

**FPS SYSTEM  
TRANSPORTATION AND PROCESSING AGREEMENT**

**SECTION 2  
CONDITIONS OF CONTRACT**

**FPS SYSTEM**  
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**SECTION 2 - CONDITIONS OF CONTRACT**

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## **CLAUSE 1 - DEFINITIONS**

### **1.01 Definitions**

Whenever used in this Agreement (including the recitals and Attachments hereto and in Section 1 and all Exhibits thereto) the following terms shall have the following meanings, unless the context otherwise requires:

**“Act of Insolvency”** means in respect of a Party, that such Party or any holding company of such Party:

- (a) is dissolved (other than pursuant to a solvent consolidation, amalgamation or merger);
- (b) becomes insolvent or is unable to pay its debts within the meaning of section 123(1) of the Insolvency Act 1986 or fails or admits in writing its inability generally to pay its debts as they become due;
- (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors;
- (d) initiates a voluntary arrangement or scheme of arrangement or composition in respect of its debts or affairs;
- (e) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights generally or a petition is presented for its winding-up, liquidation or dissolution and (unless commenced by such Party or its holding company) such proceeding or petition is not dismissed, withdrawn or stayed within twenty-one (21) Working Days of such proceeding or petition being commenced or presented;
- (f) is presented with execution against, foreclosure on or the taking of possession of all or a material part of its assets by a creditor and such execution,

foreclosure or taking of possession is not dismissed, withdrawn or stayed within twenty-one (21) Working Days of such execution, foreclosure or taking of possession being commenced or presented;

- (g) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a solvent consolidation, amalgamation or merger);
- (h) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, administrative receiver, trustee, custodian or other similar official for it or for all or substantially all of its assets; or
- (i) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in paragraphs (a) to (h) (inclusive) above, or takes any action in furtherance of, or indicating its consent to, approval of or acquiescence in any of the acts referred to in this definition.

**“Additional Quantities”** has the meaning given to it in Clause 6.06(a).

**“Affiliate”** in relation to any Person means:

- (a) either a company or corporation in which such Person holds directly or indirectly shares carrying more than 50% of the votes at a general meeting; or
- (b) a company or corporation holding directly or indirectly shares carrying more than 50% of the votes at a general meeting of such Person; or
- (c) a company or corporation of which shares carrying more than 50% of the votes at a general meeting are held directly or indirectly by a company or corporation which also holds directly or indirectly shares carrying more than 50% of the votes at a general meeting of such Person.

**“Agreement”** means this Transportation and Processing Agreement comprising of Section 1 and Section 2 together with the Exhibits and Attachments thereto all as more particularly described in Clause 2.1 of Section 1.

**“Allocation Period”** means the period covering a Month, at the end of which Forties Blend, Raw Gas and/or Gas Products (as relevant) are allocated to Users.

**“Barrel”** means a volume of 42 U.S. gallons (at 60 deg F and 14.7 psia). The following standard, ASTM D 1250-80, Volume XI, Table 3 and Table 4, shall be used to convert between Barrel at 60 degrees Fahrenheit and cubic metres at 15 degrees Celsius.

**“Butane”** means the product recovered from the Kerse of Kinneil de-butaniser columns (excluding the bottoms) which may have been further processed in facilities downstream thereof.

**“C<sub>5+</sub> Condensate”** means the liquid recovered as bottoms from the Kerse of Kinneil de-butaniser columns.

**“Claims”** means any and all claims, demands, actions and proceedings, damages, losses, liabilities, costs and expenses (including legal expenses) of every kind or nature.

**“Commencement Date”** has the meaning given to it in Clause 3.3 of Section 1.

**“Composition”** means the information as set out in Exhibit III to Section 1.

**“Consequential Loss”** means all indirect loss or damage howsoever arising and which may be claimed or is recoverable at common law or in equity, whether pursuant to a contract, by virtue of any trust or fiduciary duty, in tort (including negligence), as a consequence of any duty (statutory or otherwise) or under any other legal doctrine or principle whatsoever. “Consequential Loss” shall be deemed to include the following to the extent to which they might not otherwise constitute indirect loss or damage:

- (a) loss of revenue, production or profit, arising directly or indirectly;
- (b) losses associated with business interruption including overheads thrown away, arising directly or indirectly;

- (c) loss of bargain, contract, expectation or opportunity, arising directly or indirectly;
- (d) any loss, claim or expense which arises out of or is connected with the sale, disposal, exchange or use of, or the transportation or processing of any production from the Shippers Field (including natural gas to be transported separately from Shippers Pipeline Liquids), arising directly or indirectly; and
- (e) all other losses or damages which are not immediately and directly caused by the relevant act or omission.

**“Contract Year”** means a period of twelve (12) consecutive Months beginning at 18:00 hours on 30 September in any Year and ending at 18:00 hours on 30 September in the next succeeding Year.

**“Day”** means any period of twenty four (24) consecutive hours starting at 18:00 hours on any day and ending at 18:00 hours on the following day, while “day” shall be construed as a calendar day consisting of twenty four (24) consecutive hours starting at 00:00 hours and ending at midnight on the following day. The term “Daily” and “daily” will be construed accordingly.

**“Dead Stock”** means that quantity of Forties Blend downstream of the Kinneil meters which cannot be loaded onto tankships in the normal course of operations for the period in question.

**“Dry Gas”** means gas produced from the Kerse of Kinneil de-ethaniser columns which has been subsequently processed in the gas sweetening and drying facilities and which may have been further processed in facilities downstream thereof.

**“Expert”** means an expert appointed in accordance with Clause 22.01.

**“Facility Categories”** has the meaning given to it in paragraph 3.1 of Attachment F.



**“Field Operator”** means the operator of a User.

**“Firm Maximum Quantity”** or **“FMQ”** has the meaning given in Clause 4 of Section 1.

**“Force Majeure”** has the meaning given in Clause 21.

**“Forties Blend”** means Stabilised Crude Oil produced over any period from the Pipeline Liquids of all Users that have delivered Pipeline Liquids into the FPS System during the period concerned.

**“Forties Field”** means the hydrocarbon accumulation generally known as the Forties field underlying Blocks 21/9, 21/10 and 22/6 of the United Kingdom continental shelf.

**“Forties Platform FC”** means the steel jacket centered on UTM zone 31 co-ordinates: 371802.68E; 6400493.04N together with those facilities thereon necessary for the transportation of Shippers Pipeline Liquids within the FPS System.

**“FPS Pipeline”** means those parts of the FPS System comprising:

- (a) the thirty six inch (36") nominal diameter submarine pipeline from Forties Platform FC via the Unity Platform to the landfall at the Cruden Bay terminal together with its export riser and associated pig-launching facilities situated on Forties Platform FC;
- (b) the Cruden Bay terminal containing, inter alia, relief facilities for the protection of the onshore pipeline, booster pumps and pig-receiving and pig launching facilities;
- (c) the onshore pipeline (including the pump stations) from the Cruden Bay terminal to the oil stabilisation, gas recovery and treatment plant located at the Kerse of Kinneil adjacent to the refinery at Grangemouth together with the associated pig-receiving facilities; and

- (d) any facilities, in addition to those set out above, which are necessary for the transportation of Pipeline Liquids from Forties Platform FC to the aforesaid oil stabilisation, gas recovery and treatment plant located at the Kerse of Kinneil.

**“FPS System”** means the facilities existing from time to time necessary to transport and process Pipeline Liquids and necessary to handle and deliver Forties Blend and Gas Products (or Raw Gas as appropriate). The relevant facilities currently comprise those facilities described in Attachment A.

**“FPS System Measurement Forum”** or **“Forum”** means the FPS System Measurement Forum constituted in accordance with the provisions of Attachment G.

**“Free Barrel”** has the meaning given in Clause 8.03(a).

**“Gas Product”** means any of Dry Gas, Propane, Butane and C<sub>5+</sub> Condensate.

**“High Stock Position”** means the level of any stock of Forties Blend and/or any Gas Product (excluding Dry Gas) held, or likely to be held, within the FPS System which, in the reasonable opinion of INEOS, is so high, or likely to be so high, as to adversely affect the operation of the FPS System.

**“Indemnity Cap”** has the meaning ascribed to such expression in Clause 5.2 of Section 1.

**“Indexation Formula”** has the meaning set out in Clause 6.2 of Section 1.

**“Month”** means any one of the twelve (12) calendar months of the Year commencing at 18:00 hours on the last day of the immediately preceding calendar month and ending at 18:00 hours on the last day of such calendar month, while “month” means any one of the twelve (12) calendar months of the Year commencing at 00:00 hours on the first day of such calendar month and ending at 00:00 hours on the first day of the next calendar month. The terms “Monthly” and “monthly” will be construed accordingly.

“**MPE**” means the Norwegian Ministry of Petroleum and or any body or person for the time being responsible for carrying out the functions at present carried out by the Ministry of Petroleum in relation to Norwegian Production Licences and operations carried out thereunder.

“**Offtake Programme**” means, for any period in question, a list of tankships, their expected dates of arrival and cargo sizes to be loaded thereon.

“**Other Facilities**” shall have the meaning given to such expression in Clause 12.06.

“**Other User**” means any User other than the Shippers Field or the Shippers Group, as the context may require.

“**P1**” shall have the meaning given to such expression in Attachment F.

“**P2**” shall have the meaning given to such expression in Attachment F.

“**Parties**” means the parties to this Agreement and “**Party**” means any of them.

“**Peak Entitlement**” has the meaning ascribed to such expression in Clause 4.1 of Section 1 and is the maximum quantity of Shippers Pipeline Liquids which the Shippers Group may tender for delivery.

“**Person**” includes any company, firm, partnership, association, body corporate or individual.

“**Pipeline Liquids**” means liquid substances (including sediment and water) which are suitable for transportation and handling within the FPS System.

“**Pipeline Liquids (dry)**” means liquid substances (excluding sediment and water) which are suitable for transportation and handling within the FPS System.

“**Producer Price Index**” or “**PPI**” means the “Index numbers of producer prices – Output of all Manufactured Products (excluding duty) at gross factory gate prices”,

2015=100 identified as GB7S and made available by the Office for National Statistics or their successors from time to time.

**“Propane”** means the product recovered from the Kerse of Kinneil de-propaniser columns (excluding bottoms) which has been subsequently processed in the gas sweetening and drying facilities and which may have been further processed in facilities downstream thereof.

**“Quarter”** means a period of three (3) consecutive Months commencing on 31 December, 31 March, 30 June or 30 September.

**“Raw Gas”** means gas derived from oil stabilisation and delivered from the compression facilities within the FPS System.

**“Reasonable and Prudent Operator”** means a Person seeking in good faith to perform its contractual obligations and, in so doing and in the general conduct of its undertaking, exercising that degree of skill, diligence, prudence and foresight which would reasonably and ordinarily be expected from a skilled and experienced operator engaged in the same type of undertaking under the same or similar circumstances or conditions, and the expression "standard of a Reasonable and Prudent Operator" shall be construed accordingly.

**“Redelivery Points”** means those locations at which INEOS is entitled and/or obliged to redeliver Forties Blend, Raw Gas or Gas Products pursuant to this Agreement from time to time as specified in Clause 5.01 and any other location agreed in writing from time to time between INEOS and the Shippers Group.

**“Relevant UK ETS Facility”** shall have the meaning given to given to such expression in Clause 16.03.

**“Sample Period”** means the period during which a flow proportional to the representative volume of Pipeline Liquids from each User is drawn for subsequent analysis by an agreed facility. From time to time the FPS System Measurement Forum shall agree the Sample Period and agreed facilities for each User and these

shall be documented in the FPS System Allocation Schedule of Analyses as referred to in Attachment E.

**“Secretary of State”** means the Secretary of State for Business, Energy and Industrial Strategy in the United Kingdom or any successor in office of such individual or any other person holding office under the Crown for the time being responsible for carrying out the functions at present carried out by such individual in relation to United Kingdom Petroleum Production Licences and operations carried out thereunder.

**“Section 1”** means the Form of Agreement, together with all Exhibits thereto, entered into between INEOS and each member of the Shippers Group with respect to the transportation and processing of Pipeline Liquids from the Shippers Field.

**“Section 2”** means these Conditions of Contract together with all Attachments hereto.

**“Senior Managerial Personnel”** means in relation to any company or party, any person employed by it, or any of its Affiliates, as a director or other corporate officer or senior manager. For the purposes of this definition “other corporate officer” or “senior manager” shall mean:-

- (a) in relation to INEOS or its Affiliates, any member of the executive committee which has overall responsibility for the FPS System, or any member of any committee or board performing the same or substantially the same function; and
- (b) in relation to any other company or party, any member of any committee or board having management responsibility for the UKCS exploration and production business of that company or party, or any member of any committee or board performing the same or substantially the same function.

**“Services”** has the meaning given to it in Clause 5.01.

**“Shippers Group”** means all Persons from time to time having a beneficial interest in the Shippers Field and, where the context so admits, shall mean any one or more of such Persons and their respective permitted assigns and/or successors in title.

**“Shippers Pipeline Liquids”** means Pipeline Liquids derived from the Shippers Field (save only for those fluids, that would otherwise have been Shippers Pipeline Liquids, which are consumed, flared, or otherwise used or lost in the course of production or the delivery of Shippers Pipeline Liquids from the Shippers Field to the Transfer Point or exported as gas from the Shippers Field).

**“Shippers Production”** means liquid substances (including sediment and water) produced from the Shippers Field delivered or to be delivered at the Transfer Point.

**“Simulation Period”** means the Monthly period beginning and ending at 18.00 hours, or such other period as may be agreed from time to time, for which product yields from the Pipeline Liquids of each User are computed, such simulation period being the same for all Users.

**“SONIA”** means, with respect to any day, the Sterling Overnight Index Average rate published for such day by the Bank of England as the administrator of the benchmark (or a successor administrator), on their website. If on any such day there is no publication, the rate shall be the rate for the immediately preceding publication date. SONIA shall be compounded utilising a three hundred and sixty-five (365) day year and shall be rounded to four (4) decimal places. If SONIA is below zero for any day during the relevant period, SONIA will be deemed to be zero for that day. If the resulting SONIA rate is in excess of that permitted by applicable law, then the SONIA rate applied shall be the maximum permitted by applicable law. If SONIA publication permanently ceases, it shall be replaced for the purposes of this Agreement by its successor benchmark rate nominated or recommended by the Bank of England (or a successor administrator).

**“Spot Quantities”** has the meaning given to it in Clause 6.06(b).

**“Stabilised Crude Oil”** means crude oil which is suitable for loading into crude oil tankships.

**“Sterling”, “Pounds Sterling”, “pounds Sterling” or “pence Sterling”** means the lawful currency of the United Kingdom from time to time.

**“System Operating Procedures”** means the procedures referred to in Clause 10.02.

**“Tonne”** means a mass of one thousand kilogrammes (1000kg).

**“Tonne (wt)”** means the quantity of material having the same weight as one thousand (1000) kilograms in the form of weights of standard density, both weights and material being in air of standard density. The standards shall be taken from the latest relevant publication of the Petroleum Measurement Tables ASTM/API/IP.

**“Total User Nomination”** means the sum of the throughputs of Pipeline Liquids of the latest nominations (including Additional Quantities and Spot Quantities) accepted by INEOS in good faith in respect of all Users.

**“Total User Requirements”** means the flow rate of Pipeline Liquids tendered for delivery into the FPS System by all Users.

**“UK ETS”** means the UK Emissions Trading Scheme as established pursuant to the UK’s Greenhouse Gas Emissions Trading Scheme Order 2020, and any replacement or successor schemes or arrangements having similar effect.

**“Uncommitted Capacity”** means such capacity (if any) in any part of the FPS System which is not required for the transportation and handling of the total of:

- (a) Pipeline Liquids to be delivered pursuant to contractual commitments entered into by INEOS (including, without limitation, this Agreement); and
- (b) Pipeline Liquids which INEOS wishes to deliver from any field or source in which INEOS or any Affiliate thereof has a beneficial interest.

**“Unity Platform”** means the platform known as the Forties Unity platform approximately six (6) kilometers downstream of Forties Platform FC.

**“User(s)”** means any field or source(s) from which Pipeline Liquids are delivered into the FPS System or the owners of the beneficial interests in such fields or sources or the Field Operators of such fields or sources as the context so admits.

