



May 2023

**Public consultation on the allocation of long-term Incremental Capacity
subject to conditions**

1. Introduction

As per article II.2.4.2.a) of the Regassification Code¹ of Adriatic LNG verified by ARERA by way of resolution No. 355/2021/R/GAS, Adriatic LNG (also, "Operating Company") offers on a yearly basis the Available Capacity for the following Thermal Years through a competitive "pay as bid" auctions ("Annual Subscription Process").

Following the Annual Subscription Processes carried out in Years 2021 and 2022, so called *Open Seasons*, Adriatic LNG has allocated all the existing Available Capacity until December 2028.

Therefore, considering **(i)** the geopolitical events that have deeply influenced the European strategies related to gas market, underlining the necessity of diversification and security of supplies², and **(ii)** the outcomes of the recent allocation procedures for the regassification capacity available at other Italian and European regassification terminals, showing potential interest from market operators for regassification capacity available before year 2029, through the *Open Season 2023* Adriatic LNG intends to allocate on non-discriminatory basis on criteria set

¹ Capitalised terms herein shall have the meaning ascribed to them in the Regassification unless otherwise defined.

² REPowerEU Plan: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2022%3A230%3AFIN&qid=1653033742483>

at the beginning of the binding phase and consistently with what was conducted during the previous Open Season 2021 and Open Season 2022:

- a) the Available Capacity from 2029 onward
- b) Incremental Capacity to be built, subject to financial and technical conditions and the necessary permits pursuant to the Regulations³ as per article II.2.4.2.a.ii of the Regassification Code.

The offered capacity is “Third Party Access” regulated capacity.

2. Aim of this consultation

The purpose of this document is to consult the stakeholders of the Natural Gas market, and in particular the Liquefied Natural Gas market, on a limited amendment to the article 9 of the *Non-Foundation Capacity Agreement* – Part IV, Annex (a) of the Regasification Code to regulate specific Condition Subsequent and termination provisions applicable to the Incremental Capacity in the event that, after the conclusion of the *Open Season 2023* and the allocation of Incremental Capacity, Adriatic LNG decides not to implement the Incremental Capacity, also taking into account the financial and technical conditions of the intervention for its implementation.

This consultation refers to the amendment number 13 related to *Non-Foundation Capacity Agreement* is [see <https://www.adriaticlng.it/en/market-area/regasification/updates/>].

3. Structure of the document

This document begins with the description of the offshore regassification terminal operated by Adriatic LNG (“Terminal”) and main operative results; information on the current capacity and a **description of the Incremental Capacity to be built** are provided in Section 4, followed by the elements subject to consultation described in Sections 5 and 6.

4. Existing LNG regasification asset brief description

4.1 – Terminal scope

- From a technical standpoint, the Terminal includes: a gravity-based structure (“GBS”) that hosts two LNG tanks, with a capacity of 125,000 cubic meters each. Inside the tanks, the LNG is stored at atmospheric pressure and at a temperature of -162° C to keep it in a liquid state;

³ “Together with the publication of the Available Capacity pursuant to point (i) of this article, the Operating Company may, but is not obliged to, publish an investment proposal to increase the Available Capacity subject to financial conditions and the necessary permits pursuant to the Regulations (“Incremental Capacity”). The Incremental Capacity once available becomes Regulated Capacity”.

- A regasification plant, installed at the top of the GBS, which contains: 4 open rack LNG vaporizers, which use the heat naturally found in seawater; 1 heat recovery LNG vaporizer, which reuses the heat from the gas turbines; 2 cryogenic compressors; 4 pumps for transferring LNG from the tanks; 5 pumps to send the LNG into the vaporizers, and from there into the pipeline; utility systems, such as units for generating electricity with gas turbines; mooring and LNG unloading facilities; living quarters; and a heliport.
- The Terminal is connected to the Italian national grid through a 40-kilometer-offshore pipeline from the Terminal to the metering station near Cavarzere (Venice), and an 85-kilometer pipeline from Cavarzere to the national distribution network near Minerbio (Bologna).

4.2 – Operational results

The Company started to offer commercial service in November 2009. To date, the following operational results have been achieved *inter alia*:

- more than 1000 LNG cargoes discharged.
- more than 100 vessels were approved as technically compatible and suitable for berthing and discharge.
- more than 85 billion cubic meters (“bcm”) of gas delivered into the national grid up to now.

Adriatic LNG operates the only LNG terminal in Italy capable to berth the largest choice of LNG carriers: from 65.000 m³ to 217.000m³ LNG.

