Additional Long-Term capacity at Zeebrugge

June 2024

fluxys

Need for additional Long-Term LNG capacity at Zeebrugge

Continuous challenge of **securing the energy supply** for Belgium & North-West Europe on the Long-Term

Recent **Call for Market Interest:**
- **High participation**
- Strong interest for capacities **on Short- & Mid-term** for a **Long-Term duration**

Successful **creation, offering, sale and performance** of **additional short-term capacity** over the last years on top of the historical Long-Term capacity
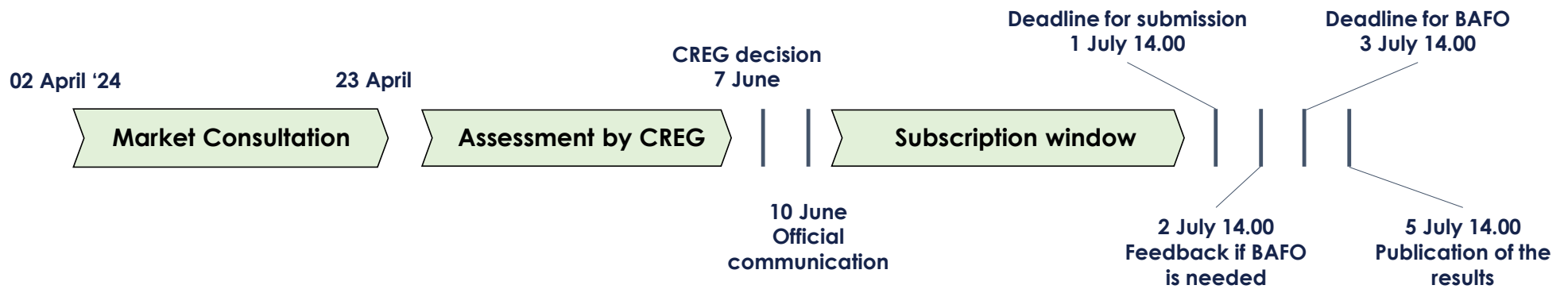- Strongly encouraged by market players and stakeholders
- **Operational excellence** of the Terminal **maintained without altering the services**

Zeebrugge considered as a **perfect gateway** to bring gas to N-W Europe:
- **Centrally located** & **well connected**
- **Reliable** & operational excellence
- Very **competitive tariffs**

Increase of long-term capacities as of April 2027

Additional ST slots sold

Potential (yearly) additional ST slots

110 LT slots (booked)

Offer of **2 lots** of **12 slots per year** as from **April 2027**

(pro-rata in 2027 : 2 lots of 9 slots)

02 April '24 — Market Consultation — 23 April

Assessment by CREG

CREG decision 7 June

10 June Official communication

Subscription window

Deadline for submission 1 July 14.00

2 July 14.00 Feedback if BAFO is needed

Deadline for BAFO 3 July 14.00

5 July 14.00 Publication of the results

Offering the Additional Long-Term Capacity

The offering

What?

- 2027: 2 lots of 9 slots
- 2028 – 2044 (included): 2 lots of 12 slots per year
- ➜ For each lot, the number of slots/year is fixed

How?

- Combination subscription window and one step auction
    - » **Duration** (in years)
    - » **Number of lots : 1 or 2** (+ optional : minimum request)
    - » **Start year**
    - » **Optional Premium** (if allocation cannot be achieved) per **S**lot on top of regulated tariff

For whom?

- All **LSA shippers** can participate
- Only one affiliate may participate

When ?

10th June – Monday **1st July 2024**

The allocation

1. **Longest duration**

2. **Pro rata**

    - » Pro-rata quantity = requested capacity x (offered capacity / total requested capacity)

    - » Pro-rata quantity is rounded to nearest integer (0,5 being rounded to 1)

3. **Earliest start date**

4. **Premium as a differentiator** (if allocation cannot be achieved)

5. **Best And Final Offer (BAFO) in case of same (second) highest bids**

Examples of allocation

Example 1 : 'duration' as the first differentiator and impact of the 'minimum request'

	Shipper A	Shipper B
	1 lot As from 2027 12 years 20 € prem/slot	2 lots (min. 2) As from 2027 10 years 1 € prem/slot
Step 1: longest duration	1 lot at regulated tariff. Longest duration	Not the longest duration and minimum request of 2 cannot be fulfilled
Step 2: pro rata		
Step 3: Start date		
Step 4: Premium		

In the first step we only <u>consider the requested duration</u>, without looking at the requested volume.

