



Information Leaflet

Adriatic LNG is pleased to announce the coming launch of its **Open Season 2022** for allocating available LNG regasification capacity through the end 2047.

The **Open Season 2022** is expected to be made of a non-binding qualification phase (“Phase 1”) in June 2022 and a binding bidding and allocation phase (“Phase 2”) in July 2022.

Please find below a Regulatory overview, the Available capacity and summary of the main rules substantially similar to the rules of the Open Season 2021.

1. Regulatory Overview

Market regulation:

Under the regulated third-party access (“RTPA”) requirements of Italy and the EU, Adriatic LNG is required to offer its RTPA LNG regasification capacity to the open market through a periodical subscription process, following the rules established by Energy Market Authority (“ARERA”) and Italy’s Ministry of Ecological Transition. These rules require an annual process and an intra-annual process¹.

The LNG regasification terminal operated by Adriatic LNG has a maximum nominal yearly capacity of 9 BCM/year, the total RTPA LNG regasification capacity is equal to 28.8% of this nominal capacity. Some of the RTPA LNG regasification capacity from Year 2023 onward has already been allocated in the Open Season 2021.

¹ In case capacity is available, the intra-annual process occurs once per week, must be administered through an auction process, and must award the remaining intra-annual available capacity not to be allocated under the Open Season 2022. An intra-annual process is currently underway, as described in more detail at www.adriaticlng.it/en/market-area/services/regasification. Any available capacity remaining after the Open Season 2022 will be allocated in the intra-annual process.

Under the ARERA tariff regulations, Adriatic LNG is not guaranteed revenues for the RTPA capacity. As such, Adriatic LNG faces the risk each year that part or all of the RTPA capacity will not be subscribed, and that the outcome of the auction will result in a lower price than expected. Therefore, the short and long-term RTPA business of Adriatic LNG are fully exposed to market risk.

Adriatic LNG is required to perform all Open Seasons in accordance with ARERA regulations. The terms of the upcoming [Open Season 2022](#), including the term set forth in this [Open Season 2022](#) information leaflet, are in accordance with ARERA regulations.

Adriatic LNG’s Regasification Code, summarized below, constitutes the conditions of use which regulate all regasification capacity. Importantly, the Regasification Code includes enhanced “use-it-or-lose-it” terms that apply to exempted and regulated capacity, to ensure that any regasification capacity that a user will not use will be available to the market.

Adriatic LNG’s Regasification Code was amended and cleared by ARERA on August 3rd 2021 and includes the following key terms:

- auction of all available capacity;
- 25 years maximum duration contract (from the date the auction is closed); and
- premium in the allocation ranking for:
 - greatest volume requested;
 - longest duration requested;
 - greatest continuity in capacity use, i.e., premium for single user vs multiple users; and
 - availability to invest in additional capacity to be built, if offered.

Please note that bidders who own at the time of the bid no more than 25% of the natural gas import capacity (LNG regasification and gas pipeline) in Italy will have a higher ranking in the event of matching bids.

2. Available Capacity:

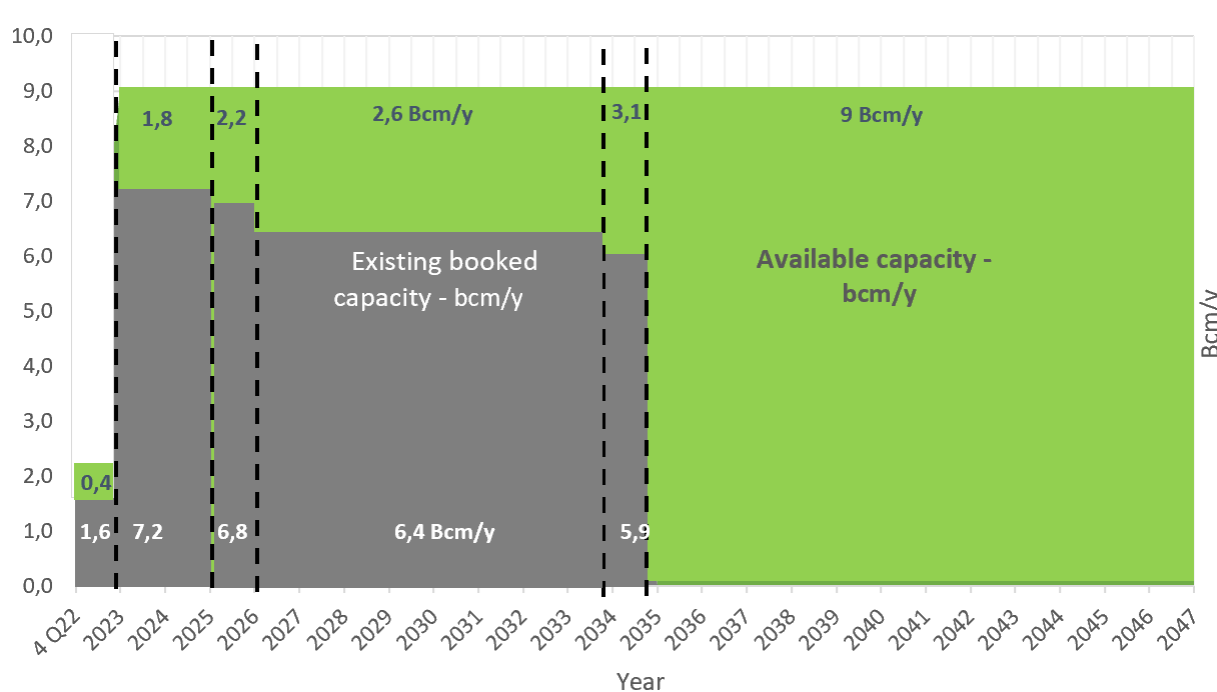
The Available Capacity in the [Open Season 2022](#) is:

Period:	Overall Capacity Available
4Q2022	0,40 Bcm/y
Year 2023	1,83 Bcm/y
Year 2024	1,83 Bcm/y
Year 2025	2,19 Bcm/y

As from year 2026 - Up to year 2033	2,60 Bcm/y
Year 2034	3,13 Bcm/y
As from year 2035 – Up to year 2047	9,00 Bcm/y

Together with the notice opening the non-binding qualification phase, Adriatic LNG will provide detailed information on Available Capacity in each quarter of Years 2023, 2024 and 2025.

Graphical representation of the Capacity Available:



Delivery quantities, deviation in excess²:

To maximize the utilization of the Available Capacity after allocation, deviations in excess of the volume of LNG subscribed may be allowed from time to time by Adriatic LNG to Continuous Users under transparent and non-discriminatory conditions ³.

LNG quality:

³Similarly to the provisions for Spot Users (ref. Chap. III art. 8.12.1 letter b) of the Regasification Code), as offered for Infra-Annual capacity allocation. For infra-Annual allocation delivery flexibility in thermal year 2021-2022, please refer to Adriatic LNG publication September 19th, 2021 (<https://www.adriaticlng.it/en/market-area/services/regasification/>).

It is reminded that LNG quality is defined in Annex (i) of the Regasification Code. For the sake of clarity *rich* LNG can be accepted only through blending in tank in exceptional conditions of certain quantity and quality of lean LNG already in tank and confirmed delivery of lean LNG.

See below the investment, if any, in *Wobbe* correction equipment upon request of interested operators.

3. Bids - Bidding unit – Reserve Price.

The Available Capacity is described in article 2 above in billion cubic meters per year (bcm/y) of natural gas send-out capacity at the Terminal. Bids, however, **shall be priced in Euros per cubic meter of LNG (€/mcl)** unloading capacity. Natural gas send-out capacity shall be converted to LNG unloading capacity by dividing the natural gas send-out capacity by **611**. Bids shall not be priced on a per MMBtu or MWh basis.

For each auction session, qualified Applicants may submit up to a maximum of ten (10) binding, unconditional bid(s), each in the form of the Access Request set forth in annex (a) of Adriatic LNG's Regasification Code⁴ (including its price appendix). The Appendix is in Italian and shall be submitted in Italian language⁵.

Adriatic LNG will review the bids submitted by each Applicant to confirm whether they comply with the Regasification Code and the implementing rules. If a bid complies with the Regasification Code, Adriatic LNG will determine whether any Capacities Available are to be allocated to such Applicant pursuant to the allocation methodology set forth in the Regasification Code as implemented in the Implementing Auction Rules for Annual Capacity Allocation.

Reserve price:

Adriatic LNG will deposit the minimum acceptable price(s), in Euros per cubic meter of LNG unloading capacity and equivalent of Net Present Value for the available capacity (the "Reserve Price") with a public notary. Discount(s) vs maximum regulated tariff approved by ARERA, in case, will be applied to Reserve Price(s) mainly in function of regasification volumes, duration of the contract and starting date of the service. The Reserve Prices will not be disclosed.

Indicative non-binding *opening bids*⁶ will be provided to qualified Applicants only before each auction session.

Flexible bids:

Qualified bidders may bid on any portion of the Available Capacity.

⁴ The Access Request shall be delivered together with the Annex price of the Access Request, whose form will be provided by Adriatic LNG with the opening of the non-binding phase (Word version)

⁵ Word version will be available.

⁶ Opening bids are indicative only (i.e. not binding) price references below the reserve price delivered to the public notary.

Since it is a long-term LNG regasification capacity allocation⁷, bids for Available Capacity spread on at least two successive calendar years will be preferred⁸.

