

Webinar concerning the Floating LNG Terminal and the Terminal Rules



7TH OF NOVEMBER 2022

Agenda

12:00 EET

Opening words

CEO's greetings and Terminal project status update

Commercial terms and conditions of the Floating LNG Terminal

- *High-level description of commercial principles*
- *Key terminal rule principles*

Coffee break

- *Key terminal rule principles continues*
- *Interface between LNG terminal and transmission network (nominations, entry capacity booking to the transmission network)*

Commissioning phase and special procedures applicable in the 1st year

Q&A

≈ 15:00 EET

Closing words

A photograph of an industrial facility, likely a refinery or chemical plant, during sunset. The scene is dominated by large, cylindrical tanks and complex piping systems. The sky is a mix of orange and blue, with the sun low on the horizon, creating a lens flare effect. In the foreground, a metal walkway with railings leads towards the equipment. The overall atmosphere is one of industrial scale and natural beauty.

CEO's greetings and the terminal project status update



Floating LNG Terminal Finland Oy

FSRU Project report - November / 2022

7.11.2022



LNG terminal Status Update – Summary

Overall schedule is on track

- Overall schedule is on track to initiate commissioning in December: Inkoo selected as location for the Vessel to arrive.
- Construction work and preparing for the operations still continues on both sides of the gulf in order to secure the existence of a functioning port in case something unexpected happens in the other location.
- There are still considerable risks in various areas of the project but streams are mainly progressing as planned.
- Commissioning cargo solution is progressing with continued negotiations with the shortlist candidates. The expressed demand for commissioning cargo is on a good level.
- Market participants have expressed their interests for Q1-Q3 capacities.



Commercial terms and conditions of the Floating LNG Terminal

7-11-2022

Terminal Rules Overview

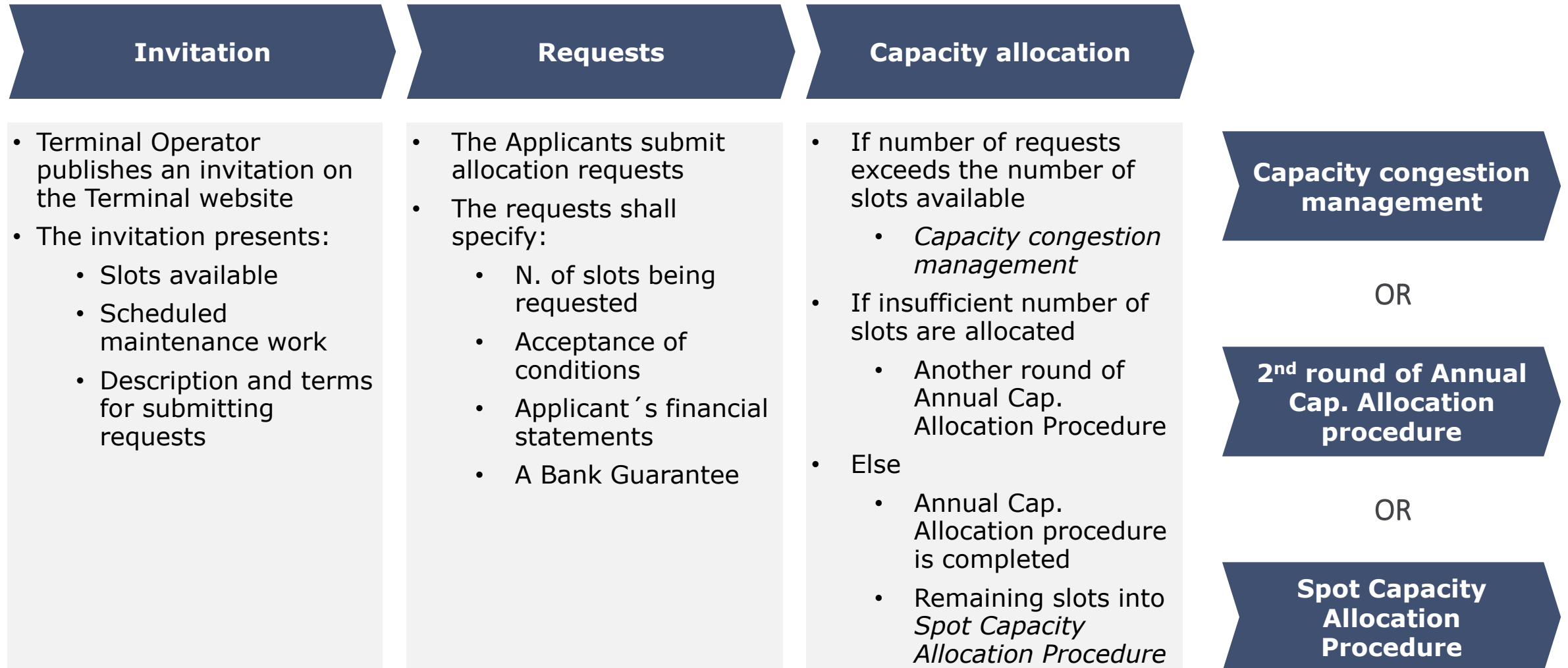
- Terminal rules are rather similar than Klaipeda terminal rules.
- Capacity will be allocated to users annually for each gas year, remaining capacity will be available on a “first come, first served” basis.
- Terminal capacity will be divided in slots of 1 TWh / 150 000 cbm. Capacity of the terminal is 3 slots per month.
- Once the annual capacity is allocated, terminal users are asked to provide their delivery schedule. In case of conflicted slots, a separate congestion management procedure will be applied.
- Joint use concept will be applied. All terminal users will get gas at all times within a quarter regardless their delivery schedule. Balancing is settled quarterly. Joint users shall issue financial guarantees for other terminal users.
- Terminal throughput fee will be 2.46 €/MWh based on discharged LNG volumes. Terminal own use allowance is 3 %.