In this example, shipper A is allocated 1 lot; the remaining lot will be offered in an auction maximum 10 weeks after the subscription window.

Impact of the minimum request : value '2' should only be chosen as minimum request on the request form in case a shipper absolutely requires 2 lots. Otherwise, better to choose value '0' (default) or '1' (both have the same effect)

Example 2 : impact of the pro-rata step on the maximum allocation

	Shipper A	Shipper B
	1 lot As from 2027 10 years 20 € prem/slot	2 lots (min. 1) As from 2027 10 years 1 € prem/slot
Step 1: longest duration	Same longest duration	Same longest duration
Step 2: pro rata	1 lot at regulated tariff. 1 x (2/3) = 0,66 rounded to 1	1 lot at regulated tariff. 2 x (2/3) = 1,33 rounded to 1
Step 3: Start date		
Step 4: Premium		

"For bids with the same longest duration, we consider the <u>requested volume</u> in step 2 and apply the pro-rata formula :

Requested Capacity x (Offered Capacity / Total Requested Capacity)

➔ as soon as the pro-rata step is applied, **a shipper can only be allocated max. 1 lot."**

Example 3 : bidding for 1 lot might be unfavourable

	Shipper A	Shipper B	Shipper C	Shipper D	Shipper E
	1 lot As from 2027 18 years 20 € prem/slot	1 lot As from 2027 18 years 1 € prem/slot	1 lot As from 2027 18 years 0,8 € prem/slot	2 lots (min. 1) As from 2027 18 years 0,6 € prem/slot	2 lots (min. 1) As from 2027 18 years 0,8 € prem/slot
Step 1: longest duration	Same longest duration	Same longest duration	Same longest duration	Same longest duration	Same longest duration
Step 2: pro rata	1 x (2/7) = 0,29 rounded to 0	1 x (2/7) = 0,29 rounded to 0	1 x (2/7) = 0,29 rounded to 0	1 lot at regulated tariff due to 2 x (2/7) = 0,57 rounded to 1	1 lot at regulated tariff due to 2 x (2/7) = 0,57 rounded to 1
Step 3: Start date					
Step 4: Premium					

Note : value '2' should only be chosen as minimum request on the request form in case a shipper absolutely requires 2 lots. Otherwise, better to choose value '0' (default) or '1' (both have the same effect)

"As soon as the pro-rata (step 2) is applied and in certain conditions (depending on the number of shippers and requested capacity), **shippers bidding for 2 lots** (with a minimum request of 0 or 1) **might have a higher probability of success**."

Example 4 : 0,5 is rounded to 1 in the pro-rata step

	Shipper A	Shipper B	Shipper C
	1 lot As from 2027 10 years 20 € prem/slot	1 lot As from 2028 10 years 1 € prem/slot	2 lots (min. 1) As from 2030 10 years 0,8 € prem/slot
Step 1: longest duration	Same longest duration	Same longest duration	Same longest duration
Step 2: pro rata	1 x (2/4) = 0,5 rounded to 1	1 x (2/4) = 0,5 rounded to 1	2 x (2/4) = 1 rounded to 1
Step 3: Start date	1 lot at regulated tariff due to earliest start date	1 lot at regulated tariff due to second earliest start date	Later start date
Step 4: Premium			

"The result of the pro-rata is rounded to 0 or 1, in which 0,5 is rounded to 1.

If the pro-rata step doesn't allow the final allocation, the earliest start date will be considered in step 3."

Example 5 : the allocation could happen in two different steps (1)

	Shipper A	Shipper B	Shipper C
	1 lot As from 2029 15 years 20 € prem/slot	2 lots (min. 1) As from 2027 10 years 1 € prem/slot	1 lot As from 2027 10 years 0,8 € prem/slot
Step 1: longest duration	1 lot at regulated tariff due to longest duration	Same second longest duration	Same second longest duration
Step 2: pro rata		1 lot at regulated tariff due to 2 x (1/3) = 0,66 rounded to 1	1 x (1/3) = 0,33 rounded to 0
Step 3: Start date			
Step 4: Premium			

"A first lot could be allocated based on the "longest duration" and the second one based on the "pro-rata".

