



Coordinated decision on Eastmed PCI Investment Request and on the allocation of the investment costs

by

the Hellenic Regulatory Authority for Energy Waste and Water (RAEWW),

the Cyprus Energy Regulatory Authority (CERA) and

the Italian Regulatory Authority for Energy, Networks and Environment (ARERA)

Pursuant to Regulation (EU) No 347/2013 of the European Parliament and of the Council of 17 April 2013 on guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC and amending Regulations (EC) No 713/2009, (EC) No 714/2009 and (EC) No 715/2009, the National Regulatory Authorities

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have cooperated to evaluate the Investment Request for the Project of Common Interest (PCI) 7.3.1 *“Pipeline from the East Mediterranean gas reserves to Greece mainland via Cyprus and Crete [currently known as “EastMed Pipeline”], with metering and regulating station at Megalopoli”*, which is included – under PCI cluster 7.3 -in the 5th list of Projects of Common Interest, adopted by the European Commission on 19 November 2021 as an annex to Regulation (EU) No 347/2013 amended by Commission Delegated Regulation (EU) 2022/564.

PCI 7.3.1 is clustered under PCI Cluster 7.3 “Infrastructure to bring new gas from the East Mediterranean gas reserves”, together with PCI 7.3.3 “Offshore gas pipeline connecting Greece and Italy [currently known as “Poseidon Pipeline”]”, and PCI 7.3.4 “Reinforcement of internal transmission capacities in Italy, including reinforcement of the South-North internal transmission capacities [currently known as “Adriatica Line”] and reinforcement of internal transmission capacities in Apulia region [Matagiola - Massafra pipeline]”.

Only PCI 7.3.1 is subject of the Investment Request.

The NRAs, having regard to the following:

1. The Regulation (EU) No 347/2013 of the European Parliament and of the Council of 17 April 2013 on guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC and amending Regulations (EC) No 713/2009, (EC) No 714/2009 and (EC) No 715/2009, and in particular Article 12 thereof;
2. The Regulation (EU) No 2022/869 of the European Parliament and of the Council of 30 May 2022 on guidelines for trans-European energy infrastructure, amending Regulations (EC) No 715/2009, (EU) 2019/942 and (EU) 2019/943 and Directives 2009/73/EC and (EU) 2019/944, and repealing Regulation (EU) No 347/2013, and in particular, Articles 16, 24 and 32 thereof, and more specifically:
 - i. Recital (60) of Regulation (EU) No 2022/869: *“In line with the European Council conclusions of 4 February 2011 that no Member State should remain isolated from the European gas and electricity networks after 2015 or see its energy security jeopardized by lack of the appropriate connections, this Regulation aims to ensure access to the trans-European energy networks by ending the energy isolation of Cyprus and Malta, that are still not interconnected to the trans-European gas network. That objective should be attained by allowing projects under development or planning that have been granted the status of project of common interest under Regulation (EU) No 347/2013 to maintain their status until Cyprus and Malta are interconnected to the trans-European gas network. Apart from contributing to the development of the renewable energy market, the flexibility and resilience of the energy system, and the security of supply, those projects will ensure access to future energy markets, including hydrogen, and contribute to achieving the Union’s overall energy and climate policy objectives.”*;
 - ii. The fact that according to Article 32 par. 2 of Regulation (EU) No 2022/869, *“Notwithstanding paragraph 1 of this Article, Annex VII to Regulation (EU) No 347/2013, as amended by Commission Delegated Regulation (EU) 2022/564(34), containing the fifth Union list of projects of common interest as well as Articles 2 to 10, Articles 12, 13 and 14, and Annexes I to IV and Annex VI to Regulation (EU) No 347/2013, shall remain in force and produce effects as regards the projects of common interest included on the fifth Union list until the entry into force of the first Union list of projects of common interest and projects of mutual interest established pursuant to this Regulation.”*;
3. The national legal acts of Greece; (L. 4001/2011)
4. The national legal acts of Cyprus (L. 183(I)/2004);
5. The national legal acts of Italy;
6. The Recommendation No 05-2015 of the Agency for the Cooperation of Energy Regulators of 18 December 2015 on good practices for the treatment of the Investment Requests, including Cross-Border Cost Allocation Requests, for Electricity and Gas Projects of Common Interest (ACER Recommendation);
7. The ENTSO-G 2nd Cost-Benefit Analysis (CBA) Methodology for gas infrastructure projects, approved by the European Commission on 23 October 2018;

