



MINISTER OF ENVIRONMENT

DGK-IV.4771.42.2018.BG

DECISION

Acting on the basis of Article 37, section 2 of the Act of March 6, 2018 - Entrepreneurship Law (Journal of Laws, item 646) and Article 21, section 1, point 2, Article 22, section 1, point 2, in conjunction with Article 34, section 1 of the Act of June 9, 2011 *Geological and Mining Law* in the wording in force on December 31, 2014 (Journal of Laws of 2014, item 613, 587, 850), in conjunction with Article 8, section 4 of the Act of July 11, 2014 *amending the Act – Geological and Mining Law and certain other acts* (Journal of Laws, item 1133, as amended) and in conjunction with Article 10 of the Act of May 25, 2017 *amending the Act – Geological and Mining Law and certain other acts* (Journal of Laws, item 1215), as well as Article 104 of the Act of June 14, 1960 *Code of the Administrative Procedure* (Journal of Laws of 2017, item 1257) and having obtained the approvals of relevant cooperating authorities, required under the *Geological and Mining Law*

I hereby decide

to amend license No. 2/2006 of November 11, 2006, granted by the Minister of Environment to Przedsiębiorstwo Poszukiwań i Eksploatacji Złóż Ropy i Gazu Petrobaltic S.A. in Gdańsk (currently known as LOTOS Petrobaltic S.A. in Gdańsk), for the production of natural gas (gas condensate) from the "B6" deposit located within the area of the Polish Exclusive Economic Zone of the Baltic Sea, amended by the decision of August 29, 2008, (ref. No.: DGiKGe-4770-52/5363/08/MO), transferred to Baltic Gas Sp. z o.o. i Wspólnicy Sp.k. in Gdańsk by the decision of March 13, 2013, (ref. No.: DGKw-4771-28/10133/13/AS), corrected by the decision of April 8, 2013 (ref. No.: DGKw-4771-28/13600/12/AS), amended by the decision of December 5, 2014 (ref. No.: DGK-IV-4771-30/49277/14/AC) and by the decision of July 25, 2017 (ref. No. DGK-IV.4771.4.2017.BG) so that:

1) after paragraph 10, paragraph 11 is added, reading as follows:

"11.1. The entrepreneur is obliged to establish a security for claims that may arise as a result of the performance of the activities involving production of natural gas (gas condensate) from the "B6" deposit located in the offshore area of the Republic of Poland.

11.2. The security shall be established in the form of third-party liability insurance.

11.3. The amount of the security for the activity conducted based on the mining plant is PLN 20,000,000 (say: twenty million zloty).

11.4. The entrepreneur shall provide the proof that the security has been established within 30 days from the date of issuance of the decision approving the mining plant operation plan.

11.5. In the event of approval of the subsequent mining plant operation plans, including the execution of new mining works - production boreholes or boreholes for injection of water into the rock formation by the relevant District Mining Authority, the security amount will gradually increase by PLN 10,000,000 (say: ten million zloty) for each new production borehole and PLN 1,000,000 (say: one million zloty) for each new borehole used for injecting water into the rock formation. If such a situation occurs, the establishment of such security shall take place after the day of delivery of the decision approving the new mining plant operation plan, not later than before the day of commencement of mining plant operation carried out based on this plan, and the proof of establishing the security should be presented to the licensing authority within 30 days following the day of issuance of the decision approving the mining plant operation plan.

11.6. In the event mentioned in point 5 the entrepreneur shall provide the proof that the security has been established within 30 days from the date of issuance of the decision approving the mining plant operation plan.

11.6. In the event of abandonment of boreholes, the security amount will be gradually reduced by PLN 10,000,000 (say: ten million zloty) for each abandoned production borehole and PLN 1,000,000 (say: one million zloty) for each abandoned borehole for injection of water into the rock mass. In the event of such a situation, the security amount will be reduced upon completion of the borehole abandonment when the mining plant or its designated part has been liquidated in accordance with the operation plan of a mining plant in liquidation. Information on the liquidation of the mining plant or its designated part as well as of the equipment, installations, facilities or mining pits of such plant that are technically and technologically redundant, as well as on the approval of the operation plan of the mining plant or its designated part in liquidation, shall be submitted by the entrepreneur to the licensing authority within 30 days following the day of issuance of the decision approving the mining plant operation plan. The entrepreneur shall notify the licensing authority about the completion of the borehole abandonment within 14 days following such completion.