Terminal Rule - Agenda

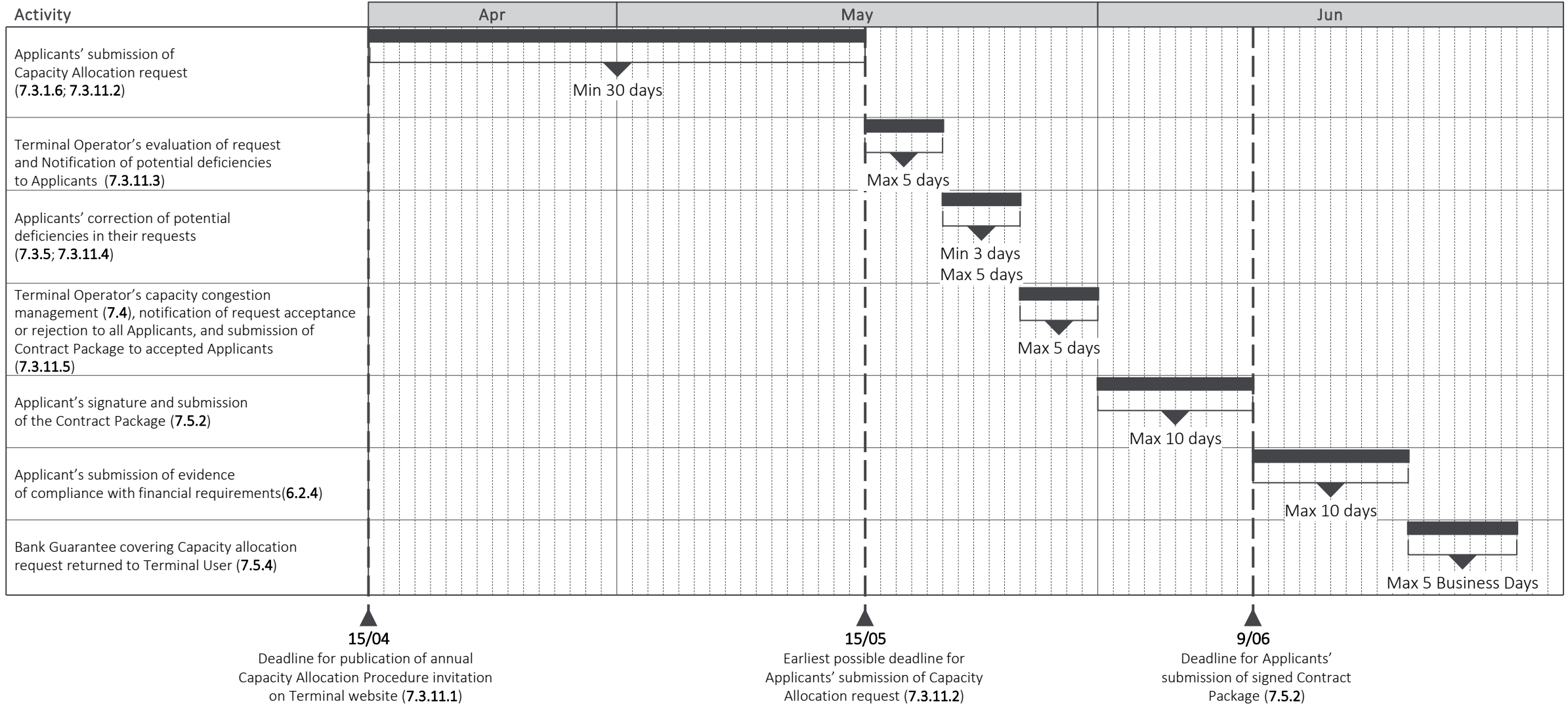
- Annual capacity allocation procedure in a nutshell (Terminal Rules – Ch. 7.3)
- Annual capacity congestion management procedure (Terminal Rules – Ch. 7.4)
- Terminal contracts conclusion (Terminal Rules – Ch. 7.5)
- Spot capacity allocation procedure (Terminal Rules – Ch. 7.6)
- Unused capacity management and Capacity transfer (Terminal Rules – Ch. 7.7-8)
- Annual service schedule and Schedule congestion management (Terminal Rules – Ch. 8.1-2)
- Annual service schedule monthly update (Terminal Rules – Ch. 8.3)
- Joint Terminal Use (Terminal Rules – Ch. 8.7)
- Treatment of fuel gas consumed by the Terminal (Terminal Rules – Ch. 10.2)
- Pricing (General Terms and Conditions – Annex 1)
- Calculation of Guarantees (Terminal Rules – Annex 6)

