

**Transmed S.p.A.**  
**2022-2023 Offer for Primary Capacity**

**Key Contractual Terms and Conditions of the Gas Transportation Agreement**

**Foreword**

The following is a summary of the general terms and conditions common to each and every Gas Transportation Agreement ("GTA") between Transmed S.p.A. ("TRANSMED") and an assignee of capacity band(s) ("Shipper").

Each GTA shall be filled in with Shipper specific information, such as company data, GTA duration and Committed Flow Rate.

This document is meant to provide Shipper with a preview of the main general terms and conditions of the final GTA. With respect to the principles laid out herein below, TRANSMED reserves the right to alter their order, and/or move concepts from an article to another, and/or regroup clauses under different headings, and/or modify the final wording of each clause, all while safeguarding its intended purpose and balance.

TRANSMED will make available to Shipper its standard GTA drafted in French ("*Contrat de Transport*").

**1. Definitions**

**Capacity Band:** the combination of capacity and duration booked by Shipper.

**Capacity Reduction:** a temporary inability, total or partial, on the part of the TMPC Transportation System to make available to Shipper its Committed Flow Rate, due to any reasons including, but not limited to, force majeure and maintenance.

**Committed Flow Rate:** the maximum hourly flow rate (expressed in Cm<sup>3</sup>/h) reserved to Shipper, resulting from the Capacity Band(s).

**Delivery Point:** the inlet point at the Cap Bon compression station on Tunisian territory, where gas is delivered by Shipper to TRANSMED under the GTA and where the TMPC Transportation System is connected to the trans-Tunisian transportation system.

**Redelivery Point:** the outlet point at the Mazara del Vallo measuring station on Italian territory, where gas is redelivered by TRANSMED to Shipper under the GTA and where the TMPC Transportation System is connected to the Snam Rete Gas transportation system.

**Starting Date:** the 1<sup>st</sup> day of the first month of the earliest Capacity Band, at 8:00 (GMT+1).

**TMPC Transportation System:** The natural gas transportation system crossing the Strait of Sicily and referring to the offshore pipelines and onshore terminals owned by TMPC. The transportation capacity of said system is leased to TRANSMED for the execution of the natural gas transportation services pursuant to the GTA.

## **2. Conditions Precedent**

The coming into force of the GTA with Shipper is subject to the fulfilment of the following conditions precedent:

- a) The coming into force of a gas transportation agreement between Shipper and Trans Tunisian Pipeline Company S.p.A. ("TTPC") for the transportation of natural gas on Tunisian territory, with the same Committed Flow Rate and for the same duration of the GTA to be concluded with TRANSMED.
- b) The submission by Shipper of the original of the bank guarantee or of the parent company guarantee issued in favour of TRANSMED, or the payment by Shipper of the cash deposit in favour of TRANSMED, if requested as provided in the GTA.

In the event that any of the conditions precedent above is not fulfilled at the latest by the day preceding the Starting Date, the GTA shall terminate.

## **3. Transportation Service**

The scope of the GTA is the transportation service rendered by TRANSMED to Shipper. Such service shall consist of:

- exclusive availability to Shipper of the Committed Flow Rate<sup>1</sup> on a "ship-or-pay" basis and with a constant hourly flow rate during each day;
- the transportation of the quantities of natural gas made available by Shipper at the Delivery Point;
- the redelivery to Shipper at the Redelivery Point of an amount of natural gas equivalent in terms of energy to the quantity made available by Shipper at the Delivery Point as set forth in the GTA.

In any single gas year, TRANSMED shall be entitled to reduce or interrupt the transportation service, for maintenance and other Transportation System management purposes, for a maximum period of 15 (fifteen) days equivalent at full capacity, without any corresponding reduction of the Shipper's obligation to pay in full the transportation charge. Should the actual number of reduction / interruption days exceed, in a gas year, 15 (fifteen) days equivalent at full capacity, Shipper shall be entitled to tariff reduction pursuant to the provision of the paragraph "Capacity Reduction".

## **4. Measurement and Quantity**

The Algerian gas transported by TRANSMED is measured at the measuring station in Mazara del Vallo located on Italian territory immediately downstream of the physical connection between the TMPC Transportation System and Snam Rete Gas network.