8. The Investment Request (IR) and its annexes, that were submitted by the Project Promoter, namely "IGI Poseidon S.A." to RAEWW, CERA and ARERA on 18 May 2023;
9. The information provided by the Project Promoter, in response to the requests of RAEWW acting as coordinating national regulatory authority;
10. The consultation with the Project Promoter;
11. The notification letters to ACER by the Regulators; and
12. The letter sent on 5.9.2023 by RAEWW as the coordinating authority, in line with ACER Guidelines 05/2015, to CINEA and the Directorate General for Energy ENER.C.4, noting the expected timeframe for issuing the decision on the Investment Request and asking to (a) consider and assess the Project Promoter's application for CEF funding for the EastMed Pipeline Project and (b) consider the letter to fulfil a priori the CBCA requirements according to the TEN-E regulation until the Investment Request procedural process is completed, since all information regarding the CBCA part of the Investment Request was available by that time, given that no compensation has been requested by the Project Promoter from the transmission system operators of Cyprus, Greece, or Italy and no costs concerning PCI 7.3.1 are to be allocated to Cyprus, Greece, and Italy;

have jointly assessed the Investment Request as per the provisions of article 12 of Regulation (EU) 347/2013.

1. CONTENT OF THE INVESTMENT REQUEST

1.1. Technical description

IGI Poseidon S.A. (the "Project Promoter") is developing the EastMed Pipeline project (the "Project"). The Project aims to integrate Cyprus and Crete to the European gas networks ending their energy isolation and increase the European energy security of supply. The Project route, constituted by ~1.300 km of offshore and ~500 km of onshore sections, starts from the interconnection points in the European waters with the planned pipeline for the stable and direct collection of gas sources available in the South-Eastern Mediterranean area (from Cyprus, Israel and, via the Israeli network, from Egypt and other countries), and ends in Greek Ionian coast in Florovouni.

More specifically, the project consists of three main sections:

1. **Southern Line** – offshore pipeline that receives gas from the Cypriot offshore entry and transports it directly to a compressor station in Crete, passing through a subsea Inlet Tee Assembly (ITA) in Cyprus and via the offshore entry in Cyprus. At Crete, the gas is re-compressed for onwards transport across the Aegean Sea and Peloponnese to the North-West of Greece to connect to the Poseidon Offshore pipeline. The Southern Line of the EastMed pipeline system is designed for a transport capacity of 12 bcm/yr whereby a first offtake with a maximum capacity of 1 bcm/yr will bring gas to Cyprus for domestic consumption via a small-diameter subsea branch pipeline.
2. **Northern Line** – Offshore pipeline (separate from and parallel to the offshore sections of the Southern Line) from the collection point of Cypriot offshore gas sources to the compressor in Crete, with a re-compression in Cyprus. At Crete, the gas stream will

commingle with the gas stream from the Southern Line and will be re-compressed for onwards transport to Peloponnese via a dual pipeline system. The Northern Line will be designed for a transport capacity of 10 bcm/yr.

3. **Onshore Line** – Single pipeline system, sized for the transportation of the combined system (i.e., Southern and Northern Line), downstream of the landfall location in southeast Peloponnese until West Greece (Florovouni, Thesprotia area). The onshore line is designed for a transport capacity of up to 20 bcm/yr and requires an additional compression along the cross-country pipeline in Peloponnese. An offtake of up to 3 bcm/yr will be constructed in Megalopolis (central Peloponnese), where a tie-in to the Greek gas grid is planned, or in a different location along the onshore route, depending upon emerging market conditions and related technical evaluations.

A detailed technical description of the project including justification for the main technological choices and a map of the planned project are included in the Investment Request. Considerations for making the project hydrogen-ready have also been included nevertheless the NRAs have assessed only the project as an infrastructure intended to transport natural gas.

While the scope of the Investment Request is limited to the EastMed Pipeline, the assessment of the Regulators had to consider the role of EastMed Pipeline in the PCI Cluster 7.3 which aims delivering new gas sources to the European continental market, through Italy.

1.2. Implementation Plan

The Project Promoter has provided a detail implementation plan of the project that includes information about the progress, which may be summarized in Table 1 as follows:

Table 1: Project Implementation Plan timeline (source: Annex I figure 10, Annex II figure 27, Annex II figure 28 of the Investment request)

| Detailed implementation plan of the Project | | |
|--|-----------------------|---------------------|
| Project step | Start date / Expected | End date / Expected |
| Concept phase | 2012 | 2013 |
| Conceptual design | 2014 | 2015 |
| Technical development – pre-FEED study | 2017 | 2018 |
| Assessment of risk factors mitigation measures | 2017 | 2018 |
| Technical development –FEED study | 2019 | Q2 2023 |
| FEED design appraisal | 2020 | 2023 |
| Tendering & construction equipment sourcing | 2015 | 2023 |
| Marine investigations | 2023 | 2024 |
| Onshore landings installation | 2024 | 2025 |
| Offshore and onshore laying and installations | 2024 | Q1 2027 |
| Commissioning | 2027 | 2027 |
| Commercial Operation | 2028 | 2028 |

1.3. Permitting Status

The Project Promoter has provided a description of the status of the project permitting process in the hosting countries which are Cyprus and Greece.