Bids may include any of the following pricing mechanisms:

- a single fixed price, applicable for the full duration of the Access Request; or
- multiple fixed prices, each applicable for a specific portion of the full duration of the Access Request (e.g., a given calendar quarter or a given year).

4. Bid Valuation - Total contract value

An Applicant shall include in its Access Request a calculation of the total contract value, calculated as a Net Present Value in accordance with “Implementing Auction Rules for Annual Capacity allocation” as defined in the Regasification Code.

An example of how to calculate the Net Present Value with conventional references regarding inflation and discount rate will be provided as an Appendix of the Implementing Auction Rules for Annual Capacity allocation.

5. Allocation Methodology

Adriatic LNG will allocate the Available Capacity to qualified Applicants that submit Access Requests complying with the requirements of the Regasification Code and implementing rules, according to the following two steps.

- First, Adriatic LNG will compare the Net Present Value of each Access Request to the Reserve Price applicable to the relevant Session. If the Net Present Value of an Access Request is less than the Reserve Price, the Access Request shall be disqualified.
- Second, Adriatic LNG will allocate all or a portion of the Available Capacity to the qualified Access Requests based on their Net Present Values, according to the principles in clauses II.2.4.2(a)(v) to (xii) of the Regasification Code.

6. Number of sessions:

If, after the conclusion of the first session, Adriatic LNG determines that Available Capacity is still available to be allocated, Adriatic LNG may carry out additional sessions of bidding.

Provisionary schedule:

Session 1 is scheduled on July 15th, 2022, and session 2, if any, is scheduled on July 21st, 2022.

⁷ It is reminded that for request of capacity for a duration < 1 year there's the intra annual allocation process.

⁸ The fourth quarter 2022 is deemed to be a calendar year for the purpose of the [Open Season 2022](#).

Access Request shall be delivered in hard copy to a notary in Milan (Italy)⁹.

7. Gas Network Entry Provisions

Each qualified Applicant who enters into a capacity agreement will also be subject to the Gas Network Entry Provisions of Italy's natural gas national grid, available at <https://www.snam.it/en/transportation/>.

8. Maritime services

Through contractors, Adriatic LNG offers maritime services. More details are available at: <https://www.adriaticlng.it/en/market-area/services/maritime-services>.

Applicants are invited to calculate estimated regasification, maritime and national grid costs through the end of calendar year 2022, using Adriatic LNG's online tariff calculator¹⁰, available at: <https://www.adriaticlng.it/en/market-area/tariff-calculator>.

9. Documentation

a. Regasification Code

Adriatic LNG's Regasification Code, available in English on Adriatic LNG's website¹¹, regulates access to service and the allocation of regasification capacity at the Terminal and applies to all Terminal users. The key provisions of the Regasification Code are summarized as follows.

Chapter I – General Principles

This chapter addresses definitions, interpretation rules, and resolution of disputes.

Chapter II – Terminal Specifications, Access Procedures and Scheduling

This chapter includes the following key provisions:

- Terminal and LNG carrier specifications (clause II.1).
- Subscription of Terminal capacity, including entering into capacity agreements and satisfaction of access conditions (clause II.2.4).
- Access denial (clause II.2.5).
- Scheduling of unloading slots (clause II.3).

Chapter III – General Terms and Conditions for Provision of the Service

This chapter includes the following key provisions:

- Scope of capacity agreements and obligations of the parties (clause III.2).
- Title to LNG and regasified LNG (clause III.4).

⁹ No electronic version, irrespective of the digital or electronic tool or source utilized, will be accepted.

¹⁰ Costs published on the tariff calculator are subject to change without further notice. Adriatic LNG is not liable for use of the tariff calculator or reliance on costs published on the tariff calculator.

¹¹ https://www.adriaticlng.it/wps/wcm/connect/3aa1982a-22b6-4123-8671-ed1152f30ac4/Cdr+en+versione+n12.pdf?MOD=AJPERES&CONVERT_TO=url&CACHEID=ROOTWORKSPACE-3aa1982a-22b6-4123-8671-ed1152f30ac4-nJA4zMR

- Determination of quantity and quality of LNG, including off-spec LNG (clause III.5).
- Determination of quantity, quality and pressure of regasified LNG, including off-spec regasified LNG (clause III.6).
- Force majeure (clause III.7).
- Invoicing and payments; capacity make-up (clause III.8).
- Taxes and duties on gas (clause III.9).
- Credit support (clause III.10).
- Exchanges and transfers of subscribed capacity (clause III.12).
- Termination of capacity agreement (clause III.13).
- Limitation of liability and termination payments (clause III.14).
- Confidentiality (clause III.18).

Chapter IV – Access to the LNG Tankers at the Terminal

This chapter addresses LNG tanker vetting, modifications, arrival, berthing, and unloading.

Chapter V – Management of Service Emergencies

This chapter sets forth emergency operating procedures.