**“Wilful Misconduct”** means, in relation to any company or party, an intentional, conscious or reckless disregard of any provision of this Agreement and of good and prudent oil field practice as constitutes, in effect, a wilful and utter disregard for harmful, foreseeable and avoidable consequences, by its or its Affiliates’ Senior Managerial Personnel but shall not include any negligent act or omission, error of judgement or mistake made in good faith and which in the exercise of such good faith is:

- (a) done or made in the exercise of any function, authority or discretion conferred upon such company or party in terms of or arising out of this Agreement; and/or
- (b) justifiable by special circumstances including but not limited to safeguarding of life, property or the environment and other emergency situations.

**“Working Day”** means a day other than a Saturday or a Sunday on which banks are or, as the context may require, were generally open for business in London, England.

**“Year”** means a calendar year ending at 18:00 on 31 December.

## **1.02 Interpretation**

For all purposes of this Agreement, except as otherwise expressly provided or as the context otherwise requires:

- (a) all references to this Agreement and the words "herein", "hereof", "hereto" and "hereunder" and other words of similar import refer to this Agreement (including the Attachments) as a whole and not to any particular Clause or other subdivision;
- (b) any reference to the singular shall include reference to the plural and vice-versa, and any reference to any gender shall include a reference to all other genders;
- (c) reference herein to time shall be to time statutorily in force in the United Kingdom;



- (d) except where the contrary is stated, reference to this Agreement (or any provision hereof) or any other agreement, instrument or document shall include references to it as novated, amended, supplemental or replaced from time to time;
- (e) in this Agreement, the word “including” shall not be construed as a limitation; and
- (f) references to the calculation of interest using SONIA compounded in arrears shall allow for the Parties to calculate the applicable rate by using an on-line calculator, including those offered by NatWest Markets and IHS Markit, in line with Sterling interest calculation conventions.

### **1.03 Meaning of “Clause” and “Attachment”**

For all purposes of this Section 2, except as otherwise expressly provided or as the context otherwise requires any reference to a "Clause" or an "Attachment" refers to a Clause of or an attachment to this Section 2, as the case may be.

### **1.04 Headings**

The headings of Clauses are included for ease of reference only and do not form part of the Clauses for the purposes of construction thereof.

### **1.05 Relationship of the Shippers**

The Parties hereto agree that each member of the Shippers Group is jointly and severally liable under this Agreement.

### **1.06 Responsibility of the Operator**

Each member of the Shippers Group hereby authorises the Shippers Operator as operator for and on behalf of the Shippers Group, to exercise all rights and meet all obligations of the Shippers Group under this Agreement, and agrees that INEOS may rely on this authorization.

## **1.07 Rates of Interest**

The Parties agree that the rates of interest in this Agreement on late payments or repayments of overpayments represent a substantial commercial remedy for the purposes of the Late Payment of Commercial Debts (Interest) Act 1998.

## **CLAUSE 2 – SCOPE**

### **2.01 Scope of the Agreement**

Subject to the terms and conditions herein contained:-

- (a) The Shippers Group undertakes to tender for delivery at the Transfer Point all liquid substances (excluding sediment and water) produced from the Shippers Field until permanent cessation of production of the Shippers Field, other than those liquids which are consumed, flared, or otherwise used or lost in the course of production or the delivery of such liquids from the Shippers Field to the Transfer Point or exported as gas from the Shippers Field, and each member of the Shippers Group undertakes to accept delivery of, or procure the acceptance of delivery of, its entitlement to Forties Blend and Raw Gas at the appropriate Redelivery Points.
- (b) INEOS undertakes to provide the Services as set out in Clause 5.01.
- (c) Without prejudice to the other provisions of this Agreement, INEOS, the Shippers Operator and each member of the Shippers Group shall exercise their respective rights and discharge their respective obligations hereunder to the standard of a Reasonable and Prudent Operator.

## **CLAUSE 3 - DURATION**

### **3.01 Termination**

- (a) Subject to Clause 11.03, this Agreement shall continue in full force and effect until:
  - i. the Shippers Field has been permanently isolated from the FPS System after the permanent cessation of production of hydrocarbons from the Shippers Field;
  - ii. the Parties have agreed in writing to a formal date of termination ("**Termination Date**"); and
  - iii. The Parties will exercise best endeavours to agree an instrument in writing for the purposes of terminating this Agreement.
  
- (b) Notwithstanding the provisions of Clause 3.01 (a), INEOS shall have the right to terminate this Agreement:
  - (i) by giving ninety (90) days' notice to the Shippers Operator if as a consequence of damage to or destruction or breakdown of the FPS System, any part thereof or any other facilities or infrastructure (whether following a Force Majeure event declared by INEOS in accordance with Clause 21 or otherwise) it is reasonably anticipated that INEOS will be unable to accept, transport and process Shippers Pipeline Liquids properly tendered for delivery for a continuous period of at least three (3) years; or
  - (ii) by giving ninety (90) days' notice to the Shippers Operator if following a Force Majeure event declared by the Shippers Group in accordance with Clause 21 it is reasonably anticipated that as a result of such event, the Shippers Group will be unable to tender Shippers Pipeline Liquids in accordance with the terms of this Agreement for a continuous period of at least three (3) years; or
  - (iii) in accordance with the provisions of Clause 9.03(d); or
  - (iv) in accordance with the provisions of Clause 19.01; or

- (v) forthwith if an Act of Insolvency occurs in respect of all members of the Shippers Group; or
  - (vi) by giving ninety (90) days' notice to the Shippers Operator if the Shippers Group fails, for any reason other than Force Majeure, to tender for delivery any material quantity of Shippers Pipeline Liquids which has been produced and which is required to be tendered for delivery under Clause 2.01 (a); or
  - (vii) forthwith if the Shippers Group fails, for any reason other than Force Majeure, to produce any Shippers Pipeline Liquids for delivery to INEOS for a period of two consecutive years.
- (c) Notwithstanding the provisions of Clause 3.01(a), the Shippers Group shall have the right to terminate this Agreement:
- (i) by giving ninety (90) days' notice to INEOS if, following a Force Majeure event declared by INEOS in accordance with Clause 21, it is reasonably anticipated that, as a result of such event, INEOS will be unable to accept, transport and process Shippers Pipeline Liquids properly tendered for delivery for a continuous period of at least three (3) years; or
  - (ii) at any time following service of a notice by INEOS under Clause 8.04, by giving not less than twelve (12) months' notice to INEOS; or
  - (iii) in accordance with the provisions of Clause 19.03.

### **3.02 Consents and approvals**

INEOS and the Shippers Group shall use all reasonable endeavours to obtain and maintain in effect all governmental and official permits, consents, licences and approvals necessary for the implementation of this Agreement. If any such permits, consents, licences or approvals are not so obtained prior to the earlier of:

- (i) commencement of operations to effect the tie-in of the Shippers System to the FPS System (where there is no Intervening System); or

(ii) the introduction of Shippers Pipeline Liquids into the FPS System;

and if the Parties are unable to agree in good faith on suitable alternative arrangements, then either of INEOS or the Shippers Group shall be entitled to terminate this Agreement by notice.

### **3.03 Accrued rights and obligations**

Any termination of this Agreement shall be without prejudice to the rights and obligations, if any, accrued prior to the effective date of such termination.

## **CLAUSE 4 – LINK-UP**

### **4.01 The Shippers System**

- (a) The Shippers Operator shall perform the design, material procurement, fabrication, installation, maintenance, operation and inspection of the Shippers System (including any necessary sub-sea isolation valve) and all costs associated therewith shall be borne by the Shippers Group. The Shippers Group shall procure that the Intervening System is maintained, operated and inspected to the standard of a Reasonable and Prudent Operator at no cost to INEOS.
  
- (b) The Shippers Operator shall ensure that the design, material procurement, fabrication, installation, maintenance, operation and inspection of the Shippers System and the Intervening System is and remains to the extent necessary for INEOS and the Shippers Operator to fulfil their respective obligations hereunder (including the Shippers Groups' sampling obligations pursuant to Clause 7.06), compatible with the design, material procurement, fabrication, installation, maintenance and operation of the FPS System and INEOS and the Shippers Operator shall consult together and co-operate closely to ensure that the continuous compatibility thereof is maintained.
  
- (c) In the event that it becomes necessary to install a sub-sea isolation valve along the route of the Shippers Pipeline then INEOS and the Shippers Operator shall meet in good faith to agree arrangements and procedures to cover inter alia the design, material procurement, fabrication, installation, pre-commissioning, commissioning, maintenance, operation and inspection of such a sub-sea isolation valve. All costs associated with the design, material procurement, fabrication, installation, pre-commissioning, commissioning, maintenance, operation and inspection of such a sub-sea isolation valve shall be borne by the Shippers Group.

## **CLAUSE 5 - SERVICES**

### **5.01 Transport, processing and redelivery**

Subject to the terms of this Agreement, INEOS undertakes:-

- (a) to accept Shippers Pipeline Liquids tendered by the Shippers Operator on behalf of the Shippers Group at the Transfer Point and to transport such Shippers Pipeline Liquids (which may be transported in conjunction with the Pipeline Liquids of Other Users) through the FPS Pipeline to the Kerse of Kinneil;
- (b) to process at the Kerse of Kinneil such Shippers Pipeline Liquids to produce Forties Blend and Raw Gas and to make fit for disposal into the Firth of Forth any water separated from Shippers Pipeline Liquids;
- (c) to store temporarily such Forties Blend in the Dalmeny tank farm;
- (d) to deliver the said Forties Blend free on board tankships to be provided (or procured to be provided) by any member or members of the Shippers Group at the cost of the Shippers Group at the Hound Point terminal, or to deliver the said Forties Blend free into pipeline at the Kerse of Kinneil approved meters as more particularly specified in the System Operating Procedures;
- (e) to deliver Raw Gas for purchase by INEOS at the discharge flange of the Raw Gas compressors at the Kerse of Kinneil, provided that from the effective date of any notice given by INEOS under Clause 8.04, INEOS may elect not to deliver Raw Gas in accordance with this Clause 5.01(e), and in the event that INEOS makes such an election, INEOS shall instead process such Raw Gas in the Kerse of Kinneil gas recovery and treatment plant to produce Dry Gas, Propane, Butane and C<sub>5+</sub> Condensate which it shall deliver to the members of the Shippers Group;
- (f) from the effective date of any notice given by INEOS under Clause 8.04, and if INEOS makes an election not to redeliver Raw Gas under Clause 5.01(e), if necessary, to store temporarily Propane, Butane and C<sub>5+</sub> Condensate within the Grangemouth complex;



- (g) from the effective date of any notice given by INEOS under Clause 8.04, and if INEOS makes an election not to redeliver Raw Gas under Clause 5.01(e), to deliver Propane, Butane and C<sub>5+</sub> Condensate free on board tankships to be provided or procured to be provided by any member or members of the Shippers Group at the Grangemouth dock, or, following agreement between the relevant Parties, to deliver Propane and/or Butane and/or C<sub>5+</sub> Condensate free into pipeline at such other Redelivery Points as may be agreed from time to time by the relevant Parties; and
- (h) from the effective date of any notice given by INEOS under Clause 8.04, and if INEOS makes an election not to redeliver Raw Gas under Clause 5.01(e), to deliver Dry Gas to each of the Shippers Group at the point located within the complex at Grangemouth, Scotland, as more particularly specified in the System Operating Procedures.

The services specified in this Clause 5.01 (a) – (h) shall be referred to as the “**Services**”.

## **5.02 Provision of the FPS System**

For the purposes of this Agreement, INEOS shall provide, maintain, repair and operate throughout the duration of this Agreement those parts of the FPS System necessary to fulfil its obligations as set out in this Agreement. However, if at any time and for any reason INEOS is unable to fulfil any of those obligations and in order to resume its performance thereof it would have to rebuild, repair, re-configure, rectify or reinstate any part of the FPS System, it shall be under no obligation to rebuild, repair, re-configure, rectify or reinstate such part or to resume such performance if to do so would, in the reasonable opinion of INEOS, be uneconomic to INEOS.

## **5.03 Other Pipeline Liquids**

INEOS shall retain absolute discretion in respect of the acceptance or otherwise, and the conditions of any such acceptance, into the FPS System of Pipeline Liquids other than Shippers Pipeline Liquids. Acceptance of Pipeline Liquids other than Shippers Pipeline Liquids shall be without prejudice to the Shippers Group's rights under this Agreement.

#### **5.04 Line fill, stock changes and losses**

The Shippers Group shall contribute to line fill, stock changes and operational losses/differences in accordance with the provisions of Attachment B - Part I and to Dead Stock in accordance with the provisions of Attachment D.

## **CLAUSE 6 - QUANTITIES**

### **6.01 Determination of FMQ**

The FMQ applicable during each Quarter shall be notified by the Shippers Operator and determined in accordance with the provisions of Clause 4 of Section 1 and Clause 6.02.

### **6.02 Expert referral**

If requested by INEOS, the Shippers Operator shall provide to INEOS the technical and other supporting data on which each FMQ notified under Clause 4 of Section 1 has been based. If INEOS believes that an FMQ does not reasonably reflect the likely maximum daily production of Shippers Pipeline Liquids during the relevant period, it may notify the Shippers Operator accordingly and INEOS and the Shippers Operator shall meet to attempt to mutually determine an appropriate FMQ. In the event that INEOS and the Shippers Operator are unable to agree an appropriate FMQ within thirty (30) days of INEOS's notification to the Shippers Operator, INEOS or the Shippers Operator may submit the question for determination by an Expert, and (subject to the limitations in Clause 4 of Section 1) the Expert will determine the FMQ for the relevant period.

### **6.03 Long term throughput planning information**

Not later than 30 June in each Year, the Shippers Operator shall provide to INEOS the following:

- (a) its best estimate of average daily production of Shippers Pipeline Liquids and composition of Shippers Pipeline Liquids (on a dry basis) for each Month of the following ten (10) Years that it expects to deliver at the Transfer Point, together with any other information reasonably required by INEOS for its planning purposes. Thereafter, the Shippers Operator shall inform INEOS of any anticipated change to any quantity or quality of the Shippers Pipeline Liquids prior to the first Day of each Quarter during which such Shippers Pipeline Liquids will be delivered to the Transfer Point;

- (b) if, during any Contract Year, the Shippers Operator foresees a deviation from the profile given in respect of such Contract Year in accordance with Clause 6.03(a) of more than twenty percent (20%) or ten thousand barrels per Day (10mbd) (whichever is the lesser) the Shippers Operator shall immediately notify INEOS of such an expected deviation.

#### **6.04 Monthly nominations information**

- (a) Not later than the twentieth (20th) day of each month, the Shippers Operator shall provide to INEOS its bona fide best estimate of the daily quantities (expressed in Barrels per Day) (including any Additional Quantities) of Shippers Pipeline Liquids which the Shippers Group wishes to deliver at the Transfer Point and the composition thereof for the following four (4) Months.
- (b) By the penultimate Working Day of each month INEOS shall advise the Shippers Operator of:
  - (i) the quantity of Shippers Pipeline Liquids nominated pursuant to Clause 6.04(a) which INEOS is willing and able to accept for the following Month; and
  - (ii) the estimated Monthly quantities of Forties Blend (in Barrels) and yields per thousand Barrels of Forties Blend of Raw Gas or Gas Products (as applicable) (in Tonnes) expected to accrue to the Shippers Group in the forthcoming four (4) Months.

#### **6.05 NOT USED**

#### **6.06 Additional and Spot Quantities**

- (a) If at any time the Shippers Group wishes to deliver at the Transfer Point quantities of Shippers Pipeline Liquids in excess of the FMQ determined pursuant to Clause 4 of Section 1 for the period in question then, subject to Clause 12 (Throughput Restrictions), INEOS shall not unreasonably withhold consent to a request by the Shippers Operator on behalf of the Shippers Group for the delivery of such additional quantities ("**Additional Quantities**").

Requests for Additional Quantities shall be made in accordance with the procedure set out in Clause 6.04 and shall be subject to all the relevant terms and conditions of this Agreement.

- (b) If at any time the Shippers Group wishes to deliver on a Day at the Transfer Point quantities of Shippers Pipeline Liquids in excess of the applicable flow rates nominated by the Shippers Group in accordance with Clause 6.06(a) and accepted by INEOS in accordance with Clause 6.04(b), INEOS may at its absolute discretion, consent to a request by the Shippers Operator on behalf of the Shippers Group for the delivery of such incremental quantities on such Day ("**Spot Quantities**") provided always that INEOS shall be entitled at its absolute discretion to withdraw its consent at any time prior to the delivery of the Spot Quantities in question. In the event that Spot Quantities are delivered pursuant to the terms of this Clause 6.06(b) the same shall be accepted subject to all relevant terms and conditions contained in this Agreement.

#### **6.07 Information**

The Shippers Group shall procure that the Shippers Operator provides all relevant data and information as required from time to time hereunder forthwith upon the request of INEOS, including but not limited to such data and information reasonably required to enable INEOS to provide the Services hereunder.

