



NATURAL GAS PUBLIC COMPANY (DEFA)

**REQUEST FOR EXPRESSION OF INTEREST
FOR THE SHORT TERM SUPPLY OF NATURAL GAS
TO DEFA FOR DELIVERY TO POWER STATIONS IN CYPRUS
27th SEPTEMBER 2012**

CLOSING DATE : 29 OCTOBER 2012 – 12.00HRS LOCAL TIME

The Natural Gas Public Company (DEFA)
Demetra Tower
Fourth Floor
13 Limassol Avenue
NICOSIA 2112
Cyprus
Email : info@defa.com.cy
Website: www.defa.com.cy

1 Introduction

1.1 The Natural Gas Company of Cyprus

1.1.1 In November 2007 the Government of Cyprus (**GoC**) established the Natural Gas Public Company of Cyprus (known by its Greek acronym 'DEFA' and hereinafter referred to as **DEFA**) to facilitate the introduction and distribution of natural gas to the Cyprus energy market. DEFA exists as a private company with limited liability established in accordance with the laws of Cyprus.

1.1.2 In accordance with the Law L.199(I)/2007, amending the Law on the Regulation of the Natural Gas Market 2004 (**Gas Market Law**), published on 31 December 2007 in the Official Journal of the Government of Cyprus, and following a decision of the GoC Council of Ministers of the 18th June 2008, DEFA has been given the exclusive right to import and supply natural gas to consumers in Cyprus.

1.1.3 The GoC currently holds one hundred per cent (100%) of the total share capital of DEFA. At present the Electricity Authority of Cyprus (**EAC**) holds an option to acquire forty four per cent (44%) of that share capital and the GOC anticipates making up to five per cent (5%) of the share capital available to other investors in the future.

1.2 Electricity Authority of Cyprus

1.3 EAC is the GoC owned vertically integrated electricity company. It owns and operates three thermal power stations located at Vasilikos, Dhekelia and Moni with a total installed capacity of 1598MW. EAC is also responsible for the distribution and supply of electricity to all classes of consumers in Cyprus, including electricity produced by a number of privately owned Renewable Energy facilities.

1.4 Vasilikos power station has two Combined Cycle Gas Turbines, 220MW each, and 3 Steam Units, 130MW each. All necessary conversions to burn natural gas can be completed with 18 months notice. Dhekelia power station (DPS) has six steam units, 60MW each, and two sets of Internal Combustion Engines (ICE), 50MW each. For the conversion of the DPS units, more time is required. EAC will be DEFA's sole customer, however, there is the possibility of some independent generation being constructed adjacent to the Vasilikos site which may be gas fired. The project however is not conditional on the presence of these independent power producers (IPPs).

2 Regulatory Framework

2.1 EU Directives

The gas sector regulatory framework has been developed in accordance with EU Directive 2003/55/EC, while the transposition of the EU Directive 2009/73/EC into national law is currently underway.

2.2 The Gas Market Law

2.2.1 The legislative framework for the gas market is established by the Gas Market Law (as amended). Under the Gas Market Law the Cyprus Energy Regulatory Authority (**CERA**) is the regulatory authority for the gas market. CERA is responsible for, inter alia, issuing licences, supervising licensed activities, developing an economically viable, competitive and economic gas market and monitoring supply and demand balances in the gas market.

- 2.2.2 In 2007 an amendment to the Gas Market Law suspended the provisions regarding the issue of licences and the development of a competitive market following the GoC Council of Ministers decision to establish DEFA.
- 2.2.3 Directive 2009/73/EC offers the right to Cyprus to derogate from certain provisions on the grounds of its isolated and emergent market status.

3 Purpose of Request for Expression of Interest

3.1 Requirements

- 3.1.1 The purpose of this Request for Expression of Interest is to provide interested parties with an outline description of Cyprus' requirements for the short term supply of natural gas, provide details of the expected duration of the required supply, identify the anticipated annual quantities and gas specification required at the delivery point and seek proposals expressing interest in supplying natural gas to Cyprus on the basis of the main terms and conditions set out below.
- 3.1.2 Following receipt of responses to this Request for Expression of Interest DEFA, in association with the Ministry of Commerce, Industry and Tourism (**MCIT**) and EAC, will identify a short list of interested parties. This will be based on a careful examination of financial capabilities, technical experience and expertise in proposed solutions. Short listed parties will then be invited to enter into bona fide discussion on the terms for a short term supply of natural gas to allow DEFA to select the most economically advantageous solution proposed. Of paramount importance for the selection of the successful party is the earliest possible delivery of the gas and the gas price. Detailed selection criteria will be communicated to the selected parties before the commencement of the negotiating process.
- 3.1.3 An indicative timetable for the completion of negotiations regarding the supply of natural gas is set out in section 5. Indicative terms for the supply of natural gas are set out in section 6.
- 3.1.4 Responses from interested parties will be examined and evaluated taking into account the effect of the response on EAC's power generation costs. The evaluation will consider the combined effect of the proposed indicative gas price in US\$ per MMBtu and the proposed start date for the gas supply. For this purpose DEFA will compare the effect of responses received against a minimum required reduction in power generation costs. Evaluation of an individual response will therefore not necessarily be by reference to other responses received. Responses with a low indicative gas price and a late start date may be more advantageous to DEFA than responses with an early start date and a higher indicative gas price, or vice versa. DEFA does not propose to limit the number of responses that it may short list for further discussion.

