



**Invitation to provide LNG Terminal capacity
allocation requests**



SC "Klaipėdos Nafta" announces the annual liquefied natural gas terminal (hereinafter, the Terminal) capacity allocation procedure, during which prior to the Gas Year¹ 2016 the following Terminal capacities are being allocated:

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

It should be noted that at the moment of announcing this invitation (hereinafter, the Invitation) is being announced, a new edition of the Regulations for Use of the Liquefied Natural Gas Terminal² (hereinafter, the Regulations) has been prepared and provided for public consultation³. According to the new edition of the Regulations, the capacities of the Terminal are categorized into LNG regasification capacities and LNG reloading capacities without their differentiation pursuant to the scope of use. Hence, after the new edition of the Regulations comes into force, foundation and seasonal LNG regasification capacities previously allocated to Users of the Terminal shall be treated as LNG regasification capacities, while seasonal LNG reloading capacities shall be treated as LNG reloading capacities.

All of the capacities of the Terminal further described in the Invitation are indicated at reference conditions: temperature (combustion/measurement)- 25/0°C, pressure – 1,01325 bar⁴.

The total volume of Terminal capacities being allocated for Gas Year 2016 is equal to 1,45 bcm per annum (until the abolishment of below-mentioned restrictions in the gas transmission system) which is equivalent to approx. 2,5 mln.m³ of LNG applying a relative coefficient of expansion of 1:580. Accordingly, the technical characteristics of the Terminal capacities being allocated are:

- LNG regasification - max LNG regasification rate is 165.771 nm³ per hour or 1,45 bcm per annum⁵;
- LNG reloading- max LNG reloading rate of 9.000 m³ per hour, however the requested annual LNG reload capacity cannot exceed the total volume of Terminal capacities

¹ Gas year- a period starting on the 1st of October and ending on the 1st of October of next year.

² Regulation edition currently in force has been approved by the SC "Klaipėdos Nafta" Director's General Order No. BV-162 of 30th September, 2014 and verified by the NCC decision No. O3-810 of 26th September, 2014.

³ Regulations for public consultation are published at the legal acts database of Seimas at site: www.lrs.lt.

⁴ 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;

⁵ LNG regasification capacity cannot exceed the max technical capacity of the gas transmission system at the Terminal's connection point to the gas transmission system, which is published at: <https://www.ambergrid.lt/en/transportation-services/capacity-information/capacity-and-gas-flow-data> by selecting "Technical capacity" and "Klaipėda GMS (to Lithuania)".

being allocated for Gas Year 2016, prioritizing the allocated and (or) requested LNG regasification capacities⁶. For example: if the requested LNG regasification capacities are equal to 1 bcm per annum (approx.. 1,72 mln.m³ of LNG), accordingly 0,45 bcm (around 0,78 mln.m³ of LNG) capacities may be allocated for LNG reloading, since total capacity of the Terminal being allocated for Gas Year 2016 is equal to 1,45 bcm (until the abolishment of below-mentioned restrictions in the gas transmission system).

Period of allocated Terminal capacity use shall commence on the 1st of October, 2015. 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.

After the launch of new gas transmission pipeline connection Klaipeda- Kursenai⁷, regasification restrictions for the LNG Terminal shall be abolished. SC "Klaipedos Nafta" at its website shall inform potential and existing Users of the Terminal about the free newly available capacities of the Terminal, which shall be available for acquisition in accordance with the procedure described in the Regulations.

Terminal's advantages and restrictions

Advantages:

- First full scale LNG terminal in the Baltics and the Nordic countries;
- Attractive LNG regasification tariffs shall encourage the development of the gas market in the country and the region, and LNG reloading tariffs shall create competitive conditions to develop the small scale LNG activities;
- Ice-free port of Klaipeda guarantees a smooth shipping and continuous loading operations throughout the whole year⁸;
- LNG quantity consumed for Terminal technological needs shall be assigned to Terminal users as per the actual consumption data;
- Infrastructure for small scale LNG trading activity;
- 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 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 (165.771 nm³ per hour until the abolishment of restrictions in the gas transmission system);
- The Terminal shall be adjusted to accept the particular LNG Carriers for LNG reloading operations after performing the required technical, legal and (or) commercial changes, however no later than 7 months after the contract signing with the Terminal User which reserved the LNG reloading capacities.

⁶ Regulations state that when the applicant whose requests were not denied are requesting more terminal capacity than is being allocated for the given gas year, priority is provided to the regasification capacity

⁷ Updated info about the Project can be found at <https://www.ambergrid.lt/en/dvelopment-of-the-transmission-system/enhancement-of-capacity>

⁸ <http://www.portofklaipeda.lt/klaipedos-uostas>

- Terminal LNG regasification capacities cannot exceed the max natural gas transmission system capacity set by transmission system operator at the Terminal's connection point to the gas transmission system:
 - Until the end of Klaipeda-Kursenai transmission pipeline building works, the capacity is equal to 165.771nm³ per hour;
 - After Klaipeda-Kursenai connection is built the capacity shall be equal to 428.398 nm³ per hour.

