

# TERM OF REFERENCE FOR THE CALL FOR PROPOSALS FOR THE PURCHASE OF NATURAL GAS

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## 1. OBJECT OF THE CALL FOR PROPOSALS

BAHIAGÁS, the exclusive concessionaire of local piped gas services in the state of Bahia, announces that it intends to acquire NATURAL GAS, independent of its origin (onshore, offshore and Liquefied Natural Gas (LNG), etc.), according to supply requirements and the conditions set out in this Term, through a CALL FOR PROPOSALS from BIDDING COMPANIES.

This CALL FOR PROPOSALS is being coordinated by the LOCAL PIPED GAS DISTRIBUTION COMPANIES of the following states:

- Alagoas - Gás de Alagoas S.A. - Algás
- Bahia - Companhia de Gás da Bahia – Bahiagás
- Ceará - Companhia de Gás do Ceará – Cegás
- Paraíba - Companhia Paraibana de Gás – Pbgás
- Pernambuco - Companhia Pernambucana de Gás – Copergás
- Rio Grande do Norte - Companhia Potiguar de Gás – Potigás
- Sergipe - Sergipe Gás S.A. – Sergas

## 2. TERMINOLOGY

For a better understanding, the terms in capital letters, whether in the singular or plural, will be defined as follows:

LOCAL PIPED GAS DISTRIBUTION COMPANY or LDC: means BAHAGÁS, the company holding the public concession for local piped gas services in the state of Bahia, in compliance with Section 2 of article 25 of the Federal Constitution.

REFERENCE CONDITIONS: means the temperature of 20°C (twenty degrees Celsius), absolute pressure of 101.325 Pa (one hundred and one thousand, three hundred and twenty-five Pascals) and superior calorific power (SCP), on a dry basis for gas equal to 9,400 kcal/m<sup>3</sup> (nine thousand, four hundred kilocalories per cubic metre).

## **TERM OF REFERENCE FOR THE CALL FOR PROPOSALS FOR THE PURCHASE OF NATURAL GAS**

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**BIDDING COMPANY:** Company interested in taking part in the Call for Proposals process to supply NATURAL GAS to the LDC, as per the conditions established in the Public Notice and this Term of Reference.

**REMOVAL GUARANTEE:** Volume of GAS, in the REFERENCE CONDITIONS, which the LDC undertakes to remove on a daily, weekly, monthly or annual basis, as expressly established in a contract.

**GAS OR NATURAL GAS:** means the mixture of hydrocarbons essentially made up of methane, other hydrocarbons and non-combustible gases, which is extracted from natural reservoirs and remains in a gaseous state in normal atmospheric conditions.

**LIQUEFIED NATURAL GAS or LNG:** NATURAL GAS submitted to a liquefaction process for storage and transportation, which can be regasified at a regasification unit;

**FIRM-BASIS or FB CONTRACT TYPE:** Type of contract with a greater GAS REMOVAL GUARANTEE, in order to meet the basis of GAS demand in the LDC market.

**SEASONAL or SZ CONTRACT TYPE:** Type of contract with a lower REMOVAL GUARANTEE than a FB contract, in order to meet the cyclical variations in GAS demand in the LDC market.

**AVAILABILITY or DS CONTRACT TYPE:** Type of contract with a lower REMOVAL GUARANTEE than a SZ contract, in order to meet intermittent GAS demands in the LDC market (e.g. demand for GAS for thermal plant orders).

**CUSTOMIZED or CT CONTRACT TYPE:** Type of contract, which is not applicable to the other types, with the conditions freely negotiated by the parties.

**POINT OF DELIVERY or CUSTODY TRANSFER STATION or CITY GATE:** comprises the installations required for the availability of GAS by the bidding company to the LDC, in the REFERENCE CONDITIONS, where there is a GAS custody transfer.

**TERM OF REFERENCE FOR THE CALL FOR PROPOSALS FOR THE  
PURCHASE OF NATURAL GAS**

---

RECEIVING POINT: Point on Brazilian territory in which the GAS in the BINDING COMPANY's possession will be transferred to the custody of the Carrier, so that it begins its transportation to the POINT OF DELIVERY.