3.2 Current and Future Energy Sources

- 3.2.1 At present, Cyprus is heavily dependent on imported oil products. Cyprus' energy needs are met through the use of heavy fuel oil, light fuel oil, distillate, LPG and refined products (e.g. gasoline and kerosene). EAC uses heavy fuel oil (1% sulphur) and gasoil (0.1% sulphur) for all of its power generation requirements.
- 3.2.2 In late December 2011 Noble Energy International Ltd (**Noble**) announced the discovery of significant quantities of gas offshore Cyprus. This represented the first discovery of

hydrocarbons in Cyprus in commercial quantities. Current estimates for the Block 12 discovery, which is situated within Cyprus' Exclusive Economic Zone, indicate reserves of between five and eight trillion cubic feet of gas, potentially sufficient to meet all of Cyprus' long term energy requirements.

3.2.3 GoC is currently in discussion with Noble regarding the terms for commercialisation of the Block 12 discovery. One project under consideration involves the transportation of indigenous (and potentially non indigenous) gas by a subsea pipeline to a liquefaction plant in the Vasilikos area and the subsequent export of LNG to European and other international gas markets. Natural gas would also be made available to the Cyprus market, for power generation (initially), commercial (near future) and domestic purposes.

3.2.4 At present it is not expected that gas will be landed in Cyprus before the end of 2017 – early 2018. DEFA therefore requires a short term supply of natural gas to provide an alternative energy supply to Cyprus for the period to 30th September 2018 while the project for the commercialisation of Cyprus' own gas reserves and bringing first gas to the Cyprus market is completed.

3.3 Forecast of requirements for gas

3.3.1 The GoC and EAC have each committed to replace the use of heavy fuel oil and gasoil with natural gas at the earliest opportunity. The first step in this process will be the use of natural gas by EAC at the Vasilikos power station.

3.3.2 Based on current estimates, and assuming that natural gas will be available as soon as possible, it is expected that the demand for natural gas in the period to 30 September 2018 for use at Cypriot Power stations will be either 0.4, 1 or 1.2 billion cubic meters per annum. The exact quantities will depend on the gas price and the time of first delivery at the delivery point and the subsequent availability of indigenous gas. DEFA will require a firm gas supply throughout the supply period allowing for seasonal within the year flexibilities and reasonable year to year flexibility and within the day flexibility .

4 Project Structure

4.1 Contracts

4.1.1 To support the project for a supply of natural gas to Cyprus, it is anticipated that DEFA will sign

- a fixed term (with provisions for a longer term supply) Gas Sales and Purchase Agreement (**GSPA**) with the selected party in case that gas sourcing and delivery (complete solution) is included in the offer, or
- A Gas Sourcing Agreement (**GSA**) which could be either of:
 1. a fixed term LNG Sourcing and Transportation to reception facilities at Vasilikos (with provisions for a longer term supply) sales and purchase agreement (**GSA**) or
 2. a fixed term CNG Sourcing (with provisions for a longer term supply) sales and purchase agreement (**GSA**)

- A Gas Delivery Agreement (**GDA**) which could be either of:
 1. For LNG , Regasification of LNG via FSRU or RGV
 2. For CNG Compression, Transport, Decompression and delivery to power station

The actual parties involved will be identified at a later stage.

4.1.2 It is not anticipated that DEFA will enter into any other contractual arrangement with the successful party other than those mentioned in 4.1.1 above. However, other arrangements could also be entered into concerning the potential future use of the system/technology for supply of gas to nearby regions.

4.1.3 Although preference will be given to interested parties submitting complete proposals, in case an interested party that will not submit a complete proposal is conditionally selected (i.e. they either submit a proposal just for gas supply or a proposal just for delivery) they will be asked and should agree to cooperate with another party in order to make the proposal complete in its most economic form.

4.2 Requirement in respect of Supply of Natural Gas

4.2.1 Interested natural gas suppliers should note that DEFA's requirement is for the supply of natural gas to be delivered to the inlet flange at the power station at Vasilikos, Cyprus. A map showing the proposed approximate delivery point, at the location of Vasilikos power station, is included in Appendix A.

4.2.2 Although there is no particular preference as to the technology that will support the delivery of natural gas to Cyprus, it is recognised that the available technologies will involve either the supply of LNG to a permanently moored Floating, Storage and Regasification Unit (**FSRU**) located offshore near Vasilikos and connected to a subsea pipeline to shore, the use of an LNG vessel with onboard Regasification capability (**RGV** – Regasification Vessel) connected to a subsea pipeline to shore, or the supply of Compressed Natural Gas (**CNG** - with any associated decompression facilities located onshore/offshore or onboard). DEFA is interested in responses which propose use of any of these technologies, or any other suggested technology, for the timely guaranteed delivery of gas to Cyprus, with the least possible cost.

