Bylaws of the 2009
Procedure for Offering an LNG
Terminal in Swinoujscie on an
Open Season Basis

Polskie LNG sp. z o.o.
30 July 2009
Offering an LNG Terminal in Świnoujście on an Open Season Basis

Table of contents

1 BACKGROUND .................................................................................................................. 3
  1.1 INFORMATION ABOUT POLSKIE LNG ..................................................................... 3
  1.2 PURPOSE OF THE PROCEDURE ............................................................................... 3
  1.3 LEGAL GROUNDS .................................................................................................... 4
  1.4 SCHEDULE OF THE PROCEDURE ............................................................................. 5
  1.5 DEFINITIONS ........................................................................................................... 6

2 DESCRIPTION OF THE LNG TERMINAL IN ŚWINOUJŚCIE .............................................. 7

3 DESCRIPTION OF THE SERVICES ................................................................................... 10
  3.1 BASIC SERVICES PACKAGE .................................................................................... 10
  3.2 ADDITIONAL SERVICES .......................................................................................... 11

4 COURSE OF THE PROCEDURE ....................................................................................... 12
  4.1 PHASE ONE ............................................................................................................. 12
    4.1.1 ENROLLING FOR PARTICIPATION IN THE 2009 PROCEDURE FOR OFFERING AN LNG TERMINAL ON AN OPEN SEASON BASIS ......................................................... 12
    4.1.2 REGISTRATION FEES ........................................................................................ 15
    4.1.3 VERIFYING THE CREDIBILITY OF PARTICIPANTS ........................................... 15
    4.1.4 REGISTRATION OF THE PARTICIPANTS .......................................................... 15
    4.1.5 NON-BINDING ORDERS AND CONSULTATIONS ............................................. 16
    4.1.6 INFORMATION PROVIDED AFTER THE END OF PHASE ONE ............................ 18
  4.2 PHASE TWO ............................................................................................................. 18
    4.2.1 ENROLLING FOR PARTICIPATION IN PHASE TWO ........................................... 18
    4.2.2 BANK GUARANTEE ........................................................................................... 19
    4.2.3 QUALIFYING PARTICIPANTS TO PHASE TWO ................................................ 20
    4.2.4 BINDING ORDERS ............................................................................................ 20
    4.2.5 INFORMATION PROVIDED AFTER THE END OF PHASE TWO ............................ 21
  4.3 REQUEST FOR PLNG TO TAKE ACTION EARLIER ..................................................... 22
  4.4 THROUGHPUT ALLOCATION ...................................................................................... 22
  4.5 TARIFFS AND COSTS RELATED TO REGASIFICATION SERVICES ............................ 23
  4.6 METHODOLOGY OF CALCULATING TARIFF RATES ................................................ 24
    4.6.1 INDICATIVE RATES PUBLISHED AS PART OF THE 2009 PROCEDURE FOR OFFERING AN LNG TERMINAL ON AN OPEN SEASON BASIS ............................................. 24
    4.6.2 THE TARIFF SYSTEM CURRENTLY USED IN POLAND ...................................... 25
    4.6.3 JUSTIFIED RETURN FROM CAPITAL EMPLOYED IN REGASIFICATION ACTIVITIES .......................................................... 26
    4.6.4 Tariff structure – fees ......................................................................................... 27
  4.7 SIGNING THE AGREEMENTS ...................................................................................... 27

5 CONFIDENTIALITY ......................................................................................................... 28

6 COORDINATION WITH OTHER OPERATORS ............................................................... 29

7 MISCELLANEOUS ......................................................................................................... 30

8 Exhibits to the Bylaws .................................................................................................. 31

9 ADMINISTRATIVE INFORMATION – CONTACT ........................................................ 31
1 BACKGROUND

1.1 INFORMATION ABOUT POLSKIE LNG

Polskie LNG sp. z o.o. (hereinafter referred to as “Polskie LNG” or “PLNG”) was established in 2007 by Polskie Górnictwo Naftowe i Gazownictwo S.A. (hereinafter referred to as “PGNiG”) as a special purpose vehicle the purpose of which was to prepare an investment project for the construction and operation of a liquefied gas terminal. On 19 August 2008, the Council of Ministers made a decision that the shares in Polskie LNG will be acquired by Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A. (hereinafter referred to as “Gaz-System”), a company owned by the State Treasury and responsible for transmission of gaseous fuel through the transmission system. On 8 December 2008, Gaz-System acquired 100% of shares in Polskie LNG. As at the end of May 2009, the Company’s share capital was PLN 50,000,000.

Gaz-System was founded on 16 April 2004 as PGNiG-Przesył Sp. z o.o. with 100% of the Company’s shares owned by PGNiG. Since that time, the Company has taken over the supervision and the responsibility for the transmission of gaseous fuel through gas transmission pipelines in Poland. On 28 April 2005, PGNiG S.A. transferred all shares in PGNiG-Przesył Sp. z o.o. to the State Treasury. On 8 June 2005, the Shareholder Meeting decided to change the company’s name from PGNiG-Przesył Sp. z o.o. to Operator Gazociągów Przesyłowych Gaz-System Sp. z o.o. On 1 July 2005, the President of the Energy Regulatory Authority issued a decision which allowed the company to obtain the status of gas transmission system operator. On 29 September 2006, the Company was transformed from a limited liability company into a joint stock company. Currently, Gaz-System is a joint stock company wholly owned by the State Treasury, entered in the register of companies with strategic importance for the Polish economy, responsible for the security of natural gas supply through the transmission networks.

On 30 June 2008, the President of the Energy Regulatory Authority granted Polskie LNG a license promise. So far, Polskie LNG’s tasks related to the construction of the terminal have focused on:

- creating technical and economic documentation and obtaining consents and administration permits;
- preparing the selection of a general contractor for the LNG terminal investment project;

On 15 July 2009, the Zachodniopomorski Voivode issued a permit to build the land section of the LNG Terminal in Świnoujście.

1.2 PURPOSE OF THE PROCEDURE

The purpose of the Procedure for Offering an LNG Terminal in Świnoujście on an Open Season Basis is to ascertain market demand for basic regasification services and additional services and to provide all the interested players on the gas market with access to a newly-built
infrastructure according to the rules of equality and transparency. As a result of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis, the rules for providing the aforementioned services will be established to ensure:

- satisfaction of market demand;
- integrity of the terminal infrastructure;
- optimization of service costs.

Polskie LNG’s intention is to enter into long-term agreements to provide regasification services and additional services.

Between 23 June and 21 July 2009, public consultations were held on the provisions of the Bylaws of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis based on the published draft Bylaws. Furthermore, on 15 July 2009 PLNG held an open seminar during which interested entities were invited to put forward their comments or questions on the contents of the Bylaws.

To achieve the above objectives, the Procedure for Offering an LNG Terminal on an Open Season Basis will be conducted in two phases. In Phase One, Polskie LNG will ascertain market demand for regasification services and expectations regarding availability of the infrastructure (including the frequencies, volumes and dates of the services) and regasification capacity. During Phase One, consultations will be held with the Participants of the Procedure to exchange experience and ascertain their expectations regarding the rules for providing regasification services. Having considered the Participants’ expectations, Polskie LNG will prepare and present for public consultation the Instructions and model agreement specifying the types of and rules for providing regasification services and additional services. Upon completion of such public consultations, Polskie LNG will publish the final version of the Instructions and of the model agreement.

In turn, the purpose of Phase Two will be to enter with the Participants of the Procedure into long-term agreements to provide regasification services.