For additional technical, operational and commercial details about Adriatic LNG and the Terminal please visit <https://www.adriaticlng.it/en/the-terminal/the-plant>

4.3 - Terminal Capacity

a) Existing regasification capacity

The Terminal has a current authorized regasification capacity of 9 billion cubic meters of natural gas per year (“bcm/y”), fully allocated until December 2028. Adriatic LNG will offer through Open Season 2023 Available Capacity from 2029 to 2048.

b) Incremental Capacity to be built subject to conditions

The proposed Incremental Capacity subject to financial and technical conditions and the necessary permits pursuant to the Regulations, consists in a further addition of regasification capacity of 0.5 billion cubic meters of natural gas per year for a maximum period of 20 years and with expected start-up of the service by the first quarter of year 2026 at the latest, with the possibility to bring forward the starting date to the fourth quarter of year 2025, subject to further assessment.

Technical feasibility study of the development of the Incremental Capacity leveraging on the existing facility, has already been carried out by Adriatic LNG and internationally renowned technical consultants. The works for Incremental Capacity would be scheduled taking into account the planned maintenance activities.

In case of allocation of Incremental Capacity, after the conclusion of the *Open Season 2023* Adriatic LNG will decide whether to implement the Incremental Capacity or not, also considering the financial and technical conditions of the intervention.

Adriatic LNG will take this decision by end of August 2023 and, in any case, within 2 (two) months from the conclusion of the relevant Non-Foundation Capacity Agreement(s) related to the Incremental Capacity.

Should Adriatic LNG take the decision to implement the Incremental Capacity:

- construction and operational activities will be subject to the prior issuance or update of permits, authorizations or favorable opinions by Public Authorities as required by law, as the case may be;
- the User to which Incremental Capacity will be allocated, will be asked to choose the first month of delivery in a window of 6 months notified by Adriatic LNG as per article 2.2. of the Non-Foundation Capacity Agreement attached to the Regasification Code as verified by ARERA with resolution 355/2021.

Should Adriatic LNG take the decision **not to implement** the Incremental Capacity, such decision will be notified in writing by the Operating Company to the allocated User and as article 9 of the Non-Foundation Capacity Agreement (matter to this consultation):

- with reference to the Incremental Capacity only, the Capacity Agreement(s) shall terminate pursuant to article 1353 of the Italian Civil Code with retroactive effect;
- the related Access Request(s) submitted by the User(s), with reference to the Incremental Capacity only, and the subsequent allocation of the Incremental Capacity in its/their favor as a result of the *Open Season 2023* shall no longer have any effect;
- the User(s) shall not be entitled to make any claim against the Operating Company in relation to the ineffectiveness of the related Access Requests, in relation to Incremental Capacity only, the allocation of Incremental Capacity and, with reference to the Incremental Capacity only, to the termination of the Capacity Agreement(s)

5. Element subject to consultation: Condition Subsequent to the Incremental Capacity

Interested parties are invited to express their opinion on the insertion under article 9 of the Non-Foundation Capacity Agreement of condition subsequent applicable to the Incremental

Capacity only as reported in the form of the Non-Foundation Capacity Agreement referred to in Part IV of Annex (a) of the attached Regasification Code.

Following the conclusion of the consultation process and verification by ARERA, Adriatic LNG will launch the Open Season 2023 to offer Incremental capacity subject to condition and the Available Capacity at the Adriatic LNG terminal starting from 2029.

Therefore, the start date of the Open Season 2023 as per article 2.4.2 a) of Chapter II, will be adjusted accordingly and will be published by Adriatic LNG on the Electronic Communication System.

6. Invitation to comment

We would like to invite all interested parties to submit any comments they may have on this document by email at the following address: alng_mercato@adriaticlng.it

In consideration of (i) the limited modification proposed to the Non-Foundation Capacity Agreement, functional to introducing the aforementioned provisions in relation to the Incremental Capacity and also taking into account (ii) the timeframe within which, in any case, the Company must decide whether or not to build the Incremental Capacity, the duration of the public consultation process has been set of 15 days.

The deadline to provide comments is 8th June 2023 at 5.00 PM (Milan Time).

Please clarify if your response shall be treated confidential, the absence of any provision regarding the confidentiality of your response is deemed to be a consent to Adriatic LNG to make it public.

Disclaimer

This document has been prepared by Adriatic LNG in the process of elaboration of the next regasification service allocation process and products, solely for consultation purposes. Numbers and parameters contained in this document are indicative best estimates subject to possible changes or corrections. Under no circumstances shall any person, company, corporate body or other entity be entitled to assert any right, claim or other entitlement against Adriatic LNG (or either its directors, managing directors or employees) as a result, or on the basis of this document.