



**OPEN SEASON 1<sup>st</sup> STEP**

**REQUEST FOR EXPRESSIONS OF INTEREST**

**TO BUY REGASIFIED LNG**

4th of September 2009 | Cyprus Energy Regulatory Authority  
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***Important Notice***

***Terms and expressions used in this Important Notice are as defined in this Open Season 1<sup>st</sup> Step- Request for Expressions of Interest (“OS1-REOI”) Document.***

*This OS1-REOI Document has been prepared in relation to the procurement of LNG by the “Public Natural Gas Company” known as ‘DEFA’ by its Greek name initials. It is not intended to form any part of the basis of any investment decision or other evaluation of any decision.*

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## **Section 1 – Background**

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### **1.1 Open Season General Information**

Open Season is a useful instrument to assess the market demand for market capacity. The goal of an open season is to size, tailor and allocate capacity on an efficient, transparent and nondiscriminatory basis. These are the outcomes any alternate mechanisms should produce.

An Open Season procedure involving consultations between the National Regulatory Authority (NRA) and End-Users would help decision makers estimate the exact volume and kind of any new capacity required, while ensuring that this capacity is allocated on a transparent and nondiscriminatory basis.

It is a two-phase process which allows an Investor (in case of Cyprus the LNG Terminal and DEFA) to efficiently consult the market about the infrastructure required, and the terms it would like this infrastructure to be marketed and allocates the resulting new capacity on a transparent and non-discriminatory basis.

### **1.2 Procedure to be followed – Roadmap**

The Open Season procedure to be followed in the case of Cyprus consists of two phases:

In the **FIRST PHASE**, DEFA and/or the LNG Terminal assess the market's new capacity and terms. CERA will issue a Request for Expression of Interest (OS1-REOI) in order to solicit non-binding interest from End-Users to buy regasified LNG from DEFA. The interested End-Users will then be contacted by DEFA for further negotiations that would enable DEFA to plan its LNG procurement.

In the **SECOND PHASE**, DEFA offers capacity to the interested End-Users and, if the offer is satisfactory then the End-Users will be requested to sign a binding agreement with DEFA. Different methods can be used for the capacity allocation during the second phase, but any method chosen by DEFA must be transparent and non-discriminatory.

## **Section 2 – Introduction**

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### **2.1 Current Situation**

Currently, aside from certain limited alternative energy sources, the energy supply of Cyprus is entirely dependant upon imported oil products. The Government of Cyprus (GoC) in order to diversify the country's energy sources thereby ensuring enhanced security of energy supply; and in order to reduce CO<sub>2</sub> emissions, thereby ensuring compliance with European Union ("EU") Directives has decided to introduce natural gas to Cyprus and to establish and is in the process of developing Vasilikos Energy Center (VEC), an energy centre at Vasilikos region. The VEC will comprise an onshore liquefied natural gas (LNG) import, storage and regasification terminal (the "LNG Terminal") and an oil products import, storage and distribution terminal (the "Oil Products Terminal").

Having taken into consideration the Decisions of the Council of Ministers regarding the importation and transportation of Natural Gas for the needs of Cyprus for generation of electricity and the construction of an LNG Terminal at the Vasilikos area, the Minister of Commerce, Industry and Tourism determined (Ministerial Direction dated 17/3/2006) natural gas as the primary source of energy for all sizeable capacity electricity generating Power Plants which will be licenced by CERA. The Directive is in effect from the date of its publication on 17<sup>th</sup> of March 2006. In accordance with the said Directive, CERA decided that any Power Producing Unit over 50MW should be fuelled with Natural Gas.

Furthermore, on the 18<sup>th</sup> of June 2008 the GoC has decided to establish a new Public Gas Company that will undertake exclusively the import of LNG, and the supply of natural gas to the market, with the GoC holding 100% of the issued shares and with the option to relieve 5% to 3<sup>rd</sup> parties and the other 44% by Electricity Authority of Cyprus (EAC). EAC is in the process of exercising its option to acquire the 44% of the share capital.

Additionally, the corporate structure of the entity responsible for the establishment (ownership, financing, operation and management) of the Vasilikos Energy Centre onshore LNG terminal will be in the form of a Joint Venture with the significant participation of EAC and other interested strategic investors.