1.3  LEGAL GROUNDS

These Bylaws set forth the rules for conducting the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis the intended result of which is the signing of regasification agreements with potential customers for the regasification service offered by Polskie LNG as the future operator of the LNG Terminal in Świnoujście. In particular, the Bylaws of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis conducted by Polskie LNG set forth the rights and obligations of parties participating in the Procedure. The legal grounds for conducting the Procedure are formed by the provisions of Article 8 Section 1 Directive 2003/55/EC concerning common rules for the internal market in natural gas, Article 17 Section 2 of the Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EC) No. 1775/2005 on conditions for access to the natural gas transmission networks, COM (2007) 532, and the provisions of the Energy Law Act of 10 April 1997 (consolidated version: Journal of Laws of 2006 No. 89, Item 626, No. 104, Item 708, No. 158,
1.4 SCHEDULE OF THE PROCEDURE

The 2009 Procedure for Offering an LNG Terminal on an Open Season Basis will be conducted in two phases:

- Phase One – during which the Participants will place non-binding orders and consultations will be held with the Participants;
- Phase Two – during which binding orders will be placed for the provision of regasification services on the terms and conditions stipulated in the Instructions, service packages will be allocated and agreements to provide regasification services will be executed.

Presented below is the schedule of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis:

<table>
<thead>
<tr>
<th>Phase One</th>
<th>Instructions</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 July 2009</td>
<td>- Publication of the Bylaws of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis – invitation to place non-binding orders</td>
</tr>
<tr>
<td>1 August 2009 - 1 September 2009</td>
<td>- Placement of non-binding orders</td>
</tr>
<tr>
<td>1 September 2009 - 1 October 2009</td>
<td>- Consultations with the Participants regarding the scope of services to be provided</td>
</tr>
<tr>
<td>1 October 2009</td>
<td>- Publication of Draft Instructions and a model agreement for provision of regasification services;</td>
</tr>
<tr>
<td>1-15 October 2009</td>
<td>- Consultations with market players, submission of comments to the Instructions;</td>
</tr>
<tr>
<td>31 October 2009</td>
<td>- Introduction of the Instructions for application</td>
</tr>
<tr>
<td>31 October 2009</td>
<td>- Provision of information on the initial allocation of Basic and Additional Services Packages. Publication of indicative tariff fee rates;</td>
</tr>
<tr>
<td></td>
<td>- Invitation of the Participants to submit binding proposals.</td>
</tr>
</tbody>
</table>
### Phase Two

- **2-30 November 2009** - Placement of binding orders
  - Analysis of proposals, calculation of indicative tariff rates; Binding allocation of Basic and Additional Services Packages.
- **1-15 December 2009**
  - Analysis of proposals, calculation of indicative tariff rates; Binding allocation of Basic and Additional Services Packages.
- **15 December 2009**
  - Publication of indicative tariff fee rates; Provision of information to the Participants on the allocation of Basic and Additional Services Packages; Delivery of draft agreements to the Participants.
- **15 January 2010** - The Participants' submission of signed Agreements to Provide Regasification Services

#### 1.5 DEFINITIONS

1. **Participant** – each entity registered by PLNG as a participant of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis;

2. **PLNG** – company operating under the business name of Polskie LNG Sp. z o.o., seated in Świnoujście;

3. **Terminal User** – entity which entered into an Agreement to Provide Regasification Services;

4. **LNG Terminal** – liquefied natural gas installation consisting of equipment for unloading and regasification of liquefied natural gas together with auxiliary installations and storage tanks used in the regasification process;

5. **LNG** – liquefied natural gas (light or heavy) conforming to the quality parameters presented in Table 1.

#### Table 1. Composition of light and heavy LNG

<table>
<thead>
<tr>
<th>Component</th>
<th>%mol</th>
<th>Light</th>
<th>Heavy</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1</td>
<td></td>
<td>95.4</td>
<td>87</td>
</tr>
<tr>
<td>C2</td>
<td></td>
<td>3.2</td>
<td>8.37</td>
</tr>
<tr>
<td>C3</td>
<td></td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>iC4+nC4</td>
<td></td>
<td>-</td>
<td>1.2</td>
</tr>
<tr>
<td>nC5</td>
<td></td>
<td>-</td>
<td>0.23</td>
</tr>
<tr>
<td>N2</td>
<td></td>
<td>1.4</td>
<td>0.2</td>
</tr>
<tr>
<td>Density at the temperature of -159.8°C</td>
<td></td>
<td>442</td>
<td>470</td>
</tr>
<tr>
<td>Molecular mass</td>
<td></td>
<td>16.66</td>
<td>18.72</td>
</tr>
<tr>
<td>Lower heating value in kcal/Nm³</td>
<td></td>
<td>9,631</td>
<td>10,908</td>
</tr>
</tbody>
</table>
6 Instructions – Instructions for Activity and Operation of the LNG Terminal – Bylaws of Providing Regasification Services issued by PLNG;

7 Phase One – stage of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis defined in item 4.1 of the Bylaws;

8 Phase Two – stage of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis defined in item 4.2 of the Bylaws;

9 Basic Services Package – services provided by PLNG as defined in item 3.1;

10 Additional Services – services provided by PLNG as defined in item 3.2;

11 Agreement to Provide Regasification Services/ Regasification Agreement/ Agreement – agreement to provide the services included in the Basic Service Package or the Basic and Additional Services Package.

2 DESCRIPTION OF THE LNG TERMINAL IN ŚWINOUJŚCIE

PLNG assumes that work on the construction of the LNG Terminal in Świnoujście will be completed in June 2014 and plans to commence the provision of regasification services in July 2014.

**Loading berth**

In the first stage of implementation, the loading berth of the LNG Terminal in Świnoujście will have one unloading dock. The LNG carrier ships will not be allowed to moor at the berth for longer than 36 hours (from mooring to un-mooring of the LNG carrier).

It is being assumed that the port facilities and waterways will be adapted to receive LNG carriers of a capacity ranging from 120,000 m³ to 216,000 m³, total length up to 315 meters, width of no more than 50 meters and scantling draught of 12.5 meters. It will also be permitted to moor LNG carriers of a capacity of less than 120,000 m³, if permitted by individual conformity analysis.

Only authorized LNG carriers will be allowed to unload at the Terminal. This authorization will be granted to LNG carriers verified for conformity of their technical equipment with the docking and unloading equipment of the LNG Terminal. The conformity analysis is mainly focused on conformity of the mooring equipment and compatibility with the unloading arms, taking into account potential rocking of the ship due to wave movements. The authorization procedure will involve the Marine Board (Harbor Master), Ship-owner, Importer (or their representative agent), Szczecin and Świnoujście Marine Ports Authority and PLNG. Detailed technical specifications of the berth and unloading infrastructure will be communicated to the Terminal users after the completion of work on the Terminal construction design by the General Project Contractor (GPC), which should take place by 2011 but not later than one year before the commencement of regasification services.
The scope of services provided by PLNG at the unloading and handling berth will be specified in the Instructions. Other activities in the roadstead, waterways and port harbor will be realized, on terms defined by regulations of the law or internal regulations, by the Marine Board and Zarząd Morskich Portów Szczecin i Świnoujście S.A. [Szczecin and Świnoujście Marine Ports Authority], or by third parties contracted by the Ship-owner or Terminal User.

Fees related to services delivered within the Basic Services Package, initially defined in these Bylaws and charged by PLNG, shall not include the port fees, public and legal liabilities, custom fees, taxes, etc. If PLNG is responsible for collection of the port fees, the terms of their collection will be specified in the Instructions.

**LNG unloading equipment**

The receiving terminal will be equipped with three unloading arms of 16” in diameter each. The unloading equipment of the LNG Terminal will allow LNG unloading with a capacity of 12,000 m³ LNG/h (three arms of 4,000 m³ LNG/h capacity each). Taking into account the size of the LNG carrier ships allowed to dock in the Terminal and the capacity of the unloading installation, the unloading time is estimated to approximately 19 hours for LNG carriers of 216,000 m³ capacity. The unloading capacity will, however, be limited by the capacity of the pumps installed on the LNG carrier ship.