#### **6.08 Allocation of Raw Gas and/or Gas Products**

The quantity of Raw Gas and/or Gas Products which the Shippers Group shall be entitled to receive in each Month shall be determined in accordance with Attachment B – Part I, and thereafter, if applicable, in accordance with Attachment B - Part III. It is intended that this should result in the Shippers Group being entitled to receive quantities of Raw Gas and/or Gas Products that reflect the quantities and compositions of Shippers Pipeline Liquids delivered at the Transfer Point by the Shippers Group. If at any time the Shippers Group considers that this intention is not being achieved then the Shippers Operator on behalf of the Shippers Group may give notice pursuant to Attachment B - Part I. In the event that for any Month(s) INEOS has to recalculate the allocation of Raw Gas or Gas Products due to late delivery of data or delivery of inaccurate data by or on behalf of the Shippers Group, then the Shippers Group shall pay ten thousand Pounds Sterling (£10,000) for each Month in

relation to which such recalculation is required, escalated on the same basis as the tariff pursuant to Clause 6.2 of Section 1, in reimbursement of the costs associated with such recalculation.

#### **6.09 Allocation of Forties Blend**

The quantity of Forties Blend which the Shippers Group shall be entitled to receive in each Month shall be determined in accordance with Attachment B - Part II following upon the allocation made in accordance with Attachment B - Part I, and thereafter, if applicable, in accordance with Attachment B - Part III. It is intended that this should result in the Shippers Group being entitled to receive quantities of Forties Blend that reflect the quantities and compositions of Shippers Pipeline Liquids delivered at the Transfer Point by the Shippers Group and the value of the Stabilised Crude Oil attributable to such Shippers Pipeline Liquids. In this context, "value" means the price which Stabilised Crude Oil attributable to Shippers Pipeline Liquids delivered by the Shippers Group hereunder would obtain if made available for sale free on board tankships at Hound Point terminal in cargo lots in regular arms length transactions. If at any time the Shippers Group considers that this intention is not being achieved then the Shippers Operator on behalf of the Shippers Group may give notice pursuant to Attachment B - Parts I and II. In the event that for any Month(s) INEOS has to recalculate the allocation of Forties Blend due to late delivery of data or delivery of inaccurate data by or on behalf of the Shippers Group, then the Shippers Group shall pay ten thousand Pounds Sterling (£10,000) for each such recalculation, escalated on the same basis as the tariff pursuant to Clause 6.2 of Section 1, in reimbursement of the costs associated with such recalculation.

#### **6.10 Verification of entitlement**

INEOS shall, without undue delay, provide the Shippers Operator with such information as it may reasonably request to enable the Shippers Operator to verify that the Shippers Group's entitlement to Forties Blend and Raw Gas and/or Gas Products have been correctly calculated and that the Allocation and Valuation Procedures set out in Attachment B - Parts I and II fulfil the intent of Clauses 6.08 and 6.09.

## **6.11 Errors**

- (a) The Shippers Group releases INEOS from and indemnifies INEOS against any claim that INEOS has failed to deliver its full entitlement of Raw Gas or Gas Products or Forties Blend in accordance with this Agreement unless detailed particulars of the claim have been notified to INEOS prior to the expiry of thirty six (36) Months from the end of the Year in respect of which the under delivery is alleged to have occurred.
- (b) Subject to Clause 11.03, INEOS releases the Shippers Group from and indemnifies the Shippers Group against any claim that the Shippers Group has taken delivery of more than its full entitlement of Raw Gas or Gas Products or Forties Blend in accordance with this Agreement unless detailed particulars of the claim have been notified to the Shippers Group prior to the expiry of thirty six (36) Months from the end of the Year in respect of which the over delivery is alleged to have occurred.
- (c) Should any Party believe that any error has been made in relation to the measurement of inputs to or outputs from the FPS System under this Agreement or in the application of the provisions of Attachment B they shall notify the other Parties as soon as reasonably practicable [setting out details of the error](#). The Parties will discuss the technical basis used to justify the allegation of error and use reasonable endeavours to agree whether and if so what correction to the hydrocarbon accounts is required.
- (d) Should a dispute under Clause 6.11(c) persist for ninety (90) days or longer, any Party may refer the matter for Expert resolution. Where a dispute arises between INEOS and one or more Other Users which relates to the same or similar facts as require determination with this Agreement, the Shippers Group agrees that INEOS may consolidate the resolution of the dispute under this Agreement with that in the other agreement, including the use of the same dispute resolution procedure in each case (including the use of arbitration where this is provided in the other agreement), such that the process will be conducted efficiently, and that each related dispute will be heard together.
- (e) Should any error occur:

- (i) in the measurement of any Pipeline Liquids accepted into the FPS System, or any product delivered from the FPS System; or
- (ii) in the sampling or analysis of any Pipeline Liquids or product delivered from the FPS System; or
- (iii) in the application of the procedures in Attachment B; or
- (iv) otherwise in relation to the records or accounts pursuant to which the rights and obligations of the Parties in connection with the delivery of Raw Gas, Gas Products or Forties Blend are determined;

then, subject to Clause 6.11(a) and (b), such error will be corrected as soon as practicable after it has been agreed or determined to exist, in the case of items (i) to (iv) above in accordance with the provisions of Attachment E Paragraph 1.3 and the costs of correcting such error shall be borne by the Party causing the error.

#### **6.12 FPS Measurement Forum**

The Shippers Operator (on behalf of the Shippers Group) shall, with effect from the date of this Agreement, become a member of the FPS System Measurement Forum and be bound by the FPS System Measurement Forum Constitution and Rules and Protocol 1 of the FPS System Measurement Forum, copies of the latest versions of which are attached as Attachment G.



## **CLAUSE 7 - QUALITY**

### **7.01 General Quality Requirements**

Notwithstanding the provisions of Clause 7.03, the quality of Shippers Production delivered at the Transfer Point (i) shall comply with the quality criteria in the specification included in Exhibit II to Section 1 and (ii) shall not differ from the compositional data contained in Exhibit III to Section 1 to an extent which, in INEOS's opinion, is material. In addition, Shippers Production shall be free from any other undesirable substance or matter (including, without limitation, radioactive materials), which, in the reasonable opinion of INEOS, is likely to cause damage to any part of the FPS System, contaminate or reduce the value of any product deliverable therefrom, or prejudice health, safety or the environment.

### **7.02 Raw Gas, Gas Products and Forties Blend and C<sub>5+</sub> Condensate**

#### (a) Raw Gas

The quality of Raw Gas for delivery to the Shippers Group hereunder may vary from time to time.

#### (b) Gas Products

The quality of Dry Gas, Propane and Butane for delivery to the Shippers Group hereunder shall comply with the specification for the product in question included in Attachment C as it may be amended from time to time.

#### (c) Forties Blend and C<sub>5+</sub> Condensate

It is recognised that the quality of Forties Blend and C<sub>5+</sub> Condensate may vary from time to time but nevertheless the quality thereof for delivery to the Shippers Group hereunder shall be of similar quality to that delivered to Other Users during the relevant period and shall be merchantable and suitable for loading into tankships.

### **7.03 Off-specification Substances - breach by Shippers Group**

- (a) The Shippers Operator shall notify INEOS immediately on becoming aware that the quality of Shippers Production tendered or delivered at the Transfer Point by the Shippers Group is failing, or is likely to fail, either to meet the specification set out in Exhibit II to Section 1 or to comply to a material extent with the composition set out in Exhibit III to Section 1. On receipt of such notice INEOS and the Shippers Operator shall without undue delay consult together (where practicable prior to or immediately after such event) and use all reasonable endeavours to overcome any problems caused. INEOS shall have the right to suspend or reduce acceptance of Shippers Production at the Transfer Point by notice to the Shippers Operator until such time as either (i) the quality issues referred to above have been resolved and / or (ii) any problems caused thereby or likely to be caused thereby have been overcome and/or no longer have a material adverse effect and INEOS is satisfied that there will not be any material adverse effect to the commercial value of other Pipeline Liquids processed in the FPS System.
- (b) Simultaneous with the notification referred to in Clause 7.03(a), the Shippers Operator shall apply to INEOS for a waiver of the relevant portion of the said specification or composition to allow the Shippers Group to continue delivery of Shippers Production at the Transfer Point. If, in the opinion of INEOS, there are no operational, environmental, system integrity, regulatory, legal compliance or safety concerns relating to the FPS System (or any part thereof) in relation to the acceptance of such Shippers Production, INEOS shall use reasonable endeavours to accept such Shippers Production and to grant such a waiver on terms and for a period acceptable to INEOS at its sole discretion at the cost set out on INEOS's website from time to time or otherwise published or determined by INEOS. The granting of any such waiver shall be without prejudice to the rights of INEOS pursuant to this Agreement.
- (c) The provisions of Clause 7.02 shall not apply if, due to breach by the Shippers Group of its obligations hereunder, any Gas Product (excluding C<sub>5+</sub> Condensate) does not comply with the relevant specification in Attachment C and/or Forties Blend and/or C<sub>5+</sub> Condensate does not comply with the provisions of Clause 7.02(c). In such circumstances:

- (i) if the Shippers Group cause Raw Gas to be produced which in INEOS's reasonable opinion is not suitable for processing within the FPS System, then INEOS shall arrange for the disposal of such Raw Gas in any manner it deems appropriate and the cost of such disposal shall be borne by the Shippers Group. Any such disposal shall count towards the entitlement of the Shippers Group to the delivery of Raw Gas under this Agreement or, if the Shippers Group has no entitlement to Raw Gas under this Agreement, any such Raw Gas so disposed of by INEOS shall count towards the entitlement of the Shippers Group to Forties Blend hereunder. If any credit accrues with respect to such disposal then INEOS shall promptly reimburse the Shippers Group accordingly;
- (ii) if a failure by the Shippers Group to comply with Clause 7.01 causes INEOS to produce Gas Products (excluding C5+ Condensate) which fail to comply with the applicable specifications from time to time and/or C5+ Condensate which is not merchantable and/or is not suitable for loading into tankships, the Shippers Group will compensate INEOS for the value of the contaminated Gas Products plus the costs of their disposal, less any credit which accrues to INEOS for their disposal;
- (iii) the Shippers Group shall be obliged at INEOS's request to lift all such Gas Products (excluding Dry Gas) forthwith and such liftings shall be made in accordance with procedures to be advised by INEOS to the Shippers Group (which may include, at INEOS's discretion, that INEOS lifts such Gas Products at the Shippers Group's cost) and shall count towards the entitlement of the Shippers Group to the delivery of Forties Blend and/or Gas Products (excluding Dry Gas) hereunder;
- (iv) INEOS shall arrange for the disposal of all such off-specification Dry Gas in any manner it deems appropriate. All costs relating to such disposal shall be borne by the Shippers Group. Any such Dry Gas so disposed of by INEOS shall count towards the entitlement of the Shippers Group to Dry Gas hereunder, or, if the Shippers Group has no entitlement to Dry Gas under this Agreement, any such Dry Gas so disposed of by INEOS shall count towards the entitlement of the Shippers Group to Raw Gas hereunder; and

- (v) the Shippers Group shall be obliged at INEOS's request to lift all such Forties Blend forthwith and such liftings shall be deemed to be made pursuant to the provisions of Clause 11 and shall count towards the entitlement of the Shippers Group to the delivery of Forties Blend hereunder.
  
- (d) Notwithstanding the provisions of Clause 17 and notwithstanding any waiver granted pursuant to Clause 7.03(b), the Shippers Group shall indemnify INEOS in respect of any and all Claims incurred as a result of the acceptance of Shippers Production that fails to comply with the requirements of Clause 5.1 of Section 1 or Clause 7.01 of Section 2 notwithstanding INEOS's negligence or breach of duty (statutory or otherwise) but not INEOS's Wilful Misconduct. The Shippers Group's aggregate liability under this Clause 7.03(d) in respect of each incident shall be limited to the level of the Indemnity Cap. This Clause 7.03(d) shall be in addition, and without prejudice, to the rights and remedies of INEOS in respect of a failure to comply with the requirements of Clause 5.01 of Section 1 or Clause 7.01 of Section 2 set out elsewhere in this Agreement.

#### **7.04 Off-specification products - breach by unidentified User**

The provisions of Clause 7.02 shall not apply if, due to a breach by a User of its contractual obligations to INEOS whose identity INEOS is unable to identify, any Gas Products (excluding C<sub>5+</sub> Condensate) do not comply with the relevant specification in Attachment C and/or Forties Blend and/or C<sub>5+</sub> Condensate does not comply with the provisions of Clause 7.02. In such circumstances:

- (a) the Shippers Group shall be obliged at INEOS's request to lift that portion of such Gas Products (excluding Dry Gas) as its entitlement hereunder bears to the entitlement of all Users and such liftings shall be made in accordance with procedures to be advised by INEOS to the Shippers Group (which may include, at INEOS's discretion, that INEOS lifts such Gas Products at the Shippers Group's cost) and shall count towards the entitlement of the Shippers Group to the delivery of Forties Blend and/or Gas Products (excluding Dry Gas) hereunder;
  
- (b) INEOS shall arrange for the disposal, in any manner INEOS deems appropriate, of that portion of such off-specification Raw Gas as the Shippers

Group's entitlement hereunder bears to the entitlement of all Users. All costs relating to such disposal shall be borne by the Shippers Group. Any such Raw Gas so disposed of by INEOS shall count towards the entitlement of the Shippers Group to equivalent volumes of Raw Gas hereunder or, if the Shippers Group has no entitlement to Raw Gas under this Agreement, any such Raw Gas so disposed of by INEOS shall count towards the entitlement of the Shippers Group to Forties Blend hereunder;

- (c) INEOS shall arrange for the disposal, in any manner INEOS deems appropriate, of that portion of such off-specification Dry Gas as the Shippers Group's entitlement hereunder bears to the entitlement of all Users. All costs relating to such disposal shall be borne by the Shippers Group. Any such Dry Gas so disposed of by INEOS shall count towards the entitlement of the Shippers Group to equivalent volumes of Dry Gas hereunder or, if the Shippers Group has no entitlement to Dry Gas under this Agreement, any such Dry Gas so disposed of by INEOS shall count towards the entitlement of the Shippers Group to Forties Blend hereunder; and
- (d) the Shippers Group shall be obliged at INEOS's request to lift that portion of such Forties Blend as the Shippers Group's entitlement hereunder bears to the entitlement of all Users and such liftings shall be deemed to be made pursuant to the provisions of Clause 11 and shall count towards the entitlement of the Shippers Group to the delivery of Forties Blend hereunder.

#### **7.05 Co-operation on studies**

Without prejudice to Attachment B and/or Attachment C, INEOS and the Shippers Operator shall consult together and co-operate closely to enable INEOS to perform certain studies on the effects on the FPS System of transporting and processing Shippers Pipeline Liquids, including those related to:

- (a) the hydraulic characteristics of the Shippers System and the Intervening System (if any);
- (b) the scale deposition tendencies of Shippers Pipeline Liquids;
- (c) the corrosivity of Shippers Pipeline Liquids;

- (d) the wax-deposition tendency of and the pigging requirements for Shippers Pipeline Liquids;
- (e) the asphaltene deposition tendency of Shippers Pipeline Liquids; and
- (f) the additives which may, from time to time, be injected into Shippers Pipeline Liquids.

The cost of such studies shall be paid on such basis as may be agreed between the Parties, provided that the costs of any study of the nature referred to in paragraph (f) shall be borne by the Shippers Group. The results of such studies shall be proprietary to INEOS but shall, subject to any confidentiality arrangements pertaining thereto, be made available to the Shippers Group.

#### **7.06 Compliance with Specification**

The Shippers Operator shall provide an analysis of (i) a sample of liquid substances produced from each hydrocarbon accumulation or (if requested by INEOS) each well on the Shippers Field; and (ii) a sample of the commingled stream of such substances; and an analysis thereof by a reputable third party company approved by INEOS as follows:

- (a) as soon as it is reasonably practicable for the Shippers Operator to obtain such samples with reasonable certainty that the sample will provide a reliable indication of the typical composition of Shippers Production (and in any event no later than three months following the date of commencement of production of Shippers Production); and
- (b) at least once every twelve months following the provision of the samples referred to in (a) above and more frequently if required by INEOS.

Such samples shall be taken and tested independently using the methods contained in "User Specifications: Manual of Measurement Methods" for the Forties System the results thereof and of the said analysis shall be sent to the Shippers Operator and INEOS.