Chapter 7. Capacity allocation

7.3 Annual capacity allocation procedure in a nutshell



7.3 Annual capacity allocation procedure - timeline



7.4 Annual capacity congestion management procedure

Basic idea

- The slots are allocated for each applicant proportionally and rounded to the closest integer
- The proportion is determined as the ratio of the slots requested by the applicant and the total slots requested by all applicants
- *e.g.*, #Slots for Appl.i = $\frac{\text{\#Slot requests by Appl.i}}{\text{\#All slot requests}} * \text{\#Slots available}$
- Proportions inferior to one slot are not considered for allocation

Contingencies

- If the basic idea leads to too many slots allocated due to rounding
 - Every exceeding slot is to be removed, commencing from the Applicant with the largest difference between the rounded and unrounded proportional amounts
- If the basic idea leads to unallocated slots
 - The remaining slots are allocated, commencing from the Applicant with the largest difference between the unrounded and rounded proportional amounts
- If two Applicants have equal differences in the cases above
 - The unallocated slot is allocated to the applicant with the highest number of slot requests
 - The exceeding slot is removed from the one with the lowest number of slot requests

7.4 Annual capacity congestion management procedure - examples

Examples	Application of capacity congestion management procedure
<p>Available Terminal capacity is 4 slots.</p> <p>Terminal User A requests 4 slots. Terminal User B requests 3 slots.</p> <p>Total terminal capacity requested is 7 slots > 4 slots available.</p>	<p>Unrounded proportional capacity is $4 \cdot 4/7 = 2.29$ for Terminal User A and $3 \cdot 4/7 = 1.71$ for Terminal User B, respectively.</p> <p>Rounded (to closest integer) proportional capacity is 2 for Terminal User A and 2 for Terminal User B, respectively.</p> <p>There are no exceeding, or unallocated slots (4 vs 4 available).</p> <p>Final allocation is 2 for Terminal User A, and 2 for Terminal User B, respectively.</p>
<p>Available Terminal capacity is 10 slots.</p> <p>Terminal User A requests 10 slots. Terminal User B requests 5 slots. Terminal User C requests 3 slots.</p> <p>Total terminal capacity requested is 18 slots > 10 slots available.</p>	<p>Unrounded proportional capacity is $10 \cdot 10/18 = 5.56$ for Terminal User A, $5 \cdot 10/18 = 2.78$ for Terminal User B, and $3 \cdot 10/18 = 1.67$ respectively.</p> <p>Rounded (to closest integer) proportional capacity is 6 for Terminal User A, 3 for Terminal User B and 2 for Terminal User C, respectively.</p> <p>There is an exceeding slot (11 vs 10 available).</p> <p>Difference between the rounded and unrounded proportional amounts is $6 - 5.56 = 0.44$ for Terminal User A, $3 - 2.78 = 0.22$ for Terminal User B and $2 - 1.67 = 0.33$ for Terminal User C, respectively. → Terminal User A has the largest difference (0.44), so it shall lose one exceeding slot.</p> <p>Final allocation is $6 - 1 = 5$ for Terminal User A, 3 for Terminal User B and 2 for Terminal User C, respectively.</p>

7.5 Terminal contracts conclusion

- After the conclusion of the Annual Capacity Allocation, the Terminal Operator submits the drafts of the following contracts to the applicants:
 - The Terminal Service Contract
 - The Joint Terminal Use Contract
 - The Special Provisions
- The applicant must sign and return the aforementioned contracts within 10 calendar days from receiving them and not later than 9th June
- If the applicant fails to return the signed contracts in time:
 - The Terminal Operator is entitled to remove the Applicant's right to the allocated slots
 - The Applicant shall be obliged to pay 15% of the Service Tariffs for the slots and
 - The Terminal Operator is entitled to retain the Bank Guarantee until the payment is made in full

7.6 Spot capacity allocation procedure

Invitation

- Terminal Operator publishes an invitation on the Terminal website
- The invitation presents:
 - Schedule of available slots
 - With the respective LNG volume ranges
 - Description for submitting requests
- Terminal Operator shall promptly update the invitation to include the currently available capacity

Requests

- The Applicants submit allocation requests
- The requests shall specify:
 - Slots being requested
 - Aligned to the available times
 - With relative flexibility ranges
 - A Bank Guarantee

Capacity allocation

- A slot is allocated to the **first** request that fulfills the required conditions (including LNG carrier being approved)
- If more than one such requests are **submitted on the same calendar day**
 - The slot is allocated to the Applicant that has requested the largest amount of slots
- And that being equal
 - The slot is allocated to the Applicant with the largest number of slots already allocated resulting from previous capacity allocation procedures

7.7 Unused capacity management and 7.8 Capacity transfer

Unused capacity management

- If the Terminal User does not intend to use the slot or slots assigned to it, it can either
 - Transfer the slots to another Terminal User meeting the requirements, or
 - Request the Terminal Operator to offer the slots through the Spot capacity allocation procedure

Capacity transfer

- Before the transfer, the Transferee receiving the slot must provide the needed information and documentation to the Terminal Operator
- The Terminal Operator can refuse the transfer if all requirements are not met by the Transferee
- The Transferor intending to transfer its slot must inform the Terminal Operator of the intention (at least 5 calendar days before signing a trilateral agreement)
- A trilateral agreement for the transfer is signed between the Terminal Operator, the Transferor and the Transferee (no later than 15 calendar days before the start of the slot)

Thank You for Your attention.
Questions?