11.7. Every year, until January 31, the entrepreneur shall provide the licensing authority with the valid proof of the security.

11.8. The security shall be maintained at a constant level and supplemented immediately up to that level throughout the entire period for which the mining plant operating plan has been drawn up and approved."

Justification:

By way of the decision of November 7, 2006, the Minister of Environment granted to Przedsiębiorstwo Poszukiwań i Eksploatacji Złóż Ropy i Gazu Petrobaltic S.A. with its registered office in Gdańsk (currently known as LOTOS Petrobaltic S.A. with its registered office in Gdańsk) license No. 2/2006 for the production of natural gas (gas condensate) from the "B6" deposit located within the area of the Polish Exclusive Economic Zone of the Baltic Sea, subsequently amended by the decision of August 29, 2008, (ref. No.: DGiKGe-4770-52/5363/08/MO), transferred to Baltic Gas Sp. z o.o. i Wspólnicy Sp.k. with its registered office in Gdańsk by the decision of March 13, 2013, (ref. No.: DGKw-4771-28/10133/13/AS), corrected by the decision of April 8, 2013 (ref. No.: DGKw-4771-28/13600/12/AS), amended by the decision of December 5, 2014 (ref. No.: DGK-IV-4771-30/49227/14/AC) and the decision of July 25, 2017 (ref. No.: DGK-IV.4771.4.2017.BG).

On July 24, 2017, the Act of May 25, 2017 *amending the Geological and Mining Law and certain other acts* (Journal of Laws, item 1215) entered into force, implementing Directive 2013/30/EU of the European Parliament and of the Council of June 12, 2013 on *safety of offshore oil and gas operations and amending Directive 2004/351/EC* into the Polish legal order. The aforementioned Act introduced into the Act of June 9, 2011 - *Geological and Mining Law* (Journal of Laws of 2017, item 2126, as amended) the provision of Article 49x section 2a, which stipulates that an entrepreneur conducting activities consisting in the exploration, prospecting or production of hydrocarbons from deposits within the limits of the offshore areas of the Republic of Poland shall be obliged to establish security for claims that may arise as a result of such activities.

Pursuant to Article 10 of the Act of May 25, 2017 *amending the Geological and Mining Law Act and certain other acts*, licenses for the exploration and prospecting of hydrocarbon deposits and the production of hydrocarbons from the deposits within the offshore areas of the Republic of Poland, and licenses for the production of hydrocarbons from deposits within the offshore areas of the Republic of Poland, granted pursuant to provisions in force prior to the date of entry into force of the aforementioned Act shall be adjusted ex officio by the licensing authority with respect to the establishment of security for claims which may arise as a result of the performance of such activities, as referred to in Article 49x section 2a of the *Geological and Mining Law* by July 19, 2018.

In view of the above, on May 30, 2018, licensing authority initiated, ex officio, administrative

proceedings to amend license No. 2/2006 for the production of natural gas (gas condensate) from the "B6" deposit. In the course of the proceedings, the licensing authority, guided by the scope of activities covered by the aforementioned license, including the number of boreholes used for its performance, posing a potential risk of events resulting in the claims referred to in Article 49x section 2a of the *Geological and Mining Law* and the limited potential impact of this activity on protected areas and the coast, due to its considerable distance from protected areas and from the coastline, established the security for claims that may arise as a result of the performance of this activity in the amount of PLN 20,000,000, including the security for the mining plant - PLN 10,000,000, as well as for each production borehole - PLN 10,000,000 and for each borehole used for water injection - PLN 1,000,000. When determining the amount of the security, the licensing authority also took into account the company's position presented in the letter of June 20, 2018.

The licensing authority also obliged the entrepreneur to provide evidence for the establishment of this security within 30 days from the date of delivery of the decision approving the mining plant operation plan, under pain of expiry of license No. 2/2006.

