



Introductory remarks

This document is a draft of a permit for Gaz System to construct a natural gas pipeline on the Danish continental shelf in the Baltic Sea. It should be emphasised that it has not yet been decided whether a permit for the project applied for can be granted on the proposed route, as it depends on the results of the public consultations both in Denmark and in the countries being consulted under the Espoo Convention as well as the ongoing case proceedings taking place in parallel with these.

It should also be emphasised that the results of the public consultation and case proceedings may change the content of a potential permit and that conditions may be added beyond what is listed in the draft. The conditions set out in the draft are conditions that will be laid down if a permit is granted regardless of the outcome of the public consultation and the ongoing case proceedings, if a permit is granted.

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Date XX.YY.ZZ

Att. Wojciech Śpiewak – Baltic Pipe Project Director

Record no. 2018-20876
/ avt

Draft ‘Permit for Baltic Pipe natural gas pipeline in the Baltic Sea’

Energinet and Gaz System plan to establish the Baltic Pipe pipeline, which will transport gas from Europipe II in the North Sea to Poland via Denmark. Energinet will be the Owner of the section of the pipeline that is placed in the North Sea and in the Little Belt and most of the pipeline on land. Gaz System will be the Owner for the land section (approx. 150 m) at Faxe Bay and for the pipeline in the Baltic Sea. The Danish Environmental Protection Agency are the responsible environmental authority for the land section, while the Danish Energy Agency are the responsible authority for the marine section.

Gaz-System has in letter dated 25.01.2019 applied to XXX for a permit to construct the part of the Baltic Pipe natural gas pipeline, i.e. the two sections of the pipeline that are situated within Danish territorial waters on the continental shelf in the Baltic Sea. The two sections stretch from the coastline at Faxe Bay to Swedish waters, and again from Swedish waters through Danish waters at Bornholm to Polish waters, respectively.

The construction and operation of pipeline system for the transportation of hydrocarbons on the Danish continental shelf may only take place with the permission of the Danish Minister of Energy, Utilities and Climate.

1.1. Decision

XXX hereby grants permit for the construction of the Baltic Pipe natural gas pipeline in the Baltic Sea.

The permit is granted in accordance with section 3 a and 4 of the Act on the Continental Shelf (the Continental Shelf Act), cf. Consolidated Act no. 1189 of 21 September 2018, and section 2

of Executive Order no. 1520 of 15 December 2017 on Certain Pipeline Installations in Territorial Waters and on the Continental Shelf.

This permit covers construction, including laying, of the natural gas pipeline in the Danish continental shelf area in the Baltic Sea. Before the pipeline is put into operation, Gaz System must apply to the Danish Energy Agency for permission to operate the pipeline, cf. section 2 of Executive Order no. 1520 of 15 December 2017 on Certain Pipeline Installations in Territorial Waters and on the Continental Shelf.

The permit is granted after consultation with, amongst others, the Danish Environmental Protection Agency, the Danish Defence Command, the Danish Maritime Authority, the Danish Fisheries Agency, the Danish Coastal Authority, the Danish Working Environment Authority, the Ministry of Foreign Affairs of Denmark, the Danish Geodata Agency and the Danish Agency for Culture and Palaces.

The permit cannot be utilised before the deadline for appeals of 4 weeks after publication has expired, cf. section 6 a, subsections 4 and 5 of the Continental Shelf Act.

[The final format and content of the section are pending the results of the public consultation, among other things]

1.2. Conditions

The permit is granted on the following conditions pursuant to sections 3a and 4 of the Continental Shelf Act, cf. section 3a, subsection 2; section 4, subsection 2 and section 4 of Executive Order no. 1520 of 15 December 2017 on Certain Pipeline Installations in Territorial Waters and on the Continental Shelf:

1. Gaz Systems' section of the Baltic Pipe pipeline in the Baltic Sea is a part of the entire project. Permission must also be granted for the Baltic Pipe pipeline (incl. PLEM) for the rest of the project on both land the sea in Denmark and for Swedish and Polish waters respectively, for the total project to be realized. If Gaz System and / or the remaining part of the Baltic Pipe project does not obtain the necessary permits to realize the pipeline project, or if the company abandons the project fully or partially or cannot realise the project for other reasons, this permit expires. Gaz System shall notify the Danish Energy Agency if the pipeline project is not implemented as applied for.
2. Gaz System shall conclude agreements with the owners of the cable and pipeline installations which are crossed by the pipeline. The agreements are for the purpose of ensuring indemnity of the owners as a result of the crossing.
3. Gaz System shall take out insurance for compensation of damage caused by the activities exercised in accordance with the permit, even if the damage is incidental.
4. Gaz System shall submit design and method choice to the Danish Energy Agency's approval in connection with the crossing of other infrastructure after entering agreements with the owners of the infrastructure to be crossed, but before the laying of the pipeline.
5. Gaz System shall prepare a monitoring programme for the construction phase, including in connection with laying of the pipeline. The monitoring programme shall include the

environmental conditions and be approved by the Danish Energy Agency before laying of the pipeline is begun.

