

Open  
Energy players  
today and  
tomorrow

Season

by  Adriatic LNG

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## Frequently asked questions

*The purpose of this FAQs document is collecting and summarizing the most frequent and relevant questions and comments arose by stakeholders during the ongoing public consultation phase launched by Adriatic LNG (“Adriatic LNG”) on February 2<sup>nd</sup> 2021<sup>1</sup> on long term regasification allocation so-called **Open Season**. This document provide also highlights of the main items of interest of the stakeholders and already provided in the Open Season Document.*

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<sup>1</sup> The document for public is the “Open Season Document” in this document.

**Q1: What are the products proposed by Adriatic LNG in the Open Season Document?**

Six different multi-year and fixed quantity products have been proposed by Adriatic LNG at §6.1 of the **Open Season** Document, covering the period from January 2022 until December 2046. In particular:

- *Product 1A: Jan22 → Nov34: 1.6 BCM/y current base capacity + 1.0 additional base capacity + 0.5 BCM/y incremental capacity. Total capacity : 38.5 BCM (assuming Incremental capacity available from January 2025)*
- *Product 1B: Jan22 → Nov34: 1.6 BCM/y current base capacity + 1.0 additional base capacity . Total capacity : 33.6 BCM*
- *Product 2A: Dec34 → Dec46: 8.0 BCM/y current base capacity + 1.0 additional base capacity + 0.5 BCM/y incremental capacity. Total capacity : 114.8 BCM*
- *Product 2B: Dec34 → Dec46: 8.0 BCM/y current base capacity + 1.0 additional base capacity. Total capacity : 108.8 BCM*
- *Product 3A: Jan22 → Dec46: consisting of Products 1A + 2A. Total capacity : 153.3 BCM*
- *Product 3B: Jan22 → Dec46: consisting of Products 1B + 2B. Total capacity : 142.3 BCM*

*The total capacity may be impacted by maintenance which, in case, would be managed pursuant to article 3.4, Chapter II of the Regasification Code (“Planning and management of maintenance and inspections”).*

**Q2: What is the additional base capacity? Is it already marketable?**

*As provided in § 5.3 b) of the Open Season Document, additional base capacity means an additional 1BCM/y regasification capacity that Adriatic LNG is ready to offer from a technical point of view thanks to certain operational optimization i.e. no additional equipments or works are needed to offer such capacity.*

*Nevertheless, per applicable legal framework, the marketing of such additional base capacity is subject to prior clearance by relevant Ministries. Adriatic LNG has started the relative procedure in July 2020 and, to its understanding, outcomes of such procedure are expected before the start of the **Open Season**.*

**Q3: What is the incremental capacity?**

*Incremental capacity is a new possible future capacity requesting dedicated investments and field works. The incremental capacity is 0.5 BCM/year. This capacity is not offered as a separate product but it is bundled with base capacity to make a product.*

*To the best of Adriatic LNG knowledge, subject to successful capacity allocation, this capacity may be available in a time window from mid-2024 to end 2025.*

*The availability of the incremental capacity is subject to certain conditions, including positive completion of permitting phase, performance of field activities, construction CapEx budget not exceeding more than 10% of planned CapEx budget.*

**Q4: Can the stakeholders propose to Adriatic LNG different products to be offered in the Open Season?**

Through this **Open Season**, Adriatic LNG intends to offer products fixed in duration and size (in m<sup>3</sup> of LNG/Duration) to facilitate and simplify the capacity allocation in order to maximize the use of available regasification capacity and optimize terminal operations i.e. no allocation will be made on a m<sup>3</sup> LNG basis only.

At this stage, the products provided for in the **Open Season** Document are those Adriatic LNG is proposing to the market operators.

The stakeholders are kindly invited to express their preferences on this proposal and, in case, propose different products to be allocated in the **Open Season**. Such opinion shall be provided by the public consultation deadline i.e. by March 22<sup>nd</sup>, 2021.

In order to support the stakeholders in their thinking developments on the products, Adriatic LNG reminds:

1. allocation of unloading slots shall be scheduled on a yearly basis in compliance with the procedures set out in the Regasification Code<sup>2</sup> within the Annual Delivery Plan;
2. through **Open Season**, Adriatic LNG does not intend to allocate infra-annual capacity, meaning short-term or spot products within the thermal year since the short-term and spot products are the residual capacity not allocated within the Open Season i.e. if not all the capacity is allocated in the Open Season the residual capacity will be allocated short-term and spot. For short-term and spot products, please refer to the auction processes carried out by Adriatic LNG (<https://www.adriaticlng.it/en/market-area/services/regasification>). For the time being, infra-annual auction processes have been suspended following the allocation of all available capacity up to the end of the 2020/2021 thermal year<sup>3</sup>.

