

LNG Contracts & LNG Benchmarking

Case Study by Poland

Emil Bujniak

Senior Specialist, Gas Market Department, URE Poland



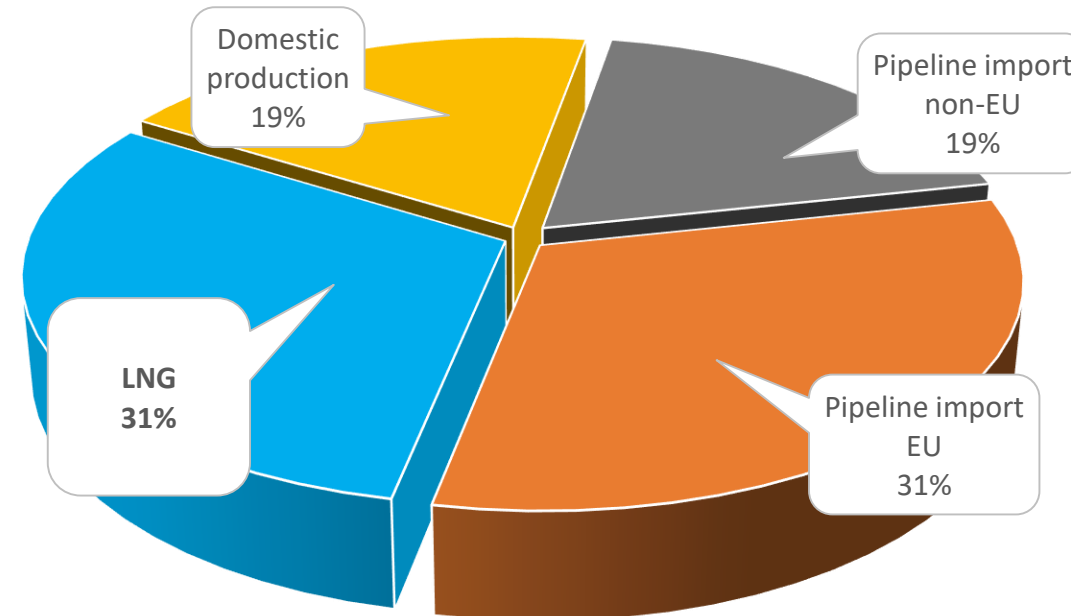
Natural Gas Consumption

Natural gas consumption, export and sources of deliveries (PL)

Input	2021	2022
Non-EU entry (IPs) [TWh]	366,1	39,6
EU entry (IPs) [TWh]	38,4	66,1
LNG [TWh]	40,7	64,3
Domestic production [TWh]	40,7	39,8
Output		
End users consumption [TWh]	208,6	171,8
Exit to EU MSs (IPs) [TWh]	251,2	3,4
Exit to non-EU (IPs) [TWh]	0,8	5,4

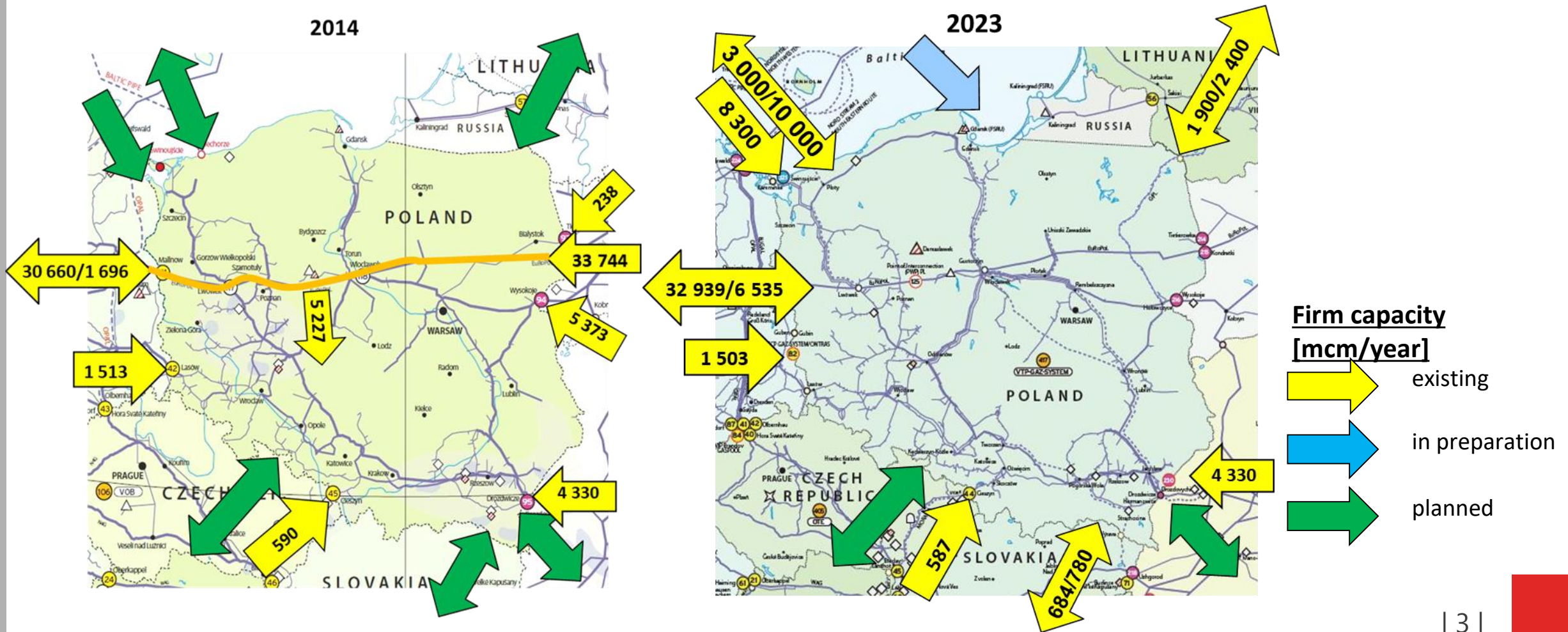
Source: TSO Gaz-System S.A. annual report for the year 2022