6. Gaz System shall make an assessment of the pipeline after it has been laid, including a post-lay survey. The assessment with conclusions shall be submitted for the Danish Energy Agency's approval in terms of whether further seabed intervention works must be performed.
7. The final location (coordinates) for the laid pipeline shall be submitted to the Danish Energy Agency.
8. For all phases of the project, Gaz System shall have an emergency response setup established for addressing the consequences of spills of hydrocarbons or other accidental events. Plans for the established emergency response preparedness shall be submitted to the Danish Energy Agency annually.
9. Gaz System shall submit documentation for the management system for operation, inspection and maintenance of the pipeline before the pipeline can be put into use. The management system shall ensure that operations and conditions are constantly monitored to ensure maintenance of the pipelines' integrity. The management system is reassessed using a risk-based approach based on the observations made on the pipelines' condition and based on the pipelines' operating conditions.
10. Gaz System shall ensure that the gas composition remains within the design specification for the pipeline. Any significant change of composition must be accepted by the Danish Energy Agency.
11. Gaz System shall prepare a monitoring programme for the operation phase. The monitoring programme shall include the environmental considerations and be approved by the Danish Energy Agency before the pipeline is put into operation.
12. Gaz System shall publish the results of the monitoring during the construction and operation phases of the environmental conditions as they become available.
13. A verifying third party must issue a "Certificate of Compliance" that documents that the installations comply with applicable laws, standards and Gaz System's technical specifications. The Danish Energy Agency requests that the "Certificate of Compliance" be submitted to the Danish Energy Agency when it is available, but before the commissioning of the pipeline installations.
14. Before the pipeline is commissioned, there must be an Offshore Inspection Release Note from the certifying company. The Inspection Release Note shall be submitted to the Danish Energy Agency as soon as it is available.
15. Gaz System shall prepare a monitoring programme for the operations phase. The monitoring programme shall include the safety considerations. The monitoring programme must be approved by the Danish Energy Agency and must be launched before the pipeline can be put into operation.
16. During the construction phase and during operation, the pipeline installations are subject to supervision by the Danish authorities. As part of the Danish Energy Agency's supervision of the pipeline, the Danish Energy Agency may at any time request submission of internal and external audits in order to gain insight into the auditing and independent third-party verification performed.
17. Gaz System shall, well in advance before the pipeline in the Baltic Sea is expected to be taken out of operation, prepare a plan for decommissioning of the pipeline installations

and present the plan to the Danish Energy Agency for the Danish Energy Agency's approval. After prior dialogue with Gaz System, the Danish Energy Agency may require the company to remove the pipeline installations covered by this approval from the seabed in whole or in part within a later-specified deadline after final use, cf. section 4, subsection 2 of Executive Order no. 1520 of 15 December 2017 on Certain Pipeline Installations in Territorial Waters and on the Continental Shelf.

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[The final format and content of the section are pending the results of the public consultation, among other things]

1.3. Guidelines for appeals

The decision can be appealed in writing to the Danish Energy Board of Appeal, Toldboden 2, 8800 Viborg, within 4 weeks after the decision is published, cf. section 6 a of the Continental Shelf Act.

According to section 6 a, subsection 1 of the Continental Shelf Act, anyone with a significant and individual interest in the decision as well as local and national associations and organisations whose main purpose is the protection of nature and the environment has the right to appeal. The same applies to local and national associations whose purpose is to safeguard significant recreational interests if the decision affects such interests.

Best regards,

[Signature Danish Energy Agency]

2. Permit application

[The content of the section is pending the ongoing case proceedings]

3. Environmental impact assessment (EIA)

The environmental considerations concerning the pipeline project applied for are set out in:

- Environmental Impact Assessment – Baltic Sea - Denmark

The company's environmental assessment of the pipeline project applied for has been prepared in accordance with the Continental Shelf Act no. 1189 of 21 September 2018 and Consolidated Act no. 1225 of 25 October 2018 on Environmental Assessment of Plans and Programmes and of Specific Projects (EIA).