It should be emphasized that in the event of approval of the subsequent mining plant operation plans, including the execution of new mining works - production boreholes or boreholes for injection of water into the rock mass by the relevant District Mining Authority, the security amount will gradually increase by PLN 10,000,000 for each new production borehole and PLN 1,000,000 for each new borehole used for injecting water into the rock mass. If such a situation occurs, the establishment of such security shall take place after the day of delivery of the decision approving the new mining plant operation plan, not later than before the day of commencement of mining plant operation carried out based on this plan, and the proof of establishing the security should be presented to the licensing authority within 30 days following the day of delivery of the decision approving the mining plant operation plan.

The licensing authority assumed that in the event of liquidation of the boreholes, the value of the security would decrease successively by PLN 10,000,000 for each removed production borehole and PLN 1,000,000 for each removed borehole used for injecting water into the rock mass. The entrepreneur was obliged to provide the licensing authority with information on the approval of the operation plan for the removed mining plant or its designated part within 30 days following the date of delivery of the decision and to inform about the completion of the removal of the boreholes within 14 days following the date of its completion.

Pursuant to Article 49x section 4 point 8 of the *Geological and Mining Law* and in accordance with the position of Baltic Gas Sp. z o.o. i Wspólnicy Sp. k., in the letter of June 20, 2018 it was adopted that the security will be provided in the form of a third-party liability insurance.

Every year, by January 31, the entrepreneur will be required to provide the licensing authority with up-to-date proof of the existence of the security. The security shall be maintained at a constant level and supplemented immediately up to that level throughout the entire period for which the mine operating plan has been drawn up and approved.

Pursuant to Article 34 section 2 of the *Geological and Mining Law*, the provisions on granting the license shall be applied accordingly to the amendment of the license. Cooperation with the authorities specified in the Act shall then apply only to the matters which are the subject of an intended amendment.

In view of the above, pursuant to Article 8 section 2 of the *Geological and Mining Law* and Article 106 of the *Code of Administrative Procedure*, the licensing authority agreed on the draft decision concerning the case in question with the minister competent for maritime economy, who agreed on the draft decision within the statutory deadline.

In the course of the proceedings, the licensing authority ensured the party to the proceedings

active participation in every stage of the proceedings, and prior to the issuance of this decision the authority made it possible for the party to present its opinion on the collected evidence and materials as well as the requests submitted in the case. The party did not have any reservations with respect to the pending proceedings.

Therefore, the decision was made as in the sentence.

A party dissatisfied with the decision may, within 14 days from its receipt, applying appropriate regulations on lodging appeal against the decision, apply to the Minister of Environment for reconsideration of the case.

A party may file a complaint against the decision with the Voivodeship Administrative Court in Warsaw within 30 days from the date of its delivery, without exercising the right to apply to the Minister of Environment for reconsideration of the case. The complaint shall be filed through the Minister of Environment. The fixed court fee for the complaints concerning licenses, permits and permits to conduct business activity in the field of geology and mining amounts to PLN 1,000. The party may apply for assigning the right to obtain aid, upon request submitted to the Voivodeship Administrative Court in Warsaw.

During the course of the period for filing the application for reconsideration of the case, the party may waive the right to apply to the Minister of Environment for reconsideration of the case. As of the date of delivery of the representation on waiver of the right to apply for reconsideration of the case by the last party to the proceedings to the Minister of Environment, the decision becomes final and binding, which means that it is not possible for the party to appeal against it to the Voivodeship Administrative Court. It is not possible to effectively withdraw the representation on waiver of the right to apply for the case reconsideration.

On behalf of Minister
Chief National Geologist, Attorney
on the National Raw Materials Policy
prof. post-doctoral degree Mariusz-Orion Jędrysek
[stamp and signature]

To be received by (against confirmation of receipt):

1. Baltic Gas Sp. z o.o. i Wspólnicy Sp.k.
2. to files

Copy to (against confirmation of receipt):

1. Maritime Office in Gdynia
2. Ministry of Maritime Economy and Inland Navigation
3. Ministry of Energy in Warsaw
4. Ministry of Finance in Warsaw
5. State Mining Authority in Katowice
6. District Mining Authority in Gdańsk
7. National Fund for Environmental Protection and Water Management in Warsaw
8. Province Inspectorate for Environmental Protection in Gdańsk
9. Regional Directorate for Environmental Protection in Gdańsk
10. Polish Geological Institute — National Research Institute, Register of Mining Areas