## **CLAUSE 8 - TARIFF AND CHARGES**

### **8.01 Transportation Tariff and Indexation**

In compensation for performing the Services, the Shippers Group shall pay to INEOS the tariffs at the rates set out in Clause 6.1 of Section 1.

The tariffs under Clause 6.1 of Section 1 shall be adjusted effective from the commencement of each Quarter for application on each Day of the Quarter in question by application of the formula set out in Clause 6.2 of Section 1.

### **8.02 Determining the Average and Changes to Indices**

The indices utilised in the Indexation Formula set out in Clause 6 of Section 1 or elsewhere in this Agreement shall be determined in accordance with the following provisions of this Clause 8.02, unless otherwise agreed between the Parties.

#### **A Electricity, Fuel Oil, Private Sector Earnings and Retail Price Index**

- (a) Each average referred to in the definitions of E2, HSFO2, RPI2 and PSE2 (as such terms are defined in Clause 6.2 of Section 1) shall be calculated by dividing the sum of quotations published or made available for the period in question by the number of such quotations published or made available for such period.
- (b) If any part of the Indexation Formula ceases to be published or made available, INEOS and the Shippers Operator shall consult to agree upon the substitution of a new index or indices matching as closely as possible the characteristics of such part of the Indexation Formula.
- (c) If INEOS and the Shippers Operator fail to agree on a substitute index or indices within four (4) months of the cessation of any part of the Indexation Formula either Party may refer the matter to Expert for resolution.
- (d) In the event that the base and/or weightings of any part of the Indexation Formula are changed then:

- (i) For as long as the index on the immediately preceding base and weightings is deemed by INEOS to be applicable, acting reasonably and in good faith in order to exclude the application of superseded datasets, such index or such immediately preceding base and weightings shall be used to escalate the tariff.
- (ii) From the time that the index on the immediately preceding base and weightings is deemed by INEOS to no longer be applicable, acting reasonably and in good faith in order to exclude the application of superseded datasets, the index on the new base and/or weightings shall be used, save that the value of RPI1 or PSE1 (as the case may be) in the Indexation Formula shall be revised at the same time by utilising the average of the new index values published or made available for the time period referred to in the definition of RPI1 or PSE1 (as the case may be). In the event that index values for the said time period are not published or made available for the new base and weightings on the date that index values on the immediately preceding base and weighting stop being published or made available, then the value of RPI1 or PSE1 (as the case may be) shall be revised by multiplying it by a conversion factor. The conversion factor shall be calculated by dividing the arithmetic total of the index values on the new base and/or weightings by the arithmetic total of the index values on the immediately preceding base and/or weightings, in each case for all months between the new base month (being the month for which the relevant part of the Indexation Formula is set to a value of 100) and the month during which the index on the immediately preceding base and weightings stopped being published or made available (provided always that if the number of months for which both the immediately preceding values and the new values are published or made available is greater than sixty (60), then the number of months' values used in the calculation of both the numerator and denominator of the conversion factor shall be limited to the latest sixty (60) months).
- (iii) For the avoidance of doubt, E1 and HSFO1 are absolute prices and are not dependent on a base year or weightings.



B Producer Price Index and Fabricated Metal Products Index

- (a) Each average referred to in the definitions of P2 and FMP2 shall be calculated by dividing the sum of quotations published or made available for the period in question by the number of such quotations published for such period.
- (b) If either the Producer Price Index or the Fabricated Metal Products Index ceases to be published or made available, INEOS and the Shippers Operator shall consult to agree upon the substitution of a new index or indices matching as closely as possible the characteristics of the Producer Price Index or the Fabricated Metal Products Index (as the case may be).
- (c) If INEOS and the Shippers Operator fail to agree on a substitute index or indices within four (4) months of the cessation of the Producer Price Index or the Fabricated Metal Products Index (as the case may be) either Party may refer the matter to Expert for resolution.
- (d) In the event that the base and/or weightings of the Producer Price Index or the Fabricated Metal Products Index are changed then:
  - (i) For as long as the index on the immediately preceding base and weightings is deemed by INEOS to be applicable, acting reasonably and in good faith in order to exclude the application of superseded datasets, such index or such immediately preceding base and weightings shall be used.
  - (ii) From the time that the index on the immediately preceding base and weightings is deemed by INEOS not to be applicable, acting reasonably and in good faith in order to exclude the application of superseded datasets, the index on the new base and/or weightings shall be used, save that the value of P1 or FMP1 (as the case may be) shall be revised at the same time by multiplying it by a conversion factor. The conversion factor shall be calculated by dividing the arithmetic total of the index values on the new base and/or weightings by the arithmetic total of the index values on the immediately preceding base and/or weightings, in each case for all months between the new base month (being the month for which the index is set to a value of 100) and the month during which the index on the immediately preceding base and weightings stopped

being published or made available (provided always that if the number of months for which both the immediately preceding values and the new values are published or made available is greater than sixty (60) then the number of months' values used in the calculation of both the numerator and denominator of the conversion factor shall be limited to the latest sixty (60) months).

C Forties Blend Index

- (a) If daily quotations for Forties Blend cease to be published or made available, INEOS and the Shippers Operator shall consult to agree upon a replacement crude oil price and its source.
- (b) If the source of the price for Forties Blend specified in Clause 11.03 (or any replacement crude oil price) ceases to be published or made available, INEOS and the Shippers Operator shall consult to agree on a replacement source.
- (c) If INEOS and the Shippers Operator fail to agree on:
  - (i) a replacement crude oil price and/or its source; or
  - (ii) a replacement source of the price for Forties Blend (or any replacement crude oil price),

within sixty (60) days of the cessation of the previous oil price or source either INEOS or the Shippers Operator may, by notice to the other, refer the matter for resolution by an Expert. The Expert shall be instructed that the replacement crude oil price or source should match as closely as possible that being replaced.

**8.03 Free Barrels**

- (a) Save as provided for in Clause 21.05, a free barrel ("**Free Barrel**") accrues to the Shippers Group in respect of any Barrel which:
  - (i) has been nominated under Clause 6.04, up to a maximum of the FMQ for the relevant Month; and

- (ii) the Shippers Group were ready willing and able to deliver, in accordance with this Agreement; and
  - (iii) was not accepted by INEOS as a consequence of its failure to act as a Reasonable and Prudent Operator; and
  - (iv) has not previously been deducted under this Clause 8.03.
- (b) When calculating the tariff payable in respect of any Month, INEOS shall deduct from the number of Barrels actually delivered any Free Barrels available to the Shippers Group.
- (c) The maximum number of Free Barrels which may be deducted in any Month may not exceed twenty five per cent (25%) of the FMQ for each Day in that Month and any balance of Free Barrels shall be carried forward to succeeding Months.
- (d) For the purposes of Clause 8.03(a), Barrels deliverable during the first eighty eight (88) hours in any Contract Year during which no Pipeline Liquids were accepted into the FPS System will be ignored, as will all Barrels otherwise deliverable during periods of planned maintenance. Should the Shippers Group believe any Barrel was not accepted by INEOS as a consequence of its failure to act as a Reasonable and Prudent Operator, they will notify INEOS accordingly, and the Parties will meet in good faith to review the circumstances. Should a dispute persist, INEOS shall prepare provisional accounts and invoice the Shippers Operator on the assumption that INEOS is correct, but these will be without prejudice to eventual agreement or determination of the dispute. When the dispute is resolved, any necessary adjustment to the accounts will be made in accordance with the principles of Clause 9.05.
- (e) The deductions available under this Clause 8.03 are the only financial remedy of the Shippers Group in relation to any failure by INEOS to accept Shippers Pipeline Liquids whether caused by a failure to act as a Reasonable and Prudent Operator, negligence, breach of duty (whether statutory or otherwise), the Wilful Misconduct of INEOS, or any other cause whatsoever, and INEOS

shall not be liable for and the Shippers Group releases INEOS from all Claims arising out of or in any way connected with any such failure.

- (f) This Clause 8.03 shall cease to apply from the date with effect from which INEOS exercises the option contained in Clause 8.04. Any Free Barrels accrued but not used at that date shall lapse and be of no further effect, without compensation to the Shippers Group.

#### **8.04 INEOS's operating cost option**

Subject to Clause 3.01 (c) (ii), INEOS shall have the right to require the Shippers Group to pay to INEOS, in lieu of the tariffs referred to in Clause 6 of Section 1, a charge calculated in accordance with Attachment F upon giving not less than twelve (12) months' notice in writing to the Shippers Operator. The exercise of this option does not imply any obligation on the part of INEOS to incur capital expenditure in relation to the FPS System.

## **CLAUSE 9 - PAYMENT**

### **9.01 Invoicing and payment of tariffs**

- (a) Promptly following the last Day of each Month, INEOS shall invoice the Shippers Operator on behalf of the Shippers Group in respect of the tariffs and fees payable pursuant to Clause 6 of Section 1 and other charges which may arise pursuant to this Agreement in respect of the quantity of Shippers Pipeline Liquids delivered at the Transfer Point in the Month in question.
- (b) Promptly following the last Day of each Contract Year, INEOS shall, as appropriate, invoice the Shippers Operator on behalf of the Shippers Group in respect of any Tariff Shortfall Payments.
- (c) Promptly following the last Day in each Month in which the Shippers Group is required to pay a charge pursuant to Clause 8.04 and Attachment F, INEOS shall invoice the Shippers Operator for such charge calculated in accordance with Clause 8.04 and Attachment F (including any adjustments pursuant to Clause 9.02).
- (d) Within ten (10) Working Days following the receipt of each invoice, the Shippers Operator, on behalf of the Shippers Group, shall pay to INEOS the amounts of the invoices (net of credit notes). Such payment shall be made in pounds Sterling by telegraphic transfer by Shippers Operator to INEOS's account number 18063818 with Citibank, London, Sort Code 18-50-08, Swift Code CITIGB2L, IBAN GB50CITI18500818063818 or such other account as may be notified by INEOS to the Shippers Operator from time to time, quoting the invoice number against which payment is made.

### **9.02 Estimated invoices**

INEOS and the Shippers Group recognise that the indices specified in Clause 6 of Section 1 and Attachment F and/or the actual quantity of Shippers Production delivered in any Month may not be available in time to facilitate invoicing as aforesaid and in such event the invoice and the payment will be based on INEOS's best

estimate of the indices and quantity concerned and will be subject to adjustment in the invoice issued in the following Month or as soon as practicable thereafter following upon the publication of the actual indices and/or the availability of the actual quantities for the Month in question.

### **9.03 Failure to pay**

- (a) Should the Shippers Operator fail or refuse to make any payments due, the amount due shall bear interest (both before and after judgement) at SONIA compounded in arrears from the due date for payment until the actual date of payment (both inclusive), with a five (5) Working Day lookback plus three (3) per cent per annum.
- (b) Without prejudice to Clauses 9.03 (c) and (d), INEOS shall have a lien on all Shipper's Production and on the Forties Blend, Raw Gas and/or Gas Products derived therefrom for all amounts due from the Shippers Group under this Agreement together with the costs of recovery of those amounts, and INEOS may enforce this lien in any reasonable manner. Without limitation, INEOS shall have the right to take delivery of such volume of Forties Blend, Raw Gas and/or Gas Products as may be required and sell such Forties Blend, Raw Gas and/or Gas Products in order to recover the foregoing amounts and costs provided that INEOS shall not exercise such rights until any such amount due to INEOS remains unpaid for seven (7) days after it falls due.
- (c) If any amount due to INEOS remains unpaid for seven (7) days after it falls due, INEOS may give the Shippers Operator two (2) Working Days' notice of its intention to suspend acceptance of Shippers Production. Unless all amounts due, including interest accrued thereon together with the cost of recovery of those amounts, are paid within the aforesaid two (2) Working Day period, INEOS shall have the right to suspend in whole or part acceptance of Shippers Production for such period or periods as INEOS at its sole discretion may determine until full payment is made.
- (d) If any amount due to INEOS remains unpaid for thirty (30) days after it falls due, INEOS may give the Shippers Operator thirty (30) days' notice of its intention to terminate this Agreement. Unless all amounts due, including

interest accrued thereon together with the cost of recovery of those amounts, are paid within that thirty (30) day period, this Agreement will terminate, but without prejudice to obligations accruing prior to the date of such termination.

#### **9.04 Other charges**

Any charges and/or costs pursuant to (a) Attachment D, or (b) matters related to the handling of Shippers Production in the FPS System and agreed pursuant to Exhibit V of Section 1 (the New Entrant Co-ordination Procedure), shall in either case be the subject of separate invoices.

#### **9.05 Disputed invoices**

Whether or not any sum contained in any invoice is disputed by the Shippers Operator the whole amount shall be paid by the Shippers Operator except in the case of fraud or manifest error. Where any sum is disputed by the Shippers Operator, the Shippers Operator shall notify INEOS of the amount in dispute at the time of making payment of the invoice. Within thirty (30) days from the date of the notification, INEOS and the Shippers Operator shall endeavour to resolve the dispute. If the dispute is ultimately determined in favour of the Shippers Operator, INEOS shall repay the Shippers Operator the difference between the original invoice amount and the finally agreed amount together with interest at SONIA compounded in arrears from the date of payment of the disputed invoice until the date of repayment (both inclusive), with a five (5) Working Day lookback plus one (1) per cent per annum. Any repayment by INEOS to the Shippers Operator under this Clause 9.05 shall be made by INEOS within ten (10) Working Days following resolution of the dispute.

## **CLAUSE 10 - OPERATING PRINCIPLES**

### **10.01 Operating Practices**

The operating practices specified in this Agreement constitute the major operating principles governing the transportation and processing of Shippers Pipeline Liquids and the handling and delivery of the resultant Forties Blend and Raw Gas and/or Gas Products.

### **10.02 Operating Procedures**

In addition to the operating practices referred to in Clause 10.01, INEOS shall after due consultation with Shippers Operator and, if applicable, the operator of the Intervening System, prepare and amend, as may be appropriate from time to time, system operating procedures (the “**System Operating Procedures**”) to provide guidelines for operating and reporting practices and INEOS and the Shippers Operator shall implement (and procure implementation of) the procedures and practices therein. Any amendments made by INEOS to the System Operating Procedures shall ensure safe operations and be fair and equitable to the Shippers Group and shall be made after due consultation between INEOS and the Shippers Operator and, if applicable the operator of the Intervening System.

### **10.03 Co-ordination of maintenance and shutdowns**

- (a) INEOS and the Shippers Operator shall meet at least annually to discuss and endeavour to co-ordinate maintenance programmes and planned shutdown of the FPS System or any part thereof, the Shippers Field and the Shippers System.
- (b) INEOS shall use reasonable endeavours to ensure that:
  - (i) the capacity of the FPS System will be reduced on no more than twenty one (21) Days in any one Contract Year for maintenance and/or planned shutdowns;
  - (ii) reductions in capacity of the FPS System for maintenance and/or planned shutdowns will fall within the months of May to September, or



at such other times when there is significantly reduced demand for capacity by Users;

- (iii) reduction in the capacity of the FPS System for maintenance and/or planned shutdowns will occur on no more than two (2) periods in any Contract Year, except shutdowns for the required testing of emergency shutdown valves; and
- (iv) the Shippers Operator receives as much notice of such planned shutdowns and reduction in capacity for maintenance as practicable;

and in so doing shall take into account the maintenance requirements and activities of other systems to co-ordinate planned shutdowns of the FPS System or any part thereof.

- (c) The Shippers Operator shall use all reasonable endeavours to procure that the operators of the relevant parts of the Intervening System (if any) co-ordinate the maintenance programmes and planned shutdowns of their respective systems with the Shippers System and the FPS System.

#### **10.04 Instantaneous flow rates**

- (a) Subject to sufficient capacity being available in the FPS System, the Shippers Group may deliver Shippers Pipeline Liquids at the Transfer Point at an instantaneous flow rate not exceeding one hundred and five percent (105%) of the latest nomination (including any Additional Quantities and/or Spot Quantities) pursuant to Clause 6.04 or 6.06 as applicable accepted by INEOS pursuant to this Agreement for the time in question.
- (b) If the Shippers Operator anticipates that:
  - (i) the instantaneous flow rate of Shippers Pipeline Liquids at the Transfer Point is expected at any time to exceed the latest flow rate specified to INEOS by more than five per cent (5%) or one thousand Barrels per Day (1mbd), whichever is the greater; or
  - (ii) the instantaneous flow rate of Shippers Pipeline Liquids at the Transfer Point is expected to vary from the latest flow rates specified to INEOS by more than ten per cent (10%) or five thousand Barrels per Day

(5mbd), whichever is the greater, for a continuous period of more than twenty four (24) hours ,

then the Shippers Operator shall immediately advise INEOS of the anticipated variation and the time period related thereto. If the Shippers Operator advises INEOS of an anticipated increase in the flow rate pursuant to this Clause 10.04(b) then the acceptance or otherwise by INEOS of such flow rate at the Transfer Point shall be at the sole discretion of INEOS.

