

EXPRESSION OF INTEREST

EXPRESSION OF INTEREST (EOI) TO RESERVE PIPELINE CAPACITY IN THE REPURPOSED LILLY PIPELINE TO ENABLE TRANSMISSION OF NATURAL GAS INTO THE SOUTH AFRICAN MARKET.



TRANSNET PIPELINES
ISSUE DATE: 05 AUGUST 2024
CLOSING DATE: 30 AUGUST 2024 @17:00 (SAST)

1. Background and Overview

1.1. Transnet Pipelines

Transnet Pipelines established in 1965, is an operating division of Transnet SOC Ltd, a South African state-owned company which plays a critical role in the energy industry in the South African economy. Transnet Pipelines core strategic mandate is to ensure petroleum security of supply for the inland market and gas security of supply for the KwaZulu Natal market using environmentally responsible methods while ensuring optimal efficiencies. Transnet Pipelines has more than 55 years' experience of operating and maintaining 3 114 km high pressure petroleum and gas pipeline network in South Africa.

Transnet Pipelines is currently servicing two key industries, fuel and gas, by transporting petroleum and gas products over varying distances. Transnet Pipelines currently handles products including Methane Rich Gas (MRG), Crude Oil, Diesel, Unleaded Petrol and Aviation Turbine Fuel. Transnet Pipelines is regulated by the National Energy Regulator of South Africa (NERSA).

1.2. Development Context

Transnet has committed to spearheading the development of the gas sector in South Africa. The demand for natural gas in the country is expected to grow significantly over the medium to long term. By taking a proactive role in early development of the Liquefied Natural Gas (LNG) value chain, Transnet aims to safeguard the strategic interests of South Africa. This initiative will position Transnet's Natural Gas Networks business as a vital contributor to the long-term economic growth and transformation in South Africa.

Transnet Pipelines is ideally positioned as an enabler in delivering the Transnet Natural Gas Network Strategy which is aligned to the country's energy demand in conjunction with other relevant State-owned entities and stakeholders. This will be achieved through utilizing existing infrastructure (the Lilly Pipeline) as a base to grow the natural gas supply chain logistics network.

1.3. Lilly Pipeline

Transnet Pipelines owns and maintains the Lilly Pipeline that is used to transports approximately 500 million cubic meters of MRG from Secunda via Empangeni to Durban. The existing offtake points are located at Newcastle, Empangeni, Richards Bay, Mandeni, Verulam, Phoenix, and Durban South as illustrated in figure 1 below. The Lilly Pipeline tariffs are regulated by the NERSA and the NERSA tariff determination guidelines will apply.

