



Information Leaflet

1 Introduction

1.1 Open Season coming launch

Terminale GNL Adriatico (“Adriatic LNG”) is pleased to confirm the coming launch of its open season for allocating available LNG regasification capacity and capacity ‘to be built’ through the end 2046.

The open season is expected to be made of a non-binding qualification phase (“Phase 1”) in September-November 2021 and a binding bidding and allocation phase (“Phase 2”) in December 2021.

This leaflet, which is non-binding, provides information on the following:

- the Adriatic LNG terminal;
- the LNG regasification capacity, and products being offered for bidding;
- the relevant documentation to be provided;
- the bidding process;
- the bid valuation and allocation; and
- the timeline.

1.2 Adriatic LNG Terminal

The Adriatic LNG terminal (“Terminal”) is an offshore LNG regasification terminal located approximately 17 kilometers offshore of Veneto region, Italy, in the Adriatic Sea. The Terminal has taken delivery of over 800 LNG cargoes since it began commercial service in November 2009.

Adriatic LNG is instrumental in supplying over 10% of the natural gas consumed in Italy, the second natural gas market in the European Union. The Terminal is a first of its kind gravity-based

structure. It has two LNG tanks, each with a capacity of 125,000 cubic meters. The Terminal includes a regasification plant with four open-rack LNG vaporizers, one heat recovery LNG vaporizer, two cryogenic compressors, four in-tank pumps to pump LNG from the tanks, and five pumps to pump LNG into the vaporizers. The Terminal also includes mooring and LNG unloading facilities, utility systems, living quarters and a heliport. The Terminal is authorized to accept LNG carriers from 65,000 m³ LNG to 217,000 m³ LNG.

The Terminal is connected to Italy's natural gas national grid by a 40-kilometer offshore pipeline extending from the Terminal to a metering station near Cavarzere, Italy, and a 85-kilometer pipeline extending from Cavarzere to an interconnection with the national grid near Minerbio, Italy.

2 Offered Capacity and Products

Below is a summary of the offered capacity and products, which will be formally made available and confirmed with the forthcoming public notice opening the non-binding qualification phase, referred to as "Phase 1" below.

2.1 Current Capacity

The Terminal currently has available 1.6 bcm/y of existing capacity. On top of that, another 6.4 bcm/y of existing capacity will become available in December 2034.

The Terminal can be optimized to offer an additional capacity of 1.0 bcm/y in excess of the existing capacity described above, without requiring any modifications to the Terminal. Adriatic LNG is working to complete regulatory approvals for the additional capacity and received, on August 18th 2021, an exemption from the requirement of obtaining a full environmental impact assessment. Adriatic LNG expects to secure all required approvals prior to the beginning of the binding portion of the open season, referred to as binding "Phase 2" below.

The foregoing existing capacity and additional 1.0 bcm/y capacity, collectively, are referred to as the "Current Capacity".

2.2 To Be Built (TBB) Capacity

The Terminal can be modified to produce additional to-be-built capacity of 0.5 bcm/y in excess of the Current Capacity ("TBB Capacity", which, together with the Current Capacity is the "Offered Capacity"). The TBB Capacity will only be developed if all of the related Current Capacity is allocated during the open season.

The TBB Capacity is technically achievable by removing current bottlenecks in the pumping system and pipeline limiting the use of Terminal's installed vaporization capacity. Removing these bottlenecks will occur through the following changes to current components and the operative regime of the Terminal, pipeline and metering station:

- Installation of a new in-tank LNG pump to upgrade a spray pump in the Terminal’s LNG storage tanks.

Currently, four in-tank pumps and two spray pumps have been determined to be sufficient to provide the required maximum daily flowrate (28.4 million cubic meters per day). To upgrade a spray pump, a fifth in-tank pump will be installed in lieu of a replacement spray pump, in order to increase the overall in-tank LNG pumping capacity and reduce the impact of planned and unplanned maintenance on the Terminal’s annual available capacity.

- Modification of the high-pressure gas send-out pumps.

All five high-pressure gas pumps will be modified in order to achieve the required flow rate with the required delivery pressure.