Tariffs are here the same for both lots."

If one lot is already allocated based on the duration, the pro-rata formula will be :
Requested Capacity x (**Remaining Offered Capacity = 1** / Total **Remaining** Requested Capacity)

Example 6 : the allocation could happen in two different steps (2)

	Shipper A	Shipper B	Shipper C	Shipper D
	1 lot As from 2027 10 years 20 € prem/slot	1 lot As from 2028 10 years 1 € prem/slot	1 lot As from 2029 10 years 0,8 € prem/slot	2 lots (min. 1) As from 2030 10 years 0,8 € prem/slot
Step 1: longest duration	Same longest duration	Same longest duration	Same longest duration	Same longest duration
Step 2: pro rata	1 x (2/5) = 0,4 rounded to 0	1 x (2/5) = 0,4 rounded to 0	1 x (2/5) = 0,4 rounded to 0	1 lot at regulated tariff due to 2 x (2/5) = 0,8 rounded to 1
Step 3: Start date	1 lot at regulated tariff due to earliest start date	Later start date	Later start date	
Step 4: Premium				

"A first lot could be allocated based on the "pro-rata" and the second one based on the "start date".

Tariffs are here the same for both lots."

Example 7 : two different prices might be possible (1)

	Shipper A	Shipper B	Shipper C	Shipper D
	1 lot As from 2029 15 years 20 € prem/slot	1 lot As from 2027 10 years 1 € prem/slot	1 lot As from 2027 10 years 0,8 € prem/slot	1 lot As from 2027 10 years 0,8 € prem/slot
Step 1: longest duration	1 lot at regulated tariff due to longest duration	Same second longest duration	Same second longest duration	Same second longest duration
Step 2: pro rata		1 x (1/3) = 0,33 rounded to 0	1 x (1/3) = 0,33 rounded to 0	1 x (1/3) = 0,33 rounded to 0
Step 3: Start date		No differentiation	No differentiation	No differentiation
Step 4: Premium		1 lot at 1 € premium/slot due to highest bid	Lower premium	Lower premium

"If the premium is needed for the second allocation (a first lot having been allocated through the steps 1-3 – in this case based on the "duration"), there will be a difference in price.

The lot allocated to shipper A in step 1 will be invoiced at regulated tariff, while shipper B will have to pay his premium (on top of the regulated tariff)."

Example 8 : two different prices might be possible (2)

	Shipper A	Shipper B	Shipper C	Shipper D
	1 lot As from 2027 10 years 20 € prem/slot	1 lot As from 2027 10 years 1 € prem/slot	1 lot As from 2027 10 years 0,8 € prem/slot	2 lots (min. 1) As from 2027 10 years 0,8 € prem/slot
Step 1: longest duration	Same longest duration	Same longest duration	Same longest duration	Same longest duration
Step 2: pro rata	1 x (2/5) = 0,4 rounded to 0	1 x (2/5) = 0,4 rounded to 0	1 x (2/5) = 0,4 rounded to 0	1 lot at regulated tariff due to 2 x (2/5) = 0,8 rounded to 1
Step 3: Start date	Same earliest start date	Same earliest start date	Same earliest start date	
Step 4: Premium	1 lot at 20 € premium/slot due to highest bid	Lower premium	Lower premium	

"If the premium is needed for the second allocation (a first lot having been allocated through the steps 1-3 – in this case based on the "pro-rata"), there will be a difference in price.

The lot allocated to shipper D in step 2 will be invoiced at regulated tariff, while shipper A will have to pay his premium (on top of the regulated tariff)."

Example 9 : when both lots are allocated at the premium step, both shippers will pay the second highest premium

	Shipper A	Shipper B	Shipper C
	1 lot As from 2027 10 years 20 € prem/slot	1 lot As from 2027 10 years 1 € prem/slot	1 lot As from 2027 10 years 0,8 € prem/slot
Step 1: longest duration	Same longest duration	Same longest duration	Same longest duration
Step 2: pro rata	1 x (2/3) = 0,6 rounded to 1	1 x (2/3) = 0,6 rounded to 1	1 x (2/3) = 0,6 rounded to 1
Step 3: Start date	Same earliest start date	Same earliest start date	Same earliest start date
Step 4: Premium	1 lot at 1 € premium/slot due to highest bid	1 lot at 1 € premium/slot due to second highest bid	Lower premium

"If no allocation can occur prior the premium step, the lots will be allocated to the shippers with the highest and second highest premium.

