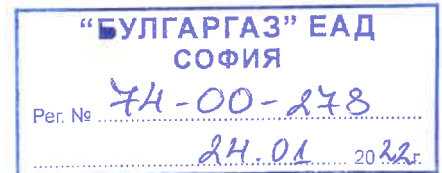




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Attn.:  
REGULATORY AUTHORITY FOR ENERGY OF GREECE



CC:  
Gastrade S.A.

*Subject: Public consultation in connection with Alexandroupolis Independent Natural Gas System's Inter-User Agreement*

Dear Sir/Madam,

In connection with a public consultation of the Inter-User Agreement (the "Agreement") between the Users of the Alexandroupolis Independent Natural Gas System, Bulgargaz EAD ("Bulgargaz") expresses the following opinion:

- **Liabilities of the parties** – the Agreement foresees that the User shall be liable for any damage caused to the Terminal both by itself and by third parties for whom it is responsible (shipowner, supplier, employees and third parties acting for and on behalf of the User). The liability in these cases is unlimited.

At the same time, the Operator's liability is significantly limited - in the first place it is only for non-performance due to intent or gross negligence, and in the next place it is foreseen to be 20% of the Terminal Use Agreement value. Under Bulgarian law, it is not permissible to limit liability for intent and gross negligence. Even if such a limitation is permissible under Greek law, compensation of only up to 20% of the value of the Terminal Use Agreement is not proportionate to the expected damage. **From what has been said, it is evident that there is a substantial discrepancy in the liability of the two Parties - unlimited and in all cases for the User and limited to certain cases and amount for the Operator.**

Liability in the event of the need for interruption, curtailment or suspension of service by the Operator is also transferred entirely to the User. It is stipulated that the Operator may, at its own discretion, carry out these actions if there is a risk of damage to property, persons or an order of a public authority. However, such curtailment or suspension shall not relieve the User of the obligation to pay the Capacity Fee.

- **Collateral** – provision of Inter-User Guarantee is envisaged as follows:
  - ✓ Inter-User Guarantee - the amount of the guarantee is determined as the product of the guarantee LNG quantity and the Guarantee LNG price.

The guarantee quantity represents the largest LNG supply obligation that this user planned to deliver in the agreed Annual Programme.

The Guarantee LNG Price is equal to the average value of TTF Quarterly Forwards plus the following premium:

- The difference between TTF and JKM;
- Premium associated with a short-term LNG replacement cargo request;
- A premium associated with the need for less than the full size standard cargo.

Taking into account the average natural gas prices in 2021 (1 MWh = €95) and the size of an LNG cargo (about 1 000 000 MWh), the amount of the Inter-User Guarantee would be approximately **€95 million**, which would represent an over-collateralization provided by the Users to the Operator.

The Inter User guarantee will be recalculated on a quarterly basis and renewed depending on the exposure of the respective user. In this respect, all users would like their largest cargo to be unloaded at the beginning of the delivery year to reduce the amount of the provided guarantee. Given the aforesaid, Bulgargaz proposes that the amount of the bank guarantee of each Terminal User should not exceed 3% of the value of the Annual Programme.

- **Applicable law and competent court** - Greek applicable law is foreseen in the Agreement. It also provides for that disputes under the Agreements will be settled by arbitration under the Rules of the International Chamber of Commerce with the place of arbitration being Athens, Greece.

Given the international nature of the LNG terminal, the shareholders in the project company are from different countries. Tying the Agreement entirely to Greek law and arbitration does not seem balanced. It is usual in international projects to seek a balance in the relationship between the parties, especially when the nature of the project implies that one party has more rights than the other, as is the case with the terminal operator Gastrade S.A. The place of arbitration is also of significant importance in resolving disputes, as the choice of state determines the procedural rules that apply in the proceedings and in any appeal and enforcement of the arbitral award. It is common for parties to choose a place of arbitration in a third country as a guarantee that the rights of both parties will receive equal protection regardless of nationality. The most popular places of arbitration are London, Paris, Geneva and Stockholm. In this situation, it seems reasonable that the place of arbitration should be determined in a country other than Greece.

Given the above, we expect that this opinion will be taken into account when adopting the final version of the Alexandroupolis Independent Natural Gas System's Inter-User Agreement.

*Yours sincerely,*



**Nikolay Pavlov**

*Executive Director*