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<sup>1</sup> In the event of subletting of transportation capacity between Shipper and any other user, Shipper's Committed Flow Rate shall be deemed to be temporarily modified - solely and exclusively for the purposes of the undertaking provided for in this paragraph 3 - on the basis of the data communicated to TRANSMED by said parties through the submission of the transportation capacity subletting notification form.

The quantity of gas made available by Shipper to TRANSMED at the Delivery Point and the amount of gas redelivered by TRANSMED to Shipper at the Redelivery Point shall be determined in accordance with the allotment procedure of the total quantity of gas measured at the Snam Rete Gas measuring station located in Mazara del Vallo in Italy.

## **5. Quality and Pressure**

The quality and pressure of the natural gas delivered by Shipper to TRANSMED at the Delivery Point and redelivered by TRANSMED to Shipper at the Redelivery Point shall comply with the specifications laid down in the GTA and relevant Annexes.

## **6. Capacity Reduction**

In case of reduction of the transportation capacity on the Transportation System, due to any reasons including, but not limited to, force majeure events and maintenance on the Transportation System, such reduction shall be allocated between all Shippers proportionally to their Committed Flow Rate.

TRANSMED, acting as a reasonable and prudent operator, shall make every reasonable effort to minimize the impact of the transportation capacity reduction on the Shippers, also compensating the reduction with the unallocated transportation capacity, if available. The remainder of the reduction, if any, shall be allocated between all Shippers proportionally to their Committed Flow Rate.

In case of an unforeseen event causing transportation capacity reduction, TRANSMED shall promptly inform Shipper of the reasons, the impact on transportation capacity and the estimated duration of the event.

In the event that - due to a Capacity Reduction - the actual number of reduction days in a gas year exceeds the maximum value of 15 (fifteen) days equivalent at full capacity, Shipper shall be entitled to tariff reduction. Such reduction shall be calculated on the basis of 1/30<sup>th</sup> (one thirtieth) of the Monthly Fee for each day of actual reduction - equivalent at full capacity - in excess of 15 (fifteen) days and applied on the first available invoice.

Transportation capacity reductions due to force majeure events shall result, for the entire reduction period, in a proportional reduction *pro quota* and *pro rata temporis* of the obligation to pay the transportation charge in accordance with the GTA.

Transportation capacity reductions concerning the upstream and/or downstream transportation systems, due to whatever reason including force majeure, do not constitute transportation capacity reduction of the Transportation System and consequently the obligation to pay in full the transportation charge in accordance to the GTA shall continue to apply.

## 7. Transportation Charges

Transportation charges provided for in the GTA shall refer to the transportation services rendered by TRANSMED to Shipper and shall be calculated as herein specified.

Starting from the first day of transportation under the GTA and for the entire duration of the GTA itself, for each month  $k$  during the gas year  $j$ , Shipper shall pay to TRANSMED a monthly fee  $MF^{kj}$  expressed in USD calculated as follows:

$$1) MF^{kj} = \sum_{i=1}^n UCT_L^{kj} \cdot Q_i$$

where

- $UCT_L^{kj}$  is the Unit Capacity Tariff given by formula (2) below;
- $Q_i$  is the hourly flowrate corresponding to each Capacity Band  $i$  booked by Shipper;

$$2) UCT_L^{kj} = KD_L \cdot UCT_0 \cdot IND^j$$

where

- $KD_L$  is equal to:
  - o for any Capacity Band reserved by Shipper with a duration of one or more years, the  $KD_i$  corresponding to the longest duration  $D_i$  among these annual bands.  
This shall not apply retroactively.
  - o for any Capacity Band reserved by Shipper with a duration of less than one year, the  $KD_i$  corresponding to the duration  $D_i$  of each of these infra-annual bands.  
This shall apply even if in parallel Shipper also has annual bands or if the aggregate duration of the infra-annual bands reserved by Shipper is equal or greater than one year.

Where  $KD_i$  is the degressivity factor function of the duration  $D_i$  and its value for each duration  $D_i$  is given by the following table:

$D_i$	month	quarter	1 year	2 years	3 years	4 years	5 or more years
$KD_i$	1,30	1,20	1,04	1,03	1,02	1,01	1,00

- $UCT_0 = 2,475$  USD/month per each  $Cm^3/h$  of reserved capacity;
- $IND^j$  is the indexation factor, given by the formula (3) below;

$$3) IND^j = 0,50 + 0,35 \cdot S_j + 0,15 \cdot I_j$$

where

- a) The coefficient  $S_j$  shall be periodically revised, pursuant to the provisions of present sub-section (a), the revision occurring at the beginning of each gas year numbered one after the other until gas year (10).

