

FSRU 2 TERMINAL OPEN SEASON PROCEDURE SUMMARY OF MARKET CONSULTATIONS

GAZ-SYSTEM conducted market consultations under the Open Season Procedure for the FSRU 2 Terminal by publishing draft documents laying down the rules governing the FSRU 2 Terminal Open Season Procedure including draft Regasification Agreement for FSRU2.

Market participants submitted their comments by 4 August 2023. The main postulates, queries and recurring issues that raised concerns of consultation participants are presented below together with GAZ-SYSTEM's comments and explanations. The points presented below were selected by GAZ-SYSTEM for information purposes only.

GAZ-SYSTEM would like to emphasise that all comments on draft documents setting the rules of FSRU 2 Open Season procedure were assessed using objective criteria to ensure that the FSRU Regasification Services will be offered in a non-discriminatory manner, on the basis of equivalent contractual terms and conditions, in accordance with the principle of equal treatment of all facility users.

Below please find GAZ-SYSTEM's explanations in response to the main comments and queries received during the consultation process and on the supplementary provisions introduced in the procedure:

1. Clarification of comments submitted to the General Implementation Conditions of the FSRU 2 Open Season procedure

The FSRU Terminal construction project planned so far by GAZ-SYSTEM provides for a floating storage and regasification unit located in Gdańsk area, designed to perform regasification process of up to 6.1 bcm of gaseous fuel per year. Phase 2 of the FSRU 1 Open Season procedure completed in August 2023 was concluded with the submission of a market offer covering 100% of Regasification Services available.

The main objective of the FSRU 2 Open Season procedure is to verify the interest of market participants in regasification capacity of FSRU 2 Terminal which will be



confirmed by the submission of binding long-term regasification orders for the FSRU 2 services, justifying the implementation of the FSRU 2 project by GAZ-SYSTEM.

In order to ensure equal treatment of all Users of the FSRU 1 and FSRU 2 Terminals, a fundamental principle adopted was the **rule of maintaining the consistency of the documents regulating the Open Season procedure for FSRU 1 and FSRU 2, in particular as regards the rights and obligations of the Operator and the User following the conclusion of Regasification Agreements.**

With the above in mind, the key provisions of the General Implementation Conditions and other documents under the procedure remain unchanged due to the need to maintain identical wording to that adopted under the completed FSRU 1 Open Season procedure. This shall apply to the definitions adopted in the FSRU 2 Open Season procedure, the principles of determining the amount and form of financial security, the tariff model, the adoption of the Final Investment Definition for FSRU 2 by GAZ-SYSTEM, as well as the principles of GAZ-SYSTEM's liability for any delay in commissioning of the FSRU 2 Terminal and the User's right of early termination of the Regasification Agreement and the principles of calculating compensation in the event of such termination.

2. Explanation of comments on the model of providing services under the FSRU 2 Open Season procedure and the postulated introduction of a "borrowing and lending" mechanism

In response to the postulate of Market Participants who reported in the consultations the need for the so-called "borrowing and lending" mechanism to be introduced, i.e. balancing the level of regasification and continuous offtake of gaseous fuel from the FSRU 2 Terminal on an annual basis, also outside the Slots allocated to a given Terminal User, a decision was made to adjust the FSRU 2 Terminal Code in order to allow shared and simultaneous use of one Slot by several Terminal Users. To this end, a of Slot Sharing procedure following from secondary trading of Terminal Capacity has been introduced into the FSRU 2 Terminal Code, whereby Terminal Users can sell a portion of a Slot to other Terminal Users so that they can use one Slot together subject to the Operator's consent. The right to call a vessel and discharge LNG will still be vested in the original owner of the shared Slot, but the remaining services offered as part of the Regasification Services can be shared among several Terminal Users. The right to sell part of the Slot comes with the obligation to sell LNG in the same proportion in which

the Contracted Capacity (the hourly regasification capacity of the Slot) has been divided within the shared Slot. In order to sell a part of a Slot, it will be necessary to submit a joint statement on the sale of a portion of the Slot by all Terminal Users concerned, and to amend the Regasification Order of the original owner of the Slot and to conclude Regasification Orders by the Terminal Users who acquire the respective parts of the Slot. Following the conclusion of the aforementioned Regasification Orders, each Terminal User who has purchased a portion of a Slot will be able to use the shared Slot in accordance with its share in the Slot (Contracted Capacity) and, consequently, receive Gaseous Fuel also in those Slots which were not originally allocated to that User, hence giving Terminal Users the opportunity to continuously receive natural gas from the Terminal throughout the year.