4.2.3 As a result of the requirement in paragraph 4.2.1 to deliver natural gas to Vasilikos the selected party will be responsible for:

A. In case proposal is for Gas Sourcing only

- (i) the sourcing of natural gas in sufficient quantities to meet its obligations to supply natural gas to Cyprus,
 - if LNG this proposal should additionally include the transportation by vessel of LNG to the reception facilities at Vasilikos.

B. In case proposal is for Gas Delivery only

- (ii) - if LNG, the construction and/or operation of any necessary infrastructure, associated facilities and pipelines, whether onboard, subsea or otherwise for the Regasification of LNG and onshore delivery required to support the delivery of natural gas to Cyprus,

- If CNG the construction and/or operation of any necessary infrastructure, associated facilities and pipelines, whether onboard, subsea or otherwise, compression/decompression and onshore delivery required to support the delivery of natural gas to Cyprus the transportation by vessels of CNG to the reception facilities at Vasilikos and the decompression of CNG upstream of the Vasilikos delivery point;
- (iii) the transportation of natural gas downstream of the Regasification/decompression facilities to the Vasilikos delivery point; and
- (iv) the construction, operation, maintenance and financing of all required auxiliary facilities etc. (including vessels, jetties, other receiving facilities and offshore and onshore pipeline to the Vasilikos delivery point) required for the purposes of any of the aforementioned arrangements; and
- (v) the decommissioning and dismantling of any onshore and offshore infrastructure that is not required by DEFA following the end of the supply period. If DEFA requires any of these facilities following the end of the supply period a price shall be agreed between DEFA and the selected party.

C. In case proposal is for a complete solution, both A and B above.

4.2.4 DEFA nor EAC will therefore have no role to play in respect of the construction, operation, maintenance or financing of any facilities, including the pipeline, upstream of the delivery point at Vasilikos, which are necessary to support the delivery of natural gas.

4.2.5 It is recognised that the successful party will require credit support to be available in support of DEFA's payment obligations under the GSA.

4.2.6 It is made clear that all abovementioned infrastructure and associated/auxiliary facilities will need to have verification by recognised international verification bodies and be compliant with best industry practices and standards.

4.3 Permits and Approvals

4.3.1 The selected party will be responsible for obtaining all necessary permits for the project (e.g. operational permits, construction permits, environmental assessment requirements and permits) from all the competent authorities, departments, services and organisations.

4.3.2 MCIT will be available to coordinate, in cooperation with the competent authorities, departments, services and organisations, the procedures for the issuance of all necessary permits for the project (e.g. operational permits, construction permits, environmental assessment requirements and permits).

5 Project Schedule

5.1 Timetable

Set out below is the proposed timetable for completion of the negotiation of the Agreement(s):

Activity	Timetable ¹
Interested parties to respond to this Request for Expression of Interest and to return pro forma Confidentiality Agreement	End of week 4
DEFA in association with the MCIT and EAC, to complete evaluation of responses and identify shortlist of interested parties	End of week 7
DEFA to issue full draft HoA GSPA which will include selection criteria, (reflect technology proposed by short listed party(ies)) and negotiations to commence with short listed party(ies)	End of week 9
Complete negotiations and sign agreement with successful party	End of week 13
Commencement of supply of natural gas to the Vasilikos power station under the terms of the Agreement	At the earliest feasible date and not later than early 2015

5.2 Form of Response to DEFA

- 5.2.1 Interested parties (which may be a legal entity or a consortium of companies/organisations) should submit, under cover of a letter in the form set out in Appendix C, a response which includes the information specified in paragraph 5.2.5.
- 5.2.2 The response should be received by DEFA at its offices at Demetra Tower, Fourth Floor, 13 Limassol Avenue, 2112, NICOSIA, Cyprus by 12:00 hours local time on Monday 29 October 2012. Parties may submit their response electronically to [\[info@defa.com.cy\]](mailto:info@defa.com.cy).
- 5.2.3 If a response is submitted electronically a hard copy of the response, containing identical information to the electronic copy submitted, must also be submitted by not later than 12:00 hours local time on Monday 5 November 2012.
- 5.2.4 Due to the paramount importance of quick implementation of the overall Project for the Cypriot Economy, and in the interest of ensuring only relevant/serious responses to DEFA's Request, a non refundable fee of €10.000 will be payable when submitting a proposal.
- 5.2.5 Interested parties should submit either a proposal for a complete and integrated gas delivery solution, including gas sourcing (**GSPA**), or a proposal for gas delivery solution, excluding gas

¹ Weeks running from date of issue of Expression of Interest.

sourcing (**GDA**), or a proposal for gas supply only (**GSA**), and therefore provide accordingly and where applicable the following information in support of their response:

- (a) details of the identity of the interested party, including legal status, place of incorporation and ownership and shareholder details
- (b) details of the availability, location and access to gas sources, including details on gas quantities/volumes and ownership status (i.e. own quantities, reserved quantities through contracts or otherwise (long term / short term), or quantities to be reserved and the potential gas sources;
- (c) summary financial information covering the last three (3) years for which audited accounts are available;
- (d) details of the technology the interested party proposes to use to support delivery of natural gas to the delivery point at Vasilikos, to include:
 - (i) an outline of the gas supplier's proposals for implementing the supply of natural gas to Cyprus which shall include a description of the required infrastructure (e.g. FSRU, RGV or CNG);
 - (ii) an indicative gas price in US\$ per MMBtu for the sourcing
 - (iii) of gas to the delivery point as explained in 4.2.3 (A) for LNG and CNG respectively or for the delivery of gas as explained in 4.2.3 (B) (an indication of the expected price separately, in US\$ per MMBtu concerning the sourcing and delivery is expected for interested parties submitting complete solutions)
 - (iv) an indicative timetable, with breakdown of key activities (including financing), for implementing the gas supplier's proposals for the supply of natural gas to Cyprus based on DEFA and the gas supplier agreeing binding terms for the GSA by not later than 31 December 2012;
- (e) details of the proposal regarding the transportation by vessel of LNG or CNG to Cyprus (and any proposed potential future use of the system/technology offered, for supply of gas to nearby regions – islands/countries), including details of any relevant verification obtained and practices/standards followed;
- (f) proposed guarantees to cater for failure to supply, and to complete and operate the necessary infrastructure (please state what type of solid guarantee you will be willing to provide, if successful)
- (g) details of the party's technical experience and expertise in projects involving the supply of natural gas, LNG or CNG to third parties and
- (h) details of how the delivery technology might facilitate gas delivery to locations adjacent to Vasilikos to allow DEFA to supply other power generators (IPPs).

5.2.6 At the same time as submitting their response the interested parties should sign and return two (2) copies of the pro forma Confidentiality Agreement included in Appendix D if it wishes the information contained in its response to remain confidential. On receipt of a signed confidentiality agreement DEFA will countersign both copies and return one (1) original back.

6 Indicative Terms of Agreement

6.1 DEFA expects the Agreement with the successful interested party to include without limitation the following indicative terms:

Clause	Term
Scope	The short term supply of natural gas to Cyprus for delivery to Cypriot Power Stations
Parties	(1) DEFA and (2) TBC
CPs (Conditions Precedent)	Signature of EAC GSA and selected party receipt of required permits/consents Agreement in principle for the provision of Solid Alternative Fuel Guarantees to cater for possible failure to supply
Delivery Point	At Vasilikos Cyprus, see Appendix A
Start date and supply period	Earliest possible and up to 30.09.2018
Quantities	0.4bcm/a or 1bcm/a and or 1.2bcm/a
Flexibility	<p>Year ahead flexibility must be provided to cater for load forecast errors, changes in scheduled annual maintenance of generating plants and generating plant forced outage.</p> <p>Indicative within year flexibility to cater for the seasonality of demand under the three annual consumption scenarios of 0.4, 1.0 and 1.2 bcma is provided in the graphs of Appendix E.</p> <p>Within day flexibility will depend on the final quantities to be decided and on the maximum operation limit of RES. Indicatively the daily peak consumption can be up to three times the daily low NG consumption.</p> <p>Ramp up and ramp down rates (maximum rate of increase and decrease of NG supply) must be sufficient to enable EAC generating units to perform load following in the most optimum manner and without restrictions.]</p>
Nominations	<p>To allow for a maximum [hourly delivery quantity]</p> <p>Will depend on the final quantities to be decided. Indicatively around 260MT/hour max assuming all units of EAC are converted to burn natural gas and operating at full load.</p> <p>Minimum hourly delivery quantity will also have to be agreed.]</p>
Liabilities for failure to take or deliver gas	<p>Failure by gas supplier will give DEFA the right to claim excess costs incurred in securing alternative supply of natural gas or incremental costs incurred by Cyprus Power Stations in using alternative fuels</p> <p>Failure by DEFA to take gas will give rise to a take or pay liability (with make up rights) or DEFA being entitled to the net proceeds of the sale of</p>

	any cargo not taken.
Limitation on Liability	No liability for consequential losses
Title and risk	To pass from gas supplier to DEFA at the delivery point
Price and payment	To be discussed with supplying/delivering party
Specification	In accordance with the specification set out in Appendix B
Maintenance	Gas Supplier and DEFA to coordinate planned maintenance and receiving party's requirement to take gas will be reduced during periods of planned maintenance
FM (Force Majeure)	For selected party to cover events affecting its facilities, vessels etc. but not insufficiency of gas reserves or shortfall in access to natural gas or LNG or CNG. For DEFA to cover events affecting , Cyprus Power Stations (including delays in conversion to gas), grid connection facilities and electricity transmission and distribution networks
Dispute resolution	In accordance with the rules of the London Court of International Arbitration
Governing law	English law
Immunity	Parties to waive rights of immunity to suit
Other legal boilerplate	[In line with industry practice]
Future expansions and further use of infrastructure	[to be competed where applicable after receiving proposals]
Third party access to infrastructure	[to be competed where applicable after receiving proposals]
Health, Safety and the Environment	[to be competed after receiving proposals]
Inspection and Metering Systems	[to be competed after receiving proposals]

Amendments	[to be competed after receiving proposals]
Duration and Termination Clauses	[to be competed after receiving proposals]

6.2 Note that some terms will be dependent on the proposed delivery technology – and that more detailed proposals regarding the GSA terms may be made by DEFA once details of the relevant technology are known.

