



THE INVITATION TO PROVIDE TERMINAL CAPACITY ALLOCATION REQUESTS FOR FOUNDATION AND/OR SEASONAL TERMINAL CAPACITIES

SC "Klaipėdos Nafta" is currently preparing for the launch of Liquefied Natural Gas (hereinafter, LNG) Terminal (hereinafter, the Terminal) and hereby announces the beginning of the Terminal capacities allocation procedure.

Interested parties are invited to provide requests for foundation and seasonal Terminal capacities allocation. We would like to note, that Terminal capacities shall be allocated at least once per Gas year¹.

During the first Terminal capacities allocation procedure there will be allocated:

- Foundation LNG regasification capacities;
- Seasonal LNG regasification capacities;
- Seasonal LNG reloading capacities.

Foundation LNG regasification capacities shall be allocated for the period of minimum one Gas year, meanwhile the Seasonal regasification/reloading capacities – for not less than two LNG cargoes per one Gas year.

Total volume of the Terminal capacities for allocation is 11.000.000 Nm³ per day (preliminary 18.965 m³ of LNG per day, when the relative expansion rate is 1:580).

First period of allocated Terminal capacities use shall commence on the 1st of January, 2015². The end date of the Terminal capacities use shall not be set.

¹ Gas year - a period, which begins on the below mentioned first day of allocated Terminal capacities use period and ends on the 1st of October, 2015, and every next year - the period from the 1st of October till the 1st of October next year.

² If commencement of the Terminal operations would be brought forward or delayed, the SC "Klaipėdos Nafta" shall announce about it no later than 5 months before planned Terminal launching as set in the Regulations for Use of the Liquefied Natural Gas Terminal (published on: <http://www.sgd.lt/index.php?id=631&L=1>) (hereinafter, the Regulations).

Terminal's advantages and constraints

Advantages:

- First full scale LNG terminal in the Baltics and Nordic countries;
- Attractive LNG regasification tariffs shall encourage the development of gas market in the country, and LNG reloading tariffs shall create competitive conditions to work out the small scale LNG activity;
- Ice-free port of Klaipeda guarantees a smooth shipping and continuous loading operations throughout the whole year³;
- LNG quantity consumed for Terminal technological needs shall be assigned to Terminal users as per the actual consumption data;
- It is planned, that designated supplier – JSC “Litgas” – shall import minimum gas quantity, necessary for the uninterruptible Terminal operation, therefore the Terminal shall always be operational;
- Infrastructure for small scale LNG sales activity;
- Terminal allows booking of the Spot LNG regasification and LNG reloading capacities during the current Gas year based on the demand and according to the Terminal technical capacity.

Constraints:

- LNG regasification modes are limited by min 61.300Nm³/h and max 460.000Nm³/h;
- The Terminal shall be adjusted to accept the particular LNG carriers to perform LNG reloading in 7 months after the demand has been expressed and technical information about estimated LNG Carriers, arriving for LNG reloading, provided.
- Terminal LNG regasification capacities cannot exceed the max natural gas transmission system capacity set by transmission system operator at the entry point to main gas grid:
 - In 2015 the planned capacity is 178.000 Nm³/h;
 - Starting 2016, after Klaipeda-Kursenai pipeline is built – 460.000 Nm³/h.

³ <http://www.portofklaipeda.lt/klaipedos-uostas>

General Terminal Information

The LNG terminal is based on FSRU (Floating Storage and Regasification Unit) technology, which is provided by Höegh LNG. Jetty of 450 meters long, to which the FSRU will be permanently moored, is being built in the Curonian Lagoon in the southern part of port of Klaipėda.

Terminal coordinates are: 55 ° 39'50 " N; 21 ° 08'30 " E (Greenwich). The LNG terminal will be connected to the transmission system operator – SC Amber Grid – gas grid via 18km long linking pipeline.

Terminal's technical characteristics*	
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 of LNG
Max LNG loading/reloading rate	9.000 m ³ /h of LNG

* Terminal's Technical Characteristics are specified at reference conditions: temperature (combustion/measurement) – 25/20 °C, pressure – 101,325 kPa. .

Detailed Terminal's Technical Characteristics are provided in the annex No. 3 to the Regulations for Use of the Liquefied Natural Gas Terminal - „Operator's Technical Conditions“ (published on www.sgd.lt).

Terminal Services

The Terminal shall provide LNG regasification and LNG reloading Services. The LNG Regasification Service consists of the following related and mutually dependent services:

- LNG load – possibility to deliver LNG cargo by LNG carriers of 65.000 – 160.000 m³ capacity, to berth them to the jetty and unload LNG into the Terminal over a period of max 48 hours.
- LNG storage at the Terminal until its full regasification, but in any case not more than for 60 calendar days.
- LNG regasification at the regasification rate set in the Terminal user's schedule.