- Increase of the Terminal’s maximum gas send-out pressure from 75 barg (current) to 85 barg (Adriatic LNG pipeline design pressure).
- Installation of a pressure let-down station at the *Cavarzere* Metering Station to limit gas pressure at Snam’s *Rete Gas* battery limits to 75 barg.
- Installation of a gas heater at the *Cavarzere* Metering Station in order to comply with a 3 °C minimum temperature requirement to access Snam’s *Rete Gas* network.

In addition, the Terminal’s four existing open rack vaporizers and one waste heat recovery vaporizer will be utilized at their full capacity to achieve peak daily flow rates. Minor modifications will be required to flow control valves to allow the increased delivery pressure.

The Terminal modifications required to add the TBB Capacity will not change the capacity of the LNG storage tanks or the perimeter of the Terminal and will not require any new pipelines between the Terminal and the national grid.

If the works to build the TBB Capacity reduce Current Capacity, the reduction will be made only to the related Current Capacity allocated to the user that is allocated the TBB Capacity¹.

Adriatic LNG expects the TBB Capacity to become available within three years of being allocated in the open season. The three years includes the expected time required for permitting, engineering, procurement, construction and commissioning activities.

2.3 Products

The following sixteen Current Capacity products and TBB Capacity products (collectively the “Products”) are RTPA capacity and will be available for bidding during this open season. The Products are subdivided into three blocks based on their respective durations: Block A encompasses products with capacity between 2022 and 2046, Block B between 2022 and 2034,

¹ As explained Section 6.4 below, TBB Capacity can only be allocated to users who are also allocated related Current Capacity.

Block C between 2035 and 2046. Some products do overlap, so as to offer bidders choices in terms of both duration and size of capacity booked.

All of the Products are Current Capacity except for Products 3, 6 and 16, which are TBB Capacity.

Block A is green, Block B is white and Block C is red.

Product	Quantity	Duration	Type of Capacity
Product 1	1 bcm/y	April 2022 to Dec. 2046	Current
Product 2	1.6 bcm/y	April 2022 to Dec. 2046	Current
Product 3	0.5 bcm/y	2025 to Dec. 2046	TBB
Product 4	1 bcm/y	April 2022 to Dec. 2034	Current
Product 5	1.6 bcm/y	April 2022 to Dec. 2034	Current
Product 6	0.5 bcm/y	2025 to Dec. 2034	TBB
Product 7	1.4 bcm/y ²	Jan. 2035 to Dec. 2046	Current
Product 8	1.0 bcm/y	Jan. 2035 to Dec. 2046	Current
Product 9	1.0 bcm/y	Jan. 2035 to Dec. 2046	Current
Product 10	1.0 bcm/y	Jan. 2035 to Dec. 2046	Current
Product 11	1.0 bcm/y	Jan. 2035 to Dec. 2046	Current
Product 12	1.0 bcm/y	Jan. 2035 to Dec. 2046	Current
Product 13	1.0 bcm/y	Jan. 2035 to Dec. 2046	Current
Product 14	1.0 bcm/y	Jan. 2035 to Dec. 2046	Current
Product 15	1.0 bcm/y	Jan. 2035 to Dec. 2046	Current
Product 16	0.5 bcm/y	Jan. 2035 to Dec. 2046	TBB

The Products are described above in billion cubic meters per year (bcm/y) of natural gas send-out capacity at the Terminal. Bids for the Products, however, shall be priced in terms of Euros per

² Product 7 has been developed in case the bidders want a combination with Product 2.

cubic meter of LNG 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 basis.

Please note that the planned maintenance in August 2022 as notified on Adriatic LNG's website³ will reduce the redelivery of gas for a limited period of time under Products 1, 2, 4 and 5.

In order to allow for various sizes of LNG carriers, a bidder may use and Adriatic LNG will accept LNG carriers with LNG cargo capacity of 65,000 to 217,000 cubic meters of LNG, Adriatic LNG will make available a maximum percentage of Products' quantity reduction the bidder can request at the time the Access Request is made for shipping flexibility purposes ("Shipping Optimization Percentage"). The purpose of the Shipping Optimization Percentage is to bridge the size of the Products with the sizes of the LNG carriers a bidder may use. The Shipping Optimization Percentage will be made available together with the notice opening the non-binding qualification phase, referred to as "Phase 1" below.

If, after the conclusion of the first session, Adriatic LNG determines that Offered Capacity is still available to be allocated, Adriatic LNG may propose to bidders one or more additional sessions of bidding. In each additional session, qualified bidders may bid on any portion of the remaining available Offered Capacity and may not be required to bid on whole Products.