7 Confidentiality

7.1 All information submitted by the interested parties will be treated in the strictest confidence.

7.2 The terms of the Confidentiality Agreement which DEFA is willing to enter into with an interested party are set out in Appendix D.

8 Clarifications

8.1 Interested parties may request clarifications from DEFA.

8.2 All clarifications should be submitted electronically to [\[info@defa.com.cy\]](mailto:info@defa.com.cy). DEFA will endeavour to provide a response to the interested party at the earliest opportunity. DEFA's responses to clarifications will be circulated to all interested parties, but the identity of the interested party submitting the clarification will not be disclosed.

8.3 DEFA will not respond to clarifications received by DEFA after 12:00 hours local time on Monday 22 October 2012.

Appendix A

Map of Cyprus and identification of delivery point for gas supply at Vasilikos Power Station



Appendix B

Gas Specification required at Delivery Point at Vasilikos Power Station

Natural gas delivered at Vasilikos shall be free from (i) all objectionable odours and (ii) materials, dust or other solid or liquid matter.

Natural gas delivered at the Vasilikos Power Station shall comply with the following quality specifications

Properties	Units	Limits
Composition		
Methane	% vol	87.5% – 98.5%
Ethane	% vol	0% - 8.7%
Propane	% vol	0% - 4.0%
Butane	% vol	0% - 2.2%
Pentane (or C5+)	% vol	0% - 0.15%
N ₂	% vol	0% - 5%
Trace Contaminants		
Total Sulphur	Mg/Sm ³	30
Hydrogen Sulphide	Mg/Sm ³	5
Mercaptans	Mg/Sm ³	7
Physical Properties		
Hydrocarbon dewpoint	°C	-36 to -79
Molecular weight		16.2 -19.1
Combustion Properties (Measured at 25 °C/0°C)		
HHV	MJ/Sm ³	37.8 - 46.4
LHV	MJ/Sm ³	34.1 – 42.0
LHV	KJ/kg	47,240 - 52,210
Wobbe Index	MJ/m ³	49.9 - 57.0
Objectionable Solids	None	
Conditions at Vasilikos flange (DEFA's delivery Point)		
Pressure	bara	35 or 70 in case of delivery to Dhekelia Power Station35
Temperature	°C	3-60

Appendix C

Pro Forma Response Letter

The Executive Chairman
The Natural Gas Public Company (DEFA)
Demetra Tower
Fourth Floor
13 Limassol Avenue
NICOSIA 2112
Cyprus

[] 2012

Dear Sir

REQUEST FOR EXPRESSION OF INTEREST FOR THE SHORT TERM SUPPLY OF NATURAL GAS TO DEFA FOR DELIVERY TO POWER STATIONS IN CYPRUS

We refer to your Request for Expression of Interest dated [] September 2012 (**EOI**) for the short term supply of natural gas to Cyprus. In accordance with your request, we are pleased to submit on behalf of [COMPANY] our expression of interest, together with the supporting information you have requested.

We confirm this response to the EOI has been prepared and submitted in good faith and that [COMPANY] is willing to participate in formal discussions with DEFA should [COMPANY] be shortlisted as a potential gas supplier.

We acknowledge and agree that:

- DEFA is not bound to accept and/or negotiate any terms contained in this response to the EOI or on any other information submitted by us; and
- all costs and expenses incurred by [COMPANY] in preparing this response to EOI and in participating in future discussions with DEFA shall be borne by [COMPANY].

We, [COMPANY] would like to thank DEFA for the opportunity to submit a response to the EOI and look forward to hearing from you in due course as to the next steps. If there are any questions in relation to the attached supporting information, please do not hesitate to contact the undersigned at the above address.

[We enclose two signed copies of the Confidentiality Agreement and would be grateful if DEFA would countersign one original copy and return it to us.]

We would be grateful if you would notify the undersigned upon the safe receipt of this letter and our response to the EOI.

Yours faithfully

[NAME & TITLE OF AUTHORISED REPRESENTATIVE OF COMPANY]

Appendix D

Confidentiality Agreement

CONFIDENTIALITY AGREEMENT

BETWEEN:

- 1 The Natural Gas Public Company, a company incorporated in Cyprus, with registration number [], whose head office is at Demetra Tower, Fourth Floor, 13 Limassol Avenue, 2112, NICOSIA, Cyprus (**DEFA**); and
- 2 [], a company incorporated in [], with registration number [], whose [head] [registered] office is a [] (**Gas Supplier**).

(each a **Party** and together the **Parties**).

WHEREAS:

- A DEFA is in the process of inviting expressions of interest (**EOI**) from natural gas suppliers interested in the short term supply of natural gas to Cyprus for delivery at the Power Stations [(hereinafter collectively referred to as the **Gas Supply**)].
- B The Parties are interested in sharing certain information in relation to [COMPANY] ability to supply natural gas to DEFA and DEFA is interested in providing [COMPANY] with more detailed information about its gas supply requirements.
- C Discussions regarding the EOI may therefore require the Parties to disclose to one another Confidential Information (as defined below) and the Parties require their respective Confidential Information to be protected and kept confidential.