#### **10.05 Changes to Offtake Programme**

If as a result of advice submitted in accordance with Clause 10.04 or as a result of an unplanned change in the production of any User whether or not the same has been notified to INEOS or as a result of any restriction in throughput pursuant to Clause 12, changes to the Offtake Programme are necessary, INEOS shall notify the Shippers Operator as soon as possible in accordance with Attachment D.

#### **10.06 Exchange of production and offtake data**

- (a) Subject to the provisions of Clause 23 and of this Clause 10.06, the Shippers Group agrees to the disclosure by INEOS to each other User of the following:
  - (i) estimated average daily production and fluid composition (wt%) of Shippers Pipeline Liquids each on a dry basis for each Month of the forthcoming ten (10) Years as provided by Shippers Operator pursuant to Clause 6.03;
  - (ii) details of the Shippers Group's Offtake Programme for Forties Blend as agreed between INEOS and Shippers Operator pursuant to paragraphs 2.2, 2.3, 2.4 and 2.5 of Attachment D. Such details shall comprise the range of days, the quantity to be loaded, the Forties Blend cargo number and the User(s) responsible for each free on board lifting where such User(s) is a Person or Persons having a beneficial interest in any field or source from which Pipeline Liquids are delivered into the FPS System;
  - (iii) additional information obtained from Shippers Operator (or derived therefrom) in relation to this Agreement; and

- (iv) the results of the exercise of the rights of any Party under Clause 13.01, provided that the other User in question has consented to the disclosure of comparable information to the Shippers Group and such other User has undertaken to hold the said information confidential on terms comparable to those of Clause 23.01.
- (b) The Shippers Group agrees to hold information received from any other User pursuant to this Clause 10.06 confidential in accordance with Clause 23.01.
- (c) The Shippers Group agrees that neither the other User providing information nor INEOS shall be liable for any loss or damage arising out of or consequent upon the disclosure made under this Clause 10.6.
- (d) INEOS shall disclose to the Shippers Operator:
  - (i) where practicable by 1 November of each Year comparable information to that disclosed by the Shippers Group pursuant to Clause 10.06(a)(i) received from each other User; and
  - (ii) as soon as reasonably possible comparable information to that disclosed by the Shippers Group pursuant to Clause 10.06(a)(iii) received from each other User.

### **10.07 Intervening Systems**

The Shippers Operator and INEOS shall consult together and co-operate closely to ensure that the maintenance and operation of any Intervening Systems necessary to connect the Shippers System with the FPS System shall, to the extent necessary for INEOS and the Shippers Group to fulfil their respective obligations hereunder, be compatible with the maintenance and operation of the Shippers System and the FPS System respectively and the Shippers Operator and INEOS shall co-operate closely to ensure that the continuous compatibility thereof is maintained.

## **CLAUSE 11 – LIFTINGS**

### **11.01 Nomination of tankships / free in pipe provisions**

The nomination and reception of tankships, including but not limited to loading conditions, demurrage and berth occupancy, and the notification and administration of free in pipe deliveries, shall be in accordance with Attachment D.

### **11.02 Combined liftings**

Subject to nominations being given in accordance with Attachment D, INEOS shall, and shall procure that any Affiliate thereof performing INEOS's obligations hereunder shall, exercise reasonable endeavours to ensure that its operation of the procedures set out in Attachment D does not preclude any member of the Shippers Group from lifting or procuring lifting of its entitlement to Forties Blend under this Agreement either separately or in combination with any other entitlement to Forties Blend which it or any User has available for lifting from the FPS System at the Redelivery Point (Forties Blend).

### **11.03 Overliftings**

The Shippers Group shall ensure that they do not have an outstanding overlift of Forties Blend at the cessation of production from the Shippers Field. If at the cessation of production from the Shippers Field, the Shippers Group or any member thereof has lifted more than its entitlement of Forties Blend, Raw Gas or Gas Products then, at INEOS's sole option and discretion:

- (a) INEOS may, at the Shipper Group's expense, purchase a quantity of crude oil, propane, butane or C5+ Condensate equivalent to such overlift to supply to Other Users having a corresponding underlift of Forties Blend, Raw Gas or Gas Products (in which case the Shippers Group shall pay in advance the costs to be so incurred by INEOS upon receipt of an invoice from INEOS in that respect); or
- (b) in the case of an overlift of Forties Blend, the Shippers Group shall pay to INEOS an amount corresponding to the amount of the overlift multiplied by the average of the mid-price of the daily quoted ranges for Forties Blend as

published in the Platts Crude Oil Marketwire (Forties Blend being therein described as “Forties”) during the month during which the date of such cessation of production occurs. Such payment shall be paid by INEOS to all Other Users having a corresponding underlift of Forties Blend on an equitable basis determined by INEOS.

## **CLAUSE 12 - THROUGHPUT RESTRICTIONS**

### **12.01 Reduction of throughput entitlement**

- (a) Without prejudice to the provisions of Clauses 12.02 and 12.03(a) if at any time the capacity of the FPS System is below the Total User Requirements at the time in question, INEOS shall, to the extent necessitated by, and for the period of, such reduced capacity, reduce the entitlement of the Shippers Group to deliver Shippers Pipeline Liquids into the FPS System according to the following principles:

#### Reduction of Spot Quantities

- (i) Firstly, where the reduction in capacity exceeds the total entitlement to deliver Spot Quantities of all Users (including the Shippers Group's Spot Quantities), then the entitlement of all Users (including the Shippers Group) to deliver Spot Quantities shall be suspended. Where the reduction in capacity does not exceed the total entitlement as aforesaid the entitlement of the Shippers Group to deliver Spot Quantities shall be reduced on a percentage basis by the amount necessary to achieve the required reduction in capacity (the same percentage reduction being applied to all Users).

#### Reduction of Additional Quantities

- (ii) Secondly, where the reduction in capacity exceeds the total entitlement to deliver both Spot Quantities and Additional Quantities of all Users (including the Shippers Group's Spot Quantities and Additional Quantities), then the entitlement of all Users (including the Shippers Group) to deliver Additional Quantities shall be suspended. Where the reduction in capacity does not exceed the total entitlement as aforesaid the entitlement of the Shippers Group to deliver Additional Quantities shall be reduced on a percentage basis by the amount necessary to achieve the required reduction in capacity (the same percentage reduction being applied to all Users).

### Reduction below FMQ

- (iii) Thirdly, to the extent that after the reductions, if any, effected under Clauses 12.01(a)(i) and (ii) the capacity of the FPS System is still below the remaining Total User Requirements as reduced, the entitlement of the Shippers Group to deliver Shippers Pipeline Liquids shall be reduced after taking account of the rights of Shell U.K. Limited ("**Shell**") and Esso Exploration and Production UK Limited ("**Esso**") in respect of Pipeline Liquids delivered into the FPS System from the Forties Field existing prior to this Agreement. Such reduced entitlement shall be calculated in accordance with the following formula:

$$\left[ \frac{A - B}{D - B} \right] \times C$$

Where, in Barrels of Pipeline Liquids per Day:

A is the available capacity in the FPS System during a throughput restriction.

B is the capacity required in the FPS System to provide Shell and Esso their combined entitlement to Forties Blend allocated in respect of Pipeline Liquids delivered into the FPS System from the Forties Field in the period concerned.

C is the Shippers Group's entitlement to deliver Shippers Pipeline Liquids under Clause 4.2 of Section 1.

D is the Total User Nomination in the FPS System during the period concerned after making reductions referred to in Clauses 12.01(a)(i) and 12.01(a)(ii).

- (b) Notwithstanding the provisions of Clause 12.01(a):
- (i) if the capacity of the FPS System or of any part thereof is reduced as a result of the act or default of any member of the Shippers Group acting in such capacity INEOS may suspend to the extent of such reduced capacity the acceptance of Shippers Pipeline Liquids during such period of reduced capacity;

- (ii) if a reduction in the capacity of the FPS System is such that it affects one or more but not all Users, the entitlement to delivery of Pipeline Liquids of any User not so affected shall remain unaltered and the principles set out in Clause 12.01(a) shall be applied only to the User or Users so affected.

### **12.02 Off-specification Shippers Pipeline Liquids**

If the quality of Shippers Production tendered or delivered at the Transfer Point by the Shippers Group fails, or it is reasonably anticipated by INEOS that it will fail, to meet the specification and/or compositional requirements set out or referred to in Clause 7.01 of this Section 2 and Clause 5.1 of Section 1, INEOS shall have the right to reduce or suspend the acceptance of Shippers Production at the Transfer Point until such time as INEOS is satisfied that the specification and/or compositional issues referred to above and/or any problems caused thereby or likely to be caused thereby have been overcome. In such event INEOS and Shippers Operator shall promptly consult together (where practicable prior to or immediately after such event) and use all reasonable endeavours to overcome any problems caused.

### **12.03 Operational, environmental, integrity, regulatory and safety constraints**

- (a) In the event of any operational, environmental, system integrity, regulatory compliance or safety concerns relating to the FPS System (or any part thereof), INEOS shall have the right to reduce or suspend acceptance of Shippers Pipeline Liquids which the Shippers Group otherwise have the right to deliver at the Transfer Point and/or the quantities of Forties Blend and/or Raw Gas and/or Gas Products which the Shippers Group otherwise has the right to receive at the appropriate Redelivery Points.
- (b) If the total quantity of Pipeline Liquids tendered for delivery by all Users into the FPS System is below the minimum that INEOS for operational reasons is able to transport and process within the FPS System, INEOS shall have the right to suspend the quantities of Shippers Pipeline Liquids which the Shippers Group otherwise has the right to deliver at the Transfer Point and/or the quantities of Forties Blend and/or Raw Gas and/or Gas Products which the



Shippers Group otherwise has the right to receive at the appropriate Redelivery Points.

- (c) If the circumstances described in Clause 12.03(a) or (b) occur INEOS and the Shippers Operator shall promptly consult together (where practicable prior to or immediately after the arising of such circumstances) and use all reasonable endeavours to overcome the problems which have arisen.
- (d) If at any time, INEOS anticipates that fluctuation in the flow rate or composition of Pipeline Liquids entering the FPS System is likely to cause operational problems at the Kerse of Kinneil facilities, then INEOS may so notify the Shippers Operator and require the Shippers Group to reduce or suspend delivery of Shippers Pipeline Liquids. As much prior notice shall be given as is practicable in the circumstances and any such requirement shall contain sufficient information to substantiate its basis. Such requirements for a reduction or suspension of deliveries of Shippers Pipeline Liquids may only be made for periods not exceeding six (6) hour duration.

#### **12.04 Failure to lift**

If the Shippers Operator fails to nominate liftings in accordance with the provisions of Attachment D, or, the Shippers Operator having nominated and INEOS having accepted such nomination, the Shippers Group or any of them fails to lift in accordance with such nomination and INEOS experiences a High Stock Position as a result thereof, then INEOS shall have the right, without prejudice to any other rights it may have under this Agreement or in law, to suspend delivery of Shippers Pipeline Liquids, or reduce the quantity thereof which the Shippers Group otherwise has the right to deliver into the FPS System.

It is agreed that the Shippers Group shall not be able to invoke or rely upon the provisions of Clause 21 (Force Majeure) in the event that the Shippers Group or any of them fails to lift in accordance with the nomination in question.

### **12.05 Deemed time of lifting**

For the purposes of Clause 12.04 a User's tankship will be deemed to have lifted its entitlement only when the said tankship has vacated its berth at Hound Point terminal or Grangemouth docks or Grangemouth LPG Old Lock Berth as appropriate.

### **12.06 Other Facilities**

It is recognised by the Parties that, in addition to those facilities which comprise the FPS System, certain other facilities exist in the Grangemouth area which are from time to time essential to maintain the operational, safety and/or environmental integrity of the FPS System ("**Other Facilities**"). It is therefore hereby agreed that, in such circumstances where such Other Facilities are essential to maintain the operational, safety and/or environmental integrity of the FPS System, the definition of the FPS System for the purposes only of this Clause 12 shall be deemed to include such Other Facilities.

## **CLAUSE 13 - ACCESS**

### **13.01 Rights of access**

The authorised representatives of INEOS shall have the right from time to time of reasonable access to any part or all of the Shippers System and INEOS agrees that the Shippers Operator shall have the right from time to time of reasonable access to any part or all of the FPS System subject to making prior arrangements with the other in accordance with Clause 13.02 for the purpose of this Agreement or operations hereunder and in particular to:

- (a) witness meter proving, calibration, measurement, sampling and analysis; and/or
- (b) inspect records, procedures and facilities related to (a); and/or
- (c) carry out an audit to assess whether the results of the foregoing procedures have been correctly applied in determining the entitlement of the Shippers Group to, and the taking of, deliveries of Forties Blend and Raw Gas and/or Gas Products under this Agreement.

In the case of on site inspections at relevant facilities such rights of access shall, unless otherwise agreed between INEOS and the Shippers Operator, be limited to not more than two (2) authorised representatives on any one (1) occasion.

### **13.02 Notice**

For the purposes of Clause 13.01(a) and (b), INEOS and the Shippers Operator shall respectively give each other at least forty-eight (48) hours' notice and for the purpose of Clause 13.01(c) or for any other purpose at least seven (7) days' notice shall be given.

### **13.03 Authorised representatives**

For the purposes of Clause 13.01, the term "authorised representatives" shall mean either employees of INEOS or the Shippers Operator, or independent experts appointed by INEOS or the Shippers Operator as the case may be or any members

of an audit team acting on behalf of INEOS and/or the Shippers Group and/or other Users, provided that, where access is sought by an audit team acting on behalf of Other Users, such audit team must be acting with the written approval of INEOS and shall be obliged to give such notice as is referred to in Clause 13.02 and must comply with the terms of this Agreement, including Clause 23.

#### **13.04 Loading of tankships**

The notice provisions of Clause 13.02 shall not apply to any of the Shippers Group's right to be present at and witness the loading of tankships in accordance with Attachment D.

#### **13.05 Access to any Intervening System**

Notwithstanding the above, the Shippers Group shall take all reasonable steps necessary to procure a right of reasonable access for the INEOS representative to all or any part of any Intervening System (if any) from time to time *mutatis mutandis* with the provisions of Clause 13.01.

## **CLAUSE 14 - MEASUREMENT AND SAMPLING**

### **14.01 Measurement and sampling**

Measurement of quantities and the taking of samples for the purposes of determining the quantity and quality of Shippers Pipeline Liquids or of Forties Blend and Raw Gas and/or Gas Products deliverable hereunder shall be carried out in accordance with Attachments B and E.

### **14.02 Notification of quantities**

By the tenth Day of each Month, the Shippers Operator shall advise INEOS, or procure that INEOS is advised, in writing, of the provisional quantity, and as soon as practicable thereafter the final quantity, of Shippers Pipeline Liquids that the Shippers Group contributed to the total quantity of Pipeline Liquids delivered at the Transfer Point during the previous Month.

## **CLAUSE 15 - RISK, PROPERTY AND INSURANCE**

### **15.01 Risk and property in Pipeline Liquids and products**

Notwithstanding the provisions of Clause 17, the risk and property in Shippers Production and in the Forties Blend and Raw Gas and/or Gas Products derived therefrom shall at all times until they are redelivered to the Shippers Group in accordance with this Agreement remain with the Shippers Group, which will bear any loss or damage sustained by such Shippers Production, Forties Blend and Raw Gas and/or Gas Products howsoever such loss or damage may be caused, even where due to the negligence or breach of duty (whether statutory or otherwise) of INEOS.

Nothing in this Clause 15.01 shall in any way limit INEOS's rights under Clause 9.03(b).

### **15.02 Commingled streams**

The Shippers Group's property in, and risk of loss of, Shippers Production, in the commingled streams in the FPS System, until the products therefrom are redelivered to the Shippers Group in accordance with this Agreement, shall be in the proportion which the quantity of the Shippers Group's share of Pipeline Liquids, Forties Blend and Raw Gas and/or Gas Products in the commingled stream in question bears to the total quantity of such substances in such stream as may be determined in accordance with the provisions of Clauses 6.08 and 6.09 and Attachment B - Part I.