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 Höegh LNG AS and permanently moored to a jetty of 450 meters long, 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.

Terminal's technical characteristics	
Total capacity of LNG tanks	170.000 m ³
Maximal 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

Detailed technical information about the Terminal is provided in the Annex No. 3 to the Regulations „Operator's Technical Conditions“ published at the website⁹.

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 LNG 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 48 hours;
- LNG storage at the Terminal until its regasification, but in any case not more than for 60 calendar days after loading the cargo to the Terminal;
- LNG regasification at the regasification rate set in the Terminal User's schedule.

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

- LNG loading – possibility to deliver LNG cargo by LNG Carriers of 65.000 – 160.000 m³ capacity, to berth them to the Terminal and unload LNG over a loading period of max 48 hours.
- LNG storage at the Terminal until LNG reloading, but in any case not more than for 60 calendar days after the cargo has been unloaded into the Terminal.

⁹ http://www.sgd.lt/uploads/media/Annex_No._3_-_Operators_techninical_conditions.pdf

- LNG reloading – loading of LNG quantity set in the Terminal User's schedule into LNG Carriers the size of which cannot be smaller than 5.000 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](#) website¹⁰. 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 an LNG carrier are determined by the Regulations, which can be found on the Operator's website¹¹.

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 (amended on the 14th of April, 2014);
- 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 (amended on the 22nd of December, 2013 and 25th of February, 2015);
- 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 (amended on the 23rd of December, 2013);
- 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 (amended on the 14th of October, 2014).

Services' Prices of the Terminal

SC "Klaipėdos Nafta" General Manager has approved the following prices for the services provided by the Terminal:

- LNG regasification service price for year 2015 equal to 0,00 Eur/MWh (VAT excl.);

¹⁰http://www.sgd.lt/fileadmin/user_upload/SGD/Terminalo_taisykles/Dujoveziu_sarasas/List_of_approved_LNGC_.pdf

¹¹<http://www.sgd.lt/index.php?id=727&L=1>

- LNG reloading service price for years 2015-2019 equal to 1,14 Eur/MWh (VAT excl.).

The LNG regasification service price is determined each year. The LNG regasification service price for year 2015 was approved by the Operator with respect to the NCC's Decision No. O3-895 of 20th November, 2014, which has set the price cap for this service. In Q4 of year 2015, NCC shall set the price cap for the LNG regasification service for the upcoming year.

LNG reloading service price is fixed for a 5 year period and is approved by the Operator according to NCC's Decision No. O3-896 on November 20th, 2014, which has set the LNG reloading service price.

Terms and Conditions of the Terminal Capacity Allocation

The form of the Terminal capacities allocation request is provided in Annex No. 4 of the Regulations and is attached at the end of this Invitation. When providing the request to allocate LNG reloading capacities, the applicants, *inter alia*, shall provide technical information of the LNG Carriers, arriving for LNG reloading, as it is requested in the Annex No. 5 of the Regulations and is also attached at the end of this Invitation.

1. Requirements for 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

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. This requirement shall not apply to the Designated supplier at the scope of Terminal capacities which were assigned to it for supply of 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 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 SC "Klaipėdos Nafta" in writing until 25th of May, 2015 4 p.m. Lithuanian time 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 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.

3. Preliminary Schedule of Requests Consideration

Dates / terms	Actions
2015-04-24	The beginning of Capacities allocation procedure. Invitation to submit requests for capacities allocation.
2015-05-25	The deadline for submission of the requests.
In 1 working day	The Operator considers submitted requests and provides its conclusion.
Up to 3 calendar days	Term for adjustment of requests' 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's Contract.

4. 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.

5. Information

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

Annex No. 4

<APPLICANT'S LETTERHEAD>

Terminal Capacities Allocation Request

To:	Stock Company „Klaipėdos nafta“, established and acting according to the laws of Republic of Lithuania, legal entity code 110648893, registered address 19 Buriu str., Klaipėda, Lithuania, company data is collected and stored in the Register of Legal Entities of State Enterprise Centre of Registers (hereinafter – the Operator)
From:	[Company name and legal form] , established and acting according to the laws of [jurisdiction], legal entity code [company code], registered address [company address], company data is collected and stored [name of the register] (hereinafter – the Applicant), represented by [occupation] [name, surname], acting according to the [legal ground for representation],

Date/time:

In accordance with the terms of Regulations for Use of the Liquefied Natural Gas Terminal (hereinafter – the Regulations), the undersigned Applicant applies to the Operator with the request to allocate the following liquefied natural gas terminal capacities (hereinafter – the Terminal Capacities) (requested capacities to be marked):

- Foundation Regasification Capacities;
- Seasonal Regasification Capacities;
- Seasonal Reloading Capacities;
- Spot Regasification Capacities;
- Spot Reloading Capacities.