The quality parameter of the unloaded LNG and also of the gas fuel produced by the LNG regasification installation will be determined based on readouts from metering systems (chromatographs) installed in the LNG Terminal. The qualitative parameters of unloaded LNG must comply with the qualitative parameters presented in Table 1 in item 1.6. of the Bylaws. After regasification, the LNG should meet the requirements specified in the applicable provisions of law and the Instructions for Activity and Operation of Transmission Systems of Operator Gazociągów Przesyłowych Gaz-System SA. The results of those measurements will provide basis for settlements between PLNG and the Terminal User.

**LNG storage tanks**

Two storage tanks of a gross capacity of 160,000 m³ LNG each will be used in the regasification technological process.

It is currently being assumed that the minimum capacity of each LNG tank, required by the technological parameters of the process related to the maintenance of an adequately low temperature of LNG and protection of the LNG pumps from cavitation effects shall amount to approximately 16,000 m³ LNG (being 10% of the nominal capacity).

It is being assumed that the working capacity of each storage tank (working capacity is the difference between maximum and minimum capacity), being used by PLNG for providing services will be approximately 144,000 m³ LNG.

The minimum and maximum capacities of the storage tanks will be finally determined after completion of the Terminal design phase. Due to the above, as part of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis, packages of services will be offered, based on the working capacity of the storage tanks, amounting to a total of approximately 288,000 m³ LNG.
The regasification process capacity, ensuring total utilization of the boil-off gas (BOG) in the Terminal installations is currently being estimated at 150,000 Nm$^3$/h of gas fuel, fed into the transmission network. Operation of the regasification installation at less than 150,000 Nm$^3$/h capacity results in losing all or part of the BOG and in an increase in the service realization cost.

**Regasification installation**

The Terminal will be equipped with SCV-type regasification units, forming the base regasification line. It is additionally being considered to install a series of ORV-type regasification units, using the temperature differential of sea water. The assumed capacity of the regasification process ranges from 75,000 to 570,000 Nm$^3$/h.

Due to the technical parameters and operational conditions of the liquefied natural gas installation, it is being estimated that a maximum of 2% of the LNG delivered to the Terminal will have to be left at the disposal of PLNG, for the Terminal’s own needs. This amount may be reduced if ORV-type regasificators are installed. PLNG will make every effort to ensure that LNG consumption is as low as possible. PLNG will purchase LNG for its own needs under a non-discriminatory procedure based on market principles.

**Installation for loading liquid LNG into tanker trucks**

The current design of the Terminal assumes that a tanker truck loading station will be located within its premises. It is currently being estimated that the volume of LNG which will be transferred to tanker trucks will amount to approximately 5% of the maximum Terminal capacity. At maximum capacity of the Terminal, this proportion will correspond to 95,000 metric tons of LNG per annum. The tanker truck loading installation was designed for a capacity of 90 m$^3$ LNG/h per arm. It has also been initially assumed that the process of cooling and loading of one truck tank will take from 1.5 to 2 hours.

**Adjustment of the gas fuel quality parameters**

The Terminal will be adapted to receive LNG of different quality parameters.

In case of deliveries of “heavy” LNG, the gas fuel parameters after regasification will exceed permissible levels of the Wobbe index, specified in the currently binding regulations of the law (resolution of the Minister of Economy, Labor and Social Policy, dated 6 April 2004 on detailed terms of connection of entities to gas networks, operation and exploitation of such networks - Journal of Laws 2004, No. 105, item 1113), resulting in it is being considered to process the gas fuel fed into the transmission system, by adding nitrogen. For the needs of gas fuel quality processing, the design of the Terminal assumes possible construction of a nitrogen-generation installation, with a nominal capacity of approximately 20,000 m$^3$/h.
3 DESCRIPTION OF THE SERVICES

3.1 BASIC SERVICES PACKAGE

The scope of services provided by PLNG will be determined in compliance with the guidelines of ERGEG dated 7 May 2008, on good practices of third party access to LNG system operators. The regasification services will be delivered within the scope permitted by the technical capacity of the LNG installation (Terminal), taking into account the technical parameters of the installation, in compliance with the terms of the Instructions and provisions of Agreements concluded with the Terminal User.

As part of Phase One of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis, demand will be assessed for the basic services packages described below. After consultation, PLNG may deem it necessary to adapt the basic services package to the expectations of the market and may, as a result, modify them. The final scope of regasification services delivered within the basic services package will be specified by PLNG in the Instructions. As part of Phase Two of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis, Participants will have the possibility to present proposals for the services specified in the Instructions.

It is currently being assumed that regasification services will be organized in the form of packages. A Basic Services Package will consist of:

- **Unloading LNG from the LNG carrier ships into the storage tanks,**
- **In-process storage of LNG,** and
- **Regasification service.**

As part of Phase One of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis, Participants will have the possibility to submit orders for packages of basic services. Services being part of the **Basic Services Package** will be provided in a continuous and inseparable way:

1. **Unloading LNG from LNG carrier ships into the storage tanks, covering:**
   - Connection of unloading arms to a 120,000–216,000 m³ LNG carrier ship;
   - Unloading time of 36 hours maximum;
   - Capacity of the Terminal unloading arms allowing transfer of LNG from the carrier ship into storage tanks at the rate of 12,000 m³/h LNG;

2. **In-process storage of LNG, covering:**
   - Process-related storage of LNG in storage tanks, in volumes unloaded from the carrier ship, for the time necessary to carry-out regasification of such a volume of LNG, at the rate specified in item 3;

3. **Regasification, covering:**
   - Regasification of LNG, at rates ranging from 150,000 to 570,000 m³/h.
The regasification capacity within the Basic Services Package will be determined by PLNG, depending on orders submitted by the Participants. The level of allocated regasification capacity will depend on the frequency of carrier ship arrivals and size of their LNG loads. The regasification capacity will be allocated at levels allowing continuity of the regasification process from 150,000 to 570,000 Nm\(^3\)/h. A fixed, annual regasification capacity will be allocated within the Basic Services Package. Due to the specific technological characteristics of the process, usage of the Basic Services Package (frequency of carrier deliveries and regasification capacity) shall be evenly distributed throughout the year. It is, however, planned to allow an extended Basic Services Package, covering flexibility or seasonal variation of flexibility, on terms specified in the Instructions.

Within the Basic Services Package granted by PLNG, the Terminal User will be entitled to use unloading services for 120,000-216,000 m\(^3\) LNG carrier ships. However, the unloading tariff fee may vary depending on the cost of unloading LNG from carrier ships with different tank capacities. In particular, the fee may be determined based on the amount of unloaded LNG.

The 2009 Procedure for Offering an LNG Terminal on an Open Season Basis will provide access to 90% of the Terminal’s regasification capacity. The remaining 10% will be dealt through short- and medium-term contracts, concluded in compliance with the terms of the Instructions. The Basic Services Package will grant docking rights to the LNG carriers, according to their operational schedules, which means that the Basic Services Package allows for multiple docking of a ship, adequately to its operational schedule.

One Basic Services Package per participant will be granted. It will not be possible to order only a portion of a Basic Services Package or several Basic Services Packages.

On terms specified in the Instructions and tariff, PLNG will also be providing interrupted-schedule and short-term services.