The Espoo part of the environmental impact assessment report has been prepared on the basis of the Espoo Convention (Convention on Environmental Impact Assessment in a Transboundary Context), cf. Executive Order no. 71 of 4 November 1999 of the Convention of 25 February 1991 on Environmental Impact Assessment in a Transboundary Context.

[Most of this section is pending the result of the public consultation]

4. Authorities' comments and assessment

[The final format and content of the section are pending the results of the public consultation, among other things]

4.1. Applicant

[The final format and content of the section are pending the results of the public consultation, among other things]

4.2. Applications material

[The final format and content of the section are pending the results of the public consultation, among other things]

4.3. The Baltic Pipe project

In the event that Gaz System abandons the project fully or partially or cannot realise the project for other reasons, this permit expires. Gaz System shall notify the Danish Energy Agency if the pipeline project is not implemented as applied for (condition 1).

Gaz System shall take out insurance for compensation of damage caused by the activities exercised in accordance with the permit, even if the damage is incidental (condition 3).

[The final format and content of the section are pending the results of the public consultation, among other things]

4.4. Location of the Danish part of the pipeline project

The coordinates for the specific location in Danish waters are set out in Appendix I of the application. The final coordinates for the location of the pipelines and thus the kilometric points can only be finally determined when the pipelines are laid.

[The final format and content of the section are pending the results of the public consultation, among other things]

4.5. Schedule

[The final format and content of the section are pending the results of the public consultation, among other things]

4.6. Technical considerations

4.6.1. Seabed intervention works

Additional stability and/or protection of the pipeline/existing infrastructure might be required at a number of locations: 24 sections where rock installation might be installed - in total a stretch of

maximum 80 km, and 6 sections where the pipeline is trenched either before or after pipelay - in total a stretch of maximum 80 km.

It is crucial to the Danish Energy Agency's assessment of the intervention works that the number and location of the sections are not changed and that the length of the planned sections does not change significantly.

After the pipelines have been laid, Gaz System shall prepare an assessment of the pipelines, including conducting a post-lay survey. The assessment shall be approved by the Danish Energy Agency, which, among other things, may lay down requirements for additional seabed intervention works (condition 6).

[The final format and content of the section are pending the results of the public consultation, among other things]

4.6.2. Crossing of infrastructure

In the application, Gaz System identified that the Baltic Pipe gas pipeline will cross 18 cables and two pipelines (Nord Stream 1) in the Baltic Sea. The 18 cables are expected to be crossed by laying out concrete mattresses on the seabed and the two pipelines by rock filling, where a concrete mattress will be laid over the existing pipelines which will subsequently be consolidated by rock filling.

With regard to the planned infrastructure, the company states in the application that the proposed Baltic Pipe route will cross the future route for Nord Stream 2 (two parallel pipelines) in one of two possible places depending on which route (potentially) is established for Nord Stream 2 around Bornholm. The Danish Energy Agency notes that in both cases, the Baltic Pipe pipeline is expected to cross Nord Stream 2 in Danish water approx. 10 km from Bornholm.

Gaz System shall ensure that agreements are concluded with the owners of the infrastructure being crossed (condition 2) and then submit the design and method of execution for the crossing as well as the crossing agreement for the Danish Energy Agency's acceptance before the work is begun (condition 4).

[The final format and content of the section are pending the results of the public consultation, among other things]

4.6.3. Content of hydrocarbons and composition of the gas

After submitting the application, Gaz System has in the application specified the gas composition for the gas to be transported in the pipelines. It is of crucial importance for the permit that the gas composition remains within the design specifications for the pipelines. Any significant change of composition must be accepted by the Danish Energy Agency, cf. condition 10.

[The final format and content of the section are pending the results of the public consultation, among other things]

4.6.4. Design

A verifying third party must issue a "Certificate of Compliance" that documents that the installations comply with applicable laws, standards and Gaz System's technical specifications. The Danish Energy Agency requests that the "Certificate of Compliance" be submitted to the Danish Energy Agency when it is available, but it must be sent before the point in time where the pipeline installation is put into operation (condition 13).

The management system must ensure and document in the project phase prior to the pipelines are put into operation that Danish law, as well as the requirements and rules thereunder, is complied with in both normal and critical situations, including that there is appropriate emergency response preparedness for accidental events, condition 8. Changes in emergency response preparedness must be submitted to the Danish Energy Agency and once a year Gaz System shall send the current plan for the established emergency response preparedness to the Danish Energy Agency. The time of the annual submission is agreed with the Danish Energy Agency.