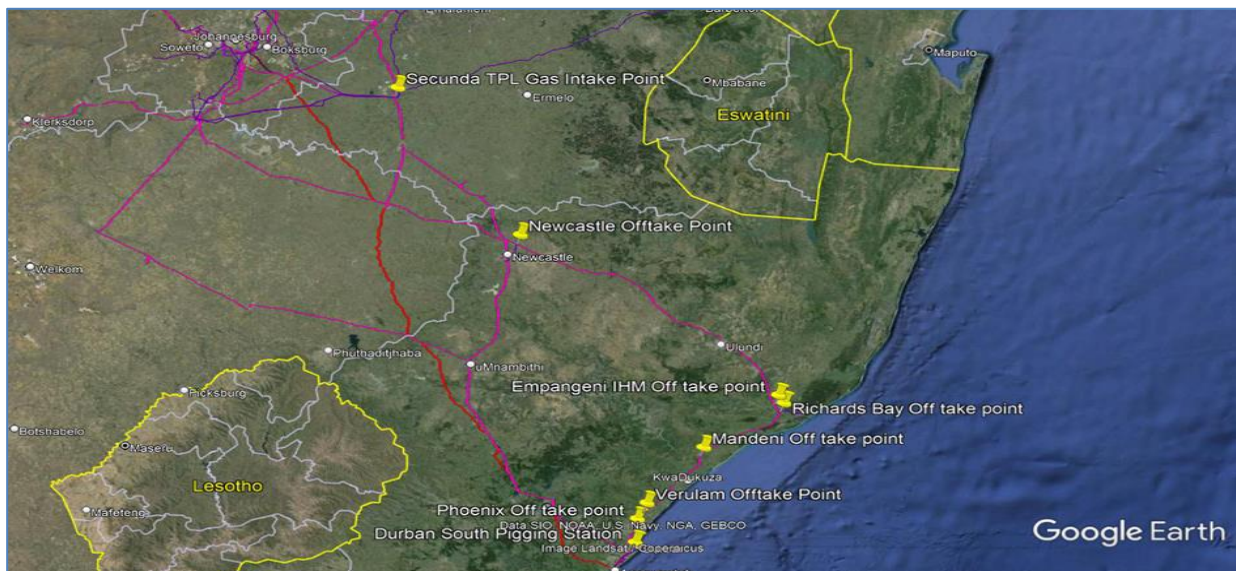


Figure 1: Lilly Pipeline existing supply and offtake points

2. Project Scope

Transnet Pipelines currently transports MRG from Secunda to Durban with various offtake points as described in the above figure 1 and an existing capacity of 23 Petajoules per annum. On January 9, 2024, Transnet National Ports Authority appointed the Transnet Pipelines and Vopak Terminals Durban consortium under a Joint Development Agreement, as the preferred bidders to develop and operate the LNG terminal at the Port of Richards Bay hereafter referred to as Zululand Energy Terminal (ZET).

The Lilly Pipeline has the potential to supply KwaZulu Natal, Mpumalanga and Gauteng provinces' gas markets once flow is reversed from Empangeni to Secunda with regassified LNG that will be imported via ZET. It is also expected that when the connection from the ZET to the Lilly Pipeline is completed at Empangeni, the capacity of the Lilly Pipeline will increase.

Transnet Pipelines, therefore, intends to repurpose the Lilly Pipeline from the transportation of MRG to the transportation of regassified LNG.