### **15.03 Insurance of Shippers Pipeline Liquids**

The Shippers Group shall be responsible for and shall bear the cost of any insurance in respect of Shippers Production, Forties Blend and Raw Gas and/or Gas Products derived therefrom and shall arrange for any such insurances to include a waiver of subrogation rights against INEOS and its Affiliates (such waiver to be limited strictly to the extent that INEOS's interests appear in this Agreement) and, in the case of Forties Platform FC, Shell, Apache North Sea Limited and Esso (or their successors and assigns) and any other Person which is from time to time party to any unit agreement in respect of the Forties Field.

#### **15.04 Insurance of the FPS System**

Any insurances in respect of the FPS System including third party risks shall be the responsibility of INEOS and INEOS shall arrange for all such insurances to include a waiver of subrogation rights against each member of the Shippers Group, such waiver to be limited strictly to the respective interests of the Shippers Group as they appear in this Agreement.

#### **15.05 Insurance of the Shippers System**

Any insurances in respect of the Shippers System including third party risks shall be the responsibility of the Shippers Group and the Shippers Group shall arrange for all insurances to include a waiver of subrogation rights against INEOS, such waiver to be limited strictly to the extent that INEOS's interests appear in this Agreement.

## **CLAUSE 16 - TAXES AND DUTIES**

### **16.01 Responsibilities for taxes and duties**

Except where levied on INEOS in respect of the tariff, fees and/or charges payable to INEOS under this Agreement, INEOS shall not be responsible for the payment of any taxes, port and terminal payments, duties or levies imposed upon the production, transportation, processing, sale, delivery, appropriation or other disposition of or revenue from Shippers Pipeline Liquids, Forties Blend or Raw Gas and/or Gas Products which are the property of any member of the Shippers Group, including any related “carbon tax” or other levy or impost so imposed for environmental protection or energy conservation reasons, and the Shippers Group shall indemnify INEOS accordingly.

### **16.02 Value Added Tax**

Notwithstanding Clause 16.01 all payments due from the Shippers Group to INEOS under this Agreement shall be increased by the amount of any Value Added Tax (or any similar tax substituted therefor) which is chargeable.

### **16.03 UK ETS Cost Allocation**

Without prejudice to the generality of Clause 16.01, the following formula shall be used to calculate, in respect of each Relevant UK ETS Facility and for each Contract Year, the Shippers Group’s allocation of costs incurred by INEOS in connection with UK ETS:

$$\text{Shippers' Payment} = \frac{\text{Shippers' Usage}}{\text{Total Usage}} \times \text{UK ETS Costs}$$



Where:

**“Shippers’ Payment”** is the amount payable by the Shippers Group in respect of each Relevant UK ETS Facility;

**“Shippers’ Usage”** means the actual usage of the Relevant UK ETS Facility by the Shippers Group during the relevant period;

**“Total Usage”** means the aggregate actual usage of the Relevant UK ETS Facility by all Users during the relevant period;

**“UK ETS Costs”** means the costs incurred by INEOS for the period in question in purchasing relevant allowances and/or units in respect of the Relevant UK ETS Facility for the purposes of UK ETS (and provided that where such allowances and/or units are purchased for the FPS System generally, they shall be allocated by INEOS between the various Relevant UK ETS Facilities along such bases as INEOS considers to be fair and reasonable); and

**“Relevant UK ETS Facility”** means the part of, or discrete process within, the FPS System which from time to time generates relevant emissions for the purposes of UK ETS, as determined from time to time by INEOS.

## **CLAUSE 17 - LIABILITIES AND INDEMNITIES**

### **17.01 The Shippers System and the FPS System**

- (a) Notwithstanding any other provision of this Agreement, with respect to the Shippers System and the Intervening System, INEOS shall have no liability for loss thereof or damage thereto arising out of or in connection with this Agreement, howsoever caused, even where caused by the negligence or breach of duty (statutory or otherwise) of INEOS, its directors, officers, employees, agents or contractors and the Shippers Group shall indemnify, defend and hold INEOS harmless against all such liability, except to the extent such liability arises out of or results from the Wilful Misconduct of INEOS.
  
- (b) Notwithstanding any other provision of this Agreement but subject to Clause 7.03(d) and Clause 17.07, with respect to the FPS System, the Shippers Operator and the Shippers Group shall have no liability for loss thereof or damage thereto arising out of or in connection with this Agreement, howsoever caused, even where caused by the negligence or breach of duty (statutory or otherwise) of the Shippers Operator or a member or members of the Shippers Group or their directors, officers, employees, agents or contractors and INEOS shall indemnify, defend and hold the Shippers Operator and the Shippers Group harmless against all such liability, except to the extent such liability arises out of or results from the Wilful Misconduct of the Shippers Operator or a member or members of the Shippers Group.

### **17.02 Consequential Loss**

- (a) Notwithstanding any other provision of this Agreement but subject to Clause 7.03(d) and Clause 17.07, the Shippers Group shall have no liability to INEOS or to INEOS's directors, officers or employees for Consequential Loss arising out of or in connection with the performance or non-performance of this Agreement and INEOS shall indemnify, defend and hold the Shippers Operator and the Shippers Group harmless from and against any and all Consequential Loss suffered by any of INEOS, its directors, officers or employees arising out of or in connection with the performance or non-performance of this Agreement and irrespective of the negligence and/or

breach of duty (whether statutory or otherwise) or Wilful Misconduct of the Shippers Operator or a member or members of the Shippers Group.

- (b) Notwithstanding any other provision of this Agreement, INEOS shall have no liability to the Shippers Group or to the Shippers Group's directors, officers or employees for Consequential Loss arising out of or in connection with the performance or non-performance of this Agreement and the Shippers Operator and the Shippers Group shall indemnify, defend and hold INEOS harmless from and against any and all Consequential Loss suffered by any of the Shippers Operator, the Shippers Group or their directors, officers or employees arising out of or in connection with the performance or non-performance of this Agreement and irrespective of the negligence and/or breach of duty (whether statutory or otherwise) or Wilful Misconduct of INEOS.

### **17.03 Personal injury to employees**

- (a) Notwithstanding any other provision of this Agreement but subject to Clause 7.03(d) and Clause 17.07, INEOS shall indemnify, defend and hold the Shippers Operator and the Shippers Group harmless against any claim, demand, action or proceeding brought or instituted against them by any director, officer or employee of INEOS or any of its Affiliates or any dependent thereof, for personal injuries, industrial illness, disease, death or damage to personal property sustained in connection with, relating to, or arising out of the performance of this Agreement, even where caused by the negligence or breach of duty (statutory or otherwise) of the Shippers Operator or any member of the Shippers Group or their respective directors, officers, employees, agents or contractors, but not where caused by the Wilful Misconduct of the Shippers Operator or a member or members of Shippers Group.
- (b) Notwithstanding any other provision of this Agreement, the Shippers Operator and the Shippers Group shall indemnify INEOS against any claim, demand, action or proceeding brought or instituted against INEOS or any of its Affiliates by any director, officer or employee of any of the Shippers Operator or the Shippers Group or any of their respective Affiliates or any dependent thereof, for personal injuries, industrial illness, disease, death or damage to personal

property sustained in connection with, related to or arising out of the performance of this Agreement, even where caused by the negligence or breach of duty (statutory or otherwise) of INEOS, its directors, officers, employees, agents or contractors but not where caused by the Wilful Misconduct of INEOS.

#### **17.04 Pollution - OPOL**

- (a) Notwithstanding any other provision of this Agreement but subject to Clause 7.03(d) and Clause 17.07, INEOS shall indemnify, defend and hold the Shippers Operator and the Shippers Group harmless from and against any and all Claims (including where caused by negligence or breach of duty (statutory or otherwise) but not Wilful Misconduct of the Shippers Operator or a member or members of the Shippers Group), arising out of or in connection with the operation, maintenance or existence of any part of the FPS System and for which INEOS is responsible in terms of the Offshore Pollution Liability Agreement dated 4<sup>th</sup> September 1974, as amended from time to time, or any replacement scheme.
  
- (b) Notwithstanding any other provision of this Agreement, the Shippers Group shall indemnify, defend and hold INEOS harmless from and against any and all Claims (including where caused by negligence and breach of duty (statutory or otherwise) but not Wilful Misconduct of INEOS), arising out of or in connection with the operation, maintenance or existence of any part of the Shippers System and for which the Shippers Operator (as operator of the Shippers System) is responsible in terms of the Offshore Pollution Liability Agreement dated 4<sup>th</sup> September 1974, as amended from time to time, or any replacement scheme.

#### **17.05 Additional Indemnified Parties**

Any relief from liability, release, indemnity or benefit in favour of the Shippers Group under this Agreement shall extend to each member thereof. Any such relief in favour of INEOS or the Shippers Operator or a member or members of the Shippers Group

shall extend to (a) the respective Affiliates of the companies or corporations concerned; (b) their and their Affiliates' respective directors, officers and personnel, and to their and their Affiliates' respective contractors and sub-contractors of any tier (but excluding the owners and/or operator of any Intervening System); and (c) to each of their respective successors and permitted assigns.

#### **17.06 Advice and handling of claims**

- (a) INEOS and the Shippers Group shall advise each other as soon as reasonably practicable upon the making of any demand or claim or the bringing of any action or proceeding which the adviser considers is covered by the undertakings to hold harmless and the indemnities granted from the other in this Clause 17.
- (b) INEOS and the Shippers Group shall use all reasonable endeavours to ensure that the handling and defence of any demand, claim, suit or proceeding, which is covered by the undertakings to hold harmless and the indemnities granted from the other in this Clause 17 is carried out in all material respects in accordance with the written instructions of those Parties who have given the relevant undertakings and indemnities to INEOS or the Shippers Group as the case may be.

#### **17.07 Relationship to Clause 8.04 and Attachment F (Cost Sharing Principles)**

- (a) Upon the provisions of Attachment F taking effect pursuant to Clause 8.04 and subject to Clause 17.07(b), the Shippers Operator and the Shippers Group shall indemnify, defend and hold INEOS harmless against any Claim or Claims which arise from or in connection with the operation of the FPS System (only insofar as such Claim or Claims relate to the period on and from such time as the provision of Attachment F have taken effect), even where caused by the negligence or breach of duty (statutory or otherwise) of INEOS, its directors, officers, employees, agents or contractors, except to the extent such Claim or Claims arise out of or result from the Wilful Misconduct of INEOS.

- (b) The liability of the Shippers Operator and the Shippers Group pursuant to Clause 17.07 (a) shall be calculated as follows:
- (i) In respect of any and all Claims incurred as a result of the acceptance of Shippers Production that fails to comply with the requirements of Clause 5.1 of Section 1 and Clause 7.01 of Section 2, Clause 7.03(d) shall apply;
  - (ii) In respect of all Claims other than, and in excess of, those covered by Clause 17.07(b)(i), liability for such Claims shall be calculated in accordance with the formulae for calculation of Operating Liabilities or Capital Liabilities, as appropriate, provided in Attachment F.

## **CLAUSE 18 - WARRANTIES**

### **18.01 Authorisation of Shippers Operator**

The Shippers Group warrants that the Shippers Operator is duly authorised as operator for and on behalf of the Shippers Group and may exercise all rights and meet all obligations of the Shippers Group under this Agreement.

### **18.02 Encumbrances**

The Shippers Group shall maintain Shippers Production, Forties Blend and Raw Gas and/or Gas Products derived therefrom free from any claims, liens and encumbrances of third parties and the Shippers Group shall indemnify, defend and hold INEOS and its Affiliates harmless from and against all Claims awarded against or incurred by INEOS as a result of all such claims, liens and encumbrances.

## **CLAUSE 19 – TERMINATION OF SERVICE**

### **19.01 Notice by INEOS**

INEOS shall have the right to abandon or remove all or part of the FPS System necessary for INEOS to fulfil its obligations under this Agreement, and to terminate this Agreement accordingly, on or after 1 January 2030 upon giving at least twenty four (24) Months' written notice to Shippers Operator.

### **19.02 Good faith discussions**

If INEOS gives notice pursuant to Clause 19.01 the Parties shall meet to discuss in good faith alternative means of enabling the Shippers Group to safeguard its interests, including the possibility of the Shippers Group, either alone or with others, assuming ownership and/or operatorship of all or part of the FPS System on reasonable terms and conditions.

### **19.03 Shippers Group Right to Terminate**

If INEOS gives notice pursuant to Clause 19.01, then not earlier than six (6) months after such notice the Shippers Group may, by giving INEOS not less than twelve (12) months prior notice in writing, terminate this Agreement.



## **CLAUSE 20 - ASSIGNMENT**

### **20.01 Assignment by INEOS**

- (a) INEOS may assign all or any of its rights and obligations hereunder to an Affiliate or to arrange for any of its rights and obligations hereunder to be performed by an Affiliate, provided that INEOS shall notify the Shippers Operator on behalf of the Shippers Group in writing of such assignment as soon as practicable thereafter.
- (b) INEOS may assign any or all of its rights and obligations hereunder to a third party, provided that:
  - (i) INEOS at the same time transfers its rights in the FPS System to the assignee, or otherwise grants the assignee access to the FPS System sufficient to enable the assignee to perform its obligations hereunder; and
  - (ii) INEOS demonstrates to the reasonable satisfaction of the Shippers Group that the assignee has the financial and technical capability to perform its obligations to the standard of a Reasonable and Prudent Operator; and
  - (iii) INEOS arranges for the execution by all parties of a novation of this Agreement.

### **20.02 Assignment by Shippers Group members**

- (a) Any member of the Shippers Group shall have the right to assign all of its rights and obligations hereunder to an Affiliate or to arrange for any of its rights and obligations hereunder to be performed by an Affiliate provided that any such member of the Shippers Group shall notify INEOS in writing of such assignment as soon as practicable thereafter.
- (b) Any member of the Shippers Group shall have the right to assign all of its rights and obligations hereunder to a third party, subject to the prior written approval of INEOS, such approval not to be unreasonably withheld and provided that the relevant member of the Shippers Group arranges for execution by all

parties of a novation of this Agreement.

### **20.03 Replacement of the Shippers Operator**

If the Shippers Group wishes to replace the current Shippers Operator as operator of the Shippers Group, then the Shippers Group where practicable shall give INEOS not less than three (3) months' prior written notice and the Shippers Operator shall then assign all of its rights and obligations hereunder (other than as a member of the Shippers Group) to its successor operator effective from the date of change of operatorship. The Shippers Group shall procure that such successor operator shall enter into direct covenants with INEOS to observe and perform the obligations on the part of the Shippers Operator contained herein.

### **20.04 Assignment of Shippers Field interest**

Any assignment or transfer by any member of the Shippers Group of any interest in the Shippers Field shall constitute an assignment or transfer (as the case may be) of its rights and obligations hereunder which are attributable to such interest so assigned or transferred, and shall be subject to the provisions of Clause 20.02 and conditional upon the relevant member of the Shippers Group arranging execution by all Parties of the novation of this Agreement required to document the assignment.

### **20.05 Encumbrance**

Nothing contained in this Clause 20 shall prevent a Party from mortgaging, pledging or otherwise encumbering all or part of its interest in and under this Agreement for the purpose of security relating to finance provided that such Party shall:

- (a) remain liable for all obligations relating to such interest; and
- (b) ensure that any Person to which such interest is mortgaged, pledged or otherwise encumbered shall agree that in the event of it exercising such mortgage, pledge or encumbrance it will continue to fulfil all the obligations of such Party under this Agreement.

## **CLAUSE 21 - FORCE MAJEURE**

### **21.01 Definition and Effect**

Subject to Clause 12.04 and compliance with Clause 21.02, no failure or omission by any Party to carry out or observe any of the stipulations or conditions of this Agreement shall, except in relation to obligations to make payments hereunder and except as herein expressly provided to the contrary, give rise to any claim against the Party in question or be deemed a breach of this Agreement if such failure or omission arises from any cause reasonably beyond the control of that Party, acting and having acted as Reasonable and Prudent Operator, including (without prejudice to the generality of the foregoing) strikes, lockouts and labour disputes (such cause herein referred to as "**Force Majeure**"). For the avoidance of doubt, in relation to the

stipulations or conditions imposed upon the Shippers Group or Shippers Operator hereunder, the following shall not constitute Force Majeure:

- (a) any failure of the Shippers Field reservoir to perform as anticipated; and / or
- (b) late completion or availability of any other facilities necessary for the delivery of Shippers Pipeline Liquids; and / or
- (c) failure by the owners of the Intervening System (if any) to act as a Reasonable and Prudent Operator; and / or
- (d) failure by any contractor of the Shippers Group or Shippers Operator to act as a Reasonable and Prudent Operator; and / or
- (e) any failure of the Shippers Group to perform their obligations as a result of events or causes affecting:
  - (i) the owners of the Intervening System (if any); or
  - (ii) any third party who transports, processes, stores and / or exports any hydrocarbons from the Shippers Field (other than INEOS acting as the owner and operator of the FPS System);

where such events or causes affecting the owners of the Intervening System (if any) or such third party would not constitute Force Majeure as defined in this Agreement.

