

*Revision 1.2*

**HANDLING PROCEDURE**  
**for a**  
**BONA FIDE TRANSPORTATION REQUEST**

**APPENDIX A**

**to**  
**STANDARD TERMS AND CONDITIONS**

**for**  
**TRANSPORTATION**

**of**  
**GAS**

**in**  
**DONG NATURGAS'**

**OFFSHORE PIPELINES**

**to**  
**the Danish West Coast**

**Valid from 1 December 2011**

## **1 ALLOCATION OF CAPACITY**

### **1.1 Allocation Principles**

The Operator shall on the basis of the capacity situation according to current Transportation Agreements, existing engagements and received transportation requests, decide whether the requested capacity is available.

When allocating capacity amongst Shippers, the Operator shall consider all bona fide requests for transportation capacity on a non-discriminatory basis. However, in exceptional circumstances it may be necessary to deviate from the above if a strict application hereof would lead to sterilisation of capacity to the detriment of all Shippers and users of the Transportation System.

## **2 REQUIRED FINANCIAL AND INSURANCE MEASURES**

For the Shipper to be granted open credit for Transportation Services, the Shipper must demonstrate that he - at any time until the last payment due under the Transportation Agreement has been paid - fulfils the required financial measures stipulated in Article 2.1 or stipulated in any one of the Articles 2.2 – 2.4 or a combination of Articles 2.2 -2.4 (provided the full amount in accordance with Article 2.6 is guaranteed) and the required insurance measures as stipulated in Article 2.7, cf. also Article 11.1 in the Standard Terms and Conditions.

### **2.1 Rating**

The Shipper must demonstrate a rating of its financial strength of Baa2 or better with rating agency Moody's and/or BBB or better with rating agency Standard & Poors. In case the Shipper has been rated by both credit rating agencies the lower of the two ratings shall apply.

### **2.2 Parent Company Guarantee**

If the Shipper is a wholly owned subsidiary of a parent company that does meet the required financial measure stipulated in Article 2.1, the Shipper must provide an unconditional parent company guarantee covering the amount stipulated in Article 2.6.

### **2.3 Payment in Advance or Letter of Credit or Deposit on Escrow Account**

For the amount stipulated in Article 2.6, the Shipper must either make payment in advance or provide a stand-by letter of credit (L/C) from a bank or open an escrow account with a bank where the amount is deposited or a mix of the three.

The bank that issues the stand-by letter of credit and the format of the L/C are subject to prior approval by the Operator.

The bank issuing the stand-by letter of credit must have a rating of A3 with Moody's or better, or A- with Standard & Poors, or better. In case the bank has been rated by both credit rating agencies the lower of the two ratings shall apply.

## 2.4 Credit Evaluation

The Shipper may ask the Operator for an individual credit evaluation related to the amount stipulated in Article 2.6. The Operator will carry out such individual credit evaluation of the Shipper based on recognised credit criteria such as i.a. the latest audited financial reports and key figures in relation to the size of the amount stipulated in Article 2.6.

In case the Operator based on an individual credit evaluation cannot or only partly grant credit for the amount stipulated in Article 2.6, the Shipper must provide surety for the remaining amount in accordance with Articles 2.2 – 2.3.

The Operator is entitled to revise its initial or any subsequent individual credit evaluation pursuant to subsection one above. In case such revised individual credit evaluation results in a non-adequate credit protection for the amount stipulated in Article 2.6, the Shipper must provide additional surety in accordance with Articles 2.2 - 2.3 within 20 Banking Days upon receipt of such revised individual credit evaluation. If such additional surety is not provided within said deadline, this shall be considered a serious breach under Article 11.1 of the Standard Terms and Conditions, which entitles the Operator to terminate the Transportation Agreements.

## 2.5 Costs of Providing the Guarantee

All costs related to the provision of the guarantee including, but not limited to, e.g. issue of an L/C, lost interest etc. according to Articles 2.1 - **Error! Reference source not found.** are to be incurred and paid for by the Shipper.

## 2.6 Operator's Credit Risk – Calculation of the Amount

The following amount reflects the Operator's credit risk in accordance with entering into a Transportation Agreement with a Shipper. The amount is composed of the following credit risk elements:

1. Payment of the Capacity Tariff until termination of a Transportation Agreement in accordance with the Standard Terms and Conditions and;
2. Payment of the Volume Tariff until termination of a Transportation Agreement in accordance with the Standard Terms and Conditions and;
3. Payment for clearance of the Gas Balance Account by expiration of a Transportation Agreement and;
4. Payment for sale of Shortfall Gas until termination of a Transportation Agreement in accordance with the Standard Terms and Conditions and;
5. Payment of possible Off-spec Gas Fee plus any cost and/or expense associated with the necessary processing of Off-spec Delivery Gas into On-spec Redelivery Gas and;
6. Payment of possible Default Interest on late payments and;

7. Payment of possible of pollution of Operator's Line Pack Gas with Off-spec Delivery Gas.

The amount shall be calculated in accordance with the following formulae:

$$\text{Amount} = \text{Booked Daily Capacity} * \{ \text{Booking Period} * \text{Volume Tariff} + 3 * \text{TTF-price} \} + \text{Booking Period} * \text{Capacity Tariff}$$

Where;

**Amount** is in the unit of DKK and;

**Booked Daily Capacity** is stipulated in the Transportation Agreement in the unit of MWh/Day and;

**Booking Period** is the number of Days where Transportation Services are delivered by the Operator as stipulated in the Transportation Agreement. If the Booking Period is less than 100 Days and a new Transportation Agreement is entered into prior to the last payment due under the first Transportation Agreement has been paid, a Booking Period of 100 Days shall be applied.

**Volume Tariff** is stipulated in the Transportation Agreement in the unit of DKK/MWh and;

**Capacity Tariff** is stipulated in the Transportation Agreement in the unit of DKK/Day and;

**TTF-price** is published on the Website in the unit of DKK/MWh and is subject to adjustments based on the development of the gas prices on the TTF-hub. Such adjustments to be announced on the Website with no less than 20 Banking Days' prior notice with effect from the first Day in a calendar month.

## 2.7 Insurance

The Operator and the Shipper shall effect and maintain such insurances as would be maintained by a Reasonable and Prudent Operator in respect of:

- a) the Transportation System
- b) any Gas in the Transportation System; and
- c) liability to third parties.

with a sum insured of not less than Euro 10 (ten) million per occurrence. Insurers may be asked by the other Party to this Transportation Agreement than the insured to certify that such insurance is being maintained and that the insurance conditions are covering the liabilities in accordance with the Transportation Agreement i.e. cover of the indemnity and hold harmless obligations as provided for under this Transportation Agreement, however, subject to usual deductible(s).

All insurances effected by or on behalf of a Party or its Affiliates shall provide that, except as regards Wilful Misconduct, underwriters waive their rights of subrogation against the other Parties, with the effect that the insurers of a Party or its Affiliates may not make any claim against the other Parties which the insured Party or its Affiliates is not entitled to make.