3.2 ADDITIONAL SERVICES

As part of Phase One of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis, Participant demand for additional services described below will be investigated. Only those participants, who have ordered a Basic Services Package, are entitled to order one or several additional services. Additional services include:

- **Loading LNG onto tanker trucks**;

- **Modification of the quality parameters** – decreasing the Wobbe index in compliance with the regulations of Polish law, by adding nitrogen

**Loading LNG onto tanker trucks**

The tanker truck loading service will be provided on a short-term contract basis, depending on the current technical capacity of the Terminal installation at the time of service delivery. It is being estimated that the total amount of LNG loaded onto trucks will amount to approximately 5% of the LNG unloaded from carrier ships to the storage tanks. As part of the LNG truck loading service, PLNG will provide tank cooling and two weightings of the trucks.
The fee for loading LNG onto tankers will be calculated based on the costs related to this process, i.e. the process of storing and loading onto tankers. The fee for the provision of this service will in no instance cover the costs of regasification.

Adjustment of the gas fuel quality parameters (adding nitrogen)

If Participants of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis declare a need for long term services covering adjustment of the gas fuel quality parameters (decreasing the Wobbe index) by adding nitrogen, PLNG will consider such a demand in the decision-making process covering construction of a nitrogen-generation installation. PLNG considers construction of an installation of 20,000 Nm³/h maximum capacity, which corresponds to a nitrogen supply at the maximum rate of "heavy" LNG regasification in the Terminal.

4 COURSE OF THE PROCEDURE

4.1 PHASE ONE

4.1.1 ENROLLING FOR PARTICIPATION IN THE 2009 PROCEDURE FOR OFFERING AN LNG TERMINAL ON AN OPEN SEASON BASIS

Enrolling for participation in the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis can occur solely by using the form available at the PLNG website.

The form, which constitutes a non-binding order, should specify:

1. the applicant’s data;
2. the yearly quantity of LNG supplied to the Terminal in terms of energy and quantity units;
3. the proposed schedule of methane carrier moorings at the loading berth and their technical parameters (capacity, length, width, draught and other available data: the type of manifolds and unloading equipment (including pumps) installed on the methane carriers);
4. the proposed flexibility range of regasification capacity or its seasonal variability;
5. quality parameters of the LNG (source of origin and chemical composition for each methane carrier);
6. demand for additional services;
   a. loading LNG onto tanker trucks;
   b. adjusting quality parameters of gas fuel (nitrogen injections);
7. additional information - expectations of Participants regarding the scope of regasification services or additional services to be provided.
Because one of the aims of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis is determining the demand of its Participants for regasification services, PLNG encourages Participants to indicate, apart from the information specified in the form, other expectations as to the extent of provided services, as well as any other available data, in particular the LNG quality parameters and the expected regasification capacity. Information submitted by the Participants will enable PLNG to adjust provided services, within the technical capabilities of installations, to market expectations. The exchange of information between the Participants and PLNG will also allow forecasting the manner of operating the installation in order to optimize its usage and ensure the lowest possible cost level.

Entities interested in participating in the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis are also asked to indicate whether the provisions of public procurement regulations must be applied in order to effectively conclude an Agreement to Provide Regasification Services. The entities should in particular indicate the manner of concluding the Agreement and the documents to be submitted by PLNG in order to effectively conclude the Agreement with the entity. If concluding an effective Agreement to Provide Regasification Services requires applying another specific type of proceeding due to the Participant’s seat or location of conducting business activity, the Participant should indicate such circumstances in the enrollment form. The above does not obligate PLNG to take into account the requirements indicated by an entity enrolling for participation in the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis. PLNG will undertake efforts to apply specific provisions concerning that Participant, but such application shall in no way result in a change of the manner of conducting the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis, including the rules of allocating Basic Services Packages or the contents of the Agreement to Provide Regasification Services.

If PLNG is unable to fulfill the formal and legal requirements indicated by the entity enrolling for participation in the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis, it shall inform the entity of this in writing. In such case the entity enrolling for participation in the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis is entitled to withdraw its participation in the Procedure within 10 days from the date of receiving the PLNG letter. PLNG is entitled to exclude a Participant from the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis in both Phase One and Phase Two if, due to specific applicable legal regulations, it is not possible to conclude an effective Agreement to Provide Regasification Services with that Participant on the conditions set forth in these Bylaws of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis. In such case, the provisions of items 4.1.2 (Registration fees) and 4.2.2 (Bank guarantee) shall apply.

The only basis for submitting enrollment for participation in the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis shall be the order (form) signed by an entity’s authorized representatives. The authorization to sign the form must be demonstrated by attaching an extract from the appropriate register, or alternately a power-of-attorney. The following documents should also be attached to the form:

1. a copy, confirmed to be true to the original, of the concession or promised concession to trade in, distribute, or transmit gas fuels, a statement that such a concession will be
submitted at least 30 days before the date of first providing the regasification service, or a statement that the entity’s activities do not require a concession, signed by the board of directors (authorized representatives) of the entity enrolling for participation in the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis;

2. proof of paying the registration fee specified in item 4.1.2 of these Bylaws of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis;

3. two copies of a confidentiality agreement, whose contents are set forth in Exhibit No. 2, signed by the entity enrolling for participation in the Procedure;

4. a document confirming the assignment of a tax identification number (NIP) or an equivalent identification number required for entities registered in another member state;

5. entities conducting business activity in the territory of Poland must submit a certificate of assignment of a REGON statistical number;

6. a copy, confirmed to be true to the original, of the most recent financial statement audited by a public auditor.

The form and any other documents, letters, and statements attached thereto should be executed in Polish or English.

By signing the form, the enrolling entity accepts the conditions of participating in the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis and the rules of conducting the Procedure specified in these Bylaws of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis, in particular the rules concerning:

1. maintaining confidentiality;

2. allocation of Basic and Additional Services Packages;

3. concluding Agreements to Provide LNG Regasification Services.

A non-binding order constitutes a non-binding proposal, which means that an enrolling entity is not obliged to conclude an Agreement to Provide LNG Regasification Services.

If the form contains defects or errors, in particular if not all of the necessary information is indicated or all required documents provided, or if the registration fee is not paid, PLNG shall summon the entity to supplement the defects within 10 days from receiving the summons. The defects are deemed supplemented, if the reply to a PLNG summons is delivered to the PLNG correspondence address by the deadline indicated above and contains all requested information or documents for supplementation. Otherwise PLNG will deem that no enrollment occurred to participate in the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis.

Fulfilling all the enrollment requirements specified in this item shall constitute the basis for registering the enrolling entity as a Participant in Phase One of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis.
4.1.2 REGISTRATION FEES

Participants of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis shall pay non-refundable registration fees of PLN 50,000. Registration fees are paid by the deadline indicated in these Bylaws of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis to the PLNG bank account no. 10 1240 3914 1111 0010 1565 3562, kept at the PeKaO SA Bank, Świnoujście Branch 1, marked “2009 Procedure for Offering an LNG Terminal on an Open Season Basis.”

Orders for which no registration fee was paid will not be analyzed as part of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis.

4.1.3 VERIFYING THE CREDIBILITY OF PARTICIPANTS

The Participants shall, at all stages of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis, meet the credibility requirements. Entities enrolling for participation in the Procedure will undergo verification during Phase One based on their most recent financial statement audited by a public auditor.

No entity that has suspended payment of its obligations, or with respect to which composition or bankruptcy proceedings have been initiated or liquidation has commenced, may be a Participant of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis.

In case of Participants with low credibility (low or negative own capital, low liquidity, reservations made by the public auditor etc.), PLNG reserves its right to:

- demand additional security in the form of bank, insurance, or corporate guarantees, surety of third parties or shareholders, or
- refuse to qualify such an entity or Participant to the next stage of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis.

4.1.4 REGISTRATION OF THE PARTICIPANTS

A completed form together with all attachments (non-binding orders) should be delivered to PLNG at the correspondence address of the Company indicated in item 8 of these Bylaws of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis by 5 p.m. on 1 September 2009.

A Participant may amend its registration until 5 p.m. on 1 September 2009, by submitting a new form (non-binding order). The new non-binding order supersedes the entire original order of the Participant, and all information included in the original order will be ignored. Therefore, the new non-binding order form should be complete.