As evidence for the initiation of the permitting process, the Project Promoter presented the letters of acceptance of the "Notification Dossier" by the competent authorities of both countries.

In Cyprus, the application procedure will begin with the receipt of the full list of permits required for the development and construction activities. Also, with the finalization of such as the ESIA report, the Permitting Application File can be submitted. The Company will submit an application file for the issuance of the Town Planning Permit along with the final ESIA. The Environmental Opinion as well as the Town Planning Permit and the Building Permit, and other minor permits, will be issued prior to the commencement of construction.

In Greece, upon the issuance of the Environmental Terms Approval (ETA) Decision, as per the Greek Legislation, IGI Poseidon will submit application files for the issuance of the Installation Act and Installation Permit to the competent Authorities. The relevant documents have already been prepared within the FEED, incorporating public consultation comments and requests.

There is no construction to take place on the territory of Italy.

1.4. Project Maturity

The Project Promoter states that he has performed all necessary activities in an effort to bring the level of maturity of the project to a satisfactory standard. In particular, the Project Promoter has provided information on costs and benefits, a cost breakdown of the project, information on the permitting procedure and the expected date of commissioning, as well as, other details relevant to maturity.

1.5. Consultations with the TSOs

The Project Promoter has provided information regarding consultations with the TSOs of the involved countries, namely DESFA and SNAM acting as main TSOs in Greece and Italy respectively as well as the recent communication that the Project Promoter had with the Cyprus' TSO namely CyGas. In particular the project Promoter states that there has been information conveyed on a regular basis from the Promoter's part to the relevant TSOs about the maturity of the Eastmed Project and the status of development reached via the formal channels related to the preparation of the Ten Year National Development Plan (TYNDP) since 2013 and via the periodic data collections performed by ENTSOG.

1.6. Cost Benefit Analysis (CBA) and Cross Border Cost Allocation (CBCA) proposal

The Project Promoter states that the CBA of the project is based on the 2nd ENTSO-G methodology. The Project Promoter provides details of the project specific CBA in a series of documents such as the Investment Request, the Business Plan, the CBA and the CBCA documents, including spreadsheets with economic and financial analysis.

The Project's base case capital expenditure for the construction of the EastMed pipeline sections located within the European borders have been estimated at ~€6 billion.

In addition, the cost perimeter for the purpose of cost benefit analysis (which is different than the cost perimeter to be allocated) includes additional infrastructures intended to connect the Cypriot and Greek markets to the rest of the European market through Italy: those are the Poseidon pipeline and additional transport infrastructures in Italy, taking into account the

definition of the PCI cluster and the ENTSOG practice of performing cost benefit analysis on project clusters.

Project's capital expenditures are summarized by section in the following table 2.

Table 2: Summary of EastMed CAPEX divided by section (source: Annex 2 figure 5 of the Investment Request)

| CAPEX Categories | Offshore facilities | Onshore facilities | Offshore pipelines | Onshore pipelines | Other facilities | Total (%on total) |
|------------------------------|---------------------|--------------------|--------------------|-------------------|------------------|-------------------|
| Entry offshore Cyprus-Cyprus | | | ████████ | | | ████████ |
| Cyprus-Crete | | ████████ | ████████ | | | ████████ |
| Crete-Peloponnese | | ████████ | ████████ | | | ████████ |
| Peloponnese-Megalopoli | | | | ████████ | | ████████ |
| Megalopoli-Florouvouni | | | ████████ | ████████ | ████████ | ████████ |

Project's operating expenditures are summarized by section in the following table 3.

Table 3: Summary of EastMed OPEX divided by section (source: Annex 2 figure 6 of the Investment Request)

| Sections | Pipeline and other facilities costs (1 year, % on total) | Pipeline and other facilities costs (20 years, % on total) |
|------------------------------|--|--|
| Entry offshore Cyprus-Cyprus | ████████ | ████████ |
| Cyprus-Crete | ████████ | ████████ |
| Crete-Peloponnese | ████████ | ████████ |
| Peloponnese-Megalopoli | ████████ | ████████ |
| Megalopoli-Florouvouni | ████████ | ████████ |
| Total Project OPEX | ████████ | ████████ |

The Project has an impact in Cyprus, Greece, Italy as well as for the European energy sector as a whole. These benefits are summarized in table 4 below.