IT IS AGREED AS FOLLOWS:

1 DEFINITIONS

- 1.1 For the purposes of this Agreement the following terms shall have the meanings specified in below:

Affiliate means a company which directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with a Party, and for this purpose 'control' means the direct or indirect ownership of in aggregate fifty per cent (50%) or more of voting capital;

Authorised Person means duly authorised directors, officers, employees, lawyers and consultants of the relevant Party and shall include the Government and the House of Representatives of the Republic of Cyprus and any ministry, department, body, officer and employee thereof that shall from time to time be included in the gas supply discussions or shall take part in the monitoring, supervision, regulation or direction of the gas supply discussions by DEFA, including but not limited to the Cyprus Energy Regulatory Authority and the Electricity Authority of Cyprus;

Confidential Information means, all written, oral, visual or electronic information relating to a Party's business, projects, operations, activities or affairs whether of a technical, commercial

or financial nature or otherwise (including, without limitation, reports, financial information, identities of actual or potential business partners or customers, business plans and proposals, economic data, market data, designs, concepts, trade secrets, know-how, processes and other technical or business information, whether concerning the Party's businesses, the gas supply or otherwise), disclosed directly or indirectly by the Disclosing Party and/or its Authorised Persons, to the Receiving Party and/or its Authorised Persons and includes any information, analyses, compilations, notes, studies, memoranda, or other documents derived from, containing or reflecting such information. For the avoidance of doubt such information shall include, any notes, summaries, analyses, drafts and other information developed by or for DEFA in relation to its gas supply requirements;

Disclosing Party means the Party disclosing any Confidential Information under this Agreement or to which the Confidential Information relates; and

Receiving Party means the Party to whom any Confidential Information is disclosed or otherwise acquires such Confidential Information.

1.2 In this Agreement, unless otherwise specified:

- (a) in the computation of periods of time from a specified day to a later specified day, the word 'from' means 'from and including' and the words 'until' or 'to' means 'to and including,' respectively;
- (b) 'include,' 'including,' and 'in particular' shall be construed as not limiting the generality of any preceding words;
- (c) the headings are for ease of reference only and shall not be taken into account in construing this Agreement;
- (d) references to this Agreement or any other documents shall be construed as references to this Agreement or that other document as amended, varied, novated, supplemented, or replaced from time to time.

2 NON-DISCLOSURE OF CONFIDENTIAL INFORMATION

2.1 In consideration of the Disclosing Party's disclosure of Confidential Information pursuant to this Agreement, the Receiving Party hereby undertakes that it shall:

- (a) not use the Confidential Information otherwise than in connection with the Project, without the prior written consent of the Disclosing Party;
- (b) keep the Confidential Information disclosed to it secret and confidential and not directly or indirectly disclose to any third party, firm, corporation or entity other than to Authorised Persons who have a legitimate need to know the Confidential Information in order to implement the gas supply at any time except as provided in Clause 3 below, without the prior written consent of the Disclosing Party;
- (c) keep confidential any discussions or negotiations with regard to and in connection with the gas supply and not make any disclosure or announcement concerning, or otherwise publicise those discussions or negotiations;
- (d) preserve and use reasonable efforts to cause any Authorised Persons to whom Confidential Information is disclosed pursuant to Clause 2(b) to preserve in the strictest confidentiality the Confidential Information and employ controls, protections

and safeguards in the handling and safeguarding of the Confidential Information so that such Confidential Information is handled with a reasonable degree of care, to avoid unauthorised disclosure or use of Confidential Information, as it employs with its own non-public or proprietary data;

- (e) inform the Disclosing Party immediately if the Recipient becomes aware that Confidential Information has been disclosed to an unauthorised person; and
- (f) the Receiving Party shall inform any Authorised Persons of their obligations of confidentiality pursuant to this Agreement, and take all reasonable measures to ensure compliance with same.

2.2 The Receiving Party shall be liable for any breach of the above obligations by its Authorised Persons.

3 EXCEPTIONS TO NON-DISCLOSURE OBLIGATIONS

3.1 The restrictions on disclosure set forth in Clause 2 above shall not apply to any Confidential Information which the Receiving Party can demonstrate (and it shall be for the Receiving Party to demonstrate):

- (a) at the time it is received or obtained by the Receiving Party was independently generated or developed by any employee, officer, agent, consultant, or sub-contractor of the Receiving Party as evidenced by written records without use of the Confidential Information imparted by the Disclosing Party;
- (b) was, at the date of its disclosure to the Receiving Party, public knowledge or subsequently became public knowledge (otherwise than pursuant to any default under this Agreement by the Receiving Party or its Authorised Persons);
- (c) information which can be proven to have been known by the Receiving Party prior to the date of this Agreement and not obtained or derived in contravention of any confidentiality obligation to the Disclosing Party;
- (d) is received by the Receiving Party without restriction on disclosure or use from any person which is not a party to this Agreement which the Receiving Party reasonably believes is free to make such disclosure on such terms; or
- (e) is required to be disclosed by law or order of a court of competent jurisdiction or a recognised stock exchange or government department or agency, provided that if the Receiving Party or any of its Authorised Persons shall become (or it is reasonable likely that they shall become) compelled to so disclose any information, they shall promptly notify such fact to the Disclosing Party and consult with the Disclosing Party as to any appropriate action that should be taken.

