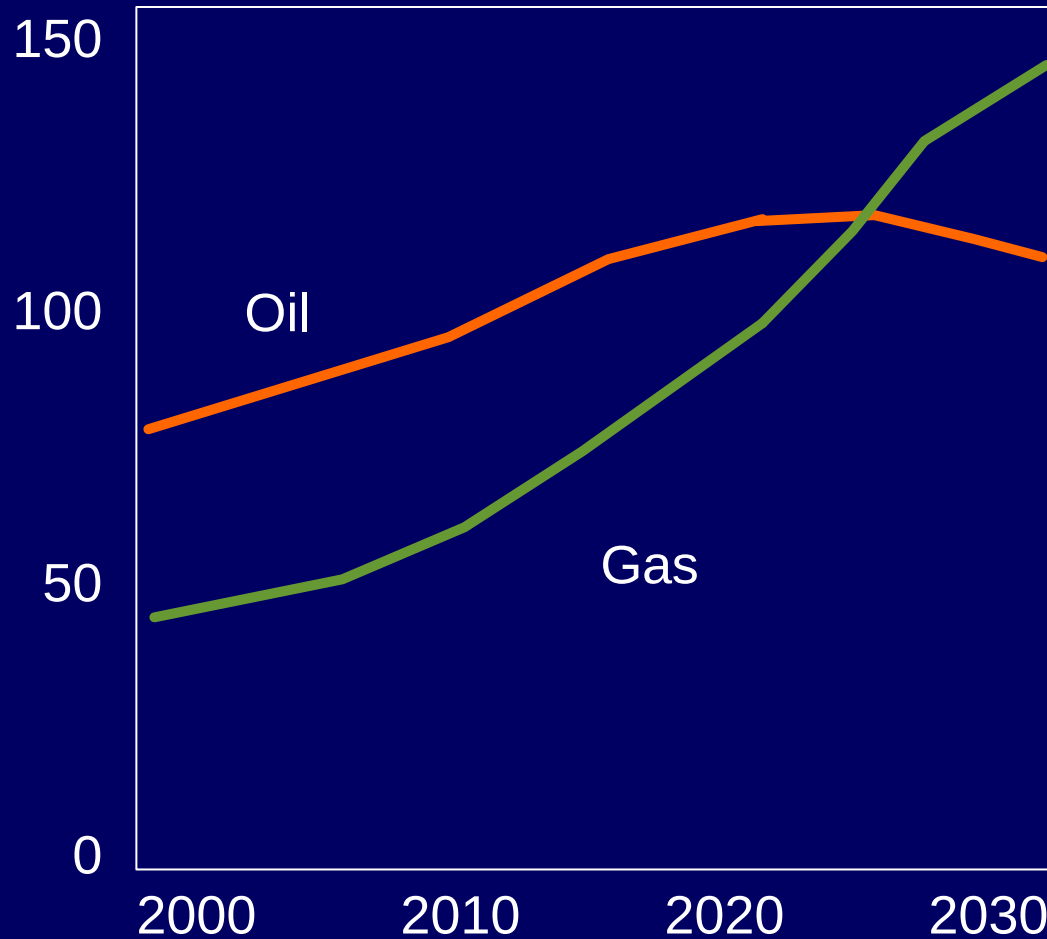
**Ann Pickard
President
Shell Southern Cone Gas and Power**

Santa Cruz - Bolivia April 22nd, 2002



The Great Game of Gas

million b/d

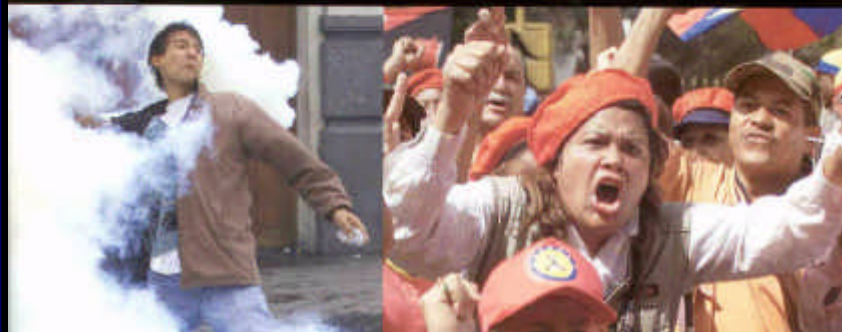


The Economist, March 2002

**The
Economist**



**Has Latin America
lost its way?**



Recent Eventsplus



The Challenge

- **Different regulatory and market evolutionary stages:**
 - Argentina: liberalised market seeking expansion
 - Bolivia: large reserve holder seeking market
 - Brazil: hydro vs. thermal in a growing market
 - Peru: Camisea again
- **Major challenges:**
 - Alignment of cross-countries regulation
 - Rule stability
 - Level playing field
 - Clear and enforceable
 - In Brazil important dichotomies stall market development:
 - open competition vs. incentive to invest in infrastructure;
 - Petrobras role
 - optimise hydro power generation vs. incentives for expansion of generation capacity by private investors.
 - US Dollar priced gas vs. Real priced power



Future Vision of Bolivia

Scenarios of the Bolivian Business Environment to 2025

Cursed Gas

Regionalism prevalent - Uneven sharing of resources - Social unrest

Bolivia: Step on the Gas!