In the event that a Party is unable to fulfil its obligations in the above circumstances, the obligations hereunder of such Party shall except as provided above be suspended. The Party whose obligations have been suspended as aforesaid shall give notice in writing of such suspension, as soon as reasonably possible, to the other Parties stating the date and extent of such suspension, cause thereof and such other details as may be reasonable in all the circumstances. Any Party whose obligations have been suspended as aforesaid shall resume the performance of such obligations

as soon as reasonably possible after the removal of the cause and shall so notify in writing the other Parties.

## **21.02 Procedure**

A Party claiming relief for Force Majeure shall:

- (a) forthwith, or as soon as reasonably practicable, give notice to the other Parties of the events claimed by it to constitute such Force Majeure and likewise give notice to the other Parties of the cessation of such events;
- (b) in such notice, or as soon thereafter as is reasonably practicable, give such information about the events claimed to constitute such Force Majeure as may reasonably be required by the other Parties, together with an estimate of the duration of such event of Force Majeure and a statement of the steps and time believed necessary to remedy and/or overcome or mitigate the consequences of such Force Majeure;
- (c) where relevant and as soon as reasonably practicable, afford the other Parties, to the extent reasonably practicable, access to the site of the Force Majeure event; and
- (d) from time to time thereafter, at reasonable intervals and in any event within ninety (90) days after the occurrence of the Force Majeure event, give to the other Parties further information of the kind described in (b) above.

## **21.03 Remedy and Resumption**

Any Party whose obligations have been suspended under the foregoing provisions of this Clause 21 shall use its reasonable endeavours to remedy or remove the cause(s) of such suspension, and shall resume the performance of such obligations as soon as reasonably practicable after the removal of the cause(s) of such suspension, and shall so notify the other Parties of such resumption; provided always that such Party

shall not be obliged to settle any industrial dispute, except in such manner as it shall, in its own judgement, think fit.

#### **21.04 Temporary Alternative Arrangements**

To the extent INEOS fails for reasons of Force Majeure to accept Shippers Pipeline Liquids into the FPS System for any reason not caused by any member of the Shippers Group acting in that capacity then, notwithstanding Clause 2, the Shippers Group may, after giving written notice to INEOS, make temporary alternative arrangements for the disposal of those Shippers Pipeline Liquids. As soon as INEOS is able to reasonably predict the date on which it expects to be able to resume acceptance of Shippers Pipeline Liquids it will notify the Shippers Operator of that date. The Shippers Operator will recommence delivery of Shippers Pipeline Liquids under this Agreement as soon as reasonably practicable, but in no event later than the later of the date notified or thirty (30) Days after service of the notice by INEOS.

#### **21.05 Suspension of Free Barrels**

Clause 8.03 shall not apply to any Shippers Pipeline Liquids transported under alternative arrangements set out in Clause 21.04.

## **CLAUSE 22 – DISPUTE RESOLUTION AND APPLICABLE LAW**

### **22.01 Expert**

Unless otherwise expressly provided the following provisions shall apply in relation to any referral to an Expert pursuant to the terms of this Agreement.

- (a) The procedure for the appointment of an Expert shall be as follows:
  - (i) any Party may notify the others (in writing) that a disagreement exists, and shall in the same notice require the other Parties to join with the Party giving the notice in appointing a single Expert who shall resolve the point of difference;
  - (ii) if, within thirty (30) days of the giving of such notice, the Parties have not jointly appointed an Expert who is willing to act, then any Party may apply to the President (for the time being) of the Energy Institute of the United Kingdom (or any successor body fulfilling the same or materially the same functions) who shall, as soon as practicable, appoint an Expert for the determination of the matter in question, such an Expert being a person who (in the opinion of the said President) is competent to make such a determination.
- (b) The Expert shall, after giving the Parties the opportunity of making representations to him in writing, which representations shall be copied to the other Parties at the same time as being submitted to the Expert, determine the matter in question within thirty (30) days of his appointment or such later date as may be mutually agreed by the Parties and such Expert's determination shall be conclusive and binding on the Parties, save in the event of mistake of fact, fraud or manifest error.
- (c) If an Expert becomes unwilling or unable to act or does not determine the matter for which he is appointed within thirty (30) days of his appointment or such later date as may be mutually agreed by the Parties, then another Expert shall be appointed by the Parties or the said President as the case may require, in accordance with the procedure in this Clause 22.01.

- (d) The costs and expenses of an Expert shall be borne by the Parties in such proportions as the Expert shall consider to be equitable in all the circumstances.
- (e) An Expert shall act as an expert, not as an arbitrator, and the provisions of the Arbitration Act 1996 (and any statutory modification or re-enactment thereof) shall not apply to his determination.
- (f) Where a dispute arises between INEOS and one or more Other Users which relates to the same or similar facts as require determination pursuant to this Agreement, INEOS may consolidate the procedure for Expert determination under all relevant agreements with the intention that:
  - (i) the same Expert will be appointed in each case by agreement or under Clause 22.01;
  - (ii) the process will be conducted efficiently; and
  - (iii) each related dispute will be heard together.

### **22.02 Applicable law and Jurisdiction of the English Courts**

The construction, validity and performance of this Agreement shall be governed by English Law and, subject only to the foregoing provisions of this Clause 22, the Parties hereby submit to the exclusive jurisdiction of the High Court of Justice in London.

### **22.03 Remedies**

In the event of a breach of Clause 5.1 of Section 1 or Clause 7.01 of Section 2 of this Agreement by the Shippers Group or in the event that such breach seems likely, INEOS shall be entitled to all available legal and equitable remedies. The Parties agree and acknowledge that monetary damages may not be a sufficient remedy for any actual or threatened breach of Clause 5.1 of Section 1 or Clause 7.01 of Section 2 of this Agreement and that, in addition to all other remedies, INEOS shall be entitled to specific performance, injunctive and other equitable relief.



## **CLAUSE 23 - CONFIDENTIALITY**

### **23.01 Restriction on disclosure**

The terms and conditions of this Agreement and all information obtained from any Party in relation to this Agreement which is not in the public domain (including, without prejudice to the generality of the foregoing, the content of any dispute resolution proceedings or the results of such proceedings) shall be held confidential and shall not be disclosed to any Person which is not a Party to this Agreement without the prior written agreement of the other Parties except that INEOS and each member of the Shippers Group may each make available without such prior agreement, any or all of such information to:

- (a) its Affiliates, its and its Affiliates' employees and directors (including agency personnel); or
- (b) its outside professional consultants; or
- (c) any court of law or governmental authority having the statutory right to require the same or to the extent required by law or as required to comply with guidelines issued by any governmental authority; or
- (d) any of its outside professional auditors, tax or legal advisers; or
- (e) any bona fide intending assignee of its interest; or
- (f) a bank or financial institution from whom it or its Affiliates is seeking or obtaining finance or financial advice; or
- (g) any recognised Stock Exchange or the Securities and Exchange Commission of the United States of America in compliance with their rules and regulations; or
- (h) any actual or prospective purchaser of Forties Blend and/or Raw Gas and/or Gas Products but only to the extent reasonably necessary to effect a sale to such purchaser;
- (i) any Person appointed hereunder as an Expert, arbitrator or umpire; or

- (j) to any independent expert or auditor appointed by INEOS or another User to determine the quality, composition and/or specification of Pipeline Liquids.

INEOS and each member of the Shippers Group shall procure that any data or information disclosed to its Affiliate shall be held confidential by such Affiliate on the same terms as set out above.

Prior to the disclosure of any data or information to any Person referred to in sub-Clauses (b), (e), (f), (h) or (j) of this Clause 23.01, such Person must undertake in writing to maintain such data or information confidential. Any such undertaking shall be expressed to be in favour of INEOS and the Shippers Group.

The provisions of this Clause shall remain in force for a period of five (5) Years subsequent to the termination of this Agreement.

### **23.02 Exchange of data under Clause 10.06**

Notwithstanding the provisions of Clause 23.01, INEOS may, pursuant to Clause 10.06, disclose information obtained from the Shippers Group in relation to this Agreement to Other Users, provided that prior to receiving such information, each Other User to whom such information is to be released agrees in writing with INEOS:

- (a) to release promptly comparable information to the Shippers Group;
- (b) to hold information obtained from the Shippers Group in relation to this Agreement confidential on the same principles as those stated in Clause 23.01; and
- (c) that the information obtained from the Shippers Group in relation to this Agreement and furnished to such Other User shall be so furnished without the Shippers Group having any liability to such Other User for such information.

## **CLAUSE 24 - GENERAL PROVISIONS**

### **24.01 Contracts (Rights of Third Parties) Act 1999**

- (i) Except as provided in Clauses 24.01(ii) below, nothing in this Agreement is intended to confer on any Person any right to enforce any term of this Agreement which that Person would not have had but for the Contracts (Rights of Third Parties) Act 1999.
- (ii) Those Persons identified in Clause 17.05 shall be entitled in their own right to enforce the benefit of the indemnities given to them in Clause 17.
- (iii) Notwithstanding the provisions of Clause 24.01(ii), no right of the Parties to agree any amendment, variation, waiver or settlement under or arising from or in respect of this Agreement, or to terminate this Agreement, shall be subject to the consent of any Person who has rights under this Agreement pursuant to Clause 24.01(ii).
- (iv) In making a claim under this Agreement, the remedies of a third party shall be limited to claiming for damages.
- (v) No third party shall be entitled to assign any benefit conferred on it pursuant to this Agreement.

## **ATTACHMENT A - THE FPS SYSTEM**

The definitions set out in Section 1 and Section 2 of this Agreement shall apply to this Attachment A.

The FPS System means all facilities and equipment commonly known as the “FPS System”, the “Forties System” or the “FPS Pipeline System” which, as at the date of this Agreement, comprise:

1. The FPS Pipeline.
2. The Unity Platform.
3. Those facilities installed on the Forties Platform FC and owned by INEOS including (at the date hereof):
  - (a) the Brae and Montrose/Arbroath risers and associated pig receivers;
  - (b) a 36” sealine pig launcher and the Forties Platform FC export riser;
  - (c) Router based telemetry from Delta V control system for Brae, Montrose and export systems;
  - (d) 1 corrosion inhibitor skid and any associated corrosion inhibitor tanks;
  - (e) 32”sealine pig launcher and riser (disused);
  - (f) all valves, pipework and dedicated control systems, drain lines, flow meters and emergency shutdown valve control panels associated with (a) to (e); and
  - (g) remote telemetry units for Brae, Montrose, Forties.
4. Those facilities installed within the terminal compound at St. Fergus and owned and operated by INEOS including a pig launcher, valves, instrumentation and interconnecting pipework.

5. The onshore pipeline from St. Fergus terminal to the Cruden Bay terminal.
6. The crude oil stabilisation, gas recovery and treatment plant located at the Kerse of Kinneil adjacent to the Grangemouth refinery.
7. The onshore pipeline from the Kerse of Kinneil to the crude oil tankage at Dalmeny, the crude oil tankage at Dalmeny and the pipeline connecting Dalmeny to the Hound Point terminal, all for the delivery of Forties Blend.
8. The Hound Point terminal.
9. The gas recovery and treatment plant at the Kerse of Kinneil.
10. The gas sweetening facilities at the Kerse of Kinneil.
11. The refrigerated and pressure storage for Propane and Butane at Grangemouth docks and storage for C5+ Condensate at Grangemouth.
12. The export facilities for Propane and Butane at INEOS's Grangemouth Old Lock Berth and for C5+ Condensate export at INEOS's Grangemouth docks.
13. The Redelivery Points for Gas Products.
14. The effluent treatment facilities at the Kerse of Kinneil.
15. Further facilities situated at the Kerse of Kinneil for the processing and removing of contaminants from Forties Blend and Gas Products.
16. Any other relevant facilities, in addition to those set out above, which INEOS considers are necessary for the transportation, handling and processing of Pipeline Liquids and/or the handling and delivery of Forties Blend and Gas Products.

## **ATTACHMENT B - PART I - ALLOCATION PROCEDURES**

The definitions set out in Section 1 and Section 2 of this Agreement shall apply to this Attachment B - Part I, except that in this Attachment B – Part I, “**Field Operator**” shall mean the operator of a “**User**”. Any reference to a Paragraph in this Attachment B – Part I is to a paragraph of this Attachment B – Part I unless the context otherwise requires.

The mass allocation of SCO, Raw Gas, Dry Gas, Propane, Butane, C<sub>5+</sub> Condensate and acid gas between Users shall be undertaken by INEOS as follows:

1. User stock contribution.
2. Calculation of system difference.
3. Regular Allocation Periods.
4. Determination of composition of Raw Gas, Dry Gas and SCO.
5. Review.

1. **FPS SYSTEM USER STOCK CONTRIBUTION**

All Users shall contribute to stocks within the FPS System upstream of the Kerse of Kinneil approved meters for Forties Blend and Raw Gas in accordance with Paragraph 3.5.4.

2. **CALCULATION OF FPS SYSTEM MASS DIFFERENCE (DRY)**

The system difference (dry) is calculated using a mass balance equation and is the difference in mass between input to and disposals from the system at the Kinneil Raw Gas and SCO meters, over a period of one (1) Day or other period as agreed by the FPS System Measurement Forum (Mass Balance Period).

$$D = S + G + C + K + St - T \text{ Tonnes Pipeline Liquids (dry)}$$

Where

D = system difference mass (dry) in Tonnes.

S = Total Forties Blend mass (dry) ex Kerse of Kinneil approved meters, in Tonnes.

G = Total Raw Gas mass (dry) ex Kerse of Kinneil approved meters, in Tonnes.

C = Total Cruden Bay flare/vent mass (dry) in Tonnes as reported by INEOS, calculated by multiplying the gas/oil ratio (calculated by dividing G with S) by the sum of positive tank dip changes in Tonnes

K = Total Kinneil Raw Gas mass (dry) flared upstream of the Kerse of Kinneil approved meters (excluding C), in Tonnes.

St = Stock change in mass (dry) of working stock of the FPS System upstream of the Kerse of Kinneil approved meters, in Tonnes. Stock change is defined as stock at end of the Mass Balance Period minus stock at beginning of the Mass Balance Period.

T = Total Users' Pipeline Liquids (dry) in Tonnes, ex approved meters after allowing for User stock changes occurring upstream of the FPS System, in Tonnes (as described in Paragraph 3.5.1).

Note 1

Total Users' draindown mass (dry) in Tonnes, from pig launchers/ receivers downstream of the respective approved meters, where these draindown quantities are returned to upstream of the approved meters, shall be incorporated within T.

3. **REGULAR ALLOCATION PERIODS**

3.1 Equitable allocation between Users shall be based on the incremental yields in Tonnes of Raw Gas, Dry Gas, Propane, Butane, C<sub>5+</sub> Condensate, acid gas and SCO which would be generated by each User's Pipeline Liquids (dry) in the Kerse of Kinneil oil stabilisation, gas recovery and treatment plant. These yields shall be calculated using a computer process simulation program as agreed by the FPS System Measurement Forum on behalf of Field Operators, which requires as input data the mass (dry) at the Kerse of Kinneil and the representative composition of each User's Pipeline Liquids (dry) being processed. Thus, if there are n Pipeline Liquids (dry) in the system, the n are simulated as a mix and then one is removed and n-1 simulated. The difference between the two results for product yields and SCO composition gives the incremental effect. This is repeated to give incremental product yields and SCO composition for the Pipeline Liquids (dry) of each User. Negative Dry Gas, Propane, Butane, C<sub>5+</sub> Condensate and acid gas yields if generated shall be made zero and the positive yields pro-rated to equal the Raw Gas quantity.

3.2 The computer process simulation program shall be regularly reviewed and if necessary updated by INEOS to represent the performance of the Kerse of Kinneil oil stabilisation, gas recovery and treatment plant. Any revisions made to the program shall be agreed by the FPS System Measurement Forum on behalf of Field Operators, prior to the use of such revisions. Failing agreement INEOS's preferred modifications shall prevail. In such event the provisions of Paragraph 5 may subsequently be invoked by Field Operators.