3.2 If the Receiving Party or any Authorised Person receives a court order, notice or other legal process seeking disclosure of Confidential Information or where the Receiving Party or any Authorised Person is compelled by law to disclose any confidential information, it shall where it is permitted by the law applicable to this Agreement, immediately notify the Disclosing Party in order to allow the Disclosing Party the opportunity to oppose the order, notice or process, or seek a protective order. If requested by the Disclosing Party, the Receiving Party shall reasonably co-operate with the Disclosing Party in contesting such disclosure. Except as such demand shall have been limited, quashed or extended, the Receiving Party may disclose to

the appropriate body that portion of the Confidential Information which such Party is legally required to disclose and shall use reasonable efforts to obtain assurances that confidential treatment will be accorded to the Confidential Information. Nothing in this Agreement shall be construed to authorise the Receiving Party to use in any manner or disclose Confidential Information to parties other than such governmental or judicial agency or body or beyond the scope of the protective order because of the disclosure of Confidential Information to the appropriate body.

- 3.3 Specific disclosures made hereunder shall not be deemed to be subject to any of the above exceptions merely because they are embraced by general disclosures in the public knowledge or literature or in the possession of the Receiving Party, and any combination of features disclosed hereunder shall not be deemed subject to the above exceptions merely because individual features are in the public knowledge or literature or in the possession of the Receiving Party.
- 3.4 Nothing in this agreement shall be interpreted so as to curtail and/or preclude the right and/or obligation of DEFA to disclose any Confidential Information that may be requested by the House of Representatives, the Government or any Independent Officer, Regulator or Authority of the Republic of Cyprus acting in a manner permitted by law and/or any European and/or international judicial and/or quasi-judicial and/or administrative body or that may be necessary to be disclosed for the furtherance of the objectives of DEFA and/or for the purpose of defending any of the rights and/or obligations of DEFA in relation to the gas supply discussions.

4 TERM

- 4.1 The obligations hereunder shall terminate automatically upon the Parties entering into a further agreement in relation to the gas supply which contains provisions covering the confidentiality of the Confidential Information.
- 4.2 In the event that the Parties do not enter into any such further agreement, then the obligations imposed under this Agreement shall continue in full force and expire on the third (3rd) anniversary of the signing of the present Agreement.

5 RIGHTS TO CONFIDENTIAL INFORMATION

- 5.1 Any copyright and other rights in and to the Confidential Information disclosed shall remain vested in the Disclosing Party.
- 5.2 No licence or right in respect of the Confidential Information is granted hereunder to the Receiving Party or its Authorised Persons and no licence or right shall be deemed to have arisen or be implied by way of estoppel or otherwise.

6 RETURN/DESTRUCTION OF CONFIDENTIAL INFORMATION

- 6.1 Upon written request from the Disclosing Party during the term of this Agreement, and in any event at the expiration of the term of this Agreement, the Receiving Party shall:
- (a) promptly return, or at the option of the Disclosing Party, destroy (and shall provide reasonably satisfactory evidence to the Disclosing Party of the destruction) any and all Confidential Information that is in tangible form, including all originals, copies, translations, notes or any other form of said material; and

- (b) delete any and all such Confidential Information from any computer, word processor or other like device in the possession or control of the Receiving Party or any of its Authorised Persons, without retaining any copies thereof;

except to the extent such Confidential Information is incorporated into the board or senior management records, corporate documents or reports which such Party or its Affiliate is required to retain by law, in which case such Party will take appropriate measures to preserve its continuing confidentiality.

- 6.2 The Receiving Party shall be obliged to return any notes, summaries, analyses, drafts and other information, and any copies thereof, developed by DEFA in relation to its gas supply requirements, to DEFA, at the written request of DEFA and at the Receiving Party's own cost and expense.

7 WARRANTIES

- 7.1 The Parties represent and warrant that they have the legal right and authority to disclose Confidential Information pursuant to this Agreement.
- 7.2 The nature and extent of the Confidential Information to be disclosed shall be at the sole discretion of the Disclosing Party, and no representation or warranty is made by the Disclosing Party regarding the completeness, fitness for a particular purpose or accuracy of the Confidential Information or any such other information which either Party furnishes to the other Party in connection with the gas supply.

8 NO RESTRICTION

Notwithstanding anything in this Agreement to the contrary, each Party acknowledges that the other Party is engaged in the energy business or service (including without limitation liquefaction, regasification, trading, marketing, and providing transportation and other asset management services) and agrees that nothing in this Agreement shall be construed to impair, restrict or prohibit such other Party's engagement in any aspect of their current or future energy businesses or services.

