

IGB PROJECT

Gas Interconnector Greece-Bulgaria

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IGB Project: Key Facts

BACKGROUND

- IGB project is a gas interconnector pipeline that will link the Greek and Bulgarian gas transmission systems. The IGB pipeline will connect the gas transmission systems of DESFA and TAP at Komotini with the transmission system of Bulgartransgaz at Stara Zagora.
- The project is managed by an on-purpose Company, ICGB AD, incorporated in 2011 under the Bulgarian Law with a headquarter in Sofia. The shareholders of ICGB AD are Bulgarian Energy Holding EAD (50%) and IGI Poseidon SA (50%). IGI Poseidon is a company equally controlled by DEPA and EDISON.
- ICGB is aiming to operate the pipeline under an “exempted” framework and has applied for an exemption from TSOs’ obligations - Unbundling Ownership, Regulated Tariff and Third Party Access, in accordance to art. 36 of the 73/2009/EC gas directive. ICGB will therefore sell gas transportation services to third party shippers and TSOs.

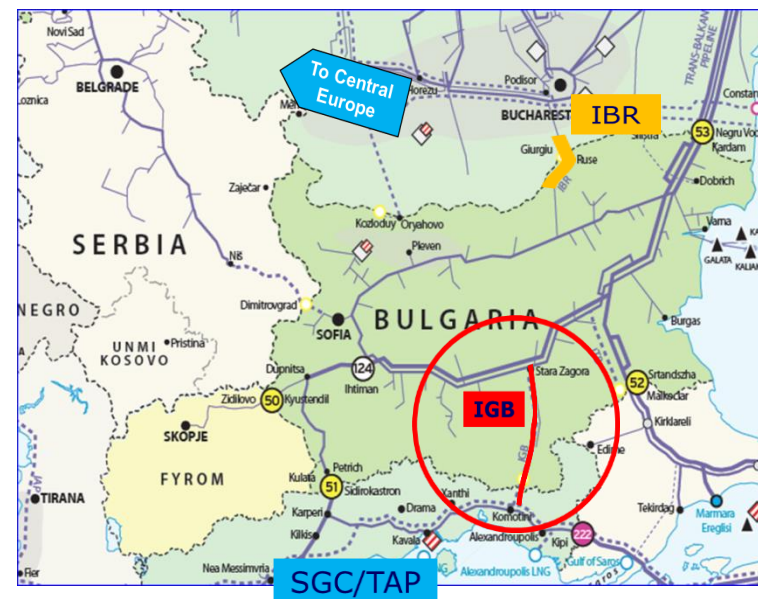
KEY PROJECT INFO

- Length:** 182 Km
- Capacity:** 3-5 bcm/y
- Diameter:** 32”
- Construction CAPEX:** 220 M€
- COD:** H2 2020
- Sovereign guarantee:** 110 M €

SHAREHOLDERS STRUCTURE



GEOGRAPHICAL LOCATION AND INTERCONNECTIONS



IGB project Strategic Role in Bulgaria and SE-CE Markets

Contribution to Bulgarian market evolution

- Enhancement of the Security of Supply by doubling the entry capacity.
- Increase of the Transit capacity into SEE countries; taking advantage of other interconnections, such as IBR (BG-RO), IBS (BG-SER), linked through the BTG network.
- Bulgarian Hub building up

Diversification & Flexibility

- Diversification of imported gas through Greece with complementary supply sources from the Caspian Region, Middle East, East Med and LNG (through existing/new terminals in Greece and/or Turkey).

Access to South Corridor

- *In particular IGB will be physically connected to DESFA, TAP and Bulgartransgaz and to Greek and Turkish LNG systems:*
 - Enabling the access of the SEE markets to the Southern Corridor.
 - Enabling the access of Ukraine and Central Europe to the Southern Corridor.
 - Contributing to vertical corridor implementation as sponsored by the EU within the CESEC framework.

Pioneer

- The Bulgarian system currently relies almost exclusively on a single source (95% of the whole market) and on a single North to South route for its supply and market needs. IGB will be the first Bulgarian Cross-Border route that will be at disposal for new-entry Shippers.