- 3.3 Computer simulation to provide incremental yields of SCO, Dry Gas, Raw Gas, Propane, Butane, C<sub>5+</sub> Condensate and acid gas shall be undertaken on a dry basis for each Simulation Period. The same Simulation Periods shall be used for all Users.
- 3.4 Representative compositions, sediment and water contents of Users' Pipeline Liquids shall be derived from analysis of on-line samples as detailed in Attachment E to this Agreement. Sample analysis data shall be time matched to the respective Simulation Periods by taking into account the time taken for Pipeline Liquids to be transported from the point at which samples are taken to the Kerse of Kinneil.
- 3.5 Pipeline Liquids (dry) in Tonnes at the Kerse of Kinneil for each User ("User Kinneil mass (dry)") for the Simulation Period shall be aggregated from the results of the following equation which is calculated over the Mass Balance Period:

$$\left[ \begin{array}{l} \text{User} \\ \text{Kinneil} \\ \text{mass} \\ \text{(dry)} \end{array} \right] = \left[ \begin{array}{l} \text{User approved} \\ \text{meter mass} \\ \text{(dry)} \end{array} \right] - \left[ \begin{array}{l} \text{User share} \\ \text{of flare} \\ \text{gas mass} \\ \text{(dry)} \end{array} \right] - \left[ \begin{array}{l} \text{User stock} \\ \text{change mass} \\ \text{(dry)} \end{array} \right] + \left[ \begin{array}{l} \text{User share} \\ \text{of system} \\ \text{difference} \\ \text{(dry)} \end{array} \right]$$

where the quantities on the right hand side of the equation are determined in accordance with Paragraphs 3.5.1, 3.5.2, 3.5.3 and 3.5.4.

- 3.5.1 User approved meter mass (dry) shall be determined for each User, from approved metered data (after allowing for User stock changes and pig receiver/launcher drain down quantities occurring upstream of the FPS System) after deducting water and sediment content in accordance with Attachment E to this Agreement. Water and sediment content shall be determined from on-line samples, taking into account the time-matching as described in Paragraph 3.4.
- 3.5.2 User share of flare gas mass (dry) upstream of the Kerse of Kinneil approved meters shall be determined by the summation of the result of the following two calculations:

- (i) The total Cruden Bay flare/vent mass (dry) shall be prorated between Users in the ratio of respective User approved meter masses (dry) from Paragraph 3.5.1, to the total of User approved meter masses (dry) of all Users entering the FPS System upstream of the Cruden Bay tanks and relief flares.
- (ii) The total Kinneil Raw Gas mass (dry) flared upstream of the Kerse of Kinneil approved meters (excluding Cruden Bay flare/vent mass (dry)) shall be prorated between Users in the ratio of respective approved meter masses (dry) to the total User approved meter masses (dry).

3.5.3 The system difference shall be prorated to all Users in the ratio of respective meter masses (dry) from Paragraph 3.5.1, to the total of User approved meter masses (dry) of all Users entering the FPS System.

3.5.4 User stock change mass (dry) shall be determined as follows:

- (i) Determination of a User's share of the stocks described in Section 3 of Attachment E to this Agreement shall be made on the following basis:
  - (a) The volume of each of the stocks at the end of the Mass Balance Period are calculated. These volumes are calculated at the operating temperature and pressure which applies to each stock element on the last Day of the Simulation Period.
  - (b) Each stock volume determined under Paragraph 3.5.4 (i) (a) is then filled with each User's production volume (wet) referred to the operating temperature and pressure of the stock element, starting with the last production Day of the Mass Balance Period and working backwards until the stocks are filled.
  - (c) Finally, each User's volume contribution determined under Paragraph 3.5.4. (i) (b) is corrected for water and sediment, referred to volume at 15°C and 1.01325 bar a, and then

converted into mass (dry) after taking into account the User's Pipeline Liquid density.

- (ii) To determine User stock change mass (dry) subtract from the User share of stock mass (dry) at the end of each Mass Balance Period the User stock mass (dry) at the end of the preceding Mass Balance Period.

3.6 The incremental yields (dry) in Tonnes of each of SCO, Raw Gas, Dry Gas, Propane, Butane, C<sub>5+</sub> Condensate and acid gas shall be calculated for each User for each Allocation Period by summation of computed yields for the respective Simulation Period(s) within that Allocation Period. In the event that a Simulation Period is less than the Allocation Period and overlaps with the beginning or end of an Allocation Period, the computed yields for the said Simulation Period shall be prorated to determine the portion attributable to the Allocation Period, as follows:

$$\text{Mu} = \frac{\text{KK}}{\text{KK}^{n_1}} \times \text{Mu}^{n_1}$$

Where:

Mu = User incremental computed product yield for the portion of the Simulation Period lying within the Allocation Period.

KK = User Kinneil mass (dry) for the portion of the Simulation Period lying within the Allocation Period.

KK<sup>n<sub>1</sub></sup> = User Kinneil mass (dry) for the total Simulation Period of n Days.

Mu<sup>n<sub>1</sub></sup> = User incremental computed product yield for the total Simulation Period of n Days.

3.7 The actual mass (dry) for Dry Gas, acid gas and actual weight (dry) for each of Propane, Butane and C<sub>5+</sub> Condensate and SCO shall be determined for each Month ("**Monthly actual quantity (dry)**") by adding together:

3.7.1 The sum of end-user disposal meter and measurement data (dry); and

3.7.2 The difference in the stocks (dry) held at the end of the Month and the beginning of the Month.

3.8 The Monthly actual quantity (dry) of Raw Gas shall be determined from the Kerse of Kinneil approved meters.

3.9 The Monthly computed incremental yields of each of Raw Gas, Dry Gas, Propane, Butane, C<sub>5+</sub> Condensate and acid gas from Paragraph 3.6 ("**User Monthly Computed Yields**"), shall be reconciled to the Monthly actual quantity (dry) of each of Raw Gas, Dry Gas, Propane, Butane, C<sub>5+</sub> Condensate and acid gas from Paragraphs 3.7 and 3.8 to generate User Monthly allocation as follows:

$$\text{User Monthly allocation} = \frac{\left[ \text{Monthly actual quantity (dry)} \right]}{\text{Sum of Users' Monthly Computed Yields}} \times \left[ \text{User Monthly Computed Yield} \right]$$

where:

User Monthly allocation shall be expressed as follows:

- (i) acid gas, as mass (dry) in Tonnes;
- (ii) Raw Gas and Dry Gas in commercial units as mass (dry) in Tonnes;
- (iii) Propane, Butane and C<sub>5+</sub> Condensate in commercial units as weight (dry) in Tonnes (wt).

Quantities of Raw Gas (wet) where required shall be calculated by replacing "Monthly actual quantity (dry)" by "Monthly actual quantity (wet)" in the above equation.

3.10 The Monthly actual quantity (dry) in Tonnes of SCO as measured at the Kerse of Kinneil approved meters shall be allocated as follows:

$$\text{User Monthly allocation} = \left[ \begin{array}{c} \text{User Monthly Kinneil} \\ \text{mass of Pipeline} \\ \text{Liquids (dry) from Paragraphs} \\ \text{3.5 and 3.6} \end{array} \right] - \left[ \begin{array}{c} \text{User Monthly} \\ \text{allocation of} \\ \text{Raw Gas from Paragraph} \\ \text{3.9} \end{array} \right]$$

- 3.11 Monthly entitlement to Forties Blend at the Kerse of Kinneil approved meters shall be calculated in Barrels and Tonnes (wt) using the value adjustment procedure in Attachment B - Part II to this Agreement. The apparent loss or gain in Barrels between the Kerse of Kinneil approved meters and those calculated from the closing minus the opening stocks of Dalmeny storage plus the deliveries ex Hound Point shall be allocated in proportion to the quantity of Forties Blend in Barrels each User sends to Dalmeny storage. Each User's entitlement to Forties Blend at the Kerse of Kinneil approved meters shall then be adjusted to give the overall Monthly entitlements to delivery in Barrels for each User.
- 3.12 In the event that C<sub>5+</sub> Condensate is spiked for or on behalf of a User into Forties Blend going to Dalmeny storage downstream of the fiscal meters, entitlement to Forties Blend for that User equivalent to the C<sub>5+</sub> Condensate so spiked shall be calculated as follows:
- 3.12.1 The dry mass and volume of C<sub>5+</sub> Condensate spiked into the SCO shall be measured for each Month and its composition obtained from the combined Monthly computer simulation.
- 3.12.2 The value adjustment procedure detailed in Attachment B - Part II to this Agreement shall be re-run using as input data the total SCO stream metered to Dalmeny at the Kerse of Kinneil approved meters in Tonnes (wt) dry and the Forties Blend composition and quality from the combined Monthly computer simulation along with the C<sub>5+</sub> Condensate from Paragraph 3.12.1 converted to Tonnes (wt).
- 3.12.3 Entitlement to Forties Blend at Dalmeny shall be recalculated for each User as follows:

- (a) The value adjusted SCO stream as determined in Paragraph 3.12.2 shall be prorated on each User's positive Tonnes (wt) dry deemed to Dalmeny SCO stream at the Kerse of Kinneil approved meters.
- (b) The value adjusted C<sub>5+</sub> Condensate stream shall be prorated on each User's condensate Tonnage (wt) dry injected into the SCO stream going to Dalmeny at the Kerse of Kinneil approved condensate meters.
- (c) The loss at Dalmeny will be allocated as described in Paragraph 3.11, but will be in proportion to each User's Forties Blend entitlement after the secondary value adjustment described in Paragraph 3.12.2.

3.13 A worked example is appended detailing the calculations to be undertaken for a typical Allocation Period.

#### 4. **DETERMINATION OF COMPOSITIONS OF RAW GAS, DRY GAS AND SCO**

The composition of Raw Gas, Dry Gas and SCO attributable to each User shall be determined from the computer process simulation program referred to in Paragraph 3.1. Raw Gas calorific values determined from the incremental Raw Gas analyses are reconciled on an energy basis to the actual total Raw Gas calorific value using the principles in Paragraph 3.9.

#### 5. **REVIEW**

5.1 In the event that any Field Operator considers that the allocation procedure described in Paragraphs 1, 2, 3 and 4 no longer gives, or is not expected to give, a reasonable measure of the allocation of Users' SCO, Raw Gas, Dry Gas, acid gas, Propane, Butane and C<sub>5+</sub> Condensate the Field Operator shall deliver to INEOS a statement detailing:

- (a) the proposed modifications to Paragraphs 1, 2, 3 and 4,

(b) justification for the proposed modifications.

5.2 On the first Day of the following Quarter (hereafter referred to as the "**Date of Appeal**"), subject to the provisions of Paragraph 5.4, INEOS shall send to all Field Operators copies of any submissions received and as soon as practicable thereafter will call a meeting of all Field Operators to discuss the submissions and agree any modifications to the allocation procedures.

5.3 If the Field Operators fail to agree on the modification to be applied within sixty (60) days of the Date of Appeal, the matter shall be promptly referred to an Expert for determination. Such Expert shall be a Person, firm or company suited by reason of its qualifications, experience and expertise for the determination in question and shall be appointed by agreement with all Field Operators or, failing agreement within fourteen (14) days of the expiry of the aforesaid sixty (60) day period, by the President of the Energy Institute (or any successor body fulfilling the same or materially the same functions).

The Expert shall be required to complete his determination within thirty (30) days of the date of the reference and shall be required to implement the principles of this Agreement, consider any representations made by Field Operators and give reasons for his decision. The Expert's decision shall be final and binding on all Users of the FPS System and any modifications shall take effect from the Date of Appeal and remain in force until subsequently amended.

5.4 The Date of Appeal may not be less than six (6) months after any previous Date of Appeal.

### **Example Calculation**

The following is an example calculation of the mass allocation of SCO, Raw Gas, Dry Gas, Propane, Butane, C<sub>5+</sub> Condensate, acid gas and system difference between Users for one Allocation Period. The values for the terms and expressions, the number of Users, the Allocation Period and other conditions, all as described in Paragraph A.1 below, are for purposes of example only.

**A. CALCULATION OF MONTHLY SYSTEM MASS (DRY) DIFFERENCE**

1. Assumed Values and Conditions

- (a) There are three Users, namely Field A, B and C.
- (b) The Allocation Period is one Month of 28 Days.
- (c) The Simulation Period is one Month of 28 Days.
- (d) Measurements taken over the Simulation Period, with the definitions of each term given in Paragraph 2 herein are in Tonnes:

**Metered Mass (dry)**

(adjusted for drain down/User stock changes as in Paragraph 3.5.1

S = 1905946.8	Field A	410594
G = 94214.4	Field B	182712.8
C = 35.2	Field C	1413287.2
K = 142.8		
T = 2006594		

- (e) Stock changes within the FPS System as determined for each Simulation Period for each of the stocks as detailed in Section 3 of Attachment E to this Agreement are in Tonnes:

Total stocks at end of previous Simulation Period	195785
Total stocks at end of Simulation Period	<u>202005</u>
St =	6220

- (f) The actual quantity (dry) of Forties Blend for the Allocation Period measured by the Kerse of Kinneil meters is, in Tonnes: = 1905946.8
- (g) The actual quantity (dry) of Raw Gas for the Allocation Period as measured by the Kerse of Kinneil approved meters is in Tonnes:



$$= 94214.4$$

## 2. Calculation

The calculations have been conducted by computer, but the results have only been displayed to one decimal place.

### 2.1 Calculate D (from Paragraph 2)

$$D = 1905946.8 + 94214.4 + 35.2 + 142.8 + 6220 - 2006594$$

hence

$$D = - 34.8 \text{ Tonnes.}$$

### 2.2 Calculation of User Kinneil mass (dry) (from Paragraph 3.5)

2.2.1 Allocation of total Cruden Bay flare mass, based on the ratio of User's mass (dry) entering upstream of the Cruden Bay relief flare to the total mass (dry) of all Users entering upstream of the Cruden Bay relief flare.

$$\begin{aligned} \text{Field A's} &= 35.2 \times \frac{410594}{2006594} \\ \text{share} & \\ &= 7.2 \text{ Tonnes} \end{aligned}$$

$$\begin{aligned} \text{Field B's} &= 35.2 \times \frac{182712.8}{2006594} \\ \text{share} & \\ &= 3.2 \text{ Tonnes} \end{aligned}$$

$$\begin{aligned} \text{Field C's} &= 35.2 \times \frac{1413287.2}{2006594} \\ \text{share} & \end{aligned}$$

$$= 24.8 \text{ Tonnes}$$

2.2.2 Allocation of total Kinneil Raw Gas mass (dry) flared upstream of the Kerse of Kinneil approved meters but excluding Cruden Bay flare mass (dry), based on the ratio of User's mass (dry) to the total mass (dry) of all Users entering upstream of the Kerse of Kinneil approved meters.

$$\begin{aligned} \text{Field A's share} &= 42.8 \times \frac{410594}{2006594} \\ &= 29.2 \text{ Tonnes} \end{aligned}$$

$$\begin{aligned} \text{Field B's share} &= 142.8 \times \frac{182712.8}{2006594} \\ &= 13.0 \text{ Tonnes} \end{aligned}$$

$$\begin{aligned} \text{Field C's share} &= 142.8 \times \frac{1413287.2}{2006594} \\ &= 100.6 \text{ Tonnes} \end{aligned}$$

2.2.3 Allocation of system difference based on the ratios as in A.2.2.1 and A.2.2.2 herein:

$$\begin{aligned} \text{Field A's share} &= -34.8 \times \frac{410594}{2006594} \\ &= -7.1 \text{ Tonnes} \end{aligned}$$

$$\begin{aligned} \text{Field B's share} &= -34.8 \times \frac{182712.8}{2006594} \end{aligned}$$

$$\begin{aligned}
 &= 3.2 \text{ Tonnes} \\
 \text{Field C's share} &= -34.8 \times \frac{1413287.2}{2006594} \\
 &= -24.5 \text{ Tonnes}
 \end{aligned}$$

2.2.4 Allocation of FPS System Stocks:

	(Tonnes)			
	Field A	Field B	Field C	Total
Stock at end of previous period	35335	19750	140700	195785
Stock at end of period	<u>36555</u>	<u>20350</u>	<u>145100</u>	<u>202005</u>
User stock change mass (dry)	<u>1220</u>	<u>600</u>	<u>4400</u>	<u>6220</u>

2.2.5 Hence User Kinneil mass (dry) allocations are:

$$\begin{aligned}
 \text{Field A} &= \frac{410594}{2000161.2} - 7.2 - 29.2 - 1220 - 7.1 = 409330.5 \text{ Tonnes} \\
 \text{Field B} &= \frac{182712.8}{2000161.2} - 3.2 - 13 - 600 - 3.2 = 182093.4 \text{ Tonnes} \\
 \text{Field C} &= \frac{1413287.2}{2000161.2} - 24.8 - 100.6 - 4400 - 24.5 = 1408737.3 \text{ Tonnes}
 \end{aligned}$$

**B. PRODUCT ALLOCATION**

1. Assumed Values and Conