

**// PROPOSAL //**

**INTERGOVERNMENTAL  
AGREEMENT**

Between/Among

**the Republic of Cesouria  
the Republic of Stetonia  
the Republic of Veronia  
and the Republic of Rostania**

**CONCERNING**

**THE CESOURIA – ROSTANIA NATURAL GAS PIPELINE  
PROJECT**

**PREAMBLE**

the Republic of Cesouria, the Republic of Stetonia, the Republic of Veronia, and the Republic of Rostania, Contracting Parties to this Agreement,

WHEREAS, the Contracting Parties are Parties to the Energy Charter Treaty;

WHEREAS, the Contracting Parties wish to co-operate in facilitating the development, construction and operation of the Cesouria – Rostania Gas Pipeline Project for the carriage of Natural Gas from, through and to their Territories;

WHEREAS, the Contracting Parties wish to enter into this Agreement in order to promote and protect investment in the Pipeline Project and safeguard the efficient and secure development, ownership and operation of such Pipeline Project within their Territories;

THE PARTIES HERETO HAVE AGREED AS FOLLOWS:

## **ARTICLE 1**

### **CESOURIA – ROSTANIA NATURAL GAS PIPELINE PROJECT CONSORTIUM**

1. The Cesouria – Rostania Gas Project will be constructed, owned and operated, in accordance with the Agreement, by the Cesouria-Rostania Gas Pipeline Project Consortium (CPC).
2. The Contracting Parties shall have the following initial shares in the CPC. They are entitled to sell those shares or part of them to private entities:
  - a. The Republic of Cesouria: 35 %;
  - b. The Republic of Stetonia: 15 %;
  - c. The Republic of Veronia: 25 %;
  - d. The Republic of Rostania: 25 %.

## **ARTICLE 2**

### **UTILISATION OF AVAILABLE CAPACITY**

1. Each Contracting Party shall take the necessary measures to facilitate the Transport of Natural Gas in connection with the Pipeline Project, consistent with the principle of freedom of transit, and without distinction as to the origin, destination or ownership of such Natural Gas or discrimination as to pricing on the basis of such distinctions, and without imposing any unreasonable delays, restrictions or charges.
2. Contracting Parties shall ensure exclusive access to each other or Entities of Contracting Parties requesting access to and use of Available Capacity for Transit on consensus basis.
3. Contracting Parties shall provide third party access for suppliers and other undertakings to the Natural Gas Transport Facilities on consensus basis and provided capacity is available and the quality of the gas corresponds to national standards and norms. Further details and conditions of such access shall be subject of a separate commercial agreement.
4. The allocation of Available Capacity for Transit shall be based on a transparent and non-discriminatory procedure and shall be as follows:

a) Cesouria:	Supply: 45 bcm/year	Transit: 0 bcm/year
b) Stetonia:	Demand: 7 bcm/year	Transit: 38 bcm/year
c) Veronia:	Demand: 19 bcm/year	Transit: 19 bcm/year

d) Rostania: Demand: 19 bcm/year Transit: 0 bcm/year

The Contracting Parties shall require users of the infrastructure to make unused capacity available on the secondary market.

5. Contracting parties shall ensure secure, efficient, uninterrupted and unimpeded Natural Gas Supply and Transit for the benefit of all Contracting Parties, while minimising harmful Environmental Impacts of Transit. Contracting Parties shall also ensure an efficient congestion management in the form of an auctioning system with simple majority.
6. No Party shall impose any requirement with respect to title to or ownership of Natural Gas in the Natural Gas Transport Facilities or any part thereof, other than through a commercial shipping or transportation agreement to which it is a party.
7. A Contracting Party, through whose territory Natural Gas Materials and Products transit shall not take from, or interfere with, the flow of Natural Gas Materials and Products in any manner inconsistent with the provisions of this Agreement.
8. A Contracting Party through whose territory Natural Gas Materials and Products transit shall take all necessary measures to prohibit and address the unauthorised taking of such Natural Gas Materials and Products in Transit by any Entity subject to that Contracting Party's control or jurisdiction.

