

GAS INTERCONNECTION POLAND – LITHUANIA (GIPL)

NON-BINDING MARKET SURVEY

Webinar, 25 November 2020



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Description of the investment: The aim of the project is the construction of a compressor station and new cross-border gas pipeline, which will connect the natural gas transmission systems of Poland and Lithuania and integrate the isolated gas markets in the East Baltic region with the European gas market increasing competitiveness, security and diversification of supply.

Member States: Poland, Lithuania

Project Promoters: Amber Grid (LT), GAZ-SYSTEM (PL)

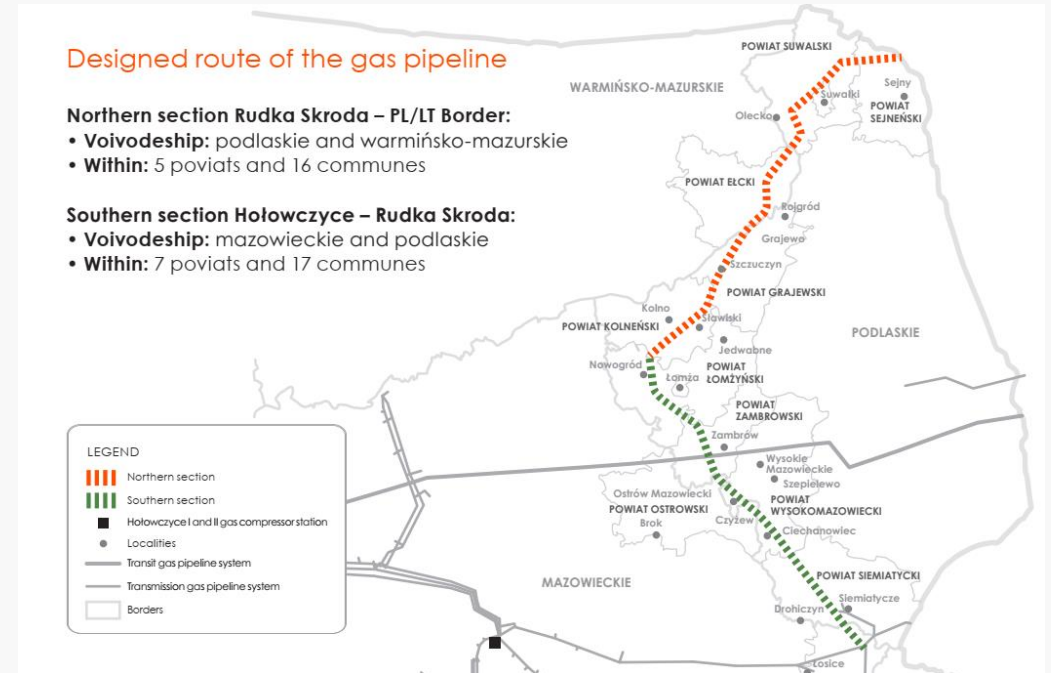
Major components of the project in PL:

- Gas pipeline (DN 700) of approx. 343 km on the PL side and approx. 165 km on the LT side and modernisation of the compressor station in Hołowczyce (PL)
- Compressor station in Gustorzyn (PL)

Capacity: PL->LT: **2.4 bcm/y** and LT-> PL: **1.9 bcm/y**

Status (major achievements):

- Final Investment Decision taken
- Building permits obtained
- Pipes & valves procured
- Contracts for construction works signed for pipeline and CS Gustorzyn
- Construction works are ongoing



Recognized by the EC as a **project of common interest (PCI 8.5)** under the **Baltic Energy Market Interconnection Plan in gas**



Co-financed by the Connecting Europe Facility of the European Union



Amber
Grid



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• GIPL Northern section:

- All Building permissions obtained in September/October 2018
- All contracts for the pipes and valves supply signed in 2019
- Contract with Contractor of construction works signed on 20/03/2020 (3/3 subsection of GIPL Northern section – approx. 47,5 km from Kuków LVS to PL/LT border)
- Contract with Contractor of construction works signed on 9/04/2020 (2/3 subsection of GIPL Northern section – approx. 77 km from Konopki LVS to Kuków LVS)
- Contract with Contractor of construction works signed on 12/05/2020 (1/3 subsection of GIPL Northern section – approx. 61 km from Rudka Skroda to Konopki LVS)

• GIPL Southern section:

- All Building permissions obtained in the period of September/October/November 2019
- All contracts for valves and pipes supply signed in 2019 and 2020
- Contract with Contractor of construction works signed on 31/07/2020 (1/2 subsection of GIPL Southern section – approx. 72,5 km from CS Hołowczyce to Gnaty Soczewka)
- Contract with Contractor of construction works signed on 29/07/2020 (2/2 subsection of GIPL Southern section – approx. 84,7 km from Gnaty Soczewka to Rudka Skroda LVS)