The second highest premium will be applicable (paid) for both shippers for the whole contract period."

Example 10 : bidding for 1 lot might be unfavourable

	Shipper A	Shipper B	Shipper C	Shipper D	Shipper E
	1 lot As from 2027 18 years 20 € prem/slot	1 lot As from 2027 18 years 240 € prem/slot	2 lots (min. 1) As from 2027 18 years 1 € prem/slot	2 lots (min. 1) As from 2027 18 years 0,8 € prem/slot	2 lots (min. 1) As from 2027 18 years 0,6 € prem/slot
Step 1: longest duration	Same longest duration	Same longest duration	Same longest duration	Same longest duration	Same longest duration
Step 2: pro rata	1 x (2/8) = 0,25 rounded to 0	1 x (2/8) = 0,25 rounded to 0	2 x (2/8) = 0,5 rounded to 1	2 x (2/8) = 0,5 rounded to 1	2 x (2/8) = 0,5 rounded to 1
Step 3: Start date			No differentiation	No differentiation	No differentiation
Step 4: Premium			1 lot at 0,8 € premium per slot	1 lot at 0,8 € premium per slot	Lower premium

"If no allocation can occur based on the pro-rata step, only the shippers with the **highest pro-rata quantity (after rounding)** will proceed to the next steps (start date and then premium)".

15

Example 11 : bidding for 1 lot is not unfavourable in case of many participants and premium might be key (if same start date)

	Shipper A	Shipper B	Shipper C	Shipper D	Shipper E	Shipper F
	1 lot As from 2027 18 years 20 € prem/slot	1 lot As from 2027 18 years 0,5 € prem/slot	1 lot As from 2027 18 years 0,8 € prem/slot	2 lots (min. 1) As from 2027 18 years 0,6 € prem/slot	2 lots (min. 1) As from 2027 18 years 0,8 € prem/slot	2 lots (min. 1) As from 2027 18 years 1 € prem/slot
Step 1: longest duration	Longest duration	Longest duration	Longest duration	Longest duration	Longest duration	Longest duration
Step 2: pro rata	1 x (2/9) = 0,22 is rounded to 0	1 x (2/9) = 0,22 is rounded to 0	1 x (2/9) = 0,22 is rounded to 0	2 x (2/9) = 0,44 is rounded to 0	2 x (2/9) = 0,44 is rounded to 0	2 x (2/9) = 0,44 is rounded to 0
Step 3: Start date	No differentiation	No differentiation	No differentiation	No differentiation	No differentiation	No differentiation
Step 4: Premium	1 lot at 1 € premium per slot	Lower premium	Lower premium	Lower premium	Lower premium	1 lot at 1 € premium per slot

"If the result of the pro-rata is **0** (after rounding) **for all shippers, all shippers will proceed to the next steps**.

The rounding applies and there is no distinction based on the result before rounding."

16

Example 12 : a BAFO might be needed in case of same premiums

	Shipper A	Shipper B	Shipper C	Shipper D	Shipper E
	1 lot As from 2027 18 years 20 € prem/slot	2 lots (min. 1) As from 2027 18 years 20 € prem/slot	2 lots (min. 1) As from 2027 18 years 20 € prem/slot	2 lots (min. 1) As from 2027 18 years 0,8 € prem/slot	2 lots (min. 1) As from 2027 18 years 0,6 € prem/slot
Step 1: longest duration	Same longest duration	Same longest duration	Same longest duration	Same longest duration	Same longest duration
Step 2: pro rata	1 x (2/9) = 0,22 rounded to 0	2 x (2/9) = 0,44 rounded to 0	2 x (2/9) = 0,44 rounded to 0	2 x (2/9) = 0,44 rounded to 0	2 x (2/9) = 0,44 rounded to 0
Step 3: Start date	No differentiation	No differentiation	No differentiation	No differentiation	No differentiation
Step 4: Premium	Highest premium, BAFO needed for differentiation	Highest premium, BAFO needed for differentiation	Highest premium, BAFO needed for differentiation	Lower premium	Lower premium
Step 5: Best And Final Offer	Lower BAFO	1 lot at € 24 premium/slot due to second highest BAFO	1 lot at € 24 premium/slot due to highest BAFO		