Chapter VI – Amendment to the Regasification Code

This chapter explains how the Regasification Code can be amended.

Chapter VII – Quality of the Service and Annex

This chapter explains the policies of Adriatic LNG to achieve high quality of service.

Key Annexes

- Annex (a): Form of Access Request and Forms of Capacity Agreements.
- Annexes (b) and (c): Credit Support Forms.
- Annex (h): Gas Quantity and Quality.
- Annex (i): LNG Quantity and Quality.

b. Implementing Auction Rules for Annual Capacity Allocation

Adriatic LNG will publish the *Implementing Auction Rules for Annual Capacity Allocation* substantially similar to the Open Season 2021 together with the notice opening the non-binding qualification phase, referred to as “Phase 1”.

As for Open Season 2021 and Intra annual Available Capacity allocation, a *bid bond* of 250.000 € will be required to partake [Open Season 2022](#).

c. Capacity Agreement

Each qualified Applicant who is allocated capacity pursuant to the [Open Season 2022](#) shall be required to enter into a capacity agreement in accordance with clause II.2.4 of the Regasification Code, **in the form set forth in annex (a) of the Regasification Code.**

10. Reporting:

Adriatic LNG will report the results of the Investment in WCS, in case, will not be decided by the time the Capacity Available is allocated under the [Open Season 2022](#) process to ARERA.

11. Market test regarding investments in regasification capacity increase and/or *Wobbe* index Correction equipment installation.

11.1 - Regasification capacity increase:

Adriatic LNG would like to test the interest of the market operators in Regasification capacity *to be built* up to 0.5 BCM/year (“TBB Capacity”), it being understood that such TBB Capacity would require capital investments, permitting and building activities. Market operators are invited to share their views on costs and timing of development of the TBB Capacity.

The non-binding discussions with market operators will allow Adriatic LNG to pre-determine, based on economic test, if a TBB Capacity investment suits to market needs and Adriatic LNG financial requirements. TBB Capacity is developed only in case all available capacity is allocated. Any investment in TBB Capacity, in case, will not be decided by the time the Available Capacity is allocated under the [Open Season 2022](#).

Market operators wishing to register for this TBB Capacity project are invited to complete and sign the [Confidentiality Agreement](#) , and send a digital copy to alng_mercato@adriaticlng.it

The registration is non-binding for both parties except for the confidentiality obligations.

11.2 - *Wobbe* index correction service:

Adriatic LNG would like to test the interest of the market operators in the development of *Wobbe* index correction service (“WCS”). It being understood that such WCS would require capital investments, permitting and building activities. Market operators are invited to share their views on costs and timing of development of the WCS.

The non-binding discussions with market operators will allow Adriatic LNG to pre-determine, based on economic test, if a WCS investment suits to market needs and Adriatic LNG financial requirements. Any investment in WCS, in case, will not be decided by the time the Available Capacity is allocated under the [Open Season 2022](#).

Operators wishing to register for this WCS project are invited to complete and sign the [Confidentiality Agreement](#), and send a digital copy to alng_mercato@adriaticlng.it

The registration is non-binding for both parties except for the confidentiality obligations.

Thank you for Your attention.

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Disclaimer

Participants [Open Season 2022](#) are reminded of the sensitive nature of the open season and that the existence and contents of subsequent discussions and communications will be confidential and should not be disclosed to third parties without Adriatic LNG's express written consent. Adriatic LNG reserves the right, at its sole discretion and at any time, to modify, suspend or cancel the open season. Adriatic LNG shall not bear any liability whatsoever as a result of any modification, suspension, cancellation or termination of the [Open Season 2022](#), the rejection of any bid or the acceptance of another bid. Nothing in this open season information leaflet or in any communication related to this leaflet shall be deemed to be a contract, agreement or commitment of any kind (including a commitment to enter into a contract). Any binding contractual obligation will only result from Adriatic LNG entering into definitive legal documentation and shall be subject to the terms and conditions set forth therein. Any opinions expressed by Adriatic LNG are expressed in good faith and while care has been taken in preparing this leaflet, Adriatic LNG makes no representations and gives no warranties of whatever nature in respect of this leaflet, including but not limited to the accuracy or completeness of any information, facts and/or opinions contained herein. Without prejudice to Adriatic LNG's obligations to comply with unbundling market regulations of the EU, Adriatic LNG, its affiliates and owners and their respective officers, directors, employees and agents shall not be held liable for the use of or reliance upon the opinions, estimates, forecasts and findings in this leaflet. Each participant in this open season is required, as part of the process, to evaluate fully all of the information set forth herein and to reach its own independent conclusions of the accuracy and completeness of such information. Each participant shall bear all costs of its own evaluation (including but not limited to the fees and expenses of any of its external professional advisers) whether or not its bid is accepted or rejected for any reason whatsoever.