PLNG may decide to take into account in the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis an order submitted after the deadline specified above, if the following conditions are jointly met:
orders submitted timely by Procedure Participants do not ensure full utilization of the nominal regasification capacity;

- the entity submitting the order (form) has complied with all formal requirements specified in item 4.1 of the Bylaws, in particular has paid the registration fee;

- the order fulfills formal requirements and was submitted no later than on 1 September 2009, unless by that time PLNG has made a decision to discontinue the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis.

In such case, the Participant joins the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis at its current stage and may not demand repetition of any actions made previously without its participation, in particular may not demand individual consultations to be conducted with it, if such consultations are no longer possible for organizational reasons.

PLNG will send confirmation of receiving a non-binding order at the e-mail address of the Participant indicated in the form. Within 5 business days from the date of receiving a properly supplemented form (non-binding order) together with the required documents, PLNG shall either register the Participant or refuse registration. Within another 5 business days PLNG shall send to the Participant information concerning its registration or failure to meet the conditions required for registration in the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis.

A Participant that fails to meet the requirements specified in these Bylaws in the course of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis, in particular loses financial credibility, will be excluded from the Procedure. If a Participant fails to inform PLNG about circumstances that are essential for its legal situation, including financial credibility, PLNG may exclude such Participant from the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis. The exclusion may occur both in Phase One and Phase Two of the Procedure. An excluded Participant will not be able to participate in the Procedure, and its orders will not be considered. In such case the provisions of item 4.1.2 (Registration fees) and 4.2.2 (Bank guarantee) shall apply.

4.1.5 NON-BINDING ORDERS AND CONSULTATIONS

Registering the Participant in Phase One of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis is a necessary condition for it to join Phase Two of the Procedure.

Each Participant is entitled to submit one non-binding order. PLNG allows orders to be submitted for a minimum period of 15 full years, with the order period commencing in the year in which the Terminal is put into operation.

An order must contain the information specified in detail in item 4.1.1. In particular, the order must specify the same annual quantity of LNG supplied to the terminal (in thousands of m$^3$) for each year in which the Agreement is in effect. Additionally, the following must be specified for each year in which the service is provided:

a. the frequency of methane carrier moorings at the loading berth and the capacity of methane carrier tanks
b. the proposed flexibility range of regasification power or its seasonal variability

c. quality parameters of the LNG (source of origin and chemical composition for each methane carrier)

d. regarding additional services:
   - the annual LNG quantity reloaded to tanker trucks
   - the annual amount of nitrogen injected into gas fuel

The annual efficiency of the Terminal is assumed to be 570,000 Nm/h, with 90% of regasification capacity made available as part of the present 2009 Procedure for Offering an LNG Terminal on an Open Season Basis. The remaining 10% will be made available through short- and medium-term Agreements concluded as per the provisions of the Instructions.

Orders submitted by a Participant of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis cannot exceed the amount of 7,470,000 m³ of LNG supplied to the Terminal per year, which corresponds to an annual volume of regasified fuel amounting to approx. 4,500,000,000 Nm³ (assuming that 1 m³ of LNG is equivalent to 600 Nm³ of gas fuel). If an additional service consisting in transshipping LNG to tanker trucks is ordered, the ordered amount of transshipped LNG shall not exceed 5% of LNG unloaded from the methane carrier to storage tanks.

If an additional service consisting in adjusting the quality parameters of gas fuel by injecting nitrogen is ordered, the capacity of nitrogen injection of regasified gas fuel ordered by a Participant may not exceed 20,000 m³/h;

The flexibility range of regasification capacity applied for may vary between 75 and 570 Nm³ of gas fuel per hour.

Consultations

Because the result of Phase One of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis is intended to determine the demand of Participants for regasification services and their expectations as to infrastructure availability, in particular the parameters of tankers handled at the unloading wharf, the regasification capacity and the quality parameters of LNG supplied to the Terminal, PLNG plans to stage consultations with the Participants.

PLNG intends to stage at least one round of meetings with each Procedure Participant between 1 September and 1 October 2009. The consultations will be conducted in Warsaw, in the Polish language. Invitations to participate in the consultations will be sent electronically and by fax at the address / phone number indicated in the order (form). The invitations will be send at least 7 days before the planned meeting date. The invitations will specify the time and location of the meeting, the proposed agenda and the allowed number of Participants. Participants are not obliged to attend the consultations. The purpose of the consultations is to exchange experiences and determine the expectations of Participants with respect to the rules of providing regasification services. Depending on the number of Participants, PLNG will undertake efforts to stage more than one round of consultations.
After the consultations with Participants are concluded, and depending on their outcome, PLNG will prepare and submit for public consultation the Instructions and model Agreement specifying the types and manner of providing regasification services and additional services. Upon concluding the public consultations, PLNG will publish the final contents of the Instructions and a model Agreement to Provide Regasification Services.

4.1.6 INFORMATION PROVIDED AFTER THE END OF PHASE ONE

After the end of Phase One of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis, PLNG will provide Procedure Participants with comprehensive information about:

1. approximate alternative tariff rates for using basic and additional services;
2. estimated, approximate allocation of the Basic Services Packages, the regasification capacity determined for such packages and the proposed schedules of methane carrier moorings at the loading berth;
3. estimated, approximate allocation of Additional Services;
4. the rules of providing services – Instructions and model Agreement to Provide Regasification Services;
5. the model form (order) – enrolling for participation in the second stage of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis;
6. the model bank guarantee;
7. the additional annual quantity of LNG that may be supplied to the Terminal, which was not ordered during Phase One and which may be additionally contracted during Phase Two.

4.2 PHASE TWO

4.2.1 ENROLLING FOR PARTICIPATION IN PHASE TWO

Only registered Participants that have submitted a non-binding order during Phase One may participate in Phase Two of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis. Participants that have resigned or have been excluded in Phase One may not participate in Phase Two.

Enrolling for participation in Phase Two of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis can occur solely by using the form available at the PLNG website. A Participant that intends to participate in Phase Two of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis must resubmit the form.

A model form concerning enrollment for Phase Two, constituting a binding order, will be published at the PLNG website upon concluding Phase One of the Procedure.
It is estimated that, as part of Phase Two enrollment, Participants will be obliged to provide documents authenticating the possibility of supplying the LNG quantities indicated in the order (form), for example a LNG purchase agreement, agreements with shipowners, etc.

The contents of Phase Two enrollment document should be compliant with the provisions of the Bylaws and the model published on the PLNG website.

Only the Proposal – a binding order (form) signed by authorized representatives of the Participant will constitute the basis for enrolling in Phase Two of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis. The right of the persons signing the document to represent the Participant should be demonstrated by attaching an extract from the appropriate registry and powers-of-attorney, unless such right to represent had already been demonstrated during Phase One.

The bank guarantee referred to in item 4.2.2 should be attached to a binding order.

A binding order constitutes a binding proposal to conclude an Agreement to Provide Regasification Services. A Procedure Participant remains bound with its proposal until the day on which PLNG announces the conclusion of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis and signs the Agreements to Provide Regasification Services, however only until 30 June 2010.

4.2.2 BANK GUARANTEE

A condition of participating in Phase Two of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis is submitting an irrevocable, unconditional, payable on first demand bank guarantee, whose model will be published upon the completion of Phase One of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis. The bank guarantee will have to be issued by financial institutions with at least an “A” or equivalent rating assigned by Moody’s, Standard & Poor’s or Fitch. The amount of bank guarantee required by PLNG will be equivalent to 12 times the planned monthly financial obligations resulting from the sum of Basic and Additional Services assigned during Phase One and the maximum indicative rates in effect for particular services, determined by PLNG based on non-binding orders submitted in Phase One of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis. The guarantee shall remain valid throughout the entire period of conducting the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis until the day of concluding the agreement to provide transmission services and throughout the term of the Agreement to Provide Regasification Services.