Note : to avoid a BAFO, we encourage shippers to provide **a premium with 'decimals'**

Best And Final Offers (BAFO) by the shippers competing:
- A: € 20 / slot
- B: € 24 /slot
- C: € 25 /slot

17

Example 13 : BAFO (for the 2nd allocation) < highest premium

	Shipper A	Shipper B	Shipper C	Shipper D	Shipper E
	1 lot As from 2027 18 years 22 € prem/slot	2 lots (min. 1) As from 2027 18 years 16 € prem/slot	2 lots (min. 1) As from 2027 18 years 16 € prem/slot	2 lots (min. 1) As from 2027 18 years 0,8 € prem/slot	2 lots (min. 1) As from 2027 18 years 0,6 € prem/slot
Step 1: longest duration	Same longest duration	Same longest duration	Same longest duration	Same longest duration	Same longest duration
Step 2: pro rata	1 x (2/9) = 0,22 rounded to 0	2 x (2/9) = 0,44 rounded to 0	2 x (2/9) = 0,44 rounded to 0	2 x (2/9) = 0,44 rounded to 0	2 x (2/9) = 0,44 rounded to 0
Step 3: Start date	No differentiation	No differentiation	No differentiation	No differentiation	No differentiation
Step 4: Premium	1 lot at € 18 premium / slot due to highest premium	Highest premium, BAFO needed for differentiation	Highest premium, BAFO needed for differentiation	Lower premium	Lower premium
Step 5: Best And Final Offer		1 lot at € 18 premium/slot due to highest BAFO	Lowest BAFO		

Best And Final Offers by the shippers competing:
- B: € 18 /slot
- C: € 17 /slot

If BAFO < highest premium
➡ **BAFO** (on top of regulated tariff) will be paid by both shippers

Example 14 : BAFO (for the 2nd allocation) > highest premium

	Shipper A	Shipper B	Shipper C	Shipper D	Shipper E
	1 lot As from 2027 18 years 22 € prem/slot	2 lots (min. 1) As from 2027 18 years 16 € prem/slot	2 lots (min. 1) As from 2027 18 years 16 € prem/slot	2 lots (min. 1) As from 2027 18 years 0,8 € prem/slot	2 lots (min. 1) As from 2027 18 years 0,6 € prem/slot
Step 1: longest duration	Same longest duration	Same longest duration	Same longest duration	Same longest duration	Same longest duration
Step 2: pro rata	1 x (2/9) = 0,22 rounded to 0	2 x (2/9) = 0,44 rounded to 0	2 x (2/9) = 0,44 rounded to 0	2 x (2/9) = 0,44 rounded to 0	2 x (2/9) = 0,44 rounded to 0
Step 3: Start date	No differentiation	No differentiation	No differentiation	No differentiation	No differentiation
Step 4: Premium	1 lot at € 22 premium / slot due to highest premium	Highest premium, BAFO needed for differentiation	Highest premium, BAFO needed for differentiation	Lower premium	Lower premium
Step 5: Best And Final Offer		1 lot at € 22 premium/slot due to highest BAFO	Lowest BAFO		

Best And Final Offers by the shippers competing:
- B: € 25 /slot
- C: € 24 /slot

If BAFO > highest premium ➔ premium (on top of regulated tariff) will be paid by both shippers

Q&A

shaping together
a bright energy
future

General

- **Are the tariffs fixed ?**
  - <u>Tariffs for LNG services</u> are approved by CREG until 2039. Between 2040 and 2044 a new tariff will be applicable. In case the regulated tariff increases, the shipper holding capacity may request Terminal Operator to reduce the number of its allocated Slots to offset the increase in Regulated Tariff.
  - <u>Tariffs for Transmission</u> are fixed until 2027 included, after that a new tariff period of 4 years will be applicable.

