

LNG Croatia LLC based on Regulation (EU) No 347/2013 of the European Parliament and the Council of 17 April 2013 on guidelines for trans - European energy infrastructure and repealing Decision No 1364/2006/EC and amending Regulations (EC) No 713/2009, (EC) No 714/2009 and (EC) No 715/2009 announces, based on Article 9, point (7), and guidelines set in Annex VI point (6)(b):

## UPDATED NON-TECHNICAL SUMMARY

The project LNG terminal on the Island of Krk was declared a project of strategic importance for the Republic of Croatia on the 16<sup>th</sup> of July 2015. The Act on strategic investments enables this kind of projects to have the highest priority with faster and simplified procedure in obtaining necessary documents and permits for the project implementation.

The project has also been given a status as European “common interest” project (PCI) by the decision of European Commission. With this status it can enjoy the privilege of urgently obtaining permits, access to favorable regulatory conditions and financial subsidies from the *Connecting Europe Facility*.

Fifteen (15) EU and Energy Community countries in the Central Eastern Europe and South East European regions (Austria, Bulgaria, Croatia, Greece, Hungary, Italy, Romania, Slovakia, Slovenia, Albania, Macedonia, Serbia, Ukraine, Bosnia and Herzegovina and Moldova) have agreed to work together to accelerate the building of missing gas infrastructure links and to tackle the remaining technical and regulatory issues which hamper security of supply and the development of a fully integrated and competitive energy market in the region. The Memorandum of Understanding that formally launches this initiative was signed on 10.7.2015 in Dubrovnik. It will pave the way for the closer integration of the EU and Energy Community energy markets. The joint work under the European Commission initiative on Central Eastern and South-Eastern European Gas Connectivity (CESEC) will focus on building new gas pipelines, and make the best use of existing infrastructure. LNG terminal in Croatia is, among seven infrastructure projects and the only LNG project, identified as top priority in the Action Plan annexed to the Memorandum.

Company LNG Croatia LLC, which is the project developer, has promptly given the Ministry of Construction and Physical Planning all necessary law defined documentation alongside with the location permit request. After fulfilling all the deadlines and procedures prescribed by law, LNG Croatia LLC has on 25<sup>th</sup> of September 2015 received a valid location permit for the project "Receiving terminal for liquefied natural gas on the Island of Krk" in the municipality Omišalj, Primorsko-goranska County. Location permit represents the key document in the project development and it serves as a basis for the main design. Previously environmental impact assessment was done and fully approved.

Since Croatia is a signatory of the “International Convention For the Prevention of Pollution from Ships” (MARPOL 73/78), it has committed to decrease the sulphur level in ships exhaust fumes. By 2020, i.e. in the first year of the LNG terminal operation, the allowed

sulphur level in the exhaust fumes will have been decreased from 3.5% so far to 0.5 %. The regulated limit values shall apply both in the Mediterranean and the Adriatic Seas. In order to comply with the limited values of emission, a justified option for sea carriers is replacement of fuel. This means that instead of the currently used fuel, i.e. fuel oil, they start using LNG. Therefore it can be concluded that the preliminary conditions to develop a market for LNG use in maritime transport have been set. Construction of the LNG terminal Krk would create fundamental preliminary conditions for infrastructure providing LNG supply as fuel in maritime transport. It is also important to note that location of LNG terminal is in Rijeka bay, which is part of European Mediterranean Corridor as part of TEN-T network.

LNG Croatia LLC has recently announced an Open Season procedure where all interested LNG suppliers, gas traders and companies already involved in wholesale of natural gas in Central Eastern and South Eastern Europe could express their interest in the terminal booking capacity. A two step procedure was anticipated. The first step was the non-binding step in which a potential customer was able to submit a non-binding offer to book the capacity of the LNG terminal. A total of 12 companies expressed interest in capacities in total volume of more than 4 BCM/y over the 20 years period.

Based on the received offers and total available capacity LNG Croatia LLC will give a proposal on capacity allocation. If satisfied with the capacity allocated, potential customers can proceed to the second step of the Open Season procedure and submit the binding offer. After the binding offer is accepted, customer will be able to sign a long term contract with LNG Croatia LLC in order to finally book the previously allocated capacity.

In June 2015 LNG Croatia LLC also announced a Call for Equity procedure where all interested parties may express their interest in investment in the project.

On 31st December 2015 at 12:00am the company LNG Croatia LLC has concluded a public call for investment in LNG Croatia LLC. Industrial investors were to submit their offers by 30th November 2015, and financial investors by 31st December 2015. A total of 7 offers from investors have been received, out of which 4 offers were from industrial investors and 3 offers from financial investors. All potential investors are world-class companies/fonds with strong background in gas industry and financial businesses. After the deadline for submission of the bids, the evaluation process by legal and financial advisers and technical experts begins. The entire procedure is carried out in accordance with the project time plan agreed with the European Commission and in line with EU Directives and legislations of Republic of Croatia.