Table 4: Summary of Project benefits (source: Annex III table 19 of the Investment Request)

| Mil.Eur. | Cyprus | Greece | Italy | EU-wide | Project Total |
|---------------------------|--------|--------|-------|---------|---------------|
| Fuel substitution benefit | 1,150 | 514 | | | 1,665 |
| Security of Supply | | 524 | 3,719 | 114 | 4,358 |
| GHG emission savings | | | | 7,580 | 7,580 |
| Supply cost saving | | | | 16,829 | 16,829 |
| Total | 1,150 | 1,039 | 3,719 | 24,523 | 30,432 |

The most impacted countries Cyprus, Greece and Italy share a benefit of around €5.9 billion, while the remaining €24.5 billion are attributed to the EU as a whole. The calculation of the net benefits for each country is presented below in table 5.

Table 5: Net benefits per country (source: Annex III table 20 of the Investment Request)

| Mil. Euro | Cyprus | Greece | Italy | Total EU-wide |
|--|--------|--------|-------|---------------|
| Total benefit | 1,150 | 1,039 | 3,719 | 30,432 |
| CAPEX and OPEX for EastMed/Poseidon Projects | - | - | - | 7,078 |
| Cost of additional infrastructures | - | 9 | 2,586 | 2,595 |
| Net Benefit | 1,150 | 1,030 | 1,134 | 20,759 |
| Share of net benefits allocated to countries (sub-total) | 35% | 31% | 34% | - |
| Share of net benefits (total) | 6% | 5% | 5% | 100% |

As per the Project Promoter's statement the level of benefits enjoyed by Cyprus, Greece and Italy falls below the 10% threshold of total net benefits specified by ACER in its Recommendation 05/2015. Therefore, no single country is eligible for inclusion in the CBCA analysis. As such there is no rationale for a CBCA compensation, therefore the Project Promoter expects to cover the cost of the expenditure by the application of entry exit tariffs to future user of the infrastructure, by European Funding for project of common interest (e.g CEF Funding) and by other support measures that might become available at the EU or State level, but in any case the cost will be not covered directly or indirectly by Cypriot, Greek or Italian tariff regimes. In relation to the access to European Funding, the CBCA requirements in accordance to Articles 14(2) and 14(3) of the TEN-E Regulation have been satisfied and transmitted to the relevant entities and to the Project Promoter as reported at point 12 (section of the document "*The NRAs, having regard to the following*").

2. ASSESSMENT OF THE INVESTMENT REQUEST

The Project Promoter submitted on 17 May 2023 to the Greek NRA (RAEWW) and the Cypriot NRA (CERA) and on 18 May 2023 to the Italian NRA (ARERA), the Investment Request, including a request for a cross-border cost allocation (CBCA), pursuant to article 12 of Regulation (EU) No 347/2013 and article 16 of Regulation 2022/869 for the Investment Project No 7.3.1 "*Pipeline from the East Mediterranean gas reserves to Greece mainland via Cyprus and Crete [currently known as "EastMed Pipeline"], with metering and regulating station at Megalopoli*".

The NRAs have been identified by the project promoter as being concerned NRAs.

The Project will be located on the territories of Greece and Cyprus. Moreover, the largest portion of the gas carried by the EastMed Pipeline is expected to enter mainland Europe via Italy, through its connection with the Poseidon Pipeline Project and/or any other available infrastructure. For this reason, as well as because the analysis shows a net positive impact for the Italian system, the Italian NRA, ARERA, has also been proposed by the Project Promoter as a concerned NRA.

All three NRAs have notified ACER accordingly.

2.1. Admissibility

The Project falls under the category of infrastructure projects of Annex II.2(a) of Regulation (EU) No. 347/2013. It has been included in the 5th Union List of Projects of Common Interest, by virtue of the *Commission Delegated Regulation (EU) 2022/564 of 19 November 2021 amending Regulation (EU) No 347/2013 of the European Parliament and of the Council as regards the Union list of projects of common interest*, that amended Annex VII of Regulation (EU) No. 347/2013. Therefore, the Project falls within the scope of Article 12 of the aforementioned Regulation. Moreover, it has not received any of the exemptions of Article 12 par. 9.

Therefore, the eligibility of the Project is established.

The concerned NRAs find that all required documents as per Article 12 par.3 of Regulation (EU) 347/2013, namely project-specific cost-benefit analysis (CBA), a business plan including preliminary results of market testing are presented and complete. The investment request also includes a proposal for cross-border cost allocation (CBCA).