- **What is the premium? And when will I have to pay it ?**
  - The premium is relative to a <u>slot</u> (**€/slot**) and will be invoiced on a monthly basis together with the slots. If applied, this premium will be flat throughout the full duration.

- **Is the premium indexed too ?**
  - No, the premium won't be indexed. However, the regulated tariffs for LNG services are indexed, as following:

Indexation formula for tariffs expressed in "basis 2003"

Tariff "basis 2003" are expressed in basis July 2003 and are indexed monthly as from August 2003 according to following formula:

$$0,65 + 0,35 * I_{m-1} / I_{mo}$$

Where
- I_{mo} is the Consumer Price Index (CPI) of the 1st of July 2003 (112,59, in basis 1996)
- $I_{m-1} = I_{m-2} * $ (CPI of Month M-1/CPI of Month M-2)

  With
  - I_{m-1} not higher than 1,03 times the index I_{m-1} used for calculating the tariffs of the most recent month of August.
  - I_{m-1} for August 2003 is 112,59 (basis 1996)
- I_{m-2} is the value of I_{m-1} used the previous month to calculate the tariffs.

General

- **Which capacity should I book to enter the ZTP area from the LNG terminal ? Where and when should I book it ?**

  ➔ Select IP Zeebrugge LNG Terminal on the PRISMA platform:

  ➔ The allocation principle is FCFS and can be booked day ahead.

Allocation principles

- **What if I don't fill out the minimum request ?**
    - The default value is 0, which is in practice equal to 1 in the allocation process.

- **What impact does the minimum request have on the pro-rata ?**
    - As soon as bids are entering the pro-rata step, shippers with a minimum request of 2 lots will be out.
    - A minimum request of 2 (value '2' on the request form) should only be chosen in case a shipper absolutely requires 2 lots, otherwise better to choose value '0' (default) or '1' (both have the same effect). As soon as the pro rata is required in the allocation process, a shipper can only be allocated max 1 lot.

- **What happens if all rounding in the pro-rata equals zero ?**
    - All the shippers who entered the pro-rata step will then proceed to the next step(s). See allocation examples 7 and 11.

- **What happens if the pro-rata gives, after rounding, 0 to some shippers and 1 to others ?**
    - Only the shippers with the highest pro-rata quantity (1, after rounding) will proceed to the next step(s). See allocation example 10.

Allocation principles

- **How does the premium step work ?**
    - If no allocation can occur prior the premium step, the lots will be allocated to the shippers with the highest and second highest premium. The second highest premium will be applicable (paid) for both shippers for the whole contract period. See allocation example 9.

- **Is the premium applied even if the allocation occurs before the 4th step ?**
    - No, every allocation prior the 4th step will be done at regulated tariff. This implies that it could happen that 1 lot is allocated without premium and 1 lot with premium (the allocation can therefore result in lots with two different prices). See allocation examples 7 and 8.

- **Can I still win 2 lots if the premium is applied ?**
    - No, as soon as the pro rata is required in the allocation process, a shipper can only be allocated max 1 lot.
    - By consequence:
        - Every allocation of 2 lots to 1 shipper is based upon a differentiation on the duration.
        - The premium included in the bid is a premium (per **S**lot) applied for 1 lot, not 2.

Allocation principles

- **What happens if multiple shippers share the same, highest bid ?**
  - A Best And Final Offer (BAFO) will be requested from the shippers having the same. Fluxys will approach the respective shippers before 2nd July '24 at 2pm CET and will request those shippers to provide a BAFO before 3rd July '24 at 2pm CET. The shipper(s) with the highest bid(s) will be allocated the lot(s).
  - To avoid a BAFO, it is encouraged to include a premium with **decimals**.

- **What happens if one shipper has the highest bid and multiple shippers have the same, second highest bid ?**
  - The first lot will be allocated to the shipper with the highest bid.
  - A BAFO will be requested from the shippers having the same bid.
  - The following premium will be applied in the allocation:
    - Highest premium in step 4 > BAFO ➜ BAFO applied
    - Highest premium in step 4 < BAFO ➜ Highest premium in step 4 applied

- **What if the Best And Final Offer (BAFO) is still the same and no allocation can be done ?**
  - An auction will be organized within 10 weeks after the end of the subscription window.