PLNG shall be entitled to demand payment from the Participant and avail itself of the bank guarantee in the full amount in case the Participant’s fails to comply with its obligations resulting from the submitted binding Proposal, the Bylaws of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis, or the Agreement to Provide Regasification Services, in particular when:

1. a Participant in Phase Two of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis fails to conclude an Agreement to Provide Regasification Services after PLNG has assigned to it Basic Services Packages or Basic and Additional Services
Packages that allow regasification or regasification and transshipment to tanker trucks of an annual LNG quantity supplied to the Terminal, as indicated in a binding order (proposal), or a quantity that is lower by no more than 15%.

2. the Agreement is terminated or expires before the term for which it has been concluded, subject to its provisions.

3. reconstruction proceedings have been initiated with respect to a Participant [Terminal User], a petition to declare a Participant’s [Terminal User’s] bankruptcy has been filed or commencement of the Participant’s [Terminal User’s] liquidation.

4.2.3 QUALIFYING PARTICIPANTS TO PHASE TWO

Proposals together with attachments should be delivered to PLNG at the correspondence address of the Company indicated in item 8 of these Bylaws of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis by 30 November 2009. Enrollments made after this deadline will not be taken into account in the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis.

A participant may submit a new Proposal until 30 November 2009. The new proposal supersedes the entire original order of the Participant, and all information included in the original binding order will be ignored. Therefore, the new Proposal should be fully completed.

PLNG will send a confirmation of receiving the Proposal (binding order) at the e-mail address of the Participant indicated in the form. If the form contains defects or errors, in particular if not all of the necessary information is indicated or no bank guarantee is attached, PLNG shall summon the entity to supplement the defects within 10 days from receiving the summons. The defects are deemed supplemented if the reply to PLNG’s summons is delivered to PLNG’s correspondence address by the deadline indicated above and contains all requested information or documents for supplementation. Otherwise PLNG will deem that no enrollment occurred to participate in Phase Two of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis.

Within 5 business days from the date of receiving a properly supplemented form together with the required documents, PLNG shall either register the Participant in Phase Two of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis. Within the subsequent 5 business days PLNG shall send to the Participant information concerning its registration or failure to meet the conditions required for registration in the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis.

Meeting all of the conditions specified in item 4.2 will constitute the basis for participation in Phase Two of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis.

4.2.4 BINDING ORDERS

During Phase Two of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis the Participants, based on information provided by PLNG and their own analyses, are entitled to:
1. confirm the non-binding order, i.e. maintain the submitted non-binding order as effective;

2. increase the annual quantity of LNG supplied to the terminal compared with the quantity declared in the effectively submitted, non-binding order by no more than the quantity announced by PLNG upon completion of Phase One as the annual quantity of LNG that may be additionally contracted during Phase Two, however no more than by +20% compared with the ordered annual quantity of LNG supplied to the terminal in the effectively submitted non-binding order. Increasing the ordered annual quantity of LNG supplied to the Terminal may not cause the quantity to exceed 7,470,000 m$^3$ per year, which corresponds to an annual volume of regasified gas fuel amounting to approx. 4,500,000 Nm$^3$ (assuming that 1 m$^3$ of LNG is equivalent to 630 Nm$^3$ of gas fuel)

3. decrease the quantity of LNG supplied to the Terminal as specified in an effectively submitted non-binding order by no more than 10%;

4. back out of each of the Additional Services;

5. back out of a registered non-binding order.

During Phase Two of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis PLNG will assign Basic Services Packages to Participants, determining the annual quantity of LNG supplied to the terminal and the regasification capacity, and define the schedules of methane carrier moorings at the loading berth. PLNG will undertake efforts to ensure that the schedule of methane carrier moorings at the loading berth match the demand of Terminal Users, provided that the integrity of Terminal installations is not affected, the regasification installation is operated in an optimal manner, and PLNG obligations are fulfilled. Priority will be given to annual schedules of methane carrier moorings at the loading berth submitted during the term of the Agreement and in compliance therewith.

In case of a surplus of orders with respect to the number of assignable Basic Services Packages, PLNG will allocate Additional Services Packages according to the rules described in item 4.5. If no surplus of orders with respect to the number of assignable Basic Services Packages has occurred, PLNG will provide Participants of Phase Two of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis with Agreements to Provide Regasification Services, according to the provisions of item 4.9.

On the basis of binding orders, PLNG will make a decision to provide additional services consisting in adjusting the quality parameters of gas fuel by injecting nitrogen. PLNG will make a decision to provide this additional service if Participant orders cover at least 80% of the installation capacity with an efficiency of 20,000 m$^3$/h.

4.2.5 INFORMATION PROVIDED AFTER THE END OF PHASE TWO

After the end of Phase Two of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis, PLNG will provide Procedure Participants with comprehensive information about:

1. approximate alternative tariff fee rates for using basic and additional services;
2. allocated Basic Services Packages, the regasification capacity determined for such packages, and the schedules of methane carrier moorings at the loading berth;
3. allocated Additional Services.

4.3 REQUEST FOR PLNG TO TAKE ACTION EARLIER

Participants of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis who, for reasons due to their own assessment of needs concerning the use of regasification services, deem it necessary for the Terminal to commence operation before conclusion of the Procedure, should notify PLNG of this fact. The participants should indicate justifiable reasons for PLNG taking action earlier. PLNG will analyze the information provided by Procedure Participants and assess the extent, time, and potential costs of actions scheduled to be executed upon completion of the Procedure. In case of justified reasons to take investment actions earlier, PLNG shall take such actions, provided that the applying Procedure Participant has concluded an appropriate agreement with PLNG in this respect. Signing such an agreement shall in no way result in such Participant having a privileged status during the enrollment qualification procedure and allocation of Basic Services Packages.

In cases when the decision to commence Terminal construction is not taken, the Procedure Participant that has signed such an agreement will be obliged to repay PLNG the full cost of actions and works performed as part of the agreement.

4.4 THROUGHPUT ALLOCATION

If, according to the orders, the annual quantities of LNG supplied to the Terminal require regasification with capacity that exceeds the nominal regasification capacity amounting to 513,000 Nm³/h, PLNG shall allocate the available number of Basic Services Packages. PLNG declares that in making the allocation it will aim to ensure:
- the long-term security of the investment;
- the economic effectiveness of the investment;
- access to regasification services for as many entities as possible.

In allocating the throughput PLNG will reduce the ordered annual quantities of LNG supplied to the Terminal.

In case of allocating Basic Services Packages between the Participants that have submitted orders with different periods and different annual quantities of LNG supplied to the Terminal, the deciding factor in allocating the Basic Services Packages will be the discounted value of income generated by the Regasification Agreement, taking into account its size, length, and term.

The allocation of Basic Services Packages shall proceed as follows:
1. in the first place, all ordered annual LNG quantities supplied to the Terminal will be reduced pro rata, but by no more than 15% with respect to the quantity stated in the order;

2. if, in spite of the reduction referred to in subitem 1, it will not be possible to execute all orders, Basic Services Packages may not be allocated to the Participant whose order generates the least discounted values of income;

3. if, in spite of taking the actions referred to in subitem 2, it will not be possible to execute all remaining binding orders, PLNG will reduce all remaining annual quantities of LNG supplied to the Terminal pro rata, but by no more than 15% with respect to the quantity stated in the order;

4. if, in spite of taking the actions referred to in subitem 3, it will not be possible to execute all remaining binding orders, PLNG will repeat the actions described in subitems 1-3.

If two or more orders generate an equal discounted value of income, PLNG will use the following tie-breakers:

- increase the technical capabilities of the Terminal (redefining the investment project that may delay execution of the investment);
- undertake bilateral and multilateral negotiations.