CONTRACT LOT: A set of contract conditions defined in the Call for Proposals public notice for which interested BIDDING COMPANIES can present Gas Supply Contract proposals, represented by the codes AA CC DDDD A-E/FF, where:

- AA corresponds to the abbreviation for the LDC's State;
- CC corresponds to the Contract Type (FB, SZ, DS or CT);
- DDDD corresponds to the daily quantity of GAS in the REFERENCE CONDITIONS to be contracted, given in thousand m<sup>3</sup>/day;
- A-E corresponds to the number of years preceding the start of the planned supply from the date of the Call for Proposals (e.g.: one year in advance: A-1);
- FF corresponds to the number of years of the Contract period.

**3. POINT OF DELIVERY OR CUSTODY TRANSFER STATION**

The POINTS OF DELIVERY located in the state of Bahia are described in Table 1:

Table1 – List of the POINTS OF DELIVERY in the state of Bahia

Region	Point of Delivery Code	Name	Municipality	Transport Facility
Region 1	BA01	Camaçari I (Recôncavo)	Camaçari	EDG Camaçari
	BA02	Camaçari II	Camaçari	EDG Camaçari
	BA03	Camaçari III (Manati)	Camaçari	EDG Camaçari
Region 2	BA04	Aratu (Mapele)	Simões Filho	EDG Aratu
	BA05	Candeias	Candeias	EDG São Francisco
	BA06	Catu	Pojuca	EDG Catu
	BA07	Caboto	Candeias	Candeias-Aratu
Region 3	BA08	Mucuri	Mucuri	GASCAC
	BA09	Itabuna	Itabuna	GASCAC
	BA10	Eunápolis	Eunápolis	GASCAC

**TERM OF REFERENCE FOR THE CALL FOR PROPOSALS FOR THE  
PURCHASE OF NATURAL GAS**

---

For a NATURAL GAS BIDDING COMPANY via LNG, a LNG terminal in operation on the date scheduled to supply GAS for the LDC CONTRACT LOT(s) can be considered a CUSTODY TRANSFER STATION. The LDC, together with the BIDDING COMPANY, will perform a technical and economic viability study for this supply.

The BIDDING COMPANY may suggest an alternative POINT OF DELIVERY to those mentioned above, with the LDC being responsible, together with the BIDDING COMPANY for performing a technical and economic viability study.

It is highlighted that, having observed the conditions established in the Concession Contract, the LDC may make an investment in order to receive the natural GAS closer to the production area or regasification unit, where distribution network infrastructure may not currently exist.

The LDC will define the connection regulations with the distribution network in a specific document and/or a Purchase and Sale Agreement.

**4. CONTRACT LOTS**

For this Call for Proposals, the LDC will receive offers to contract the supply of GAS in contract type(s) and other conditions defined in the following CONTRACT LOT(s):

<b>LOT: BA FB 4188 A-2/5</b>				
State	Type	Supply Volume (Mm <sup>3</sup> /d)	Start of supply	Contract period
Bahia	FB	4.188	01/01/2020	5 years
Obs.:				

The LDC will send Information on the CONTRACT LOTS by POINT OF DELIVERY following receipt of the BIDDING COMPANY'S DECLARATION OF INTEREST AND CONFIDENTIALITY.

## **TERM OF REFERENCE FOR THE CALL FOR PROPOSALS FOR THE PURCHASE OF NATURAL GAS**

---

If the BIDDING COMPANY is interested in presenting one or more proposals with conditions different to those established in the above-mentioned CONTRACT LOTS, it can do this freely, with the LDC being responsible for analyzing its interest in the proposal.

### **5. QUALITY OF THE GAS SUPPLIED**

The natural GAS must meet the needs of the quality requirements established in the National Agency of Petroleum, Natural Gas and Biofuels (ANP) Resolution N° 16/2008 or its replacement.

The BIDDING COMPANY should present the NATURAL GAS quality analyses through a laboratory with valid National Institute of Metrology, Quality and Technology (INMETRO) accreditation, according to the requirements established in the Brazilian Association of Technical Standards (ABNT) Standard ISO/IEC 17025:2005.

### **6. RELIABILITY OF THE NATURAL GAS PROVISION**

The BIDDING COMPANY should confirm the availability of the commodity and a natural gas logistics chain, from its origin until the POINT OF DELIVERY. The gas may originate from national natural gas reserves, liquefied natural gas (LNG) regasification terminals or national territorial borders, in the case of imported gas.

When confirming the availability of a natural gas logistics chain, all the operators involved should be specified: gas or LNG supplier, regasification agent and carrier.

If the BIDDING COMPANY is a gas producer, it should present a Certification of Proven NATURAL GAS Reserves Report produced by an independent consultancy firm and an Annual Reserve Bulletin registered at the ANP.