Before the pipelines are put into operation, there must be an Inspection Release Note from the certifying company. The Inspection Release Note shall be submitted to the Danish Energy Agency as soon as it is available, cf. condition 14.

The Danish Energy Agency expects Gaz System to audit the Baltic Pipe (Baltic Sea) project according to a fixed plan and notes that the Danish Energy Agency may at any time request that an updated list of the audits be submitted as well as necessary insight into the performed auditing and independent third-party verification, where this is required or chosen as documentation of the project's implementation (condition 16).

[The final format and content of the section are pending the results of the public consultation, among other things]

4.6.5. The laying of the pipeline

Commissioning

The final format and content of the section are pending the results of the public consultation, among other things]

Operation and maintenance

The Danish Energy Agency presumes that Gaz System will continuously monitor the flow of the transported natural gas and its composition to ensure that these are within the design specifications for the pipeline and that the operations are conducted within the pipelines' design specifications. Maintenance and operations are presumed to comply with and follow the manufacturer's instructions and to be implemented in Gaz System's management system for maintenance, so this may be subject to the authorities' supervision (condition 16).

The management system for operation, inspection and maintenance of the pipeline must be prepared and initiated before the pipelines are put into use. The inspection plan should specify how

often and to what extent visual inspections (fittings, marine vegetation, integrity of all types of seabed interventions, etc.) are to be performed with ROV, acoustic surveys, etc., with regard to the pipeline's and the seabed's condition, cf. condition 9 in the permit.

The Danish Energy Agency notes that operation, inspection and maintenance shall be reassessed using a risk-based approach based on documented observations of the pipelines' condition and based on the pipelines' operating conditions at the relevant time.

Gaz System shall prepare a monitoring programme for the operations phase. The monitoring programme shall include the safety considerations. The monitoring programme shall be approved by the Danish Energy Agency before the pipeline can be put into operation (condition 15).

[The final format and content of the section are pending the results of the public consultation, among other things]

4.6.6. Decommissioning

Gaz System describes in the application that the preferred option for decommissioning is to leave the pipelines *in situ* on the seabed. In addition, Gaz System advises that decommissioning will be done according to the applicable rules and standards at the time of the decommissioning.

The Danish Energy Agency notes that a full or partial decommissioning of the Baltic Pipe pipeline in Danish waters requires approval from relevant Danish authorities and that the current starting point for such decommissioning is removal and full clean-up, with the least possible intervention and impact on the marine environment (condition 17).

[The final format and content of the section are pending the results of the public consultation, among other things]

4.7. Safety and environmental considerations

4.7.1. Risk assessment

Management system for the design and installation phase

Gaz System shall submit documentation for the management system for operation, inspection and maintenance of the pipelines before the pipelines can be put into use. The management system shall ensure that operations and conditions are constantly monitored to ensure maintenance of the pipelines' integrity. The management system is reassessed using a risk-based approach based on the observations made on the pipelines' condition and based on the pipelines' operating conditions (condition 9).

[The final format and content of the section are pending the results of the public consultation, among other things]

4.7.2. Route selection

[The final format and content of the section are pending the results of the public consultation, among other things]

4.7.3. Safety of navigation

[The final format and content of the section are pending the results of the public consultation, among other things]

4.7.4. Fishing

[The final format and content of the section are pending the results of the public consultation, among other things]

4.7.5. Diving work

[The final format and content of the section are pending the results of the public consultation, among other things]

4.7.6. Restriction zone and safety zone

[The final format and content of the section are pending the results of the public consultation, among other things]

4.7.7. Chemical and conventional munitions and military practice areas

[The final format and content of the section are pending the results of the public consultation, among other things]

4.7.8. Environment

Monitoring programmes

Gaz System shall prepare monitoring programmes for the construction and operation phases that shall include the environmental conditions and be approved by the Danish Energy Agency before laying of pipelines is begun and before the pipelines are put into operation, respectively, cf. conditions 5 and 11.

The results from the monitoring programmes shall be made available to the public as they become available, cf. condition 12.

[The final format and content of the section are pending the results of the public consultation, among other things]

4.7.9. Nature conservation areas

[The final format and content of the section are pending the results of the public consultation, among other things]

4.7.10. Cultural heritage

[The final format and content of the section are pending the results of the public consultation, among other things]