At the start of negotiations with the Participants of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis, PLNG will suggest that the throughput is reduced in pro rata to the submitted orders.

The discounted value of income generated by the regasification agreement, taking into account its size, length, and term, will be decisive in determining the schedule of methane carrier moorings at the loading berth. Agreements generating larger discounted value of income will be prioritized when PLNG determines the schedules.

4.5 TARIFFS AND COSTS RELATED TO REGASIFICATION SERVICES

The fees for providing regasification services and additional services performed on the basis of agreements concluded as part of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis will be calculated according to the then effective tariff and the Instructions.

Tariff fees will be calculated according to the then effective provisions of law.

In case of a lack of legal regulations concerning the determination of tariffs, tariffs for services provided as part of Basic or Additional Services Packages will be determined taking into account the provisions of the Energy Law Act of 10 April 1997 (consolidated text in Dz. U. 2006 No. 89, item 626, No. 104, item 708, No. 158, item 1123, No. 170, item 1217, 2005 No. 62, item 552, 2007 No. 21, item 124, No. 4, item 07, No. 52, item 343, No. 06, item 24, No. 115, item 790, No. 130, item 905, 2008 No. 1, item 1, No. 180, item 1112.) and the regulation of the Minister of Economy of 6 July 2008 on the detailed rules of shaping and calculating tariffs and settlements in the gas fuels trade (Dz. U. 2008, No. 28, item 165).
Procedure Participants accept that the tariff for services provided as part of the Basic or Additional Services Packages may be determined unilaterally by PLNG according to the rules defined in these Bylaws of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis.

The introduction of other tariffs than those published by PLNG as part of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis do not entitle a Participant to renegotiate the Agreement, demand a reduction of fees and rates, or terminate the Agreement. The rates proposed by PLNG as part of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis are indicative and are aimed solely at assessing the forecasted, but not binding, fees for making the terminal throughput available.

In cases when a Participant concludes the Agreement and does not avail itself of the services provided by the Terminal for reasons attributable to the Participant, it shall pay a fee according to the tariff.

4.6 METHODOLOGY OF CALCULATING TARIFF RATES

4.6.1 INDICATIVE RATES PUBLISHED AS PART OF THE 2009 PROCEDURE FOR OFFERING AN LNG TERMINAL ON AN OPEN SEASON BASIS

The indicative tariff rates proposed by PLNG during Phase One and Phase Two of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis are in no way binding and are for orientation purposes only.

The rates submitted as part of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis will be calculated according to the provisions of law in force and the rules described in these Bylaws. The tariff rates will be calculated with the highest level of diligence, on the basis of knowledge available to PLNG, but may and probably will vary from the actual rates calculated after performance of the investment.

PLNG will undertake all efforts to provide, together with a calculation of tentative rates, comprehensive and full information concerning the assumptions underlying their calculation and factors that influence their potential change.

The tentative rates will be presented in today’s prices.

PLNG will provide a total indicative tariff rate for using the Basic Services Package, i.e. the rate for unloading, process storage and regasification of 1,000 Nm$^3$ of gaseous fuel. Moreover, indicative rates will be provided for using the Additional Services.

The level of indicative rates for the Basic Services Package will be calculated based on the regasification capacity granted to the Participants under the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis and with the reservation of the possibility of changing the amount of costs assumed for the calculation to the extent PLNG, as at the moment of such calculation, considers such cost changes likely to take place. PLNG makes a reservation that the costs assumed to calculate the tariff rates may differ from the final project costs.
For comparison purposes, indicative tariff rates for the Basic Services Packages calculated based on the assumption of using 80% of the nominal regasification capacity of 570,000 m³/h will also be provided.

4.6.2 THE TARIFF SYSTEM CURRENTLY USED IN POLAND

According to the provisions of the Energy Law Act of 10 April 1997, and the regulation of the Minister of Economy of 6 July 2008 on the detailed rules of shaping and calculating tariffs and settlements in the gas fuels trade, the tariffs are calculated in a manner ensuring:

- coverage of justified costs in the scope set out in Article 45 of the Energy Law Act;
- protection of recipient interests against an unjustified price level.

The tariff rates related to regasification will be calculated on the basis of:

1. justified costs, divided into fixed and variable costs (with some fixed costs recoverable as part of the variable fee), taking into account the return from the employed capital.
2. regasification capacity assumed for cost allocation (not for settlements with service recipients) for the period in which the tariff is in effect;
3. the quantities of LNG planned for regasification.

A regasification company should determine the fee rates for:

1. the unloading service;
2. the regasification service, including:
   - a variable fee, relating to the quantity of regasified gas fuel;
   - a fixed fee, based on fixed costs dependent on the ordered regasification capacity;
   - subscription fee, determined on the basis of justified costs of servicing the customer, in particular: reading the indications of metering systems, issuing invoices, calculating and collecting fees for regasification or loading to tanker trucks, as well as actions related to inspecting metering systems, compliance with agreement provisions, and ensuring correct settlements.
3. the loading LNG to tanker trucks service;
4. the LNG quality inspection service;
5. the fuel gas treatment by injecting nitrogen service.

Justified costs include costs of making the Terminal throughput available, in particular:

a. prime costs (in the meaning of the Accounting Act), i.e.:
   - materials and energy (including the purchase of gas to cover PLNG’s own use and differences in balance);
   - external services (including maintenance and research):
b. justified return from the capital employed in regasification activities.

Justified costs that serve as a basis for calculating prices and fee rates are planned by energy companies and verified by the Energy Regulatory Office Chairman at the stage of approving a tariff application.

Fixed costs, variable costs, and subscription fee costs will be determined by PLNG according to the cost allocation rules adopted by the Company and approved by the Energy Regulatory Office Chairman.

In calculating indicative rates, PLNG will assume that the regulated income will cover all costs as well as the return of capital employed in the activity. Such assumption will also be used for calculating tentative rates calculated and announced by PLNG during Phase One and Phase Two of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis.

According to the currently effective provisions of law, tariffs are approved for periods of one year and ensure the coverage of justified activity costs (including depreciation of assets) and justified return from capital involved in regasification activities.

4.6.3 JUSTIFIED RETURN FROM CAPITAL EMPLOYED IN REGASIFICATION ACTIVITIES

The return from employed capital accounted for in the tariff is calculated by energy companies based on the weighted average capital cost (WACC). Only the WACC figure is approved by the Energy Regulatory Office Chairman.

The justified return from capital employed in business activities conducted by an energy company regarding regasification of liquid gas is calculated according to the following formula:

\[ ZNK = WACC \times (WRA + WC) \]

where:
- \( ZNK \) - return from employed capital (in PLN);
- \( WRA \) - net value of employed assets (average for a particular regulatory period, in PLN);
- \( WC \) - working capital (average for a particular regulatory period in PLN);
- \( WACC \) - weighted average capital cost (average for a particular regulatory period in %).

The weighted average capital cost, marked as WACC, is calculated according to the following formula:
The own capital cost, marked as Ke, is calculated according to the following formula:

\[ Ke = rf + [rm - rf] \beta \]

where:
- \( rf \) - risk-free rate;
- \( rm \) - return rate specific for a particular market;
- \( \beta \) - equity beta ratio.