## **TERM OF REFERENCE FOR THE CALL FOR PROPOSALS FOR THE PURCHASE OF NATURAL GAS**

---

If the BIDDING COMPANY signs a letter of intent to purchase and sell NATURAL GAS or a preliminary agreement with a company that does not produce NATURAL GAS, it should be an agent registered at the ANP to perform the activity of selling natural gas and present a letter of intent to purchase and sell natural gas or a preliminary agreement.

If a letter of intent is established with a company that does not produce gas, an agreement or letter of intent established between the non-producing company and the natural gas supplier must be presented.

If the natural gas to be supplied is moved at an existing Liquefied Natural Gas Terminal or Regasification unit, the BIDDING COMPANY should prove that it has the regasification capacity available and reserved for this supply.

If the fuel to be supplied is moved at a Liquefied Natural Gas Terminal or Regasification unit which is not commercially operational, the BIDDING COMPANY should present the project Temporary License (LP), Construction License (LI) or Operating License (LO), issued by the authorized environmental agency, in line with environmental legislation, as well as proof that it has the regasification capacity reserved to supply the respective terminal.

For cases of sales through LNG, proof of the availability of GAS abroad and of its capacity to deliver LNG in Brazil must be presented.

### **7. PRICES AND COMMERCIAL CONDITIONS**

The BIDDING COMPANY should present an initial proposal for the price of GAS in its REFERENCE CONDITION (excluding taxes), delivered to one of the POINTS OF DELIVERY listed in item 3 or at a CUSTODY TRANSFER STATION to be constructed by the LDC, if this is the case.

The price of the GAS should be expressed in Reais per cubic metre (R\$/m<sup>3</sup>) or Dollar per million British Thermal Units (BTU - US\$/MMBTU) for each CONTRACT LOT.

## **TERM OF REFERENCE FOR THE CALL FOR PROPOSALS FOR THE PURCHASE OF NATURAL GAS**

---

The cost of transporting GAS in the REFERENCE CONDITION in R\$/m<sup>3</sup>, which corresponds to all the costs incurred by the BIDDING COMPANY to move the GAS on Brazilian territory between the POINT OF RECEIPT and POINT OF DELIVERY should be detailed in the proposal.

The definitive questions involving the price of natural GAS and the commercial conditions for the GAS will be specified in the draft Purchase and Sale Agreement in due course.

### **8. OTHER CONDITIONS**

The BIDDING COMPANY will not have any right to reimbursement for any costs related to taking part in this Call for Proposals.

Participation in the Call for Proposals does not bind any of the parties, nor does it generate any commitment for the LDC to acquire GAS.

If delivery of the NATURAL GAS is by road, this should be performed through a station owned by the BIDDING COMPANY and connected to the LDC network.

If the offer is through LNG, the BIDDING COMPANY should be responsible for contracting all the stages until delivery of the fuel to the LDC, and the price offered should take into account all the costs to the POINT OF DELIVERY.

The LDC reserves the right to modify the conditions of the Call for Proposals or cancel it at any time, advising the bidders of these facts.

In the case of a judicial decision or by another competent public authority stipulating disclosure of the proposal presented, the LDC will request that the respective proceedings are in camera legal proceedings, in order to guarantee the confidentiality of the proposals.

**TERM OF REFERENCE FOR THE CALL FOR PROPOSALS FOR THE  
PURCHASE OF NATURAL GAS**

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The proposals, which the LDC considers of interest, may lead to the signature of a Letter of Intent or Memorandum of Understanding (MOU), which will detail the commercial and technical conditions; once this stage is completed, a GAS Purchase and Sale Agreement may be signed between the parties, under the terms of current legislation.

**9. INSTRUCTIONS TO TAKE PART IN THE CALL FOR PROPOSALS**

The BIDDING COMPANY should send its COMMERCIAL PROPOSAL FOR THE SALE OF NATURAL GAS to the following email [chamadapublicagn@bahiagas.com.br](mailto:chamadapublicagn@bahiagas.com.br), until 5.00 pm on 01/31/2019, as per the conditions established in this Call for Proposals signed by its legal representatives and forwarded to the LDC CEO.

**10. CONTACT**

Any communication and requests for additional information can be made through the following email address: [chamadapublicagn@bahiagas.com.br](mailto:chamadapublicagn@bahiagas.com.br).