Gas monetization successful - Model of market oriented social economy -
Democracy with a social state of firm and strong legal due process

Bolivia: Heart of South America

Connected infrastructure - gas revenue key financial facilitator

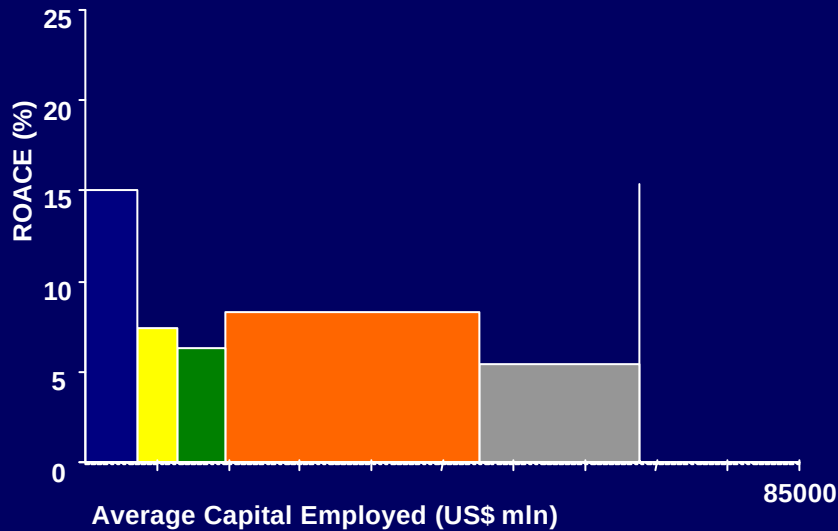
Key Scenario Variables

Distribution of resources - Poverty - Judicial security - Level playing field -
Corruption - Fiscal policy - Education - Gas markets - Urban/civilian security -
Social peace - Modernization and authority of the State



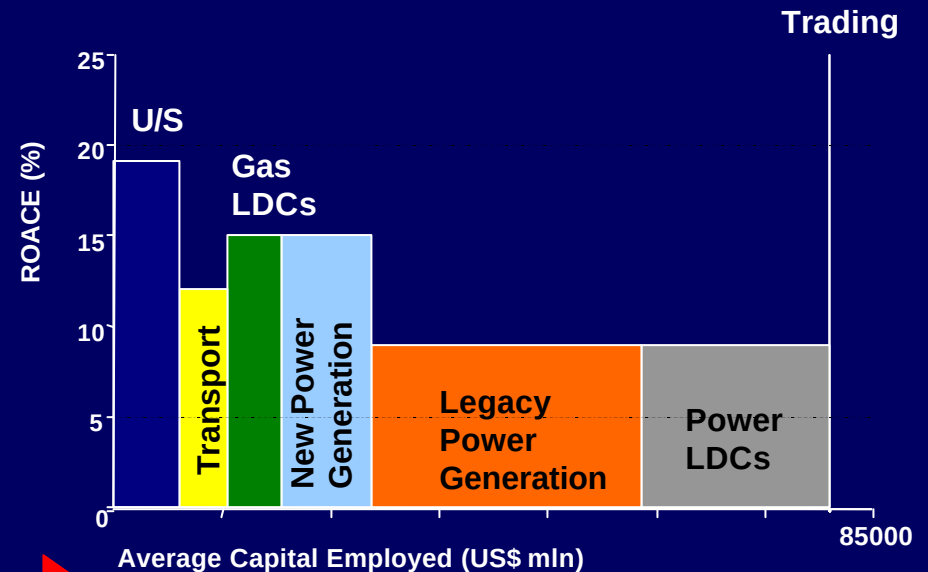
Value Creation in the Integrated Value Chain

