

## Press Release

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Brussels, 30 January 2004

### **Council of State: code of conduct suspended for transit of natural gas**

In June 2003, Distrigas filed a claim with the Council of State concerning the application of the code of conduct governing access to natural gas transmission systems to natural gas transit. The company specifically contested the fact that the code of conduct applies to transit of natural gas, a very important business activity for Distrigas, and one in which Belgium has established a key position for itself in Europe.

The Council of State decided to suspend the implementation of the code of conduct, insofar as it applies to transit activities under directive 91/296/EC (the Transit Directive) and art. 1, 7°bis of the Gas Act.

The Council of State has confirmed that the application of the code of conduct to transit activities would be seriously detrimental to Distrigas and would be difficult to remedy. As a result of the decision, the code of conduct still applies, except that its application to transit has been suspended.

Distrigas has always fully acknowledged the importance of the code of conduct for managing the natural gas transmission system in Belgium for the transport of natural gas to end consumers in Belgium. This claim will in no way slow down or halt the liberalisation of the Belgian market, nor will it adversely affect Belgian consumers.

### **Reasons for the claim**

Distrigas reiterates that the transit business is already governed by a specific European directive (the 'transit' directive), which was incorporated into Belgian law in 1992. The code of conduct did not take into account the very specific nature of gas transit, which is not comparable with natural gas transport to Belgian end consumers. Transit allows producer countries to be interconnected with several national gas markets. Gas that passes through the Belgian grid is not intended for consumption in Belgium.

The application of the code of conduct to transit activities would also affect the rights of international shippers with regard to transit capacity they have reserved. In addition, honouring existing commitments ('sanctity of contracts'), which is included in Belgian law and in the second European directive on liberalisation of the European natural gas market, was not guaranteed by the code of conduct, whereas the organisation of the gas industry is based on compliance with long-term commitments.

Since restrictions on natural gas transit imposed by the code of conduct do not apply in neighbouring countries, Belgium's competitive position would have been severely harmed and put major investments in developing transit to the United Kingdom under threat. As a result,

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applying the code of conduct to international transit would have threatened the very existence of the spot market on the Zeebrugge hub and therefore, indirectly, the actual liberalisation of the Belgian market.

Distrigas was compelled to file this claim because there are many important interests stake, both for itself and its international partners that have entrusted Distrigas with their transit business over many years.

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