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Market Consultation of the Open Season 2017 Rules for the Baltic Pipe Project

The project promoters of the Baltic Pipe Project, the Polish and the Danish gas transmission system operators, Gas Transmission Operator GAZ-SYSTEM S.A. and Energinet.dk are launching the market consultation of the Open Season 2017 Rules.

The Open Season process is designed to enable shippers to provide relevant TSOs with positive investments signals that are required for realization of the Baltic Pipe Project and ensure transparency and equal treatment of all Participants. The process will run from December 2016, starting with a market consultation of the Rules, until the second half of 2017, by signing the capacity agreements which will be subject to conditions precedent.

Therefore, GAZ-SYSTEM S.A. and Energinet.dk invite all interested market participants to participate in the market consultation of the Open Season Rules 2017. The consultation will run from 6 December 2016 until 6 January 2017 16:00 (CET).

During the consultation process, Energinet.dk and GAZ-SYSTEM S.A. will collect questions raised by market participants toward the Open Season Rules 2017 and answers to these questions, in a general and anonymous form through the Q&A section on the website.

After the consultation, GAZ-SYSTEM S.A. and Energinet.dk will evaluate the responses received during the consultation, and, if necessary adjust the Open Season 2017 Rules. Moreover, GAZ-SYSTEM S.A. and Energinet.dk will inform the Polish and Danish NRAs about the result of the market consultation, the outcome thereof and obtain their approval of the final version of the Open Season 2017 Rules (as the case may be).

The Open Season 2017 documents are available at the following websites:

GAZ-SYSTEM S.A. website: <http://en.gaz-system.pl/strefa-klienta/konsultacje-z-rynkiem/aktualne-konsultacje/open-season-baltic-pipe/>

energinet.dk website: <http://energinet.dk/EN/GAS/Det-danske-gasmarked/Sider/Open-Season.aspx>

Background:

In 2016, the Polish gas TSO, Gas Transmission Operator GAZ-SYSTEM S.A., and the Danish gas TSO, Energinet.dk have investigated the possibility of establishing an interconnection between the two national markets through a bidirectional offshore pipeline and expansion of the national transmission systems to ensure full functionality of the new pipeline, in order to secure gas transportation from Norway to Poland. The possibility has been investigated in a feasibility study. **The works on the feasibility study of the Baltic Pipe Project are at the final stage and they will be concluded by the end of 2016 before launching the Open Season procedure.**

As a part of this feasibility study, a market test was conducted to assess general interest of third parties to the Baltic Pipe Project. The result of the market test was positive, in terms of indicating a non-binding market

demand for the project. Consequently, the next step is to invite existing and prospective shippers to participate in an open season in order to collect the market's long-term investment signal.

The main objectives of the Baltic Pipe Project are to further strengthen supply diversification, market integration, price convergence and security of supply in primarily Poland and Denmark and secondarily in Sweden, Central and Eastern Europe (CEE) and the Baltic region:

- integrating the Danish, Swedish and Polish gas markets by means of supply competition and bidirectional trading secondly with a view to include planned interconnections to the Central and Eastern Europe (via Poland-Czech Republic interconnection, Poland-Slovakia interconnection, Poland-Ukraine interconnection) and the Baltic States (via Poland-Lithuania interconnection);
- strengthening regional security of supply through supply diversification (enabling new sources of gas supply);
- increasing the competitiveness on the regional gas markets and facilitating price convergence between the markets, possibility of new players entrance and potential increase in gas demand in the impacted regions;
- improvement in technical reliability of gas supply for customers by diversifying the imported gas supply directions
- connecting the Baltic Pipe to the LNG terminal in Świnoujście, which could in the future guarantee Scandinavian countries access to the global liquefied natural gas (LNG) market.

More information on the project:

GAZ-SYSTEM S.A.: <http://en.gaz-system.pl/our-investments/integration-with-european-gas-transmission-system/baltic-pipe/>

Energinet.dk: <http://energinet.dk/EN/ANLAEG-OG-PROJEKTER/Anlaegsprojekter-el/Gasledning-til-Polen-Baltic-Pipe-Feasibility-Studie/Sider/default.aspx>

Energinet.dk: is the Danish TSO, transmission system operator, of the main electricity and gas transmission systems. Our main task is to maintain the overall short-term and long-term security of electricity and gas supply. Moreover, some of our tasks are to develop the main Danish electricity and gas transmission infrastructure together with creating objective and transparent conditions for competition on the energy markets and to monitor that competition works. The company is organized as an independent public enterprise owned solely by the Danish state as represented by the Danish Ministry of Energy, Utilities and Climate.

Gas Transmission Operator GAZ-SYSTEM S.A. is a strategic company for the Polish economy, responsible for the transmission of natural gas and the management of the most important gas pipelines in Poland. GAZ-SYSTEM S.A. is also the owner of Polskie LNG S.A., a company established to build the Świnoujście LNG terminal. As part of its 2015-2025 investment scheme, GAZ-SYSTEM S.A. is planning to build over 2,000 km of new gas lines in western, southern and eastern Poland. Further expansion of the domestic transmission system, including construction of new gas pipelines being part of the North-South Gas Corridor, as well as construction of interconnections with Lithuania, Slovakia and the Czech Republic, will enhance Poland's energy security and contribute considerably to the development of the European transmission system. In 2009-2015, GAZ-SYSTEM S.A. completed an investment plan consisting in the construction of over 1,200 km of new gas transmission lines in north-western and central Poland. The projects implemented by the company and the physical and virtual reversal on the Yamal pipeline have translated into a significant increase in the technical import opportunities on routes other than from the East.

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