**Q5 : When Open Season is expected to start? When Open Season allocation process is expected to be concluded?**

To the best of Adriatic LNG knowledge, non-binding qualification phase (up to 3-months duration) is expected to start end of August/beginning September 2021, while binding phase (1-month duration) is expected to take place in December 2021 or January 2022 the latest.

**Q6: Will minimum contract value(s)/reserve price(s) be disclosed by Adriatic LNG in the Open Season procedure?**

No, minimum contract value(s)/reserve price(s) of Product(s) will not be published.

<sup>2</sup> See updates of Regasification Code proposal : <https://www.adriaticlng.it/en/market-area/regasification/updates/> (last access March 10th 2021)

<sup>3</sup> See publication dated March 1st 2021 : <https://www.adriaticlng.it/en/market-area/services/regasification> (last access March 10th 2021)

**Q7: Will the criteria to set the minimum contract value/reserve price be disclosed by Adriatic LNG before the start of the Open Season procedure?**

*Adriatic LNG reminds that the applicable legal framework provides for some allocation criteria among which some influence the criteria underlying the reserve price/minimum value of allocation. For example, the maximization criteria as explained by §10.1 of the Open Season Document underlies quantitative discount as in place for short-term and spot allocation<sup>4</sup>. At this stage, no decision have been taken on the disclosure of other criteria.*

**Q8 : What are the criteria that Adriatic LNG will use to evaluate the offers? What information will be disclosed by Adriatic LNG in terms of criteria for assessing the offers?**

*Assuming all bidders satisfy the conditions set forth in the Regasification Code to become a user of the regasification service<sup>5</sup>, in relation to any Product, all valid bids received for that Product will be ranked according to the value offered. The bid below the minimum value of allocation will be discarded. The criteria defined implementing Economic Development Ministerial Decree 8<sup>th</sup> July 2020 (“Decree”) will be applied to adjust the bids values for ranking purposes only.*

*Eg. should bidder A offers for Product 1B and bidder B offers for products 1B + 2B, a premium for greatest volume/longest duration will be applied to bidder B’ s offers for ranking purposes and capacity will be allocated at the nominal contract values offered by bidder B.*

*The product(s) is allocated to the highest value per the above ranking.*

*It is kindly reminded that Adriatic LNG do not effectively perceive any contribution from the Italian gas system to guarantee its revenue per applicable tariff regulation.*

**Q9 : How Adriatic LNG will calculate the percentage of the import capacity for each bidder, ie. one of the preference criteria set out by Decree?**

*In Adriatic LNG opinion, the definition of such percentage need to be based on public data.*

*At this stage, in Adriatic LNG opinion, such percentage should refer to the average import capacity (regasification + pipeline) per last annual report on the Italian gas market from Italian Regulatory Authority for Energy, Networks and Environment (ARERA) available at the date Open Season will start.*

*Stakeholders are welcome to provide their opinion.*

**Q10 : Will the long term capacity agreement be published before the start of the Open Season ?**

The draft long term capacity agreement is already available, it is the Non Foundation Capacity Agreement provided for in the amended Regasification Code under public consultation n.12 (Part IV of Annex (a), p. 149 of the English courtesy translation)<sup>6</sup>.

<sup>4</sup> <https://www.adriaticlng.it/en/market-area/services/regasification>

<sup>5</sup> See articles 2.4.4 and 2.4.5 of Chapter II of Regasification Code.

**Q11 : Is there any price review provision ?**

The bidder shall choose the product(s) and submit the offer in €/m<sup>3</sup>liq and shall include an estimate of the total contract value<sup>7</sup> for the entire duration of the product.

The allocation prices will be valid for the entire allocation period: no price review mechanism is contemplated.

In case of a price with a variable component (indexation to one or more relevant markets), this component will be adjusted according to the defined forward curves.

**Adriatic LNG** welcome any other comment and contribution to build *together* this great **Open Season** project.

Thank you.

*Disclaimer: this Document has been prepared by Adriatic LNG in the process of elaboration of the next regasification service allocation process and products, solely for consultation and informative purposes. Under no circumstances shall any person, company, corporate body or other entity be entitled to assert any right, claim or other entitlement against Adriatic LNG (or either its directors, managing directors or employees) as a result, or on the basis of this Document.*



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<sup>6</sup> <https://www.adriaticlng.it/en/market-area/regasification/updates>

<sup>7</sup> Especially in case the bid is partially indexed on wholesale gas market(s) prices.