Current Situation

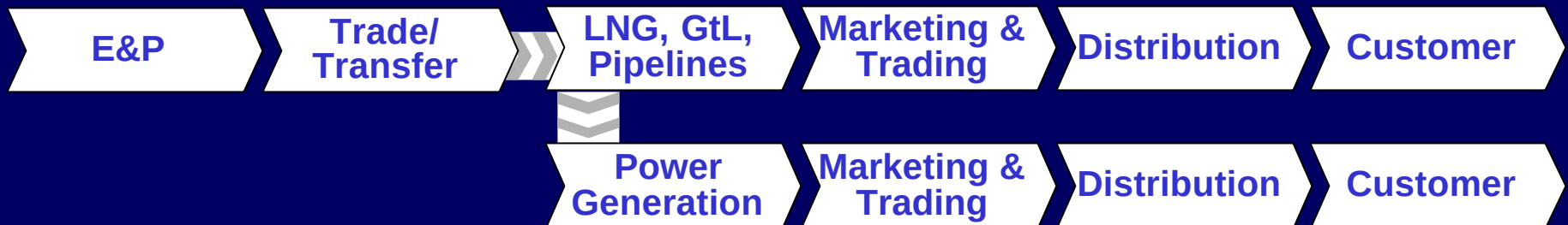


US\$5.5 Billion Earnings

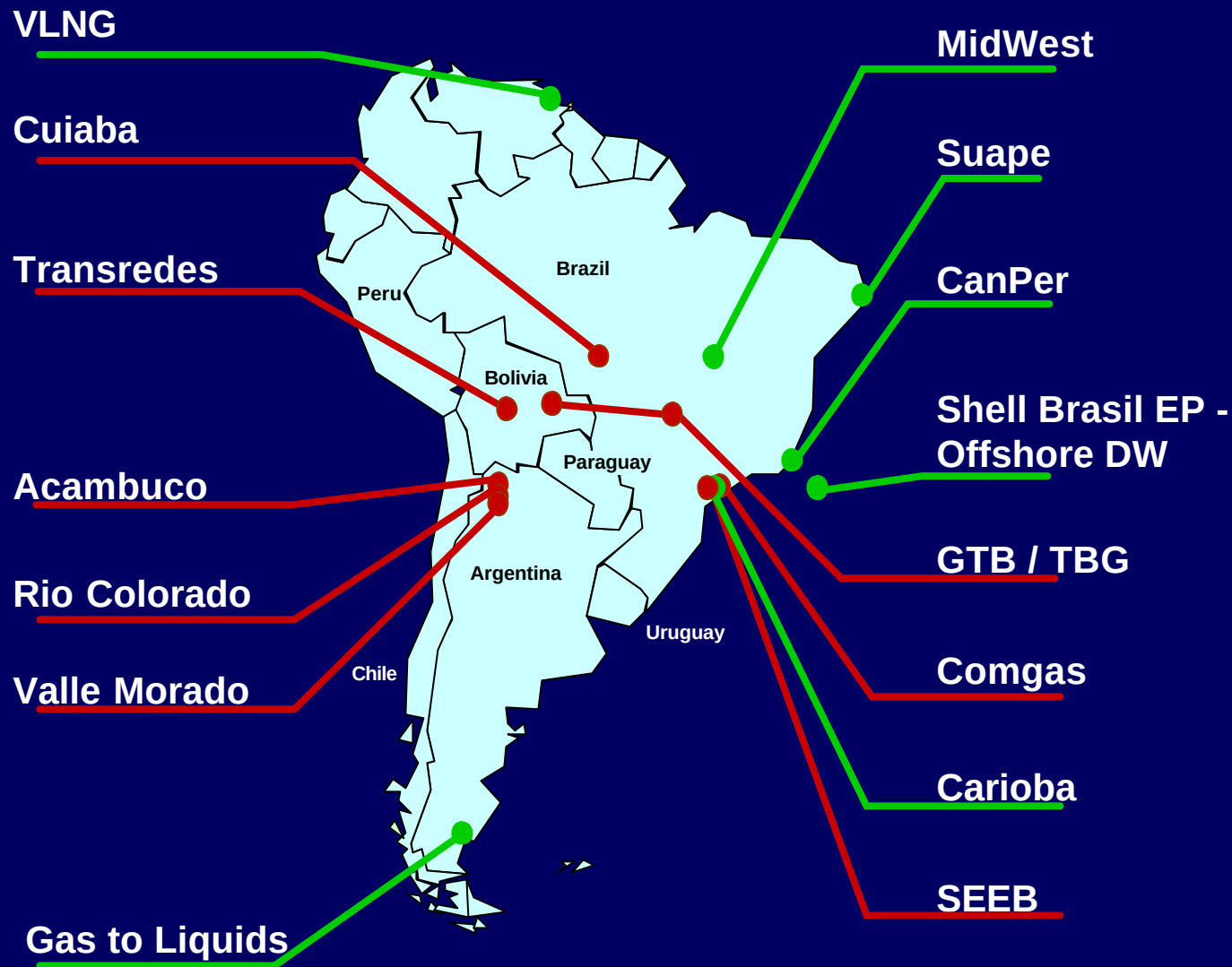
Estimated in 2005



US\$9.0 Billion Earnings



Assets and Projects in 2002



Midwest Integrated Project



Bolivia Gas System (Transredes, GTB, GOB)



Transredes Liquids System