Coffee break – continues at 13:35

Chapter 8. Scheduling

8.1 Annual service schedule and 8.2 Schedule congestion management

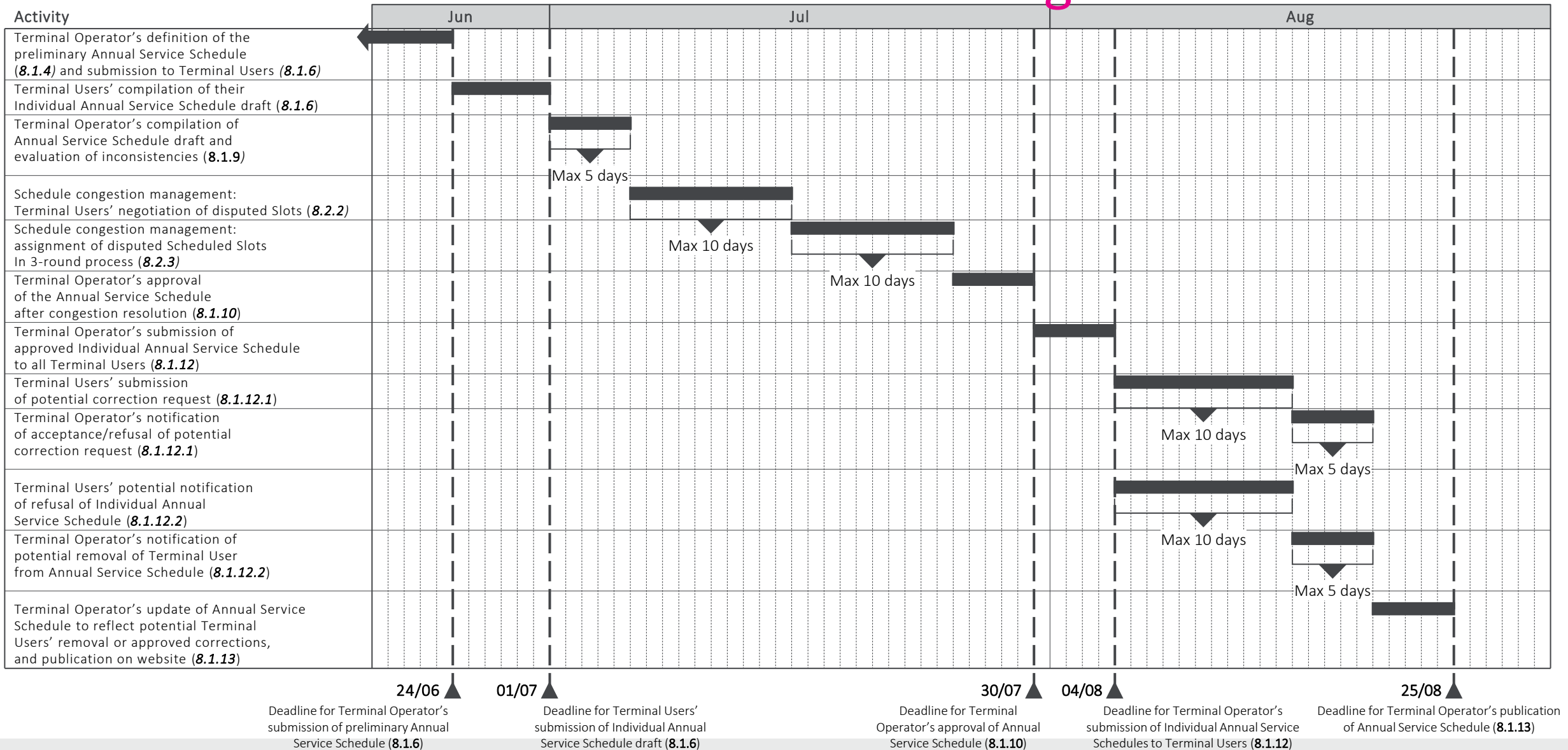
Annual service schedule

- After the Annual Capacity Allocation Procedure, the Terminal Operator defines a *preliminary* Annual Service Schedule that defines
 - The start and end dates of the slots with a flexibility of plus or minus 4 calendar days
 - The unload volumes with a tolerance range of plus or minus 10%
- The Terminal Users provide their individual draft schedules, indicating the desired scheduled slots specifying, within the ranges, their expected arrival times and unload volumes
- If these drafts are not mutually compatible, e.g., there are overlapping selections of slots, they are solved following the *Schedule congestion management*