3. Explanations concerning the scope of the Investment project covered by the FSRU 2 Open Season Procedure

The FSRU 2 Open Season procedure does not cover the infrastructure implemented under FSRU 1 (i.e. onshore infrastructure (NTS gas pipelines), offshore gas pipeline and unloading platform), but it is limited only to the infrastructure necessary to launch the FSRU 2 Terminal, as defined in the General Implementation Conditions.

The scope of the FSRU 2 investment project includes the acquisition of title, positioning and preparation for operation of a second FSRU vessel and the adaptation of the infrastructure necessary to operate the FSRU 2 Terminal to the extent covered by the FSRU 2 Open Season.

4. Clarification in response to the queries regarding the tariff model methodology

a) The tariff for LNG regasification services provided by GAZ-SYSTEM Company (as a natural gas liquefaction system operator) will be developed on the basis of:

- Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005 (O.J.o.L. EU 211 of 14.8.2009 p. 36, as amended).
- The Energy Law of 10 April 1997 (Journal of Laws of 2021, item 716, as amended).
- Ordinance of the Minister of Energy of 15 March 2018 concerning detailed principles of tariff design and calculation, and settlements in gas trade (Journal of Laws of 2021, item 280).

b) The tariff for LNG regasification services will be developed to ensure:

- the coverage of justified costs to the extent specified in Article 45 of the Energy Law,
- the protection of recipients' interests against unjustified price levels,
- the elimination of cross-subsidization.

c) Fee rates for the regasification service shall be calculated based on:

- justified costs, broken down into fixed and variable costs,
- contractual capacity ordered for the tariff period and the planned LNG volume to be regasified.

d) Justified costs are planned by GAZ-SYSTEM and then verified by the President of the Energy Regulatory Office (President of the ERO) and include in particular:

- costs by type (within the meaning of the Accounting Act),
- justified return on capital employed.

e) Tariff structure:

According to the Tariff for regasification services, GAZ-SYSTEM will **charge** the following fees:

- fixed fee (for the ordered contractual capacity),
- a variable fee (for the quantity of gaseous fuel produced as a result of LNG regasification and delivered to the terminal user to the exit point in the national transmission system).

5. Explanation of enquiries concerning the estimated cost of FSRU 2 Terminal constituting the basis for setting the tariff rate of fees for the provision of regasification service.

The basis for tariff rate calculation

Regulatory Asset Value (RAV) shall apply equally to **both FSRU 1 and FSRU 2. CAPEX and OPEX is one and only, as is the common basis for the tariff.** Rates will be **calculated for actual capital expenditure and costs incurred as well as in consideration of the prevailing macroeconomic conditions at the time the tariff is applied.**

Regulatory conditions in Poland do not allow for a fixed rate to be set under the Open Season procedure and guaranteed for the future. The rate presented in the procedure

is indicative only; its final amount will depend on the final CAPEX and OPEX of the project. The fee rates for the provision of Regasification Services will be determined in the tariff approved by the President of the ERO. Upon launching the binding FSRU 2 Open Season procedure, assuming full capacity booking for both FSRU 1 and FSRU 2, the fee rate for the provision of FSRU2 regasification services is estimated at PLN 9.15 / MWh/h (EUR 1.9 / MWh/h).

Booking by the Users of the full capacity offered by two FSRUs for a period of 15 years is the prerequisite for project implementation in the variant assuming two FSRU vessels. Booking less than 100% of the planned FSRU 2 regasification capacity could result in an increase in the regasification service tariff rate.

6. Explanation to queries regarding the FSRU 2 implementation schedule

- Expected completion date of the FSRU 2 project - 31.12.2027.
- Expected date of commencement of regasification services - 01.01.2028.
- The date of commencement of regasification services (i.e. January 2028) may change (be postponed) by GAZ-SYSTEM:
 - due to the occurrence of construction risks beyond the control of GAZ-SYSTEM,
 - by a period of up to 24 months, on the basis of a written notification addressed to the FSRU Terminal User(s),
 - in the event of a delay in the construction of Breakwater.

In addition, due to the determinants of FSRU 2 implementation, the Regasification Order provides for the **possibility of adjusting the schedule by an additional period**, not exceeding twelve (12) months, in accordance with the updated FSRU 2 delivery schedule.

7. Explanation in response to comments on the minimum capacity booking required to justify the implementation of the investment project.

In order to consider the aggregate level of Regasification Services requested in the Offers as sufficient for GAZ-SYSTEM to proceed with the preparation for implementation of the FSRU 2 project, the total quantity of Regasification Services booked **should amount to 39 (thirty nine) Slots** in each Gas Year offered in the Open Season (during



15 years in total), which means that the binding Offers submitted shall cover 100% of the FSRU 2 services available.