Moreover, Article 12 par. 3 of Regulation (EU) No. 347/2013 contains two pre-conditions, which project promoters need to meet before submitting a valid Investment Request and which require assessment by the NRAs:

- (i) a prior consultation with the TSOs from the Member States to which the project provides a significant net positive impact; and
- (ii) the project having reached sufficient maturity.

2.1.1. Evidence on TSO Consultations

According to par. 1.5 of ACER's Recommendation 05/2015, item 6, the Project Promoter must provide information on TSO consultations and their results; more specifically, the documents shared, the feedback received, as well as an explanation in sufficient detail of how their comments have been accepted and implemented or why they were rejected.

The Project Promoter, IGI Poseidon S.A., has reported being in close cooperation with the TSOs CyGas, DESFA and SNAM via the formal channels related to the Ten Year National Development Plan since 2013 (first year of the Project's inclusion in the PCI list) and via the periodic data collection performed by ENTSO-G, since Eastmed is in the same cluster of the Southern Gas Corridor with the offshore pipeline connecting Greece and Italy (Poseidon) and the reinforcement of the internal transmission capacities in Italy (Adriatica Line).

The information provided is not in accordance with the provisions of the ACER Recommendation. However, the NRAs recognize that, according to Article 12(3) of Regulation (EU) 347/2013, the pre-condition of the consultation with the relevant TSOs applies only to those of the Member States to which the project provides a significant net positive impact; i.e. to which costs could be potentially allocated. Following ACER's Recommendation 05/2015, the significance is set to 10% of the sum of net positive impacts accruing to all beneficiary countries.

The net positive impact on Cyprus, Greece and Italy is 6%, 5%, 5%, respectively, i.e. below the significance threshold. Since there is no country to which the Project has a significant net

positive impact, the NRAs agree that no TSOs should have been consulted by the project promoter as a pre-requisite and that therefore the pre-condition is fulfilled.

2.1.2. Maturity

The concerned NRAs have assessed the maturity of the projects pursuant to the ACER Recommendation No 05/2015, namely in terms of:

- a) sufficient maturity about the costs assessed by the project-specific CBA;
- b) good knowledge of the factors affecting expected costs and their ranges;
- c) a cost uncertainty range;
- d) reasonable foresight of the benefits assessed by the project-specific CBA;
- e) reasonable knowledge of factors affecting benefits and their ranges, also with regard to different scenarios and sensitivity analyses;
- f) permitting procedures having started in all hosting countries;
- g) commissioning to be achieved indicatively within 60 months from the date of submission of the investment request.

The Project Promoter has concluded the FEED study for the project, which provides an assessment of the costs within a 15% range. Moreover, according to the Project Promoter:

- considering the recent energy and material costs crisis that have affected the global market, the Project Promoter has updated time by time the cost to take in duly consideration of such impact,
- within 2023 they have obtained binding offers for construction,
- third parties have compared the project costs with that of similar infrastructure and confirmed the offshore pipeline costs at 3mil.€/km and the onshore at 1.4mil.€/km.

Through the FEED study and the abovementioned actions, it can be concluded that the Project Promoter has a good knowledge of the factors affecting expected costs and their ranges.

The cost uncertainty range is at 15%, which is acceptable at this stage of the project.

In the project-specific CBA, a reasonable assessment of the benefits has been provided. The assessment is based on the 2nd ENTSOG CBA methodology, fulfilling Annex I of the Regulation (EU) 347/2013.

In Annex III of the Investment Request, a description of the assumptions, scenarios and sensitivity analysis are provided in the project-specific CBA which leads us to the conclusion that there is a reasonable knowledge of factors affecting benefits and their ranges, also with regard to different scenarios and sensitivity analyses.

In addition, letters of acceptance by the competent bodies which prove the initiation of the permitting procedures in Cyprus and Greece were submitted.

With regards to the commissioning, this is foreseen for 2027, which is within 60 months from the date of submission of the investment request. Considering the commissioning period, the availability of the vessels and construction tools due to the tight market, the assumptions made in the investment request are consistent with the ACER envisaged schedule, also taking into account the magnitude of the Project.

Therefore, the NRAs consider Project 7.3.1 as sufficiently mature in order for a CBCA decision to be taken.

2.1.3. Demonstration that the efficient costs cannot be recovered by the tariffs

As better described in the following section 2.3, the Investment Request reports the description of a market testing performed by the Promoter via:

1. A market assessment on the expected gas demand volumes in the relevant European markets, with the support of consultancy companies
2. A dedicated confidential meeting and data room on the Project with over 10 short-listed interested parties (companies in the global gas market).

