



INVITATION TO PROVIDE LNG TERMINAL CAPACITY ALLOCATION REQUESTS FOR GAS YEAR 2019

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INTRODUCTION

AB "Klaipėdos Nafta" announces the annual Klaipėda liquefied natural gas terminal (hereinafter, the Terminal) capacity allocation procedure, during which the following Terminal capacities are being allocated for Gas Year¹ 2018:

- LNG regasification capacities;
- LNG reloading capacities.

All of the capacities of the Terminal further described in this invitation (hereinafter, Invitation) are indicated at reference conditions: temperature (combustion/measurement) - 25/0°C, pressure – 1,01325 bar².

The total volume of Terminal capacities being allocated for Gas Year 2018 is equal to 3.75 bcm per annum which is equivalent to approx. 6,5 mln. m³ of LNG applying a relative coefficient of expansion of 1:580. Accordingly, the key technical characteristics of the Terminal capacities being allocated are:

- LNG regasification – max LNG regasification rate is 428,398 nm³ per hour or 3.75 bcm per annum;
- LNG reloading – max LNG reloading rate of 9,000 m³ per hour or 5,000 m³ per hour when LNG regasification is performed during LNG reloading, however the requested annual LNG reload capacity cannot exceed the total volume of Terminal capacities being allocated for Gas Year 2019, prioritizing the allocated and (or) requested LNG regasification capacities³. For example: if the requested LNG regasification capacities are equal to 3 bcm per annum (approx. 5.17 mln.m³ of LNG), accordingly 0.75 bcm (approx. 1.29 mln.m³ of LNG) capacities may be allocated for LNG reloading, since total capacity of the Terminal being allocated for Gas Year 2019 is equal to 3.75 bcm.

Based on the approved Joint Annual Terminal schedule currently in force for Gas Year 2018⁴, it is forecasted that at the beginning of Gas Year 2018 (beginning of 1st of October, 2018), the LNG volume at the Terminal will be approx. 129,000 m³ of LNG.

Additional information on technical characteristics of the Terminal is provided in section "General Terminal Information" of this Invitation and Regulations of Use of the Liquefied Natural Gas Terminal approved by General Manager of AB "Klaipėdos Nafta" by order No. BV-228 issued on the 11th of December, 2017 (hereinafter, the Regulations) Annex No. 3 of the Regulations "Operator's technical conditions".

Period of allocated Terminal capacity use shall commence on the 1st of October, 2018. The end date of the Terminal capacity use shall not be set, meaning that Terminal capacities can be allocated for a period which is requested, which can last longer than the end of Gas Year 2019.

¹ Gas Year – a period beginning at 07:00 AM on the 1st of October every year and ending at 07:00 am on the 1st of October the following year.

² According to the Natural Gas Accounting Procedure Description, approved by the Energy minister of the Republic of Lithuania on the 14th October, 2014, Order No. 1-255 point 10.9.

³ Clause 37 of the Regulations states that when the applicants whose requests were not denied are requesting more Terminal capacities than are being allocated for the given Gas year, priority is provided for the LNG regasification capacities allocated to the Designated supplier and afterwards to the Applicants seeking to obtain LNG regasification capacities whose average regasification rates are the greatest throughout the entire requested Service use period (in months) on the Gas Year for which Terminal Capacities are being allocated.

⁴ https://www.kn.lt/uploads/files/dir33/dir1/16_0.php

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ADVANTAGES AND RESTRICTIONS OF THE TERMINAL

Advantages:

- First full scale LNG terminal in the Baltics and the Nordic countries;
- Ice-free port of Klaipeda guarantees smooth navigation and continuous loading operations all year round⁵;
- Infrastructure for gas import from the global LNG markets which also creates an opportunity to break-bulk conventional cargoes for engaging into small scale LNG trading activity;
- Attractive LNG regasification tariffs which encourage the development of the gas market in the country and the region, and LNG reloading tariffs which create competitive conditions to develop the small scale LNG activities;
- Terminal services may be simultaneously used by unlimited number of clients;
- Possibility to use Terminal services in the scope of one cargo size up to 1 year without LNG ageing issues;
- Terminal users creating the possibility of long term storage due to Joint terminal use receive an internal use losses share reduction in return;
- LNG quantity consumed for Terminal technological needs is assigned to Terminal users as per the virtual storage quantity;
- Terminal allows booking of the Terminal capacities during the Gas Year based on demand and according to the Terminal's technical characteristics;
- Possibility to consider individual scheduling proposals by Terminal Users if these adjustments are compatible with the technical characteristics of the Terminal as well as do not impact the rights of other Terminal Users or their approval is received.

Restrictions:

- LNG regasification in the Terminal is within the range of: min 57.089 nm³ per hour and max 428.398 nm³ per hour.⁶

GENERAL TERMINAL INFORMATION

The LNG terminal is based on the FSRU (Floating Storage and Regasification Unit) technology. The FSRU is operated by the Norwegian Company Høegh LNG AS and permanently moored to a jetty, which is located in the Curonian Lagoon at the Southern part of Port of Klaipeda.