Along with the Request the Applicant provides the following documents:

1. Copies of a Legal Entity Certificate and Articles of Association (or other charter documents);
2. Copy of LNG supply licence, in case it is mandatory to perform the activity for which the relevant Terminal Capacities are being requested;
3. Copies of intention protocols, written confirmations of contractors and/or equivalent evidences for LNG deliveries to the Terminal signed by Applicant and selected LNG Suppliers;
4. The bank guarantee to secure the validity of the proposal (original) in the form established by the Operator issued for the amount of not less than calculated according to the formula established by the List of Formulas for Calculation of Terminal Services Prices, Taxes, Penalties and Obligation Security Values.

5. Requested Preliminary Service Schedule (in case the Terminal Capacities allocation request is provided for Foundation and Seasonal Capacities) or Monthly Schedule (in case the Terminal Capacities allocation request is provided for Spot capacities);
6. Consolidated financial accountability of the Applicant or its Parent Company for the past 3 years or period passed from the registration of the Applicant (in case the company or its Parent Company performed its activity for less than 3 financial years);

The Applicant confirms that:

- 1) he has the sources of LNG supply, justified by letters of intent, written confirmations of contractors and (or) equivalent evidences regarding the LNG sales to the Applicant, the total amount of which is not less than the requested Terminal Capacities amount;
- 2) he complies with other requirements for the Terminal User, established by the Regulations and legislation;
- 3) he understands and agrees to all provisions of the Regulations, undertakes to obtain the requested Terminal Capacities, in case they are allocated to him, obligates to comply with other terms of the Regulations at any course of action governed by the Regulations.

Applicant:

[Company name]

[address]

[company code]

[VAT payer code]

Tel. No.: [telephone number]

Fax No: [fax number]

E-mail address: [e-mail address]

Bank account: [IBAN]

Bank: [bank name]

Bank code: [bank code]

SWIFT/BIC code: [code]

(Title, name and surname, signature)

(Stamp)

ANNEX Nr. 5

<APPLICANT'S LETTERHEAD>

Request for Preliminary Service Schedule

To:	Stock Company „Klaipėdos nafta“, (hereinafter – the Operator)
From:	[company name] , (hereinafter – the Applicant)

Date/time:	
-------------------	--

In accordance with the terms of Regulations for Use of the Liquefied Natural Gas Terminal, the undersigned Applicant provides to the Operator the requested Service Schedule:

Whole period for Terminal Capacities allocation (from... to...)	
---	--

EXACT [FOUNDATION]/[SEASONAL] TERMINAL CAPACITIES FOR EACH REQUESTED YEAR:

	Quantity delivered to Terminal, LNG m ^{3*}	Number of LNG Carriers for loading, units	LNG regasification capacities, Nm ^{3*}	LNG reloading capacities, LNG m ^{3*}	Number of LNG Carriers for reloading, units
2015					
2016					
2017					
2018					
2019					
<...>					

INFORMATION ABOUT LNG CARRIERS:

[Applicant provides preliminary technical information (height of the deck, manifold's diameter, etc.) on LNG carriers, from which LNG shall be discharged and to which LNG shall be loaded.]

PRELIMINARY MONTHLY SCHEDULES FOR [FOUNDATION]/[SEASONAL] TERMINAL CAPACITIES

(Table to be filled up for each requested year individually)

20__ year	Quantity delivered to the Terminal, LNG m ^{3**}	Number of LNG Carriers for loading, units	LNG regasification capacities, Nm ^{3*}	LNG reloading capacities, LNG m ^{3*}	Number of LNG Carriers for reloading, units
January					
February					
March					
April					
May					
June					
July					
August					
September					
October					
November					
December					

* it is important to take into account, that first Gas Year – it is the period, beginning on the 1st of January and ending on the 1st of October, 2015, and every next year – the period from the 1st of October till the 1st of October next year.

** For the purposes of scheduling the following data shall be used:

- LNG gross heating value - 12,21 kWh/m³;
- LNG expansion rate – 1:580 (m³ LNG / Nm³ NG);
- LNG reference conditions, temperature (combustion/measurement) – 25/0 °C, pressure – 1,01325 bar.

Commercial settlements shall be based on the actual energetic value.

Applicant:

(Title, name and surname, signature)

(Stamp)