The market testing resulted in the estimation of a potential market interest in delivering 7.2 bcm/y of natural gas to Italy, 2.7 bcm/y to Greece and 0.45 bcm/y to Cyprus.

The Promoter has also calculated a potential maximum tariff charge to be applied on the basis of the expected market price differentials as the maximum tariff the market participants may accept to pay to transport gas from the origin market to the destination ones (Italy and Greece) during the period 2027-2047, which resulted in the calculation of a maximum tariff charge of [REDACTED]

The business plan provided in the Investment Request identifies a financial gap [REDACTED] demonstrating that the project cannot be financed only by the application of a transport tariff.

Therefore, the NRAs consider that the Promoter have provided sufficient evidence that the project costs cannot be entirely covered by applying a transport tariff on the basis of the results of the assessment of market interest to use the EastMed pipeline,

2.2. Completeness of the Investment Request

The concerned NRAs have assessed the completeness of the investment request while taking particular note of the ACER Recommendation No 05/2015. The Agency has recommended that an investment request submitted by project promoters should provide the following information and, where appropriate, supporting evidence:

- a) a detailed technical description of the project;
- b) a detailed implementation plan of the project;
- c) a preliminary investment decision on the investment;
- d) a short description of the status of the project permitting process in all hosting countries, including a detailed schedule (in line with Annex VI(2) of Regulation (EU) No 347/2013) and corresponding evidence;
- e) information about the sufficient maturity of the project (as per section 1.2 of the recommendation);
- f) information on TSO consultations and the results of the consultations.
- g) a project-specific CBA;
- h) a business plan including a description of the chosen financing solution; and

- i) a substantiated proposal for cross-border cost allocation.

The Project Promoter does not propose any costs to be allocated to the systems of the relevant countries.

It should be noted that a preliminary investment request is not available, however is not necessary as per ACER's Recommendation No. 05/2015. The concerned NRAs find that the investment request is complete and include all the above-mentioned information and, where appropriate, all supporting evidence.

2.3. Assessment of the project specific Cost Benefit Analysis

A project-specific CBA for the EastMed Pipeline has been performed by the Project Promoter and included in the Investment Request. The overall approach to the project-specific CBA appears to be consistent with the methodology drawn up pursuant to (now repealed) Article 11 of Regulation (EU) No 347/2013 and taking into account benefits beyond the borders of the Member State concerned being in line with ENTSOG's 2nd Cost-Benefit Analysis (CBA) Methodology for gas infrastructure projects, including the time horizon for the assessment period and the use of a 4% real discount rate for both the economic and financial analyses.

Regarding the project benefits, the Project Promoter has assessed them in line with the TEN-E Regulation in terms of:

- a. Market integration: benefits stemming from connecting the islands of Cyprus and Crete to the EU natural gas networks, thus ending their energy isolation.
- b. Security of supply: benefits related to the reduction of dependence from other gas sources both at the concerned Member States and at European level. The scenarios that were considered to quantify the security of supply benefits are in line with the relevant European Regulations and the detailed results per country are reported by the Project Promoter as follows:

| Country | Security of supply benefits (mil. €) |
|----------------|--|
| Austria | 4 |
| Belgium | 10 |
| Bulgaria | 2 |
| Croatia | 2 |
| Czech Republic | 5 |
| Denmark | 2 |
| Estonia | 0 |
| Finland | 1 |
| France | 11 |
| Germany | 19 |
| Hungary | 7 |
| Ireland | 1 |
| Latvia | 1 |
| Lithuania | 1 |
| Netherlands | 11 |
| Poland | 14 |
| Portugal | 2 |
| Romania | 6 |
| Slovakia | 3 |
| Slovenia | 0 |
| Spain | 10 |
| Italy | 3,719 |
| Greece | 524 |
| Cyprus | The benefits for the country are not strictly related to the SoS because |

| | |
|---------|--|
| | it considers the gasification of the island and not the introduction of a new supply route (as per other countries). For this reason, the SoS are not quantified |
| EU-Wide | 4,358 |

- c. Sustainability: benefits related – to a big extent - to the substitution of oil products with natural gas resulting from the gasification of Cyprus and Crete. However, the NRA point out that the oil-fired power plants of Crete will stop operation in any case, when the full electrical interconnection of the island to the mainland Greek system is achieved in 2024 (Phase II – Crete-Attica interconnection). The sustainability benefits are not allocated to a specific country.
- d. Supply cost saving: benefits arising from improving market competitiveness since a new significant gas source will reach Europe. The supply cost savings are not allocated to a specific country. This position of the project promoter is deemed compatible with the ENTSOG CBA methodology and the ACER recommendation, as they do not provide concrete and specific guidance on how to allocate benefits which may accrue to gas shippers.