The coordinates of the Terminal are: 55°39'50"N; 21°08'30"E (Greenwich). The Terminal is connected to the gas Transmission System Operator's SC Amber Grid operated gas grid via the linking pipeline of 18km long.

Technical characteristics of the Terminal	
Total capacity of LNG tanks	170,000 m ³
Maximum LNG filling level	98 %, at 70kPag
Minimum operational LNG heel level	3,500 m ³ LNG
Maximum LNG loading rate	9,000 m ³ LNG/ h
Maximum LNG reloading rate	9,000 m ³ LNG/ h
Maximum LNG reloading rate when LNG regasification is performed during LNG reloading	5,000 m ³ LNG/ h

Detailed technical information about the Terminal is provided in the Annex No. 3 to the Regulations "Operator's Technical Conditions" published at the AB "Klaipėdos Nafta" website⁷.

⁵ <http://www.portofklaipeda.lt/the-port-of-klaipeda>

⁶ LNG regasification capacities cannot be higher than the technological natural gas transmission capacities established by the Transmission System Operator at the point connecting the Terminal with the Transmission System.

⁷ https://www.kn.lt/uploads/files/dir47/dir2/15_0.php

TERMINAL SERVICES

Terminal provides LNG regasification and LNG reloading services the scope of which in each case depends on the Terminal capacities allocated to the specific Terminal User.

LNG Regasification Service consists of the following inter-related services:

- LNG loading – possibility to deliver Cargo by LNG Carriers of 65,000 – 160,000 m³ capacity, to berth them to the Terminal and to unload LNG over a loading period of max 40 hours;
- Virtual cargo storage of no longer than 12 calendar months and physical cargo storage of no longer than 60 calendar days;
- LNG regasification at the regasification rate set in the Terminal User's schedule and delivery of natural gas to the entry point of the natural gas transmission system at the Gas metering station.

LNG reloading Service consists of the following inter-related services:

- LNG loading – possibility to deliver Cargo by LNG Carriers of 65,000 – 160,000 m³ capacity, to berth them to the Terminal and to unload LNG over a loading period of max 40 hours.
- Virtual cargo storage of no longer than 12 calendar months and physical cargo storage of no longer than 60 calendar days;
- LNG reloading – loading of LNG quantity set in the Terminal User's schedule into LNG Carriers the size of 5,000 - 65,000 m³ within a reloading period of max 48 hours.

The acceptance of LNG Carriers at the Terminal the size of which differ from the above- specified can be agreed with the Operator by a separate agreement. A list of approved LNG Carriers is published at the Operator's website⁸. Detailed conditions of the provision of services are established in the Regulations.

REGULATORY ENVIRONMENT

The Terminal's activity is regulated and supervised by the National Commission for Energy Control and Prices (hereinafter, the NCC).

The procedure and terms of use of the Terminal, requirements for persons intending to use the Terminal, their rights, obligations and liability as well as other special requirements related to operation of the Terminal and its use for delivery and unloading of LNG to the Terminal, its regasification and (or) reloading onto a LNG Carrier are determined by the Regulations, which can be found on the Operator's website⁹.

The main legal acts of the Republic of Lithuania regulating the activity of the Terminal are:

- Law on Natural Gas of the Republic of Lithuania;
- Law on Liquefied Natural Gas Terminal of the Republic of Lithuania;
- State-regulated pricing methodology in natural gas sector, approved by Order No. O3 -367 of NCC on the 13th of September, 2013;
- Order of the Government of the Republic of Lithuania No. 199 of 15th February, 2012 "Regarding the implementation of the Law of the Liquefied Natural Gas Terminal of the Republic of Lithuania";
- Description of Natural Gas Supply Diversification Procedure, approved by Order No. 1354 of the Government of the Republic of Lithuania on the 7th of November, 2012;
- Description of Funds Administration Procedure for Full or Partial Compensation of Expenditures of the Liquefied Natural Gas Terminal, its infrastructure and linking pipeline installation and exploitation, approved by the NCC's Decision No. O3-294 on the 9th of October, 2012;

⁸ https://www.kn.lt/uploads/files/dir42/dir2/16_0.php

⁹ <https://www.kn.lt/en/our-activities/lng-terminals/klaipeda-lng-terminal/559>

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- Description of the Allowed Loss Calculation at the LNG Terminal, approved by the Energy minister of the Republic of Lithuania on the 18th of June, 2014, decree No. 1-160;
- Natural Gas Accounting Procedure Description, approved by the Energy minister of the Republic of Lithuania on the 27th of December, 2013, Order No. 1-245.