3 Documentation

3.1 Regasification Code

Adriatic LNG's Regasification Code, available in English on Adriatic LNG's website⁴, 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).

³ <https://www.adriaticlng.it/en/market-area/services/regasification/>

⁴ 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

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).
- 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.

3.2 Implementing Auction Rules for Annual Capacity Allocation

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

3.3 Capacity Agreement

Each qualified bidder who is allocated capacity pursuant to this open season 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.

3.4 Gas Network Entry Provisions

Each qualified bidder 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/>.

3.5 Maritime services

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

Bidders are invited to calculate estimated regasification, maritime and national grid costs through the end of calendar year 2022, using Adriatic LNG's online tariff calculator⁵, available at: <https://www.adriaticlng.it/en/market-area/tariff-calculator>.

4 Regulatory Overview

Under the regulated third party access requirements of Italy and the EU ("RTPA"), Adriatic LNG is required to offer 20% of the nominal capacity of the Terminal or 28.8% of additional base capacity of the Terminal to the open market through a regular 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 process⁶.

Under the ARERA tariff regulations, Adriatic LNG is not guaranteed revenues for the regulated capacity. As such, Adriatic LNG faces the risk each year that part or all of the regulated 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 is 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, including the term set forth in this open season information leaflet, are in accordance with ARERA regulations.

Adriatic LNG's Regasification Code, summarized above, 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.

⁵ 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.

⁶ 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 after the open season on a *first-come, first-served basis*, according to the rules of the relevant ARERA resolution. 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 will be allocated in the intra-annual process.

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.

Please note that bidders who own at the time of the bid less 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.

5 Bidding Process

The open season will consist of an initial, non-binding qualification phase ("Phase 1") and second binding phase for the allocation of capacity ("Phase 2").

5.1 Phase 1: Non-binding qualification

Phase 1 will be opened through a notice on Adriatic LNG's website.

During Phase 1, interested parties may seek to qualify for bidding by completing and submitting a declaration of interest in the form made available with the notice of opening of Phase 1 and providing documentation, as requested by the declaration of interest, representing and warranting compliance with the Regasification Code provisions.

The declaration of interest will commit prospective bidder and Adriatic LNG⁷ to confidentiality obligations.

Adriatic LNG will review the interested party's documents and determine whether they comply with the Regasification Code requirements. If so, the interested party will be considered a qualified bidder for purposes of Phase 2.

The dates of Phase 1 will be published on Adriatic LNG's website (<https://www.adriaticlng.it/en>) in September 2021. Indicatively, Phase 1 is expected to start in September 2021 and end on November 24th 2021.

⁷ In addition to its obligations per applicable market regulation.

5.2 Phase 2: Bidding

Phase 2 will be primarily designed as a single bidding session, with any additional sessions being subject to Adriatic LNG's discretion.

Prior to the commencement of each session, Adriatic LNG will deposit the minimum acceptable price, in Euros per cubic meter of LNG unloading capacity⁸, for the available capacity (the "Reserve Price") with a public notary. In the first session, the Reserve Prices may vary by Product or combination of Products. In any subsequent sessions, which will not necessarily require bids on whole Products, Reserve Prices will apply to all Offered Capacity made available for bidding in such session. In all sessions, the greatest the volume the lower will be the Reserve Price. The Reserve Prices will not be disclosed to bidders.

Bids shall be made in the form of an Access Request (attachment to the Regasification Code) in Italian and delivered to a notary⁹.

In each session, each qualified bidder may make up to ten (10) binding, unconditional bid(s), each in the form of the Access Request set forth in annex (a) of Adriatic LNG's Regasification Code, for one or more of the Products or combination of Products. The bids will be "blind" bids, meaning that the bidder will not be informed whether there are other bidders or, if there are other bidders, the identity of such bidders or the terms of their bids.

Adriatic LNG will review the final bids submitted by each qualified bidder to confirm whether they comply with the Regasification Code and the implementing rules, including those set forth in clauses II.2.4.2 to II.2.4.8. If a bid complies with the Regasification Code, Adriatic LNG will determine whether any Products are to be allocated to such bidder pursuant to the allocation methodology set forth in Section 6 below.

