

# **REQUIRED FINANCIAL AND INSURANCE MEASURES**

## **APPENDIX A**

**to**

**STANDARD TERMS AND CONDITIONS**

**for**

**TRANSPORTATION**

**of**

**GAS**

**in the**

**OFFSHORE PIPELINES**

**to**

**the Danish West Coast**

**Date: 01 October 2023**

## **1 REQUIRED FINANCIAL AND INSURANCE MEASURES**

The Shipper must demonstrate that he at any time fulfils the required financial and insurance measures stipulated in this Article 1.

### **1.1 Rating**

The Operator will grant the Shipper an Approved Credit Limit of up to 100 (one hundred) million DKK upon the Shipper demonstrating 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.

### **1.2 Credit Evaluation**

The Shipper may ask the Operator for an individual credit evaluation to obtain an Approved Credit Limit. The Operator will carry out such individual credit evaluation of the Shipper based on recognised credit criteria such as inter alia the latest audited financial reports and key figures in relation to the size of the Approved Credit Limit.

In case the Operator based on an individual credit evaluation cannot or only partly grant the Approved Credit Limit, the Shipper must provide surety for the remaining of the Approved Credit Limit in accordance with Articles 1.3 –1.4.

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 Approved Credit Limit, the Shipper must provide additional surety in accordance with Articles 1.3 -1.4 within ten (10) 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 14.1 of the Standard Terms and Conditions, which entitles the Operator to terminate the Transportation Agreements.

### **1.3 Parent Company Guarantee**

If the Shipper is a wholly owned subsidiary of a parent company that does meet the required financial measure stipulated in Articles 1.1 or 1.2 up to the Approved Credit Limit, the Shipper must provide an unconditional parent company guarantee covering the Approved Credit Limit.

The format of the parent company guarantee is subject to prior approval by the Operator.

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

For the amount equivalent to the Approved Credit Limit, 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 or a mix of the three.

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

## **1.5 Insurance**

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

- a) the Transportation System; and
- b) liability to third parties.

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

- a) Shipper's Gas in the Transportation System; and
- b) liability to third parties.

with a sum insured of not less than Euro ten (10) million per occurrence. Insurers may be asked by the other Party to the Transportation Agreements 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 Agreements i.e. cover of the indemnity and hold harmless obligations as provided for under the Transportation Agreements, 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.

## **1.6 Costs of Providing the Financial and Insurance Measures**

All costs related to the provision of the required financial and insurance measures including, but not limited to, e.g. issue of an L/C, lost interest etc. according to Article 1.1 and Articles 1.3 to 1.5 are to be incurred and paid for by the Shipper.

## Attachment 1 to APPENDIX A

### Example on calculation of the Credit Risk

A Shipper wants to book a new Transportation Agreement for the Month of April (720 Hours) with a Capacity Tariff of 3,000 DKK/Hour.

The Risk Periods will then be the following 3 periods:

1. The Months February, March and April (2,136 Hours)
2. The Months March, April and May (2,208 Hours)
3. The Months April, May and June (2,184 Hours)

The Shipper has already booked the following Transportation Agreements with a Booking Period overlapping any of the Risk Periods above:

- a) Booking Period: January-December, Capacity Tariff: 2,000 DKK/Hour
- b) Booking Period: February (672 Hours), Capacity Tariff: 2,200 DKK/Hour
- c) Booking Period: March (744 Hours), Capacity Tariff: 2,600 DKK/Hour
- d) Booking Period: Gas Day in March (24 Hours): Capacity Tariff: 5,000 DKK/Hour

The Weighted Capacity Tariff for the Risk Periods above calculates as:

- i. Risk Period 1.:  $(2,136 \cdot 2,000 + 672 \cdot 2,200 + 744 \cdot 2,600 + 24 \cdot 5,000 + 720 \cdot 3,000) / 2,136 = 4,665.17$  DKK/Hour
- ii. Risk Period 2.:  $(2,208 \cdot 2,000 + 744 \cdot 2,600 + 24 \cdot 5,000 + 720 \cdot 3,000) / 2,208 = 3,908.70$  DKK/Hour
- iii. Risk Period 3.:  $(2,184 \cdot 2,000 + 720 \cdot 3,000) / 2,184 = 2,989.01$  DKK/Hour

The Credit Risk for the Risk Periods above calculates as:

- Credit Risk for Risk Period 1: 2,136 Hours \* 4,665.17 DKK/Hour = 9,964,803 DKK
- Credit Risk for Risk Period 2: 2,208 Hours \* 3,908.70 DKK/Hour = 8,630,409 DKK
- Credit Risk for Risk Period 3: 2,184 Hours \* 2,989.01 DKK/Hour = 6,527,997 DKK

For the Shipper to be able to book the new Transportation Agreement for the Month of April, the Shipper's Approved Credit Limit shall be higher or equal to the highest Credit Risk for any of the Risk Periods, which in this example is 9,964,803 DKK.