The onshore LNG terminal shall be the exclusive terminal for the importation, storage and regasification of LNG in Cyprus. Based upon current projections, the natural gas consumption for Power Generation will range from 0,68mtpa in 2013 and will gradually increase to 1,47mtpa by 2035. It is expected, according to GoC estimations, that the LNG Terminal will be commissioned by the end of 2014.

## **2.2 Public Natural Gas Company - DEFA**

DEFA is a private corporation which will purchase and import the LNG pursuant to a LNG Sale and Purchase Agreement ("SPA"), preferably on a delivered ex-ship ("DES") basis. DEFA will enter into an agreement with a second corporation, which is to be established, (the "LNG Terminal Company"), for the provision of LNG receiving, storage and re-gasification services at its terminal pursuant to a Terminal Use Agreement (the "TUA").

## **2.3 LNG Import Terminal**

The LNG Terminal Company will be responsible for the development, construction and operation of the LNG Terminal and will provide LNG regasification services to DEFA pursuant to a "TUA").

The LNG Terminal Company will not take ownership of the LNG, which will remain the property of DEFA throughout the supply chain, but will own, finance, manage and operate the assets of the LNG Terminal through a Joint Venture to be established, with the significant participation of EAC and other interested strategic investors.

## **2.4 Natural Gas Consumption – Projection and Profile**

Based on current projections, the natural gas consumption for Power Generation will range from 0,68mtpa in 2013, 1,054mtpa in 2015 and will gradually increase to 1,47mtpa by 2035 with an annual increase of approximately 2%. It is expected,

according to GoC estimations, that the LNG Terminal will be commissioned by the end of 2014.

The natural gas requirement for power generation in April of 2015 is estimated at 0,068mtpa, which is approximately 64 % of the peak requirement in July and August of 2015, estimated at 0,108 mtpa. Respectively the natural gas requirement in April of 2025 is estimated at 0,083 mtpa, approximately 68% of the peak requirement in July and August of 2025, estimated at 0,122 mtpa.

## **2.5 LNG Procurement**

The purpose of DEFA is to purchase, import, store, distribute, transmit, supply and trade natural gas, utilize the onshore LNG Terminal and manage the distribution and supply system of natural gas in Cyprus.

DEFA will aggregate demand of the End-Users for regasified LNG in Cyprus, and source for LNG supply as the only LNG buyer for delivery to Cyprus at the best possible terms and price. To ensure a fair and equitable regasified LNG price for the End-Users, CERA will regulate the margin DEFA can charge over and above the cost of LNG delivered ex-ship to the Terminal.

Each End-User is expected to negotiate and enter into a Gas Sale Agreement ("**GSA**") with DEFA for the supply of regasified LNG. To meet the demand for regasified LNG under the GSAs with the End-Users, DEFA will be required to negotiate and enter into LNG Sale and Purchase Agreements ("**SPAs**") with LNG suppliers for the LNG quantities required.

## **Section 3 – Request for End-Users to Express Interest**

### **3.1 Purpose**

3.1.1 This Request for Expressions of Interest (“**OS1-REOI**”) is to solicit non-binding interest of End-Users to buy regasified LNG from DEFA. The objective is to identify potential End-Users and their demand for regasified LNG, which will facilitate DEFA in contacting the interested End-User for further negotiations and to plan its LNG procurement.

3.1.2 To participate in this OS1REOI, all potential End-Users must complete and submit the submission form in the Appendix to this OS1REOI Document (“**Submission Form**”).

### **3.2 Closing Date and Time for Submission**

All submissions must reach CERA no later than **Thursday the 31<sup>st</sup> of December 2009 at 10:00 am.**

### **3.3. Mode of Submission**

The submission Form must be submitted in both hardcopy and softcopy format:

- (a) The hardcopy of the Submission Form must be in one original (marked “Original”) and two copies (each marked “Copy”).
- (b) The softcopy of the Submission Form must be in a CD-ROM in both native application and PDF formats.

