

FINANCING

Business Case Analysis and Feasibility Study of the Gas Interconnection Poland – Lithuania (GIPL) project is co-financed by the EC according to the EC Trans-European Energy Networks Programme (TEN-E).

In June 2011, the EC adopted an individual decision regarding the granting of the EU financial assistance to the Business Case Analysis and Feasibility Study of the GIPL project according to the TEN-E program.

The financial assistance granted by the EC covers 50% of the Business Case Analysis and Feasibility Study preparation-related expenses. The remaining share is to be financed in equal parts by AB Lietuvos Dujos and GAZ-SYSTEM S.A.



AB LIETUVOS DUJOS

AB Lietuvos Dujos core activities are importing and selling natural gas to customers, providing transmission and distribution services, and developing a well-balanced infrastructure to deliver natural gas. In all, AB Lietuvos Dujos operates 1.9 thousand km of gas transmission and 8.1 thousand km of gas distribution pipelines, 65 gas M&R stations, 3 gas metering stations and 2 gas compressor stations. The Company supplies approx. 40% of the total gas volumes consumed in Lithuania. AB Lietuvos Dujos is also engaged in natural gas transit to the Kaliningrad Region of the Russian Federation. The average staff size of the Company is 1.7 thousand; the number of its customers exceeds 550 thousand. In the last decade AB Lietuvos Dujos invested more than LTL 1 billion in Lithuanian gas infrastructure.

The Company's shareholders are: E.ON Ruhrgas International GmbH (Germany) – a stake of 38.9%, OAO Gazprom (Russia) – 37.1%, the State (the Republic of Lithuania) – 17.7% and other small shareholders – 6.3% of Company shares.

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GAZ-SYSTEM S.A.

The Gas Transmission Operator GAZ-SYSTEM S.A. is a strategic company for the Polish economy and the energy security of Poland. The company's key task is to transport natural gas throughout Poland via the transmission system as well as to develop the gas pipeline network.

The Company manages assets worth approx. 5 bn PLN comprising mainly elements of the transmission system, e.g. more than 9,700 km of high pressure gas pipelines, 15 compressor stations, 56 hubs and 970 exit points.

The Company employs over 2,000 people. GAZ-SYSTEM S.A. is also the owner of Polskie LNG S.A., a company established to construct the liquefied natural gas terminal (LNG) in Świnoujście.

By 2014 GAZ-SYSTEM S.A. will built over 1,000 km of new gas transmission pipelines and develop interconnections.

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Co-financed by the European Union
Trans-European Energy Networks Programme

GAS INTERCONNECTION POLAND – LITHUANIA (GIPL) RESULTS OF BUSINESS CASE ANALYSIS



PRELIMINARY CHARACTERISTICS OF THE GIPL

Capacity

Stage I – 2.3 bcm/y (6.2 mcm/d)
Stage II – 4.5 bcm/y (12.2 mcm/d)

Investments

Stage I – 471 mEUR (73% in Poland, 27% in Lithuania)
Stage II – 66 mEUR

Interconnection route

Recommended pipeline route is from Rembelszczyna gas compressor station near Warsaw (Poland) to Jauniunai gas compressor station near Vilnius (Lithuania).

GIPL technical parameters

Diameter: 700 mm;
Length: 562 km (351 km in Poland and 211 km in Lithuania);

Maximum operating pressure:
8.4 MPa (Poland),
5.4 MPa (Lithuania).

GIPL will involve construction of pipeline; construction or enhancement of compressor stations, metering station and pressure reduction point.

Milestones

- **02/2010** First gas companies' meeting in order to discuss common intentions regarding the GIPL project realization possibilities.
- **04/2010** Gas companies submitted to the EC a joint application for co-financing of the Business Case Analysis (BCA) and Feasibility Study of the GIPL project according to the EC TEN-E program.
- **07/2010** Gas companies signed a document specifying the principles of cooperation between the gas companies in conducting analytical works of the project.
- **12/2010** EC adopted the final decision on the financing of the BCA and Feasibility Study of the GIPL project.
- **01/2011** Tender for the procurement of the BCA was announced.
- **04/2011** Trilateral agreement on the BCA performance was signed between gas companies and a contractor.
- **06/2011** EC adopted an individual decision regarding the granting of the EU financial assistance to the GIPL BCA and Feasibility Study.
- **11/2011** Final results of the BCA were presented to the EC.
- **12/2011–01/2012** Boards of the gas companies took a decision on the second stage of the Study – preparation of the Feasibility Study of the GIPL Project.
- **2012–2013** Further decisions depending on the results of the Feasibility Study of the GIPL Project.

Objectives of the Gas Interconnection Poland – Lithuania

- To diversify gas supply sources and routes,
- To secure safe and reliable gas supply,
- To integrate gas systems of the Baltic States into the western European gas system,
- To provide the access for the Baltic States to the global LNG market,
- To increase the competition in regional gas market.

