

INVITATION

TO PROVIDE LNG TERMINAL CAPACITY ALLOCATION
REQUESTS



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SC "Klaipėdos Nafta" announces the annual Klaipėda liquefied natural gas terminal (hereinafter, the Terminal) capacity allocation procedure, during which prior to the Gas Year¹ 2017 the following Terminal capacities are being allocated:

- 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)- 25/0oC, pressure – 1,01325 bar².

It should be noted that at the moment of announcing the Invitation, a new edition of the Regulations for Use of the Liquefied Natural Gas Terminal³ (hereinafter, the Regulations) has been prepared and provided for public consultation⁴. Upon coming into force of the new edition of the Regulations, for the allocation of capacities, contract conclusion with Terminal Users, preparation of Terminal use schedules and other procedures provided in the Regulations, provisions of the new approved edition of the Regulations will apply.

The total volume of Terminal capacities being allocated for Gas Year 2017 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*, however the requested annual LNG reload capacity cannot exceed the total volume of Terminal capacities being allocated for Gas Year 2017, prioritizing the allocated and (or) requested LNG regasification capacities⁵. 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 2017 is equal to 3.75 bcm.

*An amendment to this rate is introduced in the new edition of the Regulations under public consultation.

- Based on the approved Joint Annual Terminal schedule currently in force for Gas Year 2016⁶, it is forecasted that at the beginning of Gas Year 2017 (beginning of 1st of October, 2016), the LNG volume at the Terminal will be approx. 137,000 m³ of LNG.

Additional information on technical characteristics of the Terminal is provided in section "General Terminal Information" of this Invitation and Annex No. 3 of the Regulations "Operator's technical conditions".

Period of allocated Terminal capacity use shall commence on the 1st of October, 2016. 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.

¹ Gas year- a period starting on the 1st of October and ending on the 1st of October of next 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 Regulation edition currently in force has been approved by the SC "Klaipėdos Nafta" Director's General Order No. BV-113 of 15th June, 2015 and verified by the NCC decision No. O3-358 of 8th June, 2015.

⁴ Regulations for public consultation are published at the legal acts database of Seimas at site: www.lrs.lt.

⁵ 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

⁶http://www.sgd.lt/fileadmin/user_upload/SGD/Terminalo_pajegumai/Seni_duomenys/Eng/Joint_annual_schedule_2016.pdf

1. 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 Klaipėda guarantees a smooth shipping and continuous loading operations throughout the whole year⁷;
- 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;
- The Terminal shall be adjusted to accept 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.

2. 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 of 450 meters long, which is located in the Curonian Lagoon at the Southern part of Port of Klaipėda.

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
Maximum LNG filling level	98 %, at 70kPag
Minimum operational LNG heel level	3,500 m ³ of LNG
Maximum LNG loading rate	9,000 m ³ of LNG / h
Maximum LNG reloading rate	9,000 m ³ of LNG / h*

*An amendment to this rate is introduced in the new edition of the Regulations under public consultation.

Detailed technical information about the Terminal is provided in the Annex No. 3 to the Regulations „Operator's Technical Conditions“ published at the website⁸.

⁷ <http://www.portofklaipeda.lt/the-port-of-klaipeda>

3. 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 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 Terminal⁹;
- 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 Carrier 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 Terminal⁹.
- LNG reloading –loading of LNG quantity set in the Terminal User's schedule into Carriers the size of 5,000 m³- 65,000 m³ within a reloading period of max 48 hours.

The acceptance of 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.

4. 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 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;

⁸ http://www.sgd.lt/uploads/media/Annex_No._3_-_Operators_technical_conditions_01.pdf

⁹ Be advised that in the new edition of the Regulations an additionally suggested virtual cargo storage instrument, which creates the possibility to use Terminal services within the scope of a delivered or planned Cargo up to a period of one calendar year starting from the date of Cargo unloading to the Terminal until complete withdrawal of the quantity equivalent to the Cargo size from the Terminal or from the beginning of use of Terminal Services (in the case when the Terminal User has completely withdrawn the quantity equivalent to the Cargo size from the Terminal or has not delivered a Cargo to the Terminal, but has started using Terminal Services).

¹⁰ <http://www.sgd.lt/index.php?id=732&L=1>

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

- 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;
- 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.

5. SERVICE PRICES OF THE TERMINAL

Prices for the services provided by the Terminal approved by the General Manager of SC “Klaipėdos Nafta”:

- LNG regasification service price for year 2016 equal to 0.10 Eur/MWh (VAT excl.);
- 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 2016 was approved by the Operator with respect to the NCC’s Decision No. O3-700 of 30th December, 2015, which has set the price for this service. In Q4 of year 2016, NCC shall set the price for the LNG regasification service for the upcoming calendar 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.

6. 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 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.

A. 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.

B. 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 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: Baltijos pr. 40, LT-93239, 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.

C. Preliminary Schedule of Request Consideration:

Dates/ terms	Actions
2016-04-25	The beginning of Capacities allocation procedure. Invitation to submit requests for capacities allocation.
2016-05-25	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 and the Inter-use Terminal Contract.

D. 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 Carriers, are stated in the Regulations. The information provided in the Invitation does not change, abolish or otherwise modify the provisions of the Regulations. Upon coming into force of the new edition of the Regulations, provisions of the new approved edition of the Regulations will apply.

E. Contacts

For any questions please contact us by phone: +370 46 391 772, or +370 630 04388 as well as by e-mail: paslaugos@sgd.lt