### **ARTICLE 3**

#### **TRANSIT TARIFFS AND CHARGES**

1. Each Contracting Party shall take all necessary measures to ensure that Transit Tariffs and other conditions are objective, reasonable, transparent and do not discriminate on the basis of origin, destination or ownership of Natural Gas Materials and Products in Transit.
2. Each Contracting Party shall ensure that Transit Tariffs and other conditions are not affected by market distortions, in particular those resulting from abuse of a dominant position by any owner or operator of Natural Gas Transport Facilities used for Transit.
3. Transit Tariffs, both negotiated and regulated, shall be based on the cost of service, (CAPEX and OPEX), including a reasonable rate of return calculated on the basis of the CAPM model. The cost for insurance will be covered within the OPEX.
4. Stetonia will receive its share in the tariff in kind.

**ARTICLE 4**  
**INSURANCE AND TAXES**

1. Contracting Parties shall undertake an insurance policy to cover risks stated in Art. 3 as well as any man-made, natural or other interruptions, reductions or stoppage of Transit. Such a policy shall cover Natural Gas Transport Facilities, and Natural Gas in Transit as a commodity.
2. Each Contracting Party shall ensure that the tax treatment of the respective resident Joint Consortium with respect to any part of the Project Activities will be no less favourable than that applicable to other residents, to other domestic entrepreneurs or comparable cross-border Natural Gas pipeline projects in the same circumstances under its generally applicable tax legislation.
3. The revenue of the respective national section shall be calculated as a share of the gross revenues of the Joint Consortium calculated on the basis of the proportional share of each Contracting Party in the total length of the Project Pipeline.
4. Each Contracting Party shall ensure that no owner of natural gas in transit under its control refuse to negotiate in good faith, on the basis of transparent and non-discriminatory procedures and on commercial terms, to supply natural gas to the Contracting Party through which territory such transit occurs.

**ARTICLE 5**  
**SECURITY**

1. Commencing with the initial Pipeline Project Activities relating to route identification and evaluation and continuing throughout the life of the Pipeline Project, each Contracting Party shall use its best endeavours to ensure the security of the Land Rights, the Natural Gas in Transit, the Natural Gas Transport Facilities, and all Persons within the Territory of that Party involved in Project Activities.
2. Contracting Parties shall, should it be deemed indispensable for the vitality of the Pipeline Project, provide a physical security to the Natural Gas Transport Facilities on its Territory in order to attain Objectives of this Agreement as stated in Art. 1(5).
3. The outlet for providing such security is left to the discretion of each Contracting Party as long as the security of both, Natural Gas Transport Facilities as well as Natural Gas in Transit, is ensured.

## **UNICORN FOUNDATION**

The Consortium agrees to set up a Foundation for The Protection of the Unicorn after ratification by the National Parliaments to be funded in the amount of \$30mn per annum from each consortium member.

### **ARTICLE 6 ACCIDENTAL INTERRUPTION AND EMERGENCY SITUATIONS DISPUTE SETTLEMENT**

1. Each Contracting Party shall ensure that owners and operators of Natural Gas Transport Facilities used for Transit take necessary measures:
  - a) to minimise the risk of accidental interruption, reduction or stoppage of Transit;
  - b) to expeditiously restore the normal operation of such Transit which has been accidentally interrupted, reduced or stopped.
2. Contracting Parties shall immediately notify any other Contracting Party concerned of accidental interruption, reduction or stoppage of Transit and the cause thereof; they shall also provide a realistic assessment as to when Transit can be resumed.
3. If a dispute concerning the application or interpretation of this Agreement, has not been settled through diplomatic channels within 90 days, either Contracting Party shall, upon written notice to the other party to the dispute, submit the matter to a Conciliator under the Energy Charter Treaty.

### **ARTICLE 7 FINAL PROVISIONS**

1. Subject to the other provisions hereof, each Contracting Party undertakes to fulfil and perform each of its obligations under this Agreement.
2. Each Contracting Party shall fully support the implementation and execution of the Pipeline Project contemplated by this Agreement and shall ensure that its Entity takes all actions necessary for such implementation and execution.
3. This Agreement shall enter into force upon the exchange of instruments of ratification by all Contracting Parties.

4. Within 60 days each Contracting Party shall submit this Agreement for ratification by its relevant duly authorised organ of government.

5. This Agreement shall terminate upon the latter of the termination or expiration.

Done this day 7 of December 2009 at Brno, the Czech Republic, in four in the English language.

**THE REPUBLIC OF CESOURIA**

**THE REPUBLIC OF STETONIA**

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**THE REPUBLIC OF VERONIA**

**THE REPUBLIC OF ROSTANIA**

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