Schedule congestion management

- First the Terminal Operator asks the Terminal Users interested in the same slots to negotiate among themselves, and to provide an updated schedule
- If inconsistencies still persist the following process consisting of a maximum of 3 rounds is conducted:
 - The Terminal Users request their preferred slots from the slots under dispute each at a time
 - First 2 rounds: The maximum number of slots requested can be at a maximum of 1/3 of the slots still under dispute, rounded up
 - The last round: The Terminal User requests the rest of the slots under dispute
 - The order of the Terminal Users making requests is in decreasing order of number of disputed slots
 - The Terminal Operator accepts the requests in such order

8.1 Annual schedule and 8.2 Schedule congestion - timeline



8.1 Annual service schedule and 8.2 Schedule congestion management - example

Assumption	Application of schedule congestion management	Possible results
<p>At least 10 Scheduled Slots have remained unassigned based on the TUs requests of Individual Annual Schedule</p> <p>4 Scheduled Slots are disputed among Terminal Users A, B, C and D:</p> <ul style="list-style-type: none"> - A requested Scheduled Slots 1, 2, 3, and 4 - B requested Scheduled Slots 1, 2, and 3 - C requested Scheduled Slots 3, and 4 - D requested Scheduled Slot 4 <p>Slots 5,6,7,8,9,10 were not requested by any of the TUs</p> <p>Terminal Users A, B, C and D cannot find an agreement on the assignment of the disputed Scheduled Slots</p>	<p>Terminal Users are prioritised in the request and assignment of the disputed Scheduled Slots based on their number of requested Scheduled Slots under dispute : A (4), B (3), C (2), D (1)</p> <p>In each round, each Terminal User can select and receive the assignment of a maximum number of Scheduled Slots equal to 1/3 of their requested Scheduled Slots remaining under dispute, rounded up, as presented in brackets: A (2), B (1), C (1), D (1)</p>	<p>Round 1:</p> <ul style="list-style-type: none"> - A selects Scheduled Slot number 1 and 2; - B selects Scheduled Slot number 3; - C selects Scheduled Slot number 4; - D selects a different Scheduled Slot among the ones that remained unassigned, i.e. Scheduled Slot number 5, since all disputed Scheduled Slots have been assigned. <p>Round 2:</p> <ul style="list-style-type: none"> - A selects two other unassigned Scheduled Slots i.e. Scheduled Slot number 6 and 7; - B selects one other unassigned Scheduled Slot i.e. Scheduled Slot number 8; - C selects one other unassigned Scheduled Slot i.e. Scheduled Slot number 9. <p>Round 3:</p> <ul style="list-style-type: none"> - B selects one other unassigned Scheduled Slot i.e. Scheduled Slot number 10. <p>A receives slots 1,2,6,7; B receives slots 3,8,10; C receives slots 4,9; D receives slot 5.</p>

8.3 Annual Service Schedule monthly update

- By the 1st Business Day of each month the Terminal Operator initiates the *Annual Service Schedule monthly update*

Terminal Operator draft

- Terminal Operator creates a draft update for the Annual Service Schedule, including:
 - New results of Spot Capacity Allocation
 - Transfers of capacity occurred since the last update
 - Variations in maintenance plan and port/network constraints
 - Min/max total Daily Regas. Nominations allowed for current Gas Year Quarter

Terminal User updates

- The Terminal Users shall ensure that the updated Individual drafts include:
 - For each slot, the LNG unloaded volume and Carriers arrival time with a \pm 1 day flexibility
 - The expected LNG quality (only for cargos delivered in the next month)
 - Individual Daily Regas. Nomination for current Gas Year Quarter

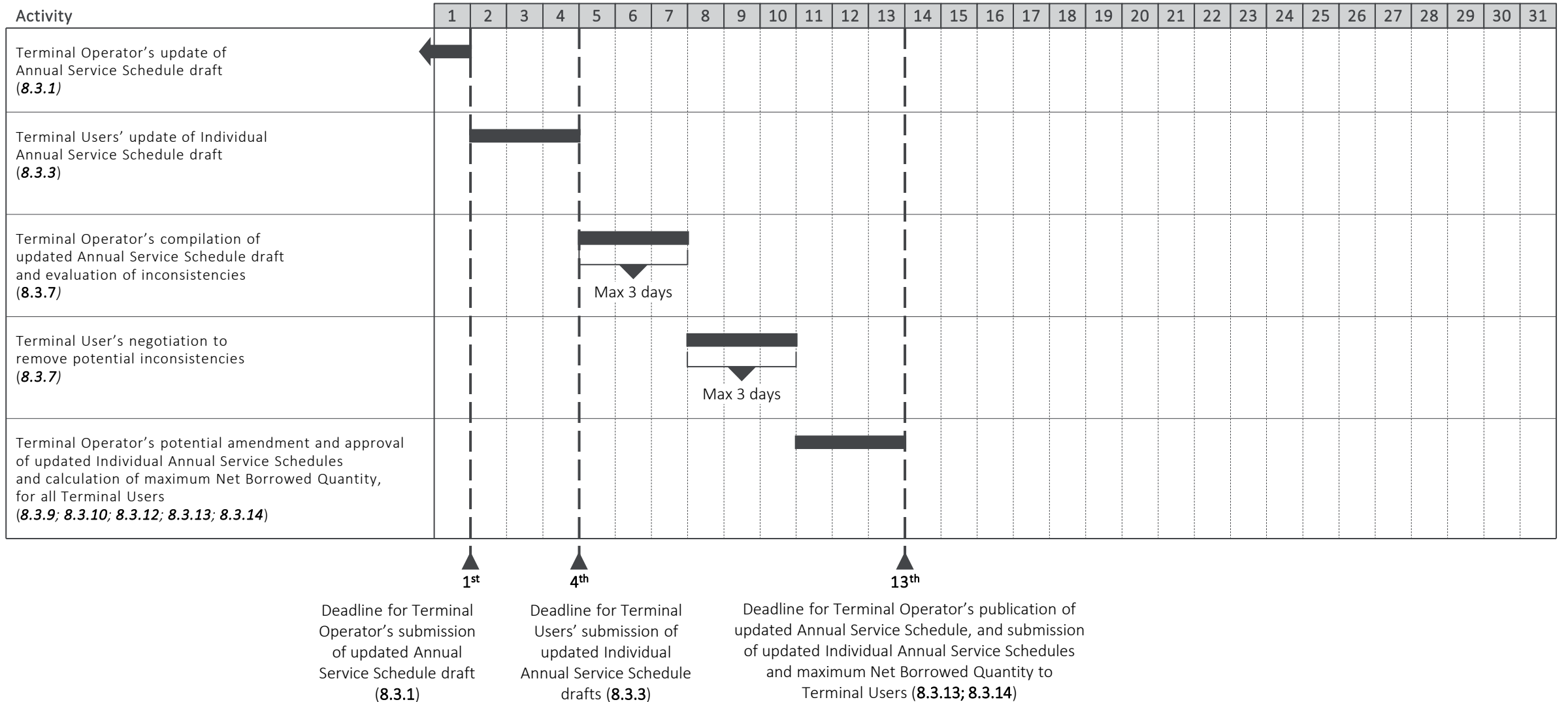
Merging of individual schedules

- The Terminal Operator merges all the Individual Schedules into the updated Annual Service Schedule draft
- In case of potential inconsistencies in the Individual Schedules, the Terminal Operator asks the Terminal Users to remove them by negotiating among each other
- Individual nominations are evaluated against Min/max total Daily Regas. Nomination and if necessary modified

Final Schedules

- Terminal Operator approves the final Individual Annual Service Schedules
- Terminal Operator publishes the Annual Service Schedule on the website
- The Individual schedules are considered valid, without the need of Terminal Users' acceptances

8.3 Annual Service Schedule monthly update - timeline



8.7. Joint Terminal Use

Joint Terminal Users

- Each Gas Year Quarter, all the Terminal Users that have at least one assigned slot according to the latest *Annual Service Schedule* are Joint Terminal Users
- Scheduled slots assigned late (after the approval of the last service schedule prior to the quarter start) are excluded from Joint Use
 - *i.e.*, A Terminal User with only Late Spot Scheduled Slots from Spot allocation is not considered a Joint Terminal User for the specific Gas Year Quarter
- Joint Terminal Users are obliged to exchange NG quantities for injection into the transmission network with all other Joint Terminal Users

Lending and Borrowing

- A quantity of regasified NG that has been delivered by a *Lender* shall be assigned to a *Borrower* according to the following clauses
 - The borrowing happens if the Borrower has a *Daily Regasification Nomination*, but has no planned LNG Carrier unload on that slot
 - The borrowed quantity is considered as temporarily lent and the Borrower is obliged to return an equal quantity to the Lender within the same quarter
 - Potential unbalances shall be settled at the end of each quarter
- The Terminal Operator shall maintain an inventory of the quantities
- The lending and borrowing happens automatically without separate consent

10.2 Treatment of fuel gas consumed by the Terminal

- The Terminal Operator is entitled to use a portion of LNG regasified during each slot in its own operations:
 - The cumulative LNG volume used as Terminal fuel during all Slots of a Gas Year Quarter (excluding Late Spot Scheduled Slots) is not higher than 3.0% of the cumulative volume of LNG regasified during such Slots.
 - The cumulative LNG volume used as Terminal fuel during a Late Spot Scheduled Slot is not higher than 3.0% of the cumulative volume of LNG regasified during such Late Spot Scheduled Slot.
- The Terminal Operator shall not give any economical compensation to the Terminal User if the Terminal 's fuel consumption is in compliance with the above
- If the quantity of LNG used as fuel by the Terminal exceeds the rate of 3.0%, the Terminal Operator shall compensate the value of the LNG exceeding the rate of 3.0% to the Terminal User
 - The value shall be calculated using the *LNG Price*
- The compensation described above shall be the Terminal User 's sole and exclusive remedy for the fuel consumption exceeding the said rate
 - *i.e.*, The Terminal User shall not be entitled to elect a different or additional remedy

Pricing (General Terms and Conditions – Annex 1)

- The Terminal User shall pay a *Service Tariff* to the Terminal Operator for each slot allocated to it
- The Service Tariff is calculated by multiplying 2.46EUR/MWh (excluding VAT) by the higher of the following:
 - a) The volume of LNG (MWh) to be unloaded pursuant to the Annual Service Schedule, or
 - b) The volume actually unloaded during the slot
 - That is, $Service\ tariff = 2.46 \frac{EUR}{MWh} * MAX[Planned\ unload\ volume, Actual\ unload\ volume]$
- The Service Tariff shall include the Regasification Service for the slot, but shall not include any payments to be made to third parties
 - e.g., tariffs payable to Transmission System Operator, the port and service charges payable to owner/operator of the port, or the fairway charges payable to authorities

Calculation of Guarantees (Annex 6)

- Financial guarantees from Terminal Users are needed for three activities during the Gas Year and allocation period

During Capacity Allocation request

- Bank Guarantee for securing the Applicant's obligations under the Capacity Allocation request
- Calculation formula:
 - $0.15 * C_r * T$
 - Where:
 - C_r represents the slots requested by the Applicant in MWh, and
 - T represents the Service Tariff in €/MWh

For the Contract Package

- Guarantee issued by an Affiliate or Bank Guarantee for securing the Terminal User's obligations under the Contract Package
- Calculation formula:
 - $(C_a - C_u) * T$
 - Where:
 - C_a represents the slots allocated to the Applicant in MWh,
 - C_u represents the slots used and paid in MWh,
 - T represents the Service Tariff in €/MWh

For Joint Terminal Use

- Bank Guarantee for securing Joint Terminal Use
- Calculation formula for user i :
 - $\sum_j^J (V_j * P)$
 - Where:
 - V_j represents the maximum Net Borrowed Quantity that i has borrowed from j during the quarter in MWh
 - P represents the largest value of TTF future gas index during the observation period¹ in €/MWh

¹ The observation period starts from the issue/update date of the Bank Guarantee and ends three calendar months after such date

Thank You for Your attention.
Questions?