Gas year (1) starts on October 1st, 2019 while gas year (10) starts on October 1st, 2028 and ends on October 1st, 2029.

$S_j$  is defined as follows:

$$S_j = \frac{t_j}{t_o}$$

$t_j$  for gas year (j) equals to the arithmetic average of the monthly values corresponding to:

Index "Long-Term Government Bond Yields: 10 years" for the United States as published by the "Federal Reserve Bank of St. Louis" at <https://fred.stlouisfed.org/series/IRLTLT01USM156N> applied to a period of twelve consecutive months ending on September 30th immediately preceding the beginning of gas year (j).

$t_o$  equals to the arithmetic average of the index mentioned above for the first quarter of 2019, i.e. 2.65%.

For gas year (1) the coefficient  $t_1 = 2.65\%$ .

- b) The coefficient  $I_j$  shall be periodically revised, pursuant to the provisions of present sub-section (b), the revision occurring at the beginning of each gas year numbered one after the other until gas year (10).

Gas year (1) starts on October 1<sup>st</sup>, 2019 while gas year (10) starts on October 1<sup>st</sup>, 2028 and ends on October 1<sup>st</sup>, 2029.

$I_j$  is defined as follows:

$$I_j = \left( 0,7x \frac{PPI_j}{PPI_o} + 0,3x \frac{SO_j}{SO_o} \right)$$

where

$PPI_j$  for gas year (j) equals to the arithmetic average of the monthly values corresponding to:

Index (in a 2010 base) "Producer Price Index by Commodity Industrial Commodities", as published by the "Federal Reserve Bank of St. Louis" at <https://fred.stlouisfed.org/series/PPIIDC> applied to a period of twelve consecutive months ending on September 30 immediately preceding the beginning of gas year (j).

$PPI_o$  equals to the arithmetic average of the index mentioned above for the first quarter of 2019, i.e. 107.42%.

For gas year (1) the coefficient  $PPI_1 = 107.42\%$ .

$SO_j$  for gas year (j) equals to the arithmetic average of the monthly values corresponding to:

Index (in a 2015 base) "Hourly Earnings : Manufacturing for the United States" as published by the "Federal Reserve Bank of St. Louis" at <https://fred.stlouisfed.org/series/LCEAMN01USM661N> applied to a period of twelve consecutive months ending on September 30 immediately preceding the beginning of gas year (j).

$SO_0$  equals to the arithmetic average of the index mentioned above for the first quarter of 2019, i.e. 110.19%.

For gas year (1) the coefficient  $SO_1 = 110.19\%$ .

The rounding of the compensation is made to the second digit after the decimal point, rounded up if the third digit after the decimal point is greater than or equal to 5 (five), or rounded down if the third digit after the decimal point is less than 5 (five).

## **8. Invoicing and Payment**

TRANSMED shall issue to Shipper a monthly invoice by the 7<sup>th</sup> business day of each Month, with reference to the transportation service of the preceding Month. Its amount in USD will be invoiced in Euro at the exchange rate of the invoice issuing date.

The invoice or, where applicable, a courtesy copy of the same shall be sent by e-mail.

Shipper shall pay the invoice to the bank account indicated by TRANSMED within the 25<sup>th</sup> of the month of its issuance.

Any inaccuracy in the invoiced amounts shall require the issue of appropriate credit or debit notes, for an amount equal to the amount of the miscalculation, and with due date determined in accordance with the relevant provisions of the GTA.

## **9. Transportation Programs**

Shipper shall communicate to TRANSMED, within the 15<sup>th</sup> of the current month (M), its indicative, not binding monthly transportation program weekly and daily detailed for the following month (M+1).

Shipper shall communicate to TRANSMED, by 18:00 (GMT+1) of every Tuesday, its indicative, not binding weekly transportation program daily detailed for the week starting the following Sunday. The communicated daily quantities are intended for a constant hourly flow rate during each day and not exceeding the Committed Flow Rate.

Shipper shall at any time have the right to modify the above-mentioned weekly program, provided that these modifications are in accordance with the relevant provisions of the GTA.

