



SOCIETATEA NAȚIONALĂ DE TRANSPORT GAZE NATURALE "TRANSGAZ" SA

Capital social: 117 738 440,00 LEI  
ORC: J32/301/2000; C.I.F.: RO 13068733  
P-ta C.I. Motaș, nr. 1, cod 551130, Medias, Jud. Sibiu  
Tel: 0040 269 803333, 803334, Fax: 0040 269 839029  
<http://www.transgaz.ro>; E-mail: [cabinet@transgaz.ro](mailto:cabinet@transgaz.ro)

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## REPORT

### **On the approval by Transgaz' EGSM of the contracting of legal consultancy services for analysing and negotiating the commercial, financial and legal terms for the association with the Three Seas Initiative Investment Fund**

## SUMMARY

SNTGN Transgaz SA ("Transgaz" or "the Company") and the Three Seas Initiative Investment Fund ("3SIIF" or "the Fund"), an investment fund set up to finance key infrastructure and energy investments in the Three Seas region (Black Sea, Adriatic and Baltic Sea) and affiliated to the 3 Seas Initiative, have initiated discussions to identify collaborative structures to finance strategic investment projects of Transgaz ("the Projects"), Projects contributing to Romania's energy security and to the energy transition in the Three Seas Initiative member countries. The Romanian Government is an investor in the Fund.

## PROPOSAL

**According to the provisions of art. 15 paragraph 4) letter p) of Transgaz' updated Articles of Incorporation and of art. I, paragraph (3) of updated GEO no. 26/2012, the following are submitted for analysis and approval:**

- 1) Conclusion of a legal consultancy contract for analysing and negotiating the legal, financial and commercial terms for the association with the Three Seas Initiative Investment Fund in order to attract financing in aggregated amount of up to EUR 626 mil. for the development of gas hydrogen blend transmission infrastructure projects.**

**The estimated value of the legal consultancy contract is EUR 150,000.**

- 2) Empowerment of Transgaz' Director General to negotiate and sign this contract.**

## DETAILED CONTENTS

### 1. Context

SNTGN Transgaz SA ("Transgaz" or "the Company") and the Three Seas Initiative Investment Fund ("3SIIF" or "the Fund"), an investment fund set up to finance key infrastructure and energy investments in the Three Seas region (Black Sea, Adriatic and Baltic Sea) and affiliated to the 3 Seas Initiative, have initiated discussions to identify collaborative structures to finance strategic investment projects of Transgaz ("the Projects"), Projects contributing to Romania's energy security and to the energy transition in the Three Seas Initiative member countries. The Romanian Government is an investor in the Fund.

The objective of the Fund is to invest in transport, energy and digital infrastructure that accelerates economic development and improves connectivity and cooperation across the region. 3SIIF has received commitments from national development finance institutions in Poland, Romania, Bulgaria, Estonia, Latvia, Hungary, Slovenia, Lithuania and Croatia in total amount of over EUR 900 million.

3SIIF and Transgaz identified a means of association to develop projects in aggregated amount of up to EUR 626 mil. Projects to require funding from shareholders and financing institutions in aggregated value of up to EUR 626 mil.

The partnership between Transgaz and 3SIIF consists in an association for the establishment of a company ("the Joint Venture") organized as a joint venture headquartered in Romania.

The Joint Venture will be held 51% by Transgaz and 49% by 3SIIF.

The Joint Venture is to develop one or more Projects and, upon their completion, it is to sell such Projects to Transgaz in sale and purchase transactions at a price that will enable the Joint Venture to cover its development costs and to generate a predetermined return for the Joint Venture's shareholders.

Once the Projects are sold by the Joint Venture to Transgaz, Transgaz will own and operate the assets of the Projects according to the applicable law.

The Projects will be designed and developed as "hydrogen ready/low carbon" infrastructure projects pursuant to the relevant industry best practices and legal requirements, acknowledging the long-term objectives of the Paris Agreement and the European Green Deal.

In this context, we deem it essential for highly specialised legal consultancy to be ensured during the entire process of analysing and negotiating the legal, financial and commercial

terms for the association with the 3SIIF in order to attract financing in aggregated amount of up to EUR 626 mil. for the development of gas hydrogen blend transmission infrastructure projects.

## **2. Legal consultancy legal considerations**

Our proposal for legal consultancy is based on the following legal provisions

According to Article I para. (1) of GEO 26/2012 on measures to reduce public expenditure and strengthen financial discipline and amending regulatory acts, the national companies having inhouse legal personnel in their organizational structure may not purchase legal consultancy, assistance and/or representation services.

However, the contents of para. (3) of the same article provides for the following exception to this limitation: "in duly justified situations, where the legal advisory, assistance and/or representation activities required by the national companies, national companies and corporations, as well as the autonomous regies referred to in para. (1), cannot be provided by the legal specialist personnel employed in these entities, services of this nature may be purchased, under the conditions provided for in the law, only subject to the approval and mandate of the representatives of the state or administrative-territorial units in their governing bodies:

by the coordinating main credit release authorising officer, in the case of those in which the State is a full or majority shareholder (...)"

We consider that in this situation, taking into account the complexity of the potential transaction and the possible risks with negative implications for Transgaz, if Transgaz' rights and interests are not defended by high professionalism and expertise, the legal consultancy activities, assistance and/or representation may not be ensured by the Company's inhouse specialised legal personnel, being necessary for such services to be provided by persons experienced in acquisition and merger transactions.

We, therefore, envisage the need to procure legal services for consultancy, assistance and representation of Transgaz over the entire process of analysis, negotiation and preparation of the contractual documents with 3SIIF.

## **3. Substantiation of the legal consultancy contract estimated value**

With regard to the lawyer's fee, Article 127 of the Statute of the Legal Profession, adopted by Decision no. 64/2011 of the National Union of Bar Associations of Romania, provides for, in para. (1), that "*for his/her professional activity the lawyer is entitled to a fee and to the coverage of all expenses incurred in the interest of his/her client*". "*Fees shall be*

established in relation to the difficulty, extent or duration of the case", in accordance with the elements listed in para. (3), as follows:

- the time and workload required to execute the mandate received or the work requested by the client;
- the nature, novelty and difficulty of the case;
- the importance of the interests involved;
- the fact that the acceptance of the mandate given by the client prevents the lawyer from accepting another mandate from another person, if this can be ascertained by the client without further investigation;
- the lawyer's reputation, qualifications, seniority, experience, standing and specialisation;
- cooperation with experts or other specialists required by the nature, subject matter, complexity and difficulty of the case;
- the advantages and results obtained for the client's benefit as a result of the lawyer's work;
- the client's financial situation;
- the time constraints under which the lawyer is obliged by the circumstances of the case to act in order to provide efficient legal services."

The estimated value of the legal consultancy contract amounts to EUR 150,000.

This value was estimated in consideration of and in relation with the legal consultancy costs assumed in the past by the consortium Reganosa – EBRD – Transgaz in the preparation of the bid for the procurement of the gas transmission system operator DESFA Greece as well as with the legal consultancy costs committed by Transgaz within the financing transactions concluded with EBRD for the funding of the gas pipeline project BRUA (loan) and of the gas transmission project Ungheni – Chisinau (association).

In the light of such aspects, i.e. the complexity of the case, it is also necessary to negotiate the lawyer's fee on the basis of the workload and taking into account the specific nature of the activity and the fact that the transaction under consideration has particularities requiring complex expertise.

**Chairman of the Board of Administration,  
Petru Ion VĂDUVA**