In the first session, Adriatic LNG will not accept bids on partial Products, with the exception of the duration of Products 1 to 3 and, for all Products, the Shipping Optimization Percentage. For Products 1 to 3, qualified bidders may submit bids that shorten any such Product's duration by up to 5 years, so that the relevant Product's duration ends as early as December 2041. Adriatic LNG will determine the economic value of any shortened bids according to the principles set forth in clause II.2.4.2(a)(iv)d of the Regasification Code.

If Products are allocated to one or more bidders during the first session, Adriatic LNG will notify each bidder. If any Products are not allocated during the first session, Adriatic LNG may elect to propose to the bidders one or more additional sessions of bidding on the remaining available Offered Capacity. In each additional session, qualified bidders may bid on any portion of the remaining available Offered Capacity, by submitting up to ten (10) Access Requests per session, and may not be required to bid on whole Products.

⁸ Or equivalent of Net Present Value of each Product or combination of Products.

⁹ Address of the Notary will be available to the qualified bidders. Electronic submission through certified email is under assessment.

In subsequent sessions, prior to Adriatic LNG announcing the allocation of Products to the bidders pursuant to Section 6 below, Adriatic LNG may invite bidders to submit revised, improved bids. In such sessions, bidders may either maintain or improve their original bids but may not retract or reduce their original bids.

Adriatic LNG will report the results of the open season process to ARERA.

Subject to confirmation, the deadline to submit Access Requests for the first session will be December 2nd 2021 and the deadline to submit Access Requests for the second session, if any, will be December 16th 2021.

6 Bid Valuation and Allocation

6.1 Bid Pricing

During the first session of Phase 2, bids may include any of the following pricing mechanisms:

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

Different Products within a bid may be priced differently from one another.

6.2 Total Contract Value

A bidder shall include in its bid a calculation of the total contract value for all Products referenced in its bid, 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 with the open season documentation.

6.3 Allocation Methodology

For each session, Adriatic LNG will allocate the Offered Capacity to qualified bidders that submit Access Requests complying with the requirements of the Regasification Code, according to the following two steps.

First, Adriatic LNG will compare the Net Present Value (in Euros per cubic meter of LNG unloading capacity) of each Access Request to the Reserve Price applicable to the current session. If the Net Present Value of an Access Request is less than the Reserve Price, the Access Request shall be disqualified. A methodology to calculate the Net Present Value, including conventional inflation and discount rates, will be made available with the notice opening Phase 1.

Second, Adriatic LNG will allocate all or a portion of the Offered Capacity to the remaining qualifying 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.

6.4 Special Allocation Rules for TBB Capacity Products

A bidder shall bundle a bid on TBB Capacity Products with at least one bid of related Current Capacity Product(s), and TBB Capacity Products may only be allocated if all related Current Capacity Products are allocated, in each case according to the following special allocation rules:

Product 3 will only be allocated if Products 1 and 2 are allocated to bidders, and only to a qualified bidder who bids on and is allocated at least one of Products 1 and 2.

Product 6 will only be allocated if any of the following allocations occur:

- 1) Products 4 and 5 are allocated;
- 2) Products 1 and 2 are allocated;
- 3) Products 1 and 5 are allocated; or
- 4) Products 2 and 4 are allocated;

and only to a qualified bidder who bids on and is allocated at least one of Products 1, 2, 4 and 5.

Product 16 will only be allocated if a sufficient number of Products 1, 2 and 7 to 15 are allocated, such that the allocated Products total 9.0 bcm/y of Current Capacity during the period of January 2035 to December 2046, and only to a qualified bidder who bids on and is allocated at least one of the foregoing Products.

7 Timeline

Phase 1

Window of time for interested parties to seek to qualify for bidding by submitting required documentation and signed Confidentiality Agreement:

To be published on Adriatic LNG's website (<https://www.adriaticlng.it/en>) in September 2021.

Indicatively, expected to start in September 2021 and end on November 24th 2021.

Phase 2

First session – Deadline for bidders to submit Access Requests:

December 2nd 2021

First session – Adriatic LNG to respond to bidders:	December 7 th 2021
Second session, if any – Deadline for bidders to submit Access Requests:	December 16 th 2021
Second session, if any – Adriatic LNG to respond to bidders:	December 21 st 2021

8 Disclaimer

Participants in this open season 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, 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.

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