If the aforementioned condition is fulfilled, GAZ-SYSTEM will proceed with preparation for implementation of the Investment project including in principle the FSRU 2 vessel procurement, while the Participants to whom the Slots were allocated in the allocation procedure conducted under the Open Season Procedure will be obliged to conclude Regasification Agreements and Regasification Orders.

In the event that the aforementioned condition is not satisfied, GAZ-SYSTEM will be entitled to abandon the Investment project and the Bids submitted in the Procedure will automatically expire. In such a case, neither GAZ-SYSTEM nor the Participants who successfully submitted Offers in the Procedure will be obliged to conclude Regasification Agreements or Regasification Orders.

Following further analyses regarding the Investment project feasibility, GAZ-SYSTEM will be entitled to continue its activities towards the implementation of the Investment project despite the fact that the aforementioned condition had not been satisfied. In such a case, the Participants who have been allocated Slots as a result of the allocation procedure conducted under the Open Season Procedure will be obliged to conclude Regasification Agreements and Regasification Orders in accordance with the Open Season Procedure.

8. Explanation in response to comments on the cost of maintaining the guarantee in case of a negative Final Investment Decision

The **Final Investment Decision (FID)** shall mean the official confirmation of commencement of the FSRU 2 implementation phase. In the event of a **negative Final Investment Decision**, GAZ-SYSTEM will abandon the Investment project implementation and withdraw from the concluded Regasification Agreements and Regasification Orders. Should a negative Final Investment Decision be adopted within a maximum period of 12 months following the conclusion of the Regasification Agreements and Regasification Orders, the costs of maintaining the bank guarantee submitted as a condition for participation in the Procedure will not be reimbursed to Participants.

In the event that GAZ-SYSTEM exercises its right to withdraw from the project for other reasons than a negative Final Investment Decision, GAZ-SYSTEM will be obliged to

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reimburse the costs of maintaining the bank guarantees submitted by the Participants under the FSRU 2 Open Season Procedure.

The maximum limit of GAZ-SYSTEM's liability for the costs of maintaining bank guarantee by the Participants under the FSRU 2 Open Season Procedure is PLN 300,000 per year (proportionally to the duration of maintaining the guarantee in a given year), **with the maximum limit for each Participant amounting to PLN 2,500,000.**

9. Explanations concerning bank guarantee

The bank guarantee shall be issued by a bank with the registered office in the territory of a Member State of the European Union or the EFTA country, party to the EEA Agreement, which is not subject, under the regulations in force, including European Union regulations issued taking into account Article 215 of the Treaty on the Functioning of the European Union (O.J.o.L. EU C 326/47 of 26.10.2012) to restrictive measures on the provision of financial, banking or investment services, including the assistance in the issuance or any other activity related to transferable securities and money market instruments.

10. Explanation of the additional provisions introduced in the documents regulating the procedure

In March 2022, European Union leaders agreed at a session of the European Council that Europe shall reduce its dependence on energy imports from Russia as soon as possible. It is assumed that the FSRU 2 Terminal will contribute to a rapid reduction in fossil fuel imports from that direction. In view of the above, the documents regulating the Open Season procedure express the expectation that the Participants do not plan to supply and regasify LNG originating from Russia using the FSRU Terminal, thus fulfilling the objectives set by the European Commission in terms of diversification and ensuring security of gaseous fuel supply to the European Union. Furthermore, in consideration of the ongoing legislative work of the EU institutions on new regulations concerning natural gas and hydrogen market, in particular the provisions of the draft Regulation of the European Parliament and of the Council on the internal markets in renewable and natural gases and in hydrogen, additional information stipulates that following the entry of the aforementioned regulations into force, the Operator will introduce restrictions in accordance with their provisions.

11. Explanation in response to comments regarding the submission of documentation and signing of the Regasification Agreement in English

The General Implementation Conditions and appendices thereto have been drawn up in Polish and also in the English language with the latter version for information purposes only; in the event of any contradictions or discrepancies between the language versions, the wording in Polish shall be binding.

Due to the fact that the official language in the Republic of Poland is Polish, all documents, letters and statements addressed to GAZ-SYSTEM should be submitted in Polish. For documents drawn up in any other language than Polish, a sworn/certified translation into Polish shall be provided.

The Regasification Agreement with entities having their registered office outside the territory of the Republic of Poland shall be drawn up in Polish and additionally in English. In the event of any discrepancy between the Polish and English versions of the Regasification Agreement, the parties shall be bound by the wording of the Regasification Agreement drawn up in the Polish language.

All communication with GAZ-SYSTEM concerning the FSRU 2 Open Season procedure shall be exchanged in Polish and, additionally, in the English language version.

12. The documentation has been reviewed in terms of necessary completions, editing, and changes to the style, as well as corrections of obvious clerical errors