

TERMINALAS

Money from international financial markets flows to Klaipėda
 EIB Vice-president Pim van Ballekom



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135 times scaled-down FSRU model shown first



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On the doorstep of global gas market

After the completion of construction of the liquefied natural gas (LNG) terminal in 2014, Lithuania will gain access to the global LNG market. It is a big step in the right direction, says Heritage Foundation, one of the largest research organisations in the world.

Currently 100% of natural gas and 90% of oil imports come to Lithuania from Russia. Therefore, it is crucial to Lithuania's energy future to have this LNG terminal able to receive LNG tankers from other countries. Currently, Russian gas giant Gazprom charges Lithuania a significantly higher price for gas than it does other consumer nations such as Germany.

The new facility in Klaipėda will provide geopolitical benefits from allowing access to multiple sources of gas. Moreover, it should also provide economic benefits to Lithuania's population. When the terminal begins to operate, Lithuanians are likely to start paying for natural gas at market prices allowing the

country to breathe a little easier, says the research organisation.

The terminal will be able to re-gasify and supply up to 11 million m³ of gas per day, or 4 billion m³ per year. All the three Baltic states – Lithuania, Estonia and Latvia – consumed a combined 5.6 billion m³ of gas in

2011, so the terminal could meet most of gas demand, provided that the countries agree on construction of a new gas pipeline that would free them (along with Poland) from their Soviet-era strategic dependence on Russia.

www.heritage.org



Call for tenders for bank guarantee

Klaipėdos nafta published a call for tenders for a bank guarantee of up to USD 50 million (around LTL 130 million) to be provided as a security under the floating storage unit lease agreement with Hoegh LNG (Norway). The guarantee would be valid for one year from 15 January 2014 to 31 December 2014.

Insurance of construction



Klaipėdos nafta and non-life insurance company PZU Lietuva signed an insurance agreement covering risks relating to the construction of the LNG terminal infrastructure. The cover for property damage is LTL 223.25 million and liability arising out of the insured work against third parties is covered by LTL 34.528 million. The insurance period expires on 5 April 2015 and the insurance premium of LTL 6.252 million will be paid in 6 instalments on a quarterly basis, the first payment due to be made on 1 November.

Nerijus Udrėnas: interference with LNG terminal is against national interest

The adviser to President Dalia Grybauskaitė said that Gazprom (Russia) may interfere with the LNG terminal project. According to Udrėnas, this terminal must be the priority for all authorities and any damaging action against it damages our national interest. *BNS*

Favourable audit report on FSRU price

The Ministry of Energy confirmed that the team of lawyers had completed their due diligence on the price of the floating storage re-gasification units intended for the LNG terminal. The lawyers concluded that the price of the facility was not too high. The Ministry of Energy approached audit firm Ecovis, who worked together with law firm Glimstedt, with a request to carry out a performance audit at Klaipėdos nafta, a company implementing the

LNG terminal project. Among other things, auditors looked into the price of the floating storage re-gasification unit intended for the terminal. The audit has shown that the decision to opt for a lease option instead of a purchase of the floating storage re-gasification unit for the terminal was the right decision. According to the auditors, the agreed lease price meets competitiveness and transaction effectiveness criteria. *vz.lt*

Money from international financial markets flows to Klaipėda and adds to Lithuania's energy independence

The LNG terminal is the first energy project to receive long-term funding from the European Investment Bank (EIB) in Lithuania but it is definitely not the last one, said EIB Vice-president **Pim van Ballekom** in an interview to Terminal.

The Klaipėda LNG terminal project has reached its midway and is speeding towards completion. What is your assessment of the progress made and the fact that Lithuania will gain access to the increasingly active global LNG market after the project completion?

We are pleased to be able to support the construction and operation of a new LNG terminal with a EUR 87 million loan. We see this investment as critical for Lithuania in helping to diversify and secure its energy supply and provide a backup in the event of gas supply failures. The EIB, the bank of the European Union attaches great importance to promoting the security and diversification

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EIB loan for LNG terminal construction

Value: up to EUR 87 million (LTL 300 million)

Duration: up to 20 years

The European Investment Bank

The long-term lender of the European Union owned by EU Member States. The EIB provides long-term lending to sound and sustainable projects which contribute to furthering EU policy objectives.

of the energy supply. We therefore particularly welcome this agreement with Klaipėdos Nafta as the project will ensure the sustained supply of a key source of energy and allow competition in the gas supply for Lithuania. Indeed, the project seems to be well advanced and we understand that the EIB loan is vital for the timely construction of the necessary infrastructure by the end of next year.

Lithuania will be able to save around EUR 20 million (LTL 69 million) in comparison to the costs it would have to incur borrowing from commercial banks. This is the cheapest way of financing currently available to terminal's construction. Which factors contributed to EIB's decision to invest in this project?

Before we decide on supporting a project, we carry out a detailed appraisal of its financial, economic, technical and legal aspects as well as examining the project's impact on the environment and society. Our project evaluation led us to the conclusion that the Klaipėda LNG import terminal is a sound investment eligible for EIB financing. But the EIB's support does not consist only of making funds available on attractive terms and conditions; we also share the experience we have gained from other projects and we understand that this contribution has been of particular benefit to the LNG terminal project.

The borrowing terms offered by

the EIB are extremely favourable: the period is up to 20 years and up to 50% of all costs of terminal construction are eligible. Does this mean that you consider the Klaipėda LNG import terminal a sound investment?