The total monetized benefits calculated are as follows:

| (mil. €) | Base-case scenario | | | | High scenario |
|--|--------------------|--------|-------|----------|---------------|
| | Cyprus | Greece | Italy | Total EU | Total EU |
| Fuel substitution benefit | 1,150 | 514 | | 1,665 | 1,665 |
| Security of supply – disruption premium | | 52 | 1,948 | 2,114 | 10,569 |
| Security of supply – avoided supply disruption | | 472 | 1,771 | 2,244 | 11,218 |
| Sustainability | | | | 7,580 | 7,580 |
| Supply cost saving | | | | 16,829 | 16,829 |

According to item 7 of section 1.5 of ACER’s Recommendation, the project-specific CBA must also include an assessment of market demand and expected revenues from capacity bookings linked to the implementation of the PCI. To this respect, the Project Promoter has reported performing from September 2022 a survey to assess the potential interest in the transmission capacity of the Pipeline both via a desktop assessment and via a market testing with identified list of market players. As stated by the Project Promoter the first phase of the market test process, namely market testing, has been performed in two stages, firstly via an assessment on the expected gas volumes demand in the European markets, with the support of a market-leading consultancy companies, and then via dedicated confidential meetings and data room on the Project with short listed interested parties, leading companies operating along the whole energy supply chain in the global market. The market testing allowed the Project Promoter to collect non-binding preliminary interest on the Project transmission capacity and first feedback on interconnection points and commercial products to be considered in the following phases of the market test process. The entire market test has been designed as a funnelling process that after the market testing phase, will foresee a non-binding expression of interest to be performed in the first half of 2024 via an open season phase. Then, a binding phase for the allocation of the transmission capacity products and the execution of gas transportation agreements will be performed in parallel with the finalization and execution of gas sales and purchase deals between interested parties operating in the European markets and East Mediterranean gas production areas.

The above mentioned market testing, allowed the Project Promoter to collect several letters of interest in the transportation capacity of the EastMed Pipeline Project covering a significant capacity over the operational lifetime of the pipeline, in line with the existing regulation

constraints (15+5 years contract length) and the financial assumptions considered in the Annex 2 of the Investment Request.

The Project Promoter will continue the market testing in order to substantiate the already received interest in the offered transportation capacity with the collection of new expression of interest by third parties.

In conclusion, the NRAs concerned agree that the CBA is in line with the principles of ENTSO-G methodology and they endorse the Promoter's conclusion that there would be benefits in EU-wide level in terms of security of supply, market integration, sustainability and competition.

2.4. Assessment of the Business Plan and Financing Strategy

Article 12(3)(b) of Regulation (EU) No 347/2013 and Article 16(3)(b) of the Regulation (EU) 2022/869 requires that the Investment Request be accompanied by a Business Plan evaluating the financial viability of the project. ACER recommends that the Business Plan includes information about the financing solution. Also, according to the same articles, a Business Plan shall evaluate the financial viability of the PCI, including the chosen financing solution, and the results of market testing.

The concerned NRAs have evaluated and assessed the Business Plan, including the description of the chosen financing solution (as well as tariffs) and information on awarded, applied for and expected grants and loans, also differentiating on national or European and other sources, as well as on the estimated financing costs (including an estimation of the part of financing costs to be incurred until commissioning of the project).

The chosen financing solution was outlined by the Project Promoter's Investment Request. With respect to project financing, the Project Promoter considers applying for [REDACTED] grants for works under the Connecting Europe Facility (CEF)E. The financial analysis assumes that the project can recover costs through tariffs set in line with the regulatory regime.

To finance the €6,039 million construction costs, the Project Promoter plans to use a combination of three sources of finance:

- Equity [REDACTED];
- Debt [REDACTED]
- A [REDACTED] of up to [REDACTED]

The Project Promoter provides a comprehensive analysis of the financing plan.

2.5. Impact on Network Tariffs

Given that no net cost bearer can be identified for the EastMed Project, since the level of benefits enjoyed by Cyprus, Greece and Italy falls below the 10% significance threshold of total net benefits, as specified by ACER in its Recommendation 5/2015, there will be no CBCA compensation by any of the involved countries, namely Greece, Cyprus and Italy.

Therefore, as set out in the Investment Request and the accompanying proposal for a cross border cost allocation (CBCA proposal), National tariffs will not be affected in any of the involved countries, namely Greece, Cyprus and Italy.