### 4.6.4 Tariff structure – fees

The following fee structure is planned to be adopted:

1. A fee for the LNG unloading service A fee the for LNG regasification service, including:
   - a variable fee per m\(^3\) of gas fuel
   - a fixed fee per kWh or m\(^3\)/h/year
   - a subscription fee in PLN per month
2. A fee for loading LNG to tanker trucks
3. A fee for adjusting quality parameters of the gas fuels (nitrogen injections)

### 4.7 SIGNING THE AGREEMENTS

Participants of Phase Two of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis, to whom Basic Services Packages or Basic and Additional Services Packages are assigned (depending on the submitted order) that allow regasification or regasification and transshipment to tanker trucks of an annual LNG quantity supplied to the Terminal and indicated in a binding order (proposal), or a quantity lower by no more than 15%, are obliged to sign the Agreements to Provide Regasification Services submitted to them by PLNG. As part of Phase Two of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis, the Participants will be provided with Agreements describing the terms and conditions of providing regasification services, determined according to the provisions of the Instructions.
Services provided on the basis of an Agreement concluded as part of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis will be performed solely within the Terminal. The transmission of gas fuel in the transmission system operated by Gaz-System or in other cooperating systems (i.e., beyond the output point of the Terminal) requires the conclusion of separate agreements to provide fuel gas transmission services. The rules of concluding Agreements and providing transmission services in the transmission system operated by Gaz-System are set forth in the Transmission Network System Running and Operating Instructions (IRiESP).

The Agreements concluded during the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis will be concluded for a definite period of time and be governed by Polish law. The Agreements will be executed in the Polish language. The procedure of concluding the Agreements will comply with the provisions of the Instructions.

Regasification services will be provided on the terms and conditions specified in the Agreement and the then effective Instructions.

Terminal users will be entitled to assign or make available all of their rights and obligations resulting from the Agreement concluded as part of this Procedure, on the terms and conditions specified in the Instructions.

PLNG will also be able to assign to a third party all or part of its rights and obligations resulting from the Agreement to Provide Regasification Services concluded as part of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis. PLNG will additionally be entitled to assign its financial obligations resulting from the Agreements to entities that ensure the financing of the investment.

The Agreements shall be compliant with the contents of a model published by PLNG after announcing Phase One of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis results and the Instructions and provisions of law effective as of the day of concluding each Agreement. The provisions of the Instructions and the tariffs determined according to the provisions of law in effect shall apply to the Agreements concluded as part of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis.

Participants to the proceedings shall sign the Agreement and deliver it to the address of PLNG’s seat by the deadline compliant with the schedule contained in item 1.5. In cases when PLNG does not receive the Agreement signed by a Participant of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis by the above deadline, PLNG will assume that the Participant has backed out of signing the Agreement. In such case, PLNG shall avail itself of the bank guarantee according to item 4.3.2.

5 CONFIDENTIALITY

All information marked as confidential obtained by PLNG from the Participants shall be treated as confidential and shall not be released to third parties. However, PLNG shall be entitled to release confidential information obtained in the course of the 2009 Procedure for
Offering an LNG Terminal on an Open Season Basis or the contents of the Agreement to Provide Regasification Services:

1. to the Company’s corporate authorities and to the State Treasury Minister;
2. to the President of the Energy Regulatory Authority;
3. to entities securing financing for the construction of the Terminal;
4. to other authorities entitled to obtain information by virtue of law.

PLNG is entitled to use information obtained from the Participants of the Procedure, including that obtained during consultations, to prepare the Instructions and a model Agreement to Provide Regasification Services.

Moreover, PLNG shall publish information required by the law in force.

In order to protect the parties’ confidential information, PLNG and the Participant of the Procedure shall sign a confidentiality agreement. A model confidentiality agreement forms Exhibit No. 2 to these Bylaws. An entity signing up for participation in the Procedure shall submit, together with a non-binding order, two signed counterparts of a confidentiality agreement. Together with information on registering the Participant, PLNG shall send the Participant one countersigned counterpart of the confidentiality agreement.

6 COORDINATION WITH OTHER OPERATORS

Under the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis, PLNG is considering a plan to build the Terminal without interfering with development plans of the operators of the cooperating systems, the port facilities or the water lane. PLNG shall not be liable for executing any other investment projects than those specified in the Agreement to Provide Regasification Services.

PLNG shall make efforts to enter into agreements on inter-operator cooperation with the operator of the cooperating transmission system in order to clearly specify and ensure that:

1. the infrastructure of the cooperating transmission system will be expanded;
2. the infrastructure of the cooperating system will be compatible with the Terminal;
3. the same technical conditions and parameters will be present in the Terminal and in the cooperating transmission system.

Under no circumstances shall PLNG be liable for expanding the transmission infrastructure in the cooperating system or the ability of rendering the gaseous fuel transmission service from the Terminal’s output point to the cooperating transmission system’s output points.

Gaz-System shall grant priority in allocating throughput at the transmission system’s input points located at the connection of the Terminal and the transmission system managed by Gaz-System to those Participants of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis who will sign Agreements to Provide Regasification Services. The right of priority will pertain to regasification capacity covered by the Agreement to Provide
Regasification Services. The right of priority shall be granted if the Participant submits an application for providing transmission services in accordance with the provisions of IRiESP within the deadline specified in the Agreement to Provide Regasification Services.

7 MISCELLANEOUS

All of the Participant’s costs arising out of or incurred in connection with the participation in the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis shall be incurred by the Participant and shall not be pursued from PLNG. Furthermore, PLNG shall not be liable for any damage suffered by the Participant in connection with its actions aimed at entering with PLNG into an Agreement to Provide Regasification Services. Announcement of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis shall not be deemed PLNG’s undertaking to build the Terminal or provide regasification services.

The Bylaws of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis do not constitute a proposal to conclude an Agreement to Provide Regasification Services; rather, they are an invitation to conclude an agreement in accordance with the rules set forth in the Bylaws.

PLNG reserves the right to amend or supplement these Bylaws or any exhibits hereto, including in respect of extending the deadlines stipulated herein, in particular in the event of changes in the provisions of law, the need to obtain approvals or administrative decisions of relevant authorities, including regulatory authorities. Such amendments and additions shall be published on PLNG’s website and the Participants shall be notified thereof in writing.

In the event any provision of these Bylaws is inadmissible or unenforceable, it shall be deemed excluded from these Bylaws and all other provisions hereof shall remain in full force and effect, and the provision deemed inadmissible or unenforceable shall be replaced with a provision of a similar content, reflecting the parties’ original intention to the extent permitted under the existing law.

In connection with the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis, neither PLNG nor the Participant shall be liable towards each other unless a party suffers damage due to the other party’s willful misconduct. However, the provisions of the Civil Code shall be applicable to any binding Proposals submitted by the Participant in Phase Two of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis.

The parties shall seek to amicably resolve any disputes arising in connection with the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis or its interpretation. If an amicable solution cannot be reached, all disputes arising out of or related to this Agreement shall be resolved by the Court of Arbitration at the Polish Chamber of Commerce in Warsaw pursuant to the Rules of that Court in effect on 15 June 2009.

Provisions of Polish law, in particular of the Civil Code and of the Energy Law Act, shall be applicable to matters not governed by the provisions of this Agreement.

The Bylaws of the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis with the exhibits have been drawn up in both Polish and English language versions. Any English
language versions of this document are available for informational purposes only. In the event of a discrepancy between the Polish and English language versions of this document, the provisions of the Polish language version shall be legally binding.

8 Exhibits to the Bylaws
Exhibit No. 1 – Model non-binding order form
Exhibit No. 2 – Model confidentiality agreement

9 ADMINISTRATIVE INFORMATION – CONTACT
Polskie LNG sp. z o.o.
Warsaw Office
ul. Kasprzaka 25
01-224 Warsaw, Poland

Marked: “2009 Procedure for Offering an LNG Terminal on an Open Season Basis.”

Any and all inquiries concerning the 2009 Procedure for Offering an LNG Terminal on an Open Season Basis should be sent to the following e-mail addresses: katarzyna.cieslak@polskienl.pl and maria.mordwa@polskienl.pl.

The binding language for all correspondence is Polish. PLNG also admits correspondence in English.