9 NO COMMITMENT

- 9.1 The Gas Supplier hereby acknowledges that DEFA reserves the right to negotiate with any other party during the term of this Agreement and DEFA shall be under no obligation or commitment to enter into or conclude any other agreement or to disclose or continue disclosing Confidential Information to the Gas Supplier by reason of the execution of this Agreement or the disclosure, evaluation or assessment of any Confidential Information.
- 9.2 The Gas Supplier may not rely on this Agreement or the negotiations or exchange of Confidential Information or other documentation between the Parties as a commitment on the part of DEFA to enter into any binding agreements with the Gas Supplier.
- 9.3 No obligation shall be created by and between the Parties that is not created and governed by a duly signed and executed written agreement. No oral offer, suggestion, discussion, inference or other oral communication shall be in any way binding nor will any written documentation that is not duly signed and executed, including any necessary approval by corporate governing bodies, be considered binding. Any future proposals or offers made in the course of the Parties' discussions are implicitly subject to all necessary management and

government approvals and may be withdrawn by the Party making them for any reason or for no reason at any time.

10 PUBLIC DISCLOSURE

The Parties hereby agree that they will not, without the prior written consent of the other Party, make any announcement concerning the content of this Agreement, and the content of the negotiations in relation to and in connection with the gas supply or any related discussion unless the text of such announcement has been approved in writing by the other Party or Parties prior to its release or publication.

11 INJUNCTIVE RELIEF AND EFFECT

11.1 The Parties agree that in addition to monetary damages as a remedy for any actual or anticipatory breach of this Agreement, and in addition to all other rights and remedies available at law or in equity, the other Party shall be entitled to seek specific performance and injunctive or other equitable relief as a remedy for such breach.

11.2 Notwithstanding anything that may be express or implied to the contrary in this Agreement, no Party shall under any circumstance be liable to the other for the other's loss of profits or for any other special, consequential or indirect damages arising from or resulting out of any breach of this Agreement including, without limitation, punitive damages, decline in market capitalisation or loss or profit or revenues or business interruptions, however such damages may be caused.

12 GOVERNING LAW

12.1 This Agreement and any other matters discussed or agreed to by and between the Parties and any non-contractual obligations arising from or connected with it shall be governed by the laws of Cyprus and this Agreement shall be construed and governed in accordance and exclusively with the laws of Cyprus and the District Court of Nicosia shall subject to the provisions for arbitration contained herein have full and exclusive jurisdiction to hear any dispute arising out of or in connection with this Agreement or the interpretation thereof.

12.2 Any dispute, controversy or claim arising out of or relating to this Agreement, (whether arising out of or in connection with contractual or non-contractual obligations), including any question regarding its existence, breach, validity or termination, which cannot be amicably resolved through discussions between the Parties shall be settled before a sole arbitrator in accordance with the provisions of the Cyprus International Commercial Arbitration Law 101/87 as applicable at the date of initiation of the arbitration proceedings.

12.3 The arbitration shall be conducted in accordance with the UNCITRAL arbitration rules. The seat of the arbitration shall be Nicosia, Cyprus and the procedural law of the arbitration shall be the Cyprus International Commercial Arbitration Law 101/87. The language of the Arbitration shall be English. An arbitral award either interim or final shall be deemed to be final and binding upon the Parties. Judgment upon any award rendered by the arbitrators may be entered in any court having jurisdiction over the Parties concerned. A dispute will be deemed to have arisen when a Party notifies the other Party or Parties in writing to that effect.

13 NOTICES

Any notices to be given hereunder by a Party to the other shall be in English and delivered by hand or sent by courier or facsimile to the other Party at the address [and facsimile number]

first set our above or such other address or number as may be notified by the relevant Party from time to time.

14 MISCELLANEOUS

- 14.1 Failure or delay by a Party to exercise any right, power or privilege hereunder shall not act as a waiver, nor shall any single or partial exercise thereof preclude a Party from the further exercise of any right, power or privilege. No variation of the terms of this Agreement shall be effective unless agreed in writing.
- 14.2 No Party shall assign the benefits of this Agreement without the prior written consent of the other, provided such consent shall not be unreasonably withheld. Notwithstanding the immediately preceding sentence, either Party may assign this Agreement to such Party's Affiliate, upon written notice to the other Party. In the event of any assignment hereunder, the assigning Party shall remain bound to the terms of this Agreement.
- 14.3 If any of the restrictions or undertakings contained in this Agreement shall be found to be void but would be valid if some part thereof were modified, such restriction shall apply with such modification as may be necessary to make it valid and effective.
- 14.4 The undertakings and obligations of the Receiving Party are herein taken by the Disclosing Party for its own benefit and on trust and for the benefit of its Affiliates. Notwithstanding the foregoing, this Agreement may be rescinded, amended or varied by the Parties without notice to or the consent of any third party.
- 14.5 This Agreement represents the entire agreement and understanding between the Parties with respect to all matters which are referred to and shall supersede any previous agreement(s) between the Parties in relation to the matters referred to in this agreement.
- 14.6 This Agreement may be executed in any number of counterparts and all counterparts will constitute one instrument.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives, on the date indicated above.

THE NATURAL GAS PUBLIC COMPANY OF CYPRUS

By:

Name:

Title:

[]

By:

Name:

Title:

Appendix E