2.6.Regional and EU-Wide Positive Externalities of the Project

The project generates positive externalities in terms of security of supply, enhancement of competition, market integration and sustainability and contributes to the European energy policy goals.

2.7.Cross-Border Cost Allocation

Pursuant to Article 12(3)(c) of Regulation (EU) No 347/2013, the Project Promoter accompanied its investment request with a substantiated proposal for a cross border cost allocation.

According to the CBCA proposal of the Project Promoter, there is no Member State which could be the beneficiary of a potential CBCA compensation given that no net cost bearers may be identified. In particular, taking into account that the resulting net benefits of the project for Greece, Cyprus and Italy respectively fall below the 10% threshold of total net benefits specified by ACER's Recommendation No 05-2015, there are no compensations required and **no costs concerning this PCI project are to be allocated to Greece, Cyprus and Italy**, based on the outcome of the submitted Investment Request.

The NRAs of Greece, Cyprus and Italy do not see reasons to deviate from the cross border cost allocation proposal of the Project Promoter.

Furthermore, the involved NRAs agree that no cost coverage or other incentives will be provided by the national systems in the future at any stage of the project implementation.

3. SPECIAL TERMS AND CONDITIONS – OBLIGATIONS OF THE PROJECT PROMOTER

3.1.Project Availability

The Promoter guarantees that the Project is constructed according to internationally approved standards and certifications adopting the "n+1" design philosophy where applicable, in order to maximise infrastructure availability.

3.2. Schedule of Implementation

The Promoter shall complete the Project within the timeframe provided by the Investment Request. In case that the observation of the deadlines of the Project is objectively impossible, the Promoter must inform the competent NRAs, without delay, requesting an extension of the time period during which the force majeure is occurred. The request shall be submitted at least ten (10) days following the occurrence of the said force majeure.

3.3.Assignment of Rights

The Promoter shall not assign the rights and obligations arising from the present Agreement, without a prior approval by the competent NRAs.

4. COORDINATED DECISION

The Regulatory Authority for Energy Water and Waste (RAEWW), the Cyprus Energy Regulatory Authority (CERA) and the Italian Regulatory Authority for Energy, Networks and Environment (ARERA) have agreed to adopt the following in their coordinated National Decisions:

Article 1 – Decision on the allocation of investment costs

The efficiently incurred investment costs related to the project of common interest 7.3.1 “Pipeline from the East Mediterranean gas reserves to Greece mainland via Cyprus and Crete [currently known as “EastMed Pipeline”], with metering and regulating station at Megalopoli”, according to the perimeter of costs identified in the preamble to the present Decision, shall be borne by the project promoter IGI Poseidon S.A..

No compensations are required from transmission system operators of Cyprus, Greece, or Italy and no costs concerning PCI 7.3.1 are to be allocated to Cyprus, Greece, and Italy.

Article 2 – Reflection of investment costs in tariffs

Based on the cross-border cost allocation defined in article 1 of the present Decision, no costs of PCI 7.3.1 are to be included in the national tariffs of Cyprus, Greece or Italy.

Article 3 – Reporting by project promoter to National Regulatory Authorities

The project promoter IGI Poseidon S.A. shall keep the national regulatory authorities RAEWW, CERA and ARERA, twice per year, regularly informed of the progress of PCI 7.3.1. and the identification of costs and the impact associated with it.

The information is due by the same date the project promoter is due to submit the PCI annual report pursuant to Article 5(4) of Regulation (EU) No 347/2013 and to Article 5(4) of Regulation (EU) 2022/869, as applicable depending on the adoption of the first PCI list under Regulation (EU) 2022/869. That information shall include at least the PCI 7.3.1 annual report.

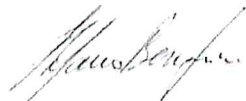
Afterwards, updated information is due within six months from the due date of submission of the PCI annual report.

**For the Hellenic
Regulatory Authority for
Energy, Waste and Water**



Dimitrios Fourlaris
Vice-Chairman for the
Energy Sector

**For the Italian Regulatory
Authority for Energy,
Networks and Environment**



Stefano Bessegini
Autorità di Regolazione per
Energia Reti e Ambiente
Presidente
30.10.2023 12:06:29
GMT+00:00

**For the Cyprus Energy
Regulatory Authority**

Digitally signed by: Dr. Andreas Poulikkas
Location: Nicosia

Reason: I approve this document

Signing Date: 2010/2023 10:31:30 GMT +03:00



Dr. Andreas Poulikkas

Chairman