• CS Gustorzyn:

- Building permission obtained on 5/02/2020
- All contracts for Investor's deliveries (compressor sets, valves, etc.) signed
- Contractor of construction works selected (public tender) in October 2020

• Expected commissioning date for pipeline is between February 2022 and May 2022

- The „success fee” formula was introduced into construction contracts in order to motivate contractors to complete work on the construction of GIPL faster, i.e. the contractors are entitled to additional remuneration at the level of up to 3% of contract value for the completion of works up to 3 months before the date specified in the contract. The additional bonus is applicable for each day in relation to the contractual date. In such scenario expected commissioning date is February 2022 (from 19/11/2021 till 28/02/2022 depending on subsection)
- More precise commissioning date will be communicated by Project Promoters around mid-2021, following construction progress expected to be significantly advanced at that time



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GIPL in Lithuania – Update on a current status



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GIPL in Lithuania

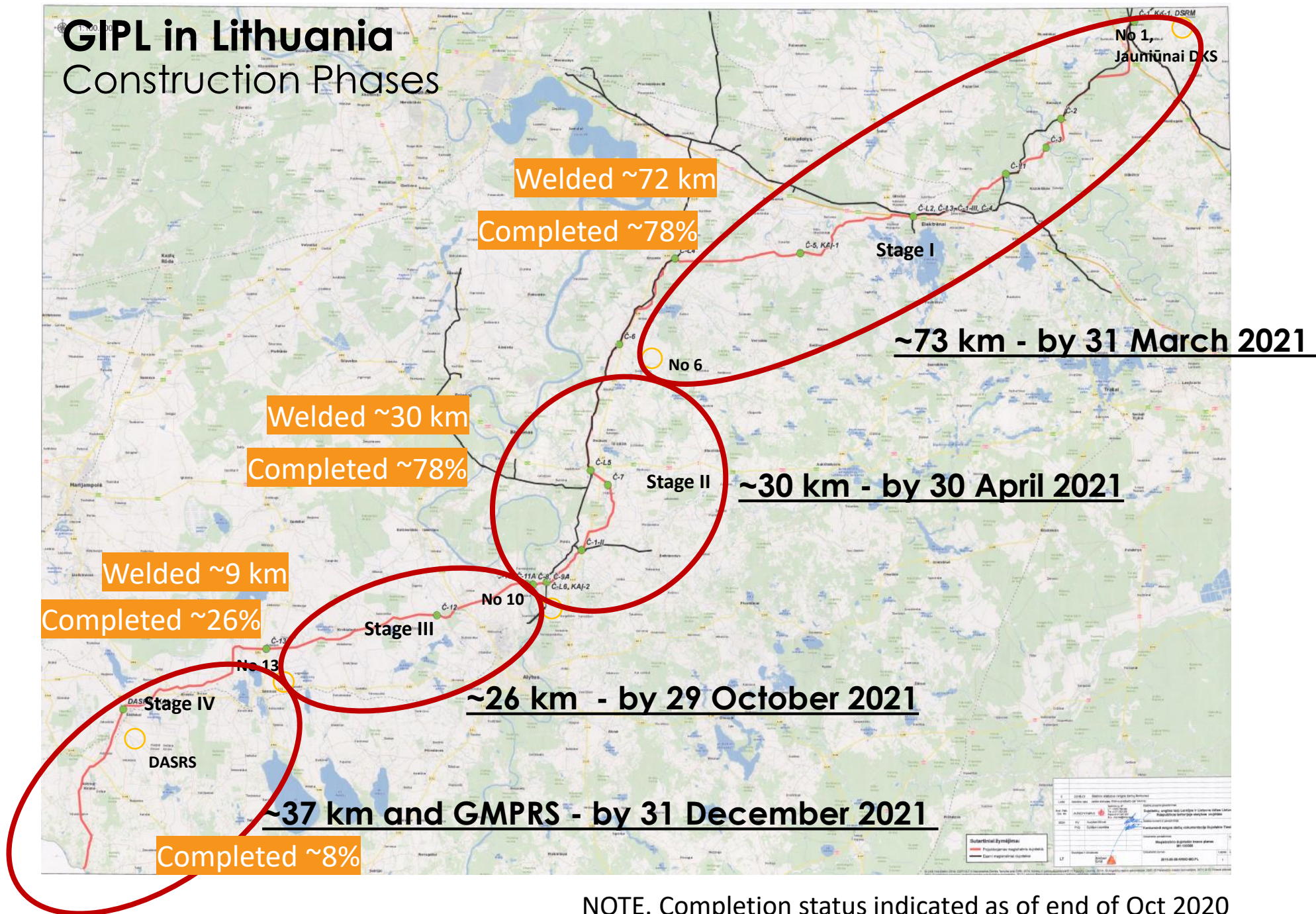
Construction progress

- **Construction works are ongoing according to the time schedule**
- **52 % of construction works were completed at the end of Oct 2020**