SERVICE PRICES OF THE TERMINAL

Prices for the services provided by the Terminal approved by the General Manager of AB "Klaipėdos Nafta":

- LNG regasification service price (approved for year 2018) - 0.10 Eur/MWh (VAT excl.);
- LNG reloading service price (approved for years 2015-2019) - 1.14 Eur/MWh (VAT excl.);

LNG regasification service price is set by the AB "Klaipėdos Nafta" and approved by NCC on December 7th, 2017 by the resolution No. [O3E-582](#). LNG regasification service price is set each year.

LNG reloading service price is set and approved on a 5 year basis by NCC on November 20th, 2014 by the resolution No. [O3-896](#).

TERMS AND CONDITIONS OF THE TERMINAL CAPACITY ALLOCATION

The form of the Terminal capacities allocation request is provided in Annex No. 4 of the Regulations¹⁰. Please note that while booking the Terminal capacities preliminary technical information related with the LNG Carriers from which LNG shall be unloaded into Terminal and (or) reloaded from the Terminal should be provided, as it is requested in the Annex No. 5 of the Regulations¹¹.

Requirements for Terminal Users

Applicants seeking to obtain Terminal Capacities shall meet the following requirements:

- Hold a natural gas supply license or permit if it is mandatory for performance of the activity for which respective Terminal capacities are being obtained;
- Have the LNG supply sources, justified by letters of intent, written confirmations of contactors and (or) equivalent evidences of LNG sales to the applicant, the total amount of which is not less than the requested Terminal capacities amount;
- Have sufficient financial ability and (or) planned funding sources to cover the chain of LNG and (or) natural gas supply, including use of the Terminal capacities;
- To meet other requirements to the Terminal user set forth under the legal acts, if such are stipulated. As well as comply with recognized standards of business ethics.

Submission of the Terminal Capacity Allocation Requests

Applicant shall provide the Operator with the following documents along with the request:

- Copies of legal entity's registration certificate and articles of association (or other founding documents);
- Copy of the natural gas supply license or permit if it is mandatory for performance of the activity for which respective Terminal capacities are being obtained;
- Certified by applicant copies of letters of intent, written confirmations of contactors and (or) equivalent evidences of LNG delivery to the Terminal, signed by the applicant and selected LNG Sellers;
- Original Bank Guarantee to Secure the Validity of the Proposal (Regulations Annex No. 8) and issued for an amount of not less than calculated according to a respective formula on the List of Formulas for Calculation of Terminal Service Prices, Taxes, Penalties and Values of Obligation Securities. This requirement shall not apply to the designated supplier at the scope of Terminal capacities which were assigned to it for supply of

¹⁰ https://www.kn.lt/uploads/files/dir47/dir2/16_0.php

¹¹ https://www.kn.lt/uploads/files/dir47/dir2/17_0.php

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mandatory quantity for the Terminal according to the obligation set by the Law on Liquefied Natural Gas Terminal of the Republic of Lithuania;

- Request for Preliminary Services Schedule (Regulation Annex No. 5) specifying the requested Service Provision dates, which later to be clarified in Service Schedules, exact annual and preliminary monthly amounts of LNG planned for regasification and (or) reloading, and planned number of cargoes;
- A copy of consolidated financial statements of the applicant or its parent company (if any) for the past 3 years or the period since registration of the applicant or its parent company (if the enterprise or its supervising company has been undertaking activities for less than 3 financial years).

Terminal capacity allocation request together with the aforementioned documents must be submitted to the AB "Klaipėdos Nafta" in writing until 25th of May, 2018 3 p.m. Lithuanian time by registered post mail or courier to the following address: Baltijos pr. 40, LT-93239, Klaipėda, Lithuania (by registered mail or courier) or by e-mail: paslaugos@kn.lt. In any case the applicant must provide the original copy of the bank guarantee to secure the validity of the proposal. Requests, which shall be received after the deadline or sent to the wrong address, as well as requests which do not meet the above-mentioned requirements of the Invitation and the Regulations, in case of failure to remove inconsistencies (if they can be removed) shall be rejected.

Preliminary Schedule of Request Consideration

Actions and terms	
2018-04-25	The beginning of Capacities allocation procedure. Invitation to submit requests for capacities allocation.
2018-05-25	The deadline for submission of the requests.
In 1 working day	The Operator evaluates the submitted Request and informs the Applicant submitting the Request if the Request meets the Request submission requirements.
Up to 3 calendar days	Term for adjustment of request inconsistencies.
Up to 5 calendar days	The end of capacities allocation procedure. Informing the applicants of the results.
Up to 4 calendar days	Signing of LNG Terminal User Contracts and the Inter-use Terminal Contracts.

Other conditions

Detailed information about the services of the Terminal, Operator's and Terminal's User's rights and obligations, inter alia, requirements to Terminal Users and for Terminal capacities allocation requests, as well as additional requirements related to the activity of the Terminal or its use in order to deliver LNG to the Terminal and unload it, regasify and (or) to reload to the smaller LNG Carriers, are stated in the Regulations. The information provided in the Invitation does not change, abolish or otherwise modify the provisions of the Regulations.

Contacts

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