Both hardcopy and softcopy of the Submission Form must be submitted in a sealed envelope with the following clearly stated on the envelope:

**LNG Project: *Request for Expressions of Interest to Buy Regasified LNG***  
**Submission by: *[name of company]***

The envelope shall be delivered to the following address:

**Cyprus Energy Regulatory Authority**  
**P.O. Box. 24936**  
**1305 Nicosia, Cyprus**  
**For the attention of: Mr Costas Ioannou**

not later than the Closing Date and Time. It shall be the responsibility of the company to ensure delivery to the above address. Postage must be pre-paid on all submissions sent through the post.

The Submission Form may also be sent electronically to the following email addresses:

[mdelenta@cera.org.cy](mailto:mdelenta@cera.org.cy) and  
[info@cera.org.cy](mailto:info@cera.org.cy)

but this must be followed-up with both hardcopy and softcopy submission as detailed above.

### **3.4. Expenses Incurred in the Preparation of Submission**

All expenses incurred in the preparation and submission of any submission form will not be borne by CERA and no claims for any expenses incurred will be entertained by CERA.

### **3.5 Confidentiality**

CERA reserves the right to make public all or parts of any submissions made in response to this OS1REOI Document and to disclose the identity of the source. Any part of the submission, which is considered by respondents to be confidential, should be clearly marked and placed as an Annex to the submission. CERA will take this into account regarding disclosure of the information submitted.

## **Section 4 – Further Information**

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### **4.1 Further Details & Data**

DEFA will contact and provide more information to all the End-Users who will express interest to buy regasified LNG through this OS1-REOI.

### ***Clarifications***

4.2 For any queries or clarifications in connection with this OS1REOI, please contact CERA at the email addresses as set out in paragraph 3.3.

\* \* \* \* \*

**Appendix – Submission Form**

## SUBMISSION FORM

*IF YOU REQUIRE ADDITIONAL SPACE, PLEASE CONTINUE ON A SEPARATE BLANK PAGE, WITH THE NUMBER OF THE PARAGRAPH WHICH YOU ARE RESPONDING TO, CLEARLY MARKED.*

**1.1 Company wishing to express interest to buy regasified LNG from the "Public Natural Gas Company" or 'DEFA':**

Name of Company: \_\_\_\_\_

Legal Form of Company: \_\_\_\_\_

Date & Place of Incorporation: \_\_\_\_\_

Registration Number: \_\_\_\_\_

Registered Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**1.2 Company's contact details:**

Name & Designation of Contact Person: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Telephone Number: \_\_\_\_\_

Fax Number: \_\_\_\_\_

**1.3 Company's Projected Demand for Regasified LNG:**

Year	Average Demand for regasified LNG in terms of Billion British Thermal Unit Per Day ("Bbtud")			Brief description of the purpose for which regasified LNG is required  (e.g. for power generation, as manufacturing feedstock, etc)	Key assumptions underlying the projected demand for regasified LNG
	Low Case	Base Case	High Case		
2012					
2013					
2014					
2015					
2016					
2017					
2018					

**1.4 Where all or part of the projected demand for regasified LNG is to generate power/electricity, please provide the following information:**

- (a) The aggregate demand in Bbtud of natural gas, including piped natural gas (“**PNG**”) and regasified LNG, to generate power and other co-product(s) (e.g. steam in the case of combined heat and power);
- (b) The quantity in Bbtud of PNG and the supplier(s);
- (c) The quantity in Bbtud of regasified LNG;
- (d) In respect of each existing and/or proposed new generating unit, the:
  - (i) Location;
  - (ii) Plant configuration in terms of the main mechanical and electrical equipment;
  - (iii) Name-plate capacity in megawatt (“**MW**”);
  - (iv) Maximum power output available in MW;
  - (v) Maximum power output in MW to be injected into the power grid; and
  - (vi) Project schedule setting out (where applicable) the proposed dates and periods for design, procurement, implementation, testing and start of commercial operation.

**1.5** Submission Form submitted by:

Name: \_\_\_\_\_

Designation: \_\_\_\_\_

Signature: \_\_\_\_\_

Company Name &  
Address: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Fax Number: \_\_\_\_\_

\* \* \* \* \*