The LNG reloading Service consists of the following related and mutually dependent services:

- LNG load – possibility to deliver LNG cargo by LNG carriers of 65.000 – 160.000 m³ capacity, to berth them to the jetty and unload LNG into the Terminal over a period of max 48 hours.
- LNG storage at the Terminal until its reloading, but in any case not more than for 60 calendar days.
- LNG reloading – loading of the LNG quantity set by the Terminal user's schedule into LNG carriers which cannot be smaller than 5.000 m³.

The LNG Carriers sizes other than the specified above can be agreed with the Operator by a separate agreement.

Regulatory Environment

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

After public market consultation has been performed, NCC pre-approved the Regulations by decree No. O3-103 as of 14 April, 2014 (the Register of the Legal Acts, 2014-04-15, No. 2014-04458), and SC "Klaipėdos Nafta" approved them by the Order of General Manager on the 18th of April, 2014.

The main legal acts regulating activity of the Terminal are:

- Law on Natural Gas of the Republic of Lithuania (Official Gazette, 2000, No. 89-2743; 2007, No. 43-1626; 2011, No. 87- 4186);
- Law on Liquefied Natural Gas Terminal of the Republic of Lithuania (Official Gazette, 2012, No. 68-3466);
- State-regulated pricing methodology in natural gas sector, approved by decree No. O3 -367 of NCC on the 13th of September, 2013 (amended on the 14th of April, 2014) (Official Gazette, 2012, No. 25-1166, No. 83-4387);
- Description of Natural Gas Supply Diversification Procedure, approved by decree No. 1354 of the Government of the Republic of Lithuania on the 7th of November, 2012 (amended on the 22nd of December, 2013) (Official Gazette, 2012, No. 132-6708);
- Description of Funds Administration Procedure for full or partial compensation of expenditures of LNG Terminal, its infrastructure and linking pipeline installation and exploitation, approved by the decree No. O3-294 on the 9th of October, 2012 (amended on the 23rd of December, 2013) (Official Gazette, 2012, No. 118-5973)

Service Prices

LNG regasification services price caps and particular LNG reloading service price shall be set by NCC. In accordance with the aforementioned state-regulated pricing methodology in natural gas sector SC "Klaipėdos Nafta" calculated preliminary prices of the Terminal services:

- LNG regasification service price (set on yearly basis) – 0,00 Lt/MWh (VAT excl.);
- LNG reloading service price (set for 5 years) – 3,45-5,60 Lt/MWh (VAT excl.).

Terms and Conditions of the Terminal Capacity Allocation

The form of the Terminal capacities allocation request is provided in annex No. 1 of the Invitation. Together with the request to allocate seasonal reloading capacities, the applicants, among the other things, shall provide technical information of the LNG carriers, arriving for LNG reloading, as it is requested in the annex No. 2 to the Invitation.

1. Requirements to Terminal Users

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

- to hold a natural gas supply license if it is mandatory for performance of the activity for which respective Terminal Capacities are being obtained;

- to 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;
- to 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.

2. *Submission of the Terminal Capacity Allocation Requests*

The 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 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, published on the www.sgd.lt) 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.
- Request for Preliminary Services Schedule 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 Reload, 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 SC "Klaipėdos nafta" in writing till the 16:00 o'clock Lithuanian time on 30th of May, 2014, by registered post mail or courier to the following address: Burių str. 19, P.O. box 81, LT-91003, Klaipėda, Lithuania (by registered mail or courier), by fax No.: +370 46 313142, or by e-mail: paslaugos@sgd.lt. In any case applicant must provide the original copy of the bank guarantee to secure the validity of the proposal. Requests, which shall be received behind the time or sent to the wrong address, as well as requests not meeting the requirements of the invitation and the Regulations, in case of failure to remove inconsistencies (if they can be removed) shall be rejected.

3. *Preliminary Schedule of Requests Consideration:*

Dates / terms	Actions
2014-04-30	The beginning of Capacities allocation procedure. Invitation to submit requests for capacities allocation.
2014-05-30	The deadline for submission of the requests.
Up to 5 working days	The Operator considers submitted requests and provides its conclusion.
Up to 12 working days	Time period to adjust discrepancies of the requests
Up to 5 calendar days	The end of capacities allocation procedure. Informing the applicants of the results.

Up to 35 calendar days	Conclusion of LNG Terminal User's Contract.
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4. Other conditions.

Other provisions, liabilities and obligations not covered by these Terms, 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 governed by the Regulations.

5. Information.

For any questions please contact us by phone: +370 46 297008, +370 46 297093, or by e-mail: paslaugos@sgd.lt