LNG share in PL natural gas market in 2022 [%]



Natural Gas Supply

Recent changes of import capacity



LNG Terminal in Świnoujście

- The feasibility study and technical and economical conditions of LNG import to Poland was completed at the end of 2006
- In April 2007 the company Polskie LNG was established (acquired by Gaz-System S.A. in March 2021)
- 24th of April 2009 the Polish Parliament adopted the special act facilitating the process of creation of the LNG terminal
- 18th of March 2010 the Procedure for Offering an LNG Terminal resulted in contract with PGNiG S.A.
- 11 December 2015 first shipment of LNG, necessary to start the installation arrived in Świnoujście.
- 17 June 2016 terminal has started its commercial operation with nominal annual regasification capacity of 5 bcm/year
- From January 2022, the Terminal can provide regasification services using its increased annual capacity of 6.2 bcm/year, process storage of the total capacity of 320 000 m³ LNG, reloading LNG onto truck cisterns at two dedicated platforms
- At the end of 2023 further investments enabled 8.3 bcm/year of capacity as well as increased process storage possibility (aprox. 180 000 m³) and new jetty for bunkering of ships.

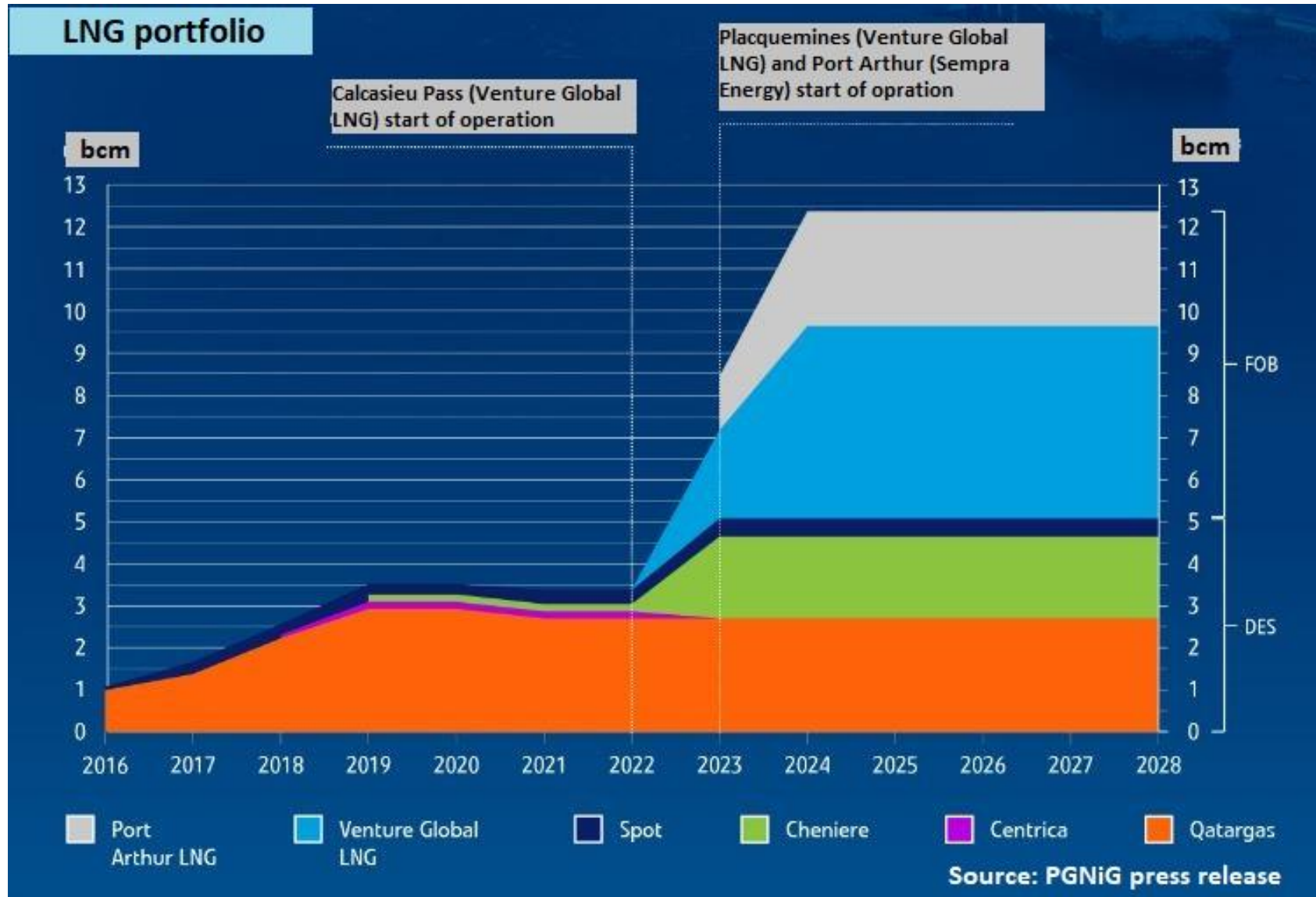
Floating Storage Regasification Unit (FSRU) in the Bay of Gdańsk

- Terminal is planned to provide regasification capacity at the level corresponding to 6.1 bcm/y of gas, with possible increase up to 12 bcm/year in stage 2;
- Project contains additional expansion of the transmission system aprox. 250 km length in 3 stages, aiming at connecting the terminal to CS Gustorzyn
- Following the Open Season procedure completed in August 2023, an agreement covering 100% of the Regasification Services was signed and thus provided the business case for further development of the project.
- Project commissioning is scheduled for 2027/2028
- In October 2023 FSRU 2 Open Season procedure has been carried out which did not result in obtaining binding orders at a sufficient level to proceed with the implementation of the FSRU 2 stage. Nevertheless, the interest in the regasification services declared by the Participants imply that investment may be continued in the future.

- ORLEN S.A. (legal successor of PGNiG S.A) has 3 major long-term contracts with:
 - 1) Qatargas (QA)** for amount of 2,7 bcm/year until 2034
 - 2) Cheniere Energy (USA)** for amount of 1,95 bcm/year until 2042both agreements were concluded in the DES formula (delivery ex-ship), which means that the contractor is responsible for the delivery of the LNG until it is unloaded at the regasification terminal.
 - 3) Venture Global (USA)** for amount of 7,4 bcm/year until 2043 in FOB (free-on-board) in which the transport of LNG is the responsibility of the buyer.
- At the same time, single spot deliveries also reach the terminal in Świnoujście.
 - Additionally ORLEN S.A. has allocated approximately 0,5 bcm of capacity offered by LNG terminal in Klaipeda, which enables gas to be supplied through Lithuania to Poland via the GIPL gas pipeline. Interconnector allows for transmission of 2,4 bcm/year (to LT) / 1,9 bcm/year (to PL) and can be used as an alternative route of supply.

ORLEN S.A. is building the charter fleet of 8 methane carriers of which 2 are already in operation in order to increase the flexibility of LNG trade and reduce the risk of an increase in transport costs and to enable future re-export.

LNG Contracts



Price-Setting Process

Regasification service fee rates were established based on:

- justified cost broken down into fixed and variable costs,
- contracted capacity ordered for the period of tariff's validity and planned volume of LNG to be regasified;

Justified costs are planned by GAZ-SYSTEM and reviewed by the President of the Energy Regulatory Office, and they include in particular:

- costs by type (in the meaning stipulated by the Polish Accounting Act),
- reasonable return on capital employed

The weighted average cost of capital employed in regasification activities for 2023 was set at 5,558%

The structure of justified costs recovered under fixed and variable fee for regasification services, adopted for the purpose of Tariff calculation, reflects the actual ratio of planned fixed costs to variable costs incurred by the Company on account of the regasification services, amounting to 73%:27% for 2023.

More info available in ENG: <https://www.gaz-system.pl/en/terminal-lng/tariff-and-fee-rates/tariff-computation-methodology.html>



**THANK YOU
FOR YOUR ATTENTION!**

emil.bujniak@ure.gov.pl