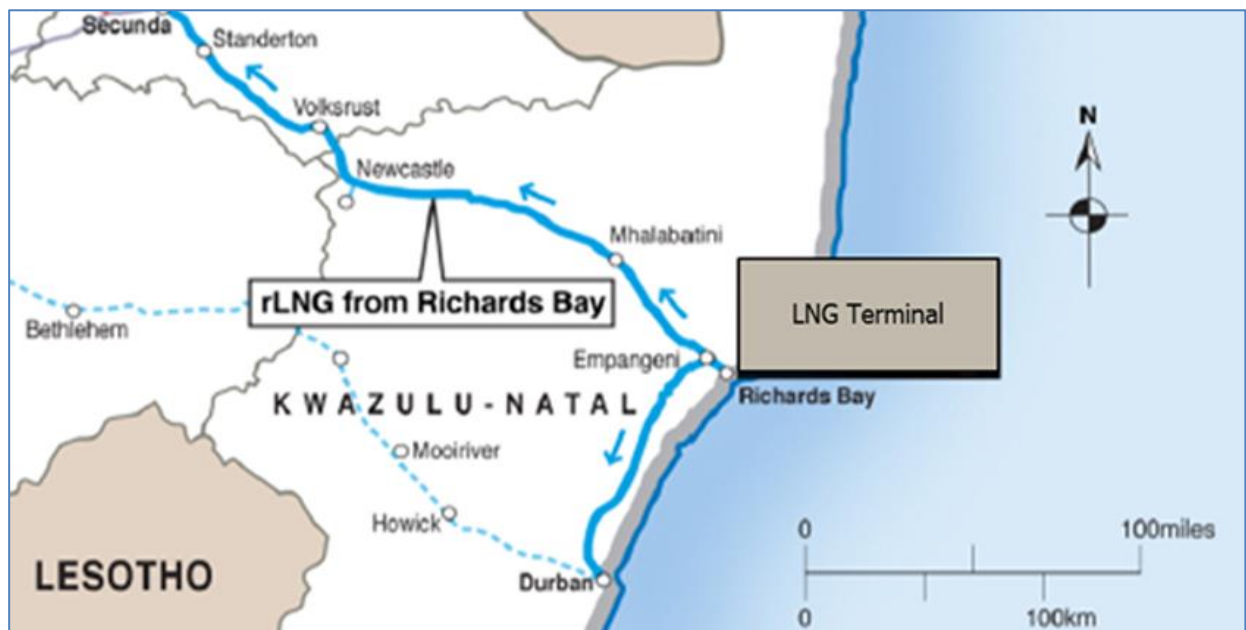


Figure 2: Repurposing of the Lilly Pipeline project scope

To this end, Transnet Pipelines has commissioned a project to repurpose the Lilly Pipeline for regassified LNG. The project scope includes:

- constructing an intake station near Empangeni for the connection with ZET;
- splitting the flow at Empangeni resulting in flow both from Empangeni to Durban and Empangeni to Secunda servicing industrial gas users along the Lilly Pipeline route as well as the Gauteng gas market; and
- debottleneck by modelling and design of both Lilly Pipeline legs for maximum future capacity. Increasing Lilly Pipeline capacity will depend on market demand and committed commercial agreements.

The completion of the project will result in increased pipeline capacity for which Transnet Pipelines seeks to ascertain market interest to take up capacity in the repurposed Lilly Pipeline. The responses to the EOI will be incorporated into the pre-feasibility study in order to quantify the market demand as well as used to frame the request for proposal. Customers will be responsible for securing their own regassified LNG supply and will enter into Gas Transportation Agreements (GTA) with Transnet Pipelines for provision of regassified LNG transportation services. Transnet Pipelines is currently at the pre-feasibility study phase of the repurposing of the Lilly Pipeline project.

3.Expression of Interest (EOI)

Transnet Pipelines would like to invite parties interested in securing pipeline capacity on the repurposed Lilly Pipeline to submit expressions of interest by completing, in full, the table set out in section 5.2 below. Interested parties are requested to refer to section 5.1 for more details on the desired format of the response. The information supplied by interested parties will be treated as confidential by Transnet Pipelines and, likewise, any information supplied by Transnet Pipelines is to be considered confidential and must be treated as such. Respondents should note that this EOI is separate from that conducted by the Transnet Pipelines and Vopak Terminals Durban consortium for ZET.

4.General Provisions

The purpose of this EOI is to provide the project information to interested parties and to assist Transnet Pipelines in understanding the preliminary market interest in the repurposed Lilly Pipeline.

- This EOI does not, and will not be deemed to constitute an agreement or an offer by Transnet Pipelines that is capable of acceptance and any response to, or signature of, this EOI shall not give rise to any obligations on the part of Transnet Pipelines.
- This EOI is, accordingly, mutually non-binding. Whilst this document has been prepared in good faith, Transnet Pipelines does not make any representation, express or implied, as to the accuracy or completeness of the information set out herein.
- Transnet Pipelines will not have any liability to any party arising in connection, whether directly or indirectly, with this EOI or any response received by an interested party.
- Transnet Pipelines reserves the right to amend, modify or withdraw this EOI, or any part of it, or to terminate or amend the plans for repurposing the Lilly Pipeline, at any time, without prior notice and without liability to compensate or reimburse any person pursuant to such amendment, modification, withdrawal, or termination.
- A respondent to this EOI warrants that the information provided is true, accurate and complete and undertakes to be bound by the terms and conditions of this EOI as set out herein.

5.Information to be provided by the respondent to this EOI

5.1. Format of the response

The respondent is required to fill out the table below and address all the points. The respondent is encouraged to submit any additional documents that will assist Transnet Pipelines in its decision making. Please note:

- The EOI response and all supporting documents must be in English.
- Any supporting documentation must be indexed and properly referenced.
- The response must be accompanied by a signed company letter.
- The response must be submitted before **30 August 2024 at 17:00 (SAST)**. Any response sent after the mentioned deadline will not be considered.
- Transnet Pipelines reserves the right to request for additional information if necessary.
- Any party responding to this EOI shall bear all of the costs which it incurs in connection with its response.