## **10. Governing Law**

The GTA shall be governed by and construed in accordance with the laws of Italy.

All disputes, controversies, or claims arising out or in connection with the GTA including its interpretation, validity, performance, breach, and termination shall be referred to, and finally and exclusively settled by the rules of arbitration of the International Chamber of Commerce (ICC) by one or more arbitrators. Each Party shall appoint a co-arbitrator and the two arbitrators thus appointed shall designate the President of the Arbitration Court.

## **11. Assignment**

No Party shall have the right to assign its rights and obligations under the GTA without prior written consent of the other Party.

## **12. Guarantees**

- a) With the exception of the provisions set forth in paragraph b) herein below, Shipper shall be required to provide TRANSMED, upon execution of the GTA, with a first demand bank guarantee issued by a primary credit institution as per the form annexed to the GTA, or with a cash deposit.
- b) Should Shipper have a credit rating no lower than Standard & Poor "BBB-" or Moody "BAA3" or Fitch "BBB-", Shipper shall not be required to provide TRANSMED with the bank guarantee or the cash deposit. In the event that Shipper does not have the above-mentioned credit rating, but its parent company does, then Shipper shall be entitled to ask TRANSMED approval for the issuance of a parent company guarantee, as per the form annexed to the GTA, in replacement of the bank guarantee or the cash deposit.

Should Shipper have, upon conclusion of the GTA, a credit rating lower than Standard & Poor "BBB-" or Moody "BAA3" or Fitch "BBB-", it shall immediately inform TRANSMED and shall provide the bank guarantee or the cash deposit as per paragraph above.

The bank guarantee or parent company guarantee shall be issued in favour of TRANSMED, or the cash deposit shall be made in favour of TRANSMED, for an amount equal to: i) **USD 3,00** (three and 00/100) for each Cm<sup>3</sup>/h of Committed Flow Rate in case of a Capacity Band with the duration of one (1) month, or ii) **USD 8,00** (eight and 00/100) for each Cm<sup>3</sup>/h of Committed Flow Rate in any other case.

The above-mentioned amount shall be calculated for each different Capacity Band, if applicable.

## **13. Suspension and Termination**

TRANSMED shall be entitled, at its own discretion and without prejudice of any other rights, to suspend, until payment of at least 1 (one) overdue invoice, the transportation service if Shipper fails to pay 2 (two) consecutive invoices or 3 (three) non-consecutive invoices.

TRANSMED shall be entitled, at its own discretion and without prejudice of any other rights, to terminate the GTA if Shipper fails to pay 4 (four) consecutive invoices or 5 (five) non-consecutive invoices or to provide TRANSMED with the original of the bank guarantee or parent company guarantee or to make the cash deposit, as applicable.

In case of termination of the GTA, Shipper, without prejudice of any other rights for TRANSMED, shall pay to TRANSMED the unpaid transportation charges and a penalty equal to the 100% of the amount calculated multiplying the monthly transportation charge at the date of early termination for the number of months from such a date until the original date of expiration of the GTA.

#### **14. Operatorship**

TRANSMED shall be entitled to perform any of its obligations under the GTA by procuring that such obligations are performed on its behalf by a third party, without prejudice to its liability towards Shipper.

#### **15. Confidentiality, Privacy and Compliance**

The terms and conditions of the GTA, as well as all technical and commercial information and data, communicated by one Party to the other in the performance of the GTA, which are not already in possession of the receiving Party or that became of public domain without any breach of this confidential obligation, shall be considered strictly confidential.

The Parties act in compliance with the obligations related to the protection of personal and non-personal data, each for the part under its responsibility.

TRANSMED adopted an organizational and control model, which includes Code of Ethics, in accordance with the legislation in force regarding the administrative liability of legal entities for offences committed by their directors, employees and/or agents ("Model 231"). The documents above are available on the website [www.transmed-spa.it](http://www.transmed-spa.it).

#### **16. Annexes and Documents**

Please note that the following documents shall be submitted to TRANSMED, sending them by e-mail to [info@transmed-spa.it](mailto:info@transmed-spa.it), no later than one week after the assignment of the capacity by TTPC:

1. Registration Form (and documents to be provided in accordance with it) [*only for new Shippers*];
2. Declaration.