Main tasks completed:

- One of most complex works - HDD drillings under Neris (0.5 km) and Nemunas (2 pipelines – 0.75 km each) rivers are successfully completed
- 100% of pipes are delivered to construction sites
- 72 km of the pipeline connected to the gas transmission system and 36 km of pipeline already filled with the gas.

GIPL in Lithuania Construction Phases



NOTE. Completion status indicated as of end of Oct 2020

Pipeline Construction Works are in Progress



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PIPELINE CONSTRUCTION IS CURRENTLY IN PROGRESS...
...SO PREPARATIONS TO COMMERCIAL OPERATION HAVE ALSO STARTED

- ✓ GIPL primarily aims at establishment of **bi-directional gas transmission pipeline linking** natural gas transmission systems of **Poland and Lithuania**, allowing for **eliminating so called energy islands**, i.e. regions being not integrated with EU energy market such as Lithuania, Latvia, Estonia, as well as Finland.
- ✓ Both Project Promoters believe that, in addition to obvious SoS function, implementation of **GIPL will significantly support development of competitive energy market in the Baltic region** and **contribute to the process of regional gas market integration**.
- ✓ **GAZ-SYSTEM and Amber Grid in April 2020 contracted AFRY to conduct Business Study** into future operation of GIPL project in order to formulate recommendations **on possible actions for non-standard design of access to GIPL interconnection point and transmission infrastructure**, for further regional market development, etc., which would allow for the **optimal commercial utilization and maximize socio-economic welfare of GIPL project**. Study finalized in August 2020.
- ✓ Study was focused on the ways to enhance commercial value of GIPL and to provide additional economical value for the regional gas market. Lessons from developed markets, legal and market environment were taken into account. Gas market modelling was basis to investigate benefits.
- ✓ On 4 November 2020 GAZ-SYSTEM and Amber Grid launched **non-binding market survey/consultations** for market participants and other stakeholders, which are expected to **contribute to better understanding of key drivers for designing optimal conditions for access to GIPL entry/exit point based on the Study recommendations**.
- ✓ **Entities interested in participation in the Market Survey procedure are kindly requested to submit Questionnaires until 7 December 2020 to following e-mail addresses: badanierynku@gaz-system.pl and consultation@ambergrid.lt.**



GIPL ACCESS CONDITIONS

2022 – STANDARD ONES, FROM 2023 – DEPENDS ON MARKET SURVEY RESULTS

- ✓ For GIPL Interconnection Point (Santaka IP) starting its operation in 2022 **the standard access conditions** are planned to be applied in line with requirements of the EU and national legislation.
- ✓ **Capacity allocation** rules:
 - ✓ bundled capacity products shall be allocated – i.e. the exit capacity from PL or LT shall be bundled in one product with entry capacity to LT or PL;
 - ✓ capacity products timeframes will be identical to the ones applied in the other EU interconnection points: annual, quarterly, monthly, daily, within-day;
 - ✓ both firm and interruptible capacity will be available;
 - ✓ capacity will be booked and allocated via auctioning platform GCA (gsaplatform.eu), the one, which is used for the other interconnection points in PL.
- ✓ **Tariffs** for GIPL IP (Santaka IP):
 - ✓ shall be set using price reference methodologies in PL and LT;
 - ✓ no discounts are planned to be applied.
- ✓ Gas transported **quantity** shall be **allocated based on nominations**. The same basic principles will be applied as with other IPs with EU Member States.
- ✓ In LT **Amber Grid Rules** for the Access to the Transmission System **will be amended in 2021** in order to introduce the above mentioned principles for the access to Santaka IP. On the detailed provisions of the rules, **public consultation of the rules amendments will be organized in 1H of 2021**.
- ✓ The current Market Survey results will be critical to what GIPL access conditions will be from 2023 onwards, and whether any additional capacity booking and tariffication solutions will be applied. Therefore **please be active in filling the responses!**



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WEBINAR - DISCUSSION



TERMS AND CONDITIONS
FOR THE NON-BINDING MARKET SURVEY PROCEDURE
FOR NEW TRANSMISSION CAPACITY IN GIPL

Warsaw/Vilnius
November 2020

TIME FOR QUESTIONS & ANSWERS



THANK YOU FOR YOUR ATTENTION