First of all, a project is considered to be a sound investment and thus eligible for long-term EIB financing if it is not only technically sound but also financially viable and shows an acceptable economic return. The financial sustainability of the Klaipėda LNG terminal investment is derived from the return set out by the framework of economic regulations. It is also particularly important to the EIB that the project is expected to create 100 new jobs. Furthermore, eligible investments must also meet at least one of the EIB's objectives: in case of the Klaipėda terminal, the project will make the energy supply more competitive and secure in an EU Member State. Finally, projects receiving EIB support have to comply with EU environmental and social protection and procurement regulations. Specific mitigating

measures have been incorporated in the LNG terminal project, including protective measures for flora and fauna. As regards the procurement procedures applied by Klaipėdos Nafta, they were found to be acceptable to the EIB.

You have mentioned that the LNG terminal could be the first of several energy projects that could be financed by the EIB in Lithuania. Why the energy industry and what types of projects?

The promotion of sustainable, competitive and secure sources of energy is a key EU policy objective. As a policy-driven bank, the EIB seeks to support EU policy in all three areas. Lithuania's citizens and economy need a secure supply of energy at affordable prices. At the same time, energy production has to be sustainable and to reduce negative environmental effects. Therefore, in our energy lending, we put particular emphasis on developing renewables, diversifying supply, reducing energy consumption by improving efficiency and support-



Rokas Masiulis, General Manager of AB Klaipėdos nafta, (left) and Pim van Ballekom, Vice-president of EIB, signed the loan agreement

ing crucial energy networks. In Lithuania, we plan to support more investments in the country's energy sector, such as the interconnection between Lithuania and Poland and the extension of the Kruonis Power Plant, which is intended to balance electricity production and consumption, securing the system's reserve and regulating frequency and voltage.

In the last five years, Lithuania borrowed EUR 1.24 billion (LTL 4.28 billion) from the EIB. What were these projects? What is the basis of your lending policy?

Indeed, over the years 2008-2012, we supported Lithuania with EUR 1.24 billion. The most important EIB operations in Lithuania during this period were loans for financing public sector investments in

infrastructure, transport, water and sewerage, as well as in health and education. Many priority investments have been co-financed under the EU Funds Co-financing Framework Facility covering the period up to 2013. The infrastructure and transport sectors were the main beneficiaries of EIB support in line with EU's aim to strengthen cohesion and convergence in the European Union. In the transport sector, for instance, the EIB financed the purchase of modern diesel-powered freight locomotives that replaced older, less energy-efficient rolling stock. But also health and education, as key elements to the EIB's knowledge society objective, accounted for major shares of the Bank's lending to Lithuania. The EIB is also active in Lithuania under the terms of the Joint European Support for Sustainable Investment in City Areas (JESSICA) instrument. Thanks to JESSICA, multi-apartment buildings in Vilnius have been renovated, which will result in important energy savings.

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Terminal: facts

The FSRU will achieve speeds of **18** knots which is faster than the largest DFDS ferries Kaunas and Vilnius that can go at the maximum speed of 16.3 knots.



The propeller diameter is **8.7 m** which is by a meter more than the length of Puntukas boulder at 7.54 m.

The FSRU crew is the size of an average class of Lithuanian schools made up of **25** people.

The FSRU storage capacity of 4,000 m³ of fuel can accommodate the contents of the entire train or **57** tank-wagons.

It would require nearly **69** Olympic-size swimming pools of water to fill in the storage capacity of the floating storage re-gasification unit (FSRU).

The temperature of liquefied natural gas within the FSRU will be **-161** degrees Celsius which is nearly double the lowest temperature ever recorded on earth's surface (89.2 degrees).

Start date:	2011	2012 m.	2013 m.	2014 m.	Expected end date:
					December 2014

Outstanding tasks:
Quay construction | Gas pipeline construction | Completion of the floating re-gasification storage unit and its delivery to Lithuania

Four engines with the combined power of 29 MW. The installed electricity capacity of UAB Fortum Klaipėda power plant is 20 MW.

The FSRU measures **47 m** in height between the keel and the top of superstructure and is higher than a 15-storey building.

The FSRU will have a landing area for small helicopters.

The cranes of the FSRU would be able to simultaneously lift one loaded truck with a semitrailer weighing **37.5 t**

The FSRU measures **294 m** in length which is equal to the length of 3 football pitches.

INDEPENDENCE

135 times scaled-down FSRU model shown first



The legendary Sea Festival in Klaipėda was unique as it became the first venue to display and present the FSRU replica which is being built for the LNG terminal in South Korea.

The vessel, which marks Lithuania's energy bridge to the free world and was named Independence, later set out on a symbolic journey around the major seaports in the country which have made the biggest contribution to Lithuania's ambition to break free of the single natural gas supplier.

„It is such an exciting moment. Gas independence is a major step. Although the model was scaled down 135 times, it is an exact replica of the actual vessel”, said Rokas Masiulis, General Manager of AB Klaipėdos nafta.

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On display at President's and Government's Offices

The replica of the FSRU for the LNG terminal scaled down 135 times from the original size has already been on display at the President's and Government's Offices. Here, the future Klaipėda LNG terminal project was available for inspection to visiting official delegations and everyone interested in the project. Later, the FSRU replica will tour Lithuanian universities and other open spaces.

During the Sea Festival, the FSRU model was on display for everyone at Meridianas Square.



Paint It!

Among the variety of other entertainment events, children at the Family Entertainment Port held in Melnragė were given what seemed to be not a childlike task: to paint a floating storage re-gasification unit. Of course, it was a scaled-down model. Children, it has to be said, really took to the task and left the imprint of their diligent hands on their first industrial work. The traditional festival for families has been hosted by the Klaipėda Children's Leisure Centre and supported by Klaipėdos nafta. During the festivities, the company realised the dreams of four little participants whose names were drawn, no matter what dreams had been scribbled down by them beforehand.

Photos Vakarų ekspresas.