Key Project Achievements

1 EEPR, ESIF and Sovereign Guarantee by the Republic of Bulgaria

- ✓ ICGB has an approved grant financing in the amount of up to EUR 45 mln from the EEPR (European Energy Program for Recovery) sponsored by the EU. The EEPR grant contributes to the reduction of the CAPEX impact on the level of the tariff.
- ✓ ICGB is applying for additional grant financing in the amount of EUR 39 mln from the European Structural and Investment Funds (ESIF) allocated to Bulgaria. **The additional grant financing will ensure the bankability of the project and it is expected to be approved by DG Regio by the end of Q4 2018**
- ✓ IGB project is entitled to a state guarantee in the amount of EUR 110 mln in negotiation a loan financing. The guarantee is approved by the Councils of Ministers of Republic of Bulgaria and included in the State Budget Act for 2018. **A loan financing agreement is expected to be concluded with EIB in December 2018.**
- ✓ State Aid notification has been submitted to EC in August 2018 and **DG Comp decision is expected by the end of October 2018.**

2 PCI, CESEC Enlisting and Interconnection agreements

- ✓ IGB is listed among the PCIs (Projects of Common Interest) and is included as a leading project in the CESEC initiative (Central and South - Eastern European Gas Connectivity).
- ✓ IGB is included in the Greek and Bulgarian Ten Years Network Development Plan and is currently applying for renewing its presence in the ENTSOG TYNDP.
- ✓ Joint declaration for Vertical gas corridor signed between TSO's of Greece, Bulgaria, Romania, Hungary and ICGB.
- ✓ MoU with all operators from Vertical corridor signed on 19 July 2017.
- ✓ Cooperation agreement between IGB and TAP for connectivity of the two gas pipelines, signed on 29 June 2018.
- ✓ Cooperation agreement for interconnection between IGB and DESFA, signed on 29 June 2018

3 Permits

- ✓ Environmental Impact Assessment completed in both countries.
- ✓ Technical Development Activities (FEED, Routing and Technical Design) completed in both countries.
- ✓ Rights of Way in Bulgaria finalized for approx. 4000 plots.
- ✓ Land acquisition, including expropriation procedure in Bulgaria finalized – for all affected plots and owners.
- ✓ Construction Permit – for Bulgarian territory obtained and entered into force on 04 October 2017;
- **Installation Permit – for Greek territory to be obtain by the end of Q4 2018.**

4 Market Test (MT) and Exemption Application

- ✓ The Binding Phase of the Market Test was successfully completed on 30th November 2016 with 5 binding offers received on a long term basis for a total capacity of 1,57 bcm forward flow.
 - ✓ In March 2017 Advanced Reservation Capacity Agreement were concluded with the Shippers who booked capacity.
 - ✓ Based on the results of MT and the signed ARCAs a refinement of the exemption application was submitted to the National Regulatory Authorities in July 2017.
 - ✓ Several meetings were held with the NRAs and additional information has been provided by ICGB upon their request.
 - ✓ In March 2018 a revised Capital Structure of the project and amended Exemption application were submitted by ICGB to the NRA.
 - ✓ On 8 August 2018, following the approval of the EC, a Joint Decision on the Exemption of IGB pipeline from the requirements under article 36 of the European Gas Directive 2009/73/EC has been adopted by the National Regulatory Authorities of Greece and Bulgaria. Pursuant to the Decision, ICGB is granted exemption from:
 - Third party access for the capacity reserved as a result of the Market test
 - Regulated tariff for the total capacity of the pipeline
 - Exemption from ownership unbundling
- The award of the Exemption decision is a key step to establishing the commercial status of the pipeline.
- **Post Exemption actions:**
- Preparation and approval of the ICGB Tariff and Network Code – target date by the end of February 2018. The Network code is subject to the approval of the NRAs, following a procedure of Public Consultations.
 - Conclusion of Gas Transportation Agreements with the shippers that reserved capacity during the Market test.

5 FID

- ✓ In December 2015, the Shareholders took the Final Investment Decision, allowing the project to enter into the final phase of development and to proceed with construction once the financial requirements are fulfilled and all the necessary permits are obtained.
- ✓ On 29th of June 2018, the Shareholders signed a joint declaration for a confirmation of their commitment for development of the project, approval of a final business plan and an irreversible commitment of the shareholders for readiness to start the construction of the pipeline.

Key Project Achievements

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Public Procurement Procedures

- ✓ Selection of Owner's Engineer for IGB Project launched on 8th of November 2017.
- ✓ Line pipe manufacture and supply launched on 8th of December 2017.
- ✓ Design, Procurement and Construction launched on 30th of April 2018.
- ✓ Archeological Research along the pipeline route on Bulgarian territory awarded on 6st of August 2018
- ✓ Construction supervision for the Bulgarian section of IGB launched on 10th of October 2018

All of the listed tender procedures are expected to be concluded by the end of Q1 2019 and the construction phase is expected to start by the end of Q2 2019.



Stakeholders Involved in the Project Implementation