5.2. EOI Response template

#	Topic	Required Details	Response
1.	Respondent's Details	Company Name	
		Registration Number	
		Company Registration documents (Please attach to submission)	
		Registered Address	
		Main Business	
		Company's Profile (Please attach to submission)	
		Group Structure (Please attach to submission)	
		Link to Company's Website	
2.	Contact Person's Details	Full Name	
		Job Title	
		Contact Number	
		Email Address	
3.	Gas Supply	Gas supply in place (Yes/No)	If Yes, where is the supply point: Contracted supply volume (in Petajoule/annum):
		Potential new gas supply (Yes/No)	If Yes, where is the supply point: Supply volume to be contracted with the new Supplier (in Petajoule/annum):
4.	Gas Offtake	Expected Duration	
		Estimated Start Date	
		Estimated End Date	
		Estimated gas per delivery point (in Gigajoules)	
		Timing of gas demand (Year)	

		<p>Existing offtake connection point (GPS coordinates) (if applicable) Empangeni to Secunda Newcastle</p> <p>Empangeni to Durban Empangeni Richards Bay Mandeni Verulam Phoenix Durban South</p>	
		<p>Potential New offtake connection point (GPS coordinates) (whether within Lilly Pipeline route or Gauteng or Mpumalanga) (if applicable)</p>	
		<p>Offtake pressure</p>	
		<p>Offtake temperature</p>	
		<p>Offtake pipeline size (if available)</p>	
		<p>Estimated Load factor</p>	
		<p>Estimated Average daily demand (in Gigajoules) Empangeni to Secunda Newcastle</p> <p>Empangeni to Durban Empangeni Richards Bay Mandeni Verulam Phoenix Durban South</p> <p>New connection point (whether within Lilly Pipeline route or Gauteng or Mpumalanga)</p>	

		<p>Estimated Annual demand (in Petajoules)</p> <p>Empangeni to Secunda</p> <p>Newcastle</p> <p>Empangeni to Durban</p> <p>Empangeni Richards Bay Mandeni Verulam Phoenix Durban South</p> <p>New connection point (whether within Lilly Pipeline route or Gauteng or Mpumalanga)</p>	
		<p>Estimated 10-year demand (in Petajoules)</p> <p>Empangeni to Secunda</p> <p>Newcastle</p> <p>Empangeni to Durban</p> <p>Empangeni Richards Bay Mandeni Verulam Phoenix Durban South</p> <p>New connection point (whether within Lilly Pipeline route or Gauteng or Mpumalanga)</p>	
		<p>Any Seasonal requirement (in Gigajoules)</p> <p>Empangeni to Secunda</p> <p>Newcastle</p> <p>Empangeni to Durban</p>	

		Empangeni Richards Bay Mandeni Verulam Phoenix Durban South New connection point (whether within Lilly Pipeline route or Gauteng or Mpumalanga)	
5.	Bankability	Company's Credit Rating System	
		Company's Credit Rating Score	
		Average of last 3 years revenue (in ZAR) (Please attach to submission)	
		Average of last 3 years profit before Tax (in ZAR) (Please attach to submission)	
		Average of the last 3 years free cash flows (in ZAR) (Please attach to submission)	
		Average of the last 3 years solvency and liquidity ratios. (Please attach to submission)	
		Certified copies of last 3 years audited annual financial statements. (Please attach to submission)	
		Company's Main Bank's Credit Rating Score	
		Names of Parent Company Guarantor	
		Maximum Guarantee Amount	
6.	Compliance	Company Registration Documents (Please attach to submission)	

		BBBEE Certification (Please attach to submission)	
		Tax compliance	
		Relevant licenses with the Energy Regulator (Please attach to submission)	
		Other applicable registrations (licenses, permits, etc) (Please attach to submission)	
7.	Additional Information	Any relevant information which may include but is not limited to LNG, natural gas or related experience. (Please attach to submission)	