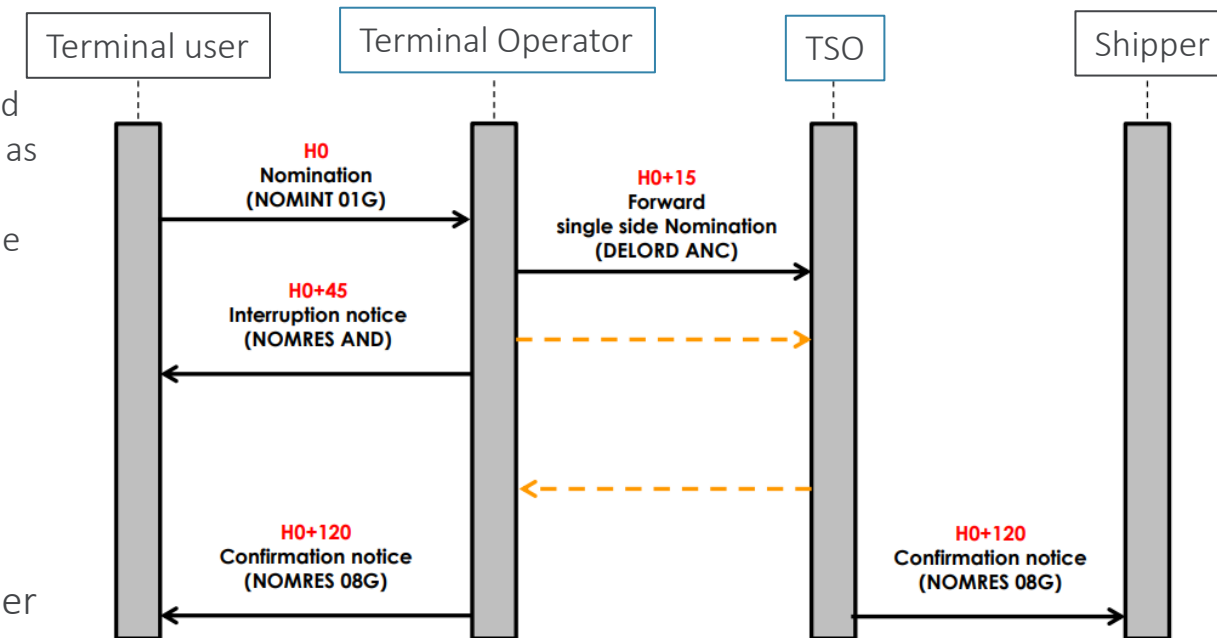
Definitions

Bank Guarantee	Guarantee issued by a reputable credit institution which is domiciled in the European Economic Area and has a credit rating not lower than the minimum credit rating set out in clause 6.2.2. (That is: Baa3 if provided by Moody's; BBB if provided by Fitch; BBB if provided by Standard&Poor's)
Borrower – Lender	Joint Terminal User who borrows Natural Gas from another Joint Terminal User (Lender), in accordance with the Joint Terminal Use Contract and the Terminal Rules.
Joint Terminal User	Any Terminal User, except the Terminal Users to whom only Late Spot Scheduled Slots are allocated, that lends Natural Gas regasified from own delivered LNG to other Terminal Users and/or borrows Natural Gas regasified from LNG delivered to the Terminal by other Terminal Users, according to the provisions of the Terminal Rules and the Joint Terminal Use Contract.
Late Spot Scheduled Slot	Scheduled Slot which is allocated to a Terminal User in the Spot Capacity Allocation Procedure and regarding which Special Provisions are signed after the approval of the last Annual Service Schedule preceding the start of the Gas Year Quarter during which such Scheduled Slot is.
LNG Price	The lower of: (i) actual invoiced price paid (net of all discounts and rebates) for the relevant LNG using the “last in first out” principle; and (ii) twelve percent (12%) of Brent.
Service tariff	The price to be paid by the Terminal User for the Terminal Services.
Terminal Operator	Floating LNG Terminal Finland Oy.
Terminal User	Entity that signed the Terminal Service Contract for the purchase of Terminal Services from the Terminal Operator and, if applicable, the Joint Terminal Use Contract.
Transferor – Transferee	Terminal User transferring a Scheduled Slot, and all the relative rights and Liabilities, to another Terminal User (Transferee) according to the provisions of the Terminal Rules.
Transmission System Operator	Gasgrid Finland Oy when the Terminal is located in Finland, and, when the Terminal is located in Estonia, Elering AS.

Commercial interface between Floating LNG Terminal and the Transmission network

Daily nominations – regasification request for the upcoming gas day

- Single-sided nominations procedure will be applied. Only Terminal Users submit nominations.
- Terminal User must submit nominations separately for each Shipper acting as the terminal user's counterparty.
 - The terminal operator sets requirements for the quantity to be nominated by the terminal user(s). If terminal user has several counterparties acting as a shipper in the transmission network, there is flexibility for the terminal users to nominate for the shippers, but the aggregated nominations of the terminal user must be within the limits set by the terminal operator.
- Nominations shall be submitted by D-1 at 15:00 EE(S)T. The nomination submission deadline is the same than in any other entry/exit points where nominations are required.
- Renomination submission is not possible.
- Each terminal user must have Energy Identification Code (EIC) in order to submit nominations.
- Shippers and Terminal Users must provide the signed authorization document for the Operators. This is required before the Terminal User is entitled to nominate on Shippers' behalf during the time period defined in the authorization document.



Entry capacity booking

- Standard entry capacity products (year, quarter, month, day, within-day) will be offered by Gasgrid Finland.
- Entry capacity tariffs for standard capacity products are the same than in other entry points of the gas system.
- Flexible entry capacity booking windows (same booking periods than at Hamina LNG entry point, biogas virtual entry point or at Finnish exit zone).
- Shippers will receive confirmed nominations based on terminal users' single-sided nominations each day by 17:00 EE(S)T.
- If, at the time of nomination confirmation (on D-1 at 17:00), shipper's confirmed nomination quantity > allocated capacity for the gas day D:
 - Shipper may book day-ahead entry capacity by D-1 at 18:00 EE(S)T.
 - Shipper may book within-day capacity after D-1 at 18:00 EE(S)T, but not later than gas day D at 04:00 EE(S)T.
 - If no additional capacity is booked by the shipper for the as day D, shipper shall pay capacity overrun charge insofar the allocated quantity exceeds allocated capacity for the gas day D.

Commissioning phase and special procedures applicable in the 1st year

Commissioning Cargo

- Commissioning cargo has number of limitations as its main purpose is to ensure the reliable and safe operation of the terminal.
- Part of the commissioning cargo will be used to gas-up and cool-down the vessel as well as for the heel, which is necessary to keep the vessel operational
- SoS agencies in Finland, Estonia and Latvia have the first priority to purchase volumes from the commissioning cargo.
- Remaining volumes will be sold to market participants who have expressed their interest to buy commissioning cargo volumes.

First Year Capacity Allocation

- As the terminal will become operational in the middle of gas year, normal gas year capacity allocation is not possible.
- Preliminary indications for Q1 – Q3 /2023 indicate strong interest to terminal capacity
- Companies that have indicated their interest will be approached and asked to submit their firm capacity bookings for Q1-Q3/2023.
- As the terminal rules have not been approved, capacity bookings are conditional until terminal rules have been approved.
- After the capacity has been allocated to terminal users, slot scheduling will proceed as described in terminal rules.
- Joint use principle to be applied.



Q&A

7-11-2022

Closing words

- The Finnish Energy Authority organizes a public consultation which is open until 11th of November. The Energy Authority requests opinions on the following documents: *General Terms and Conditions*, *Terminal rules*, *Joint Terminal Use Rules* and *Annex 6: Calculation of Guarantees and penalties*
 - Link to the consultation letter of the Finnish Energy Authority: [LINK](#)
 - Gasgrid Finland's newsletter concerning the consultation: [LINK](#)
- At the same time with the Finnish Energy Authority's consultation, Gasgrid Finland is requesting comments for the other documents which are not on the scope of the public consultation of the Energy Authority.
 - Link to the material concerning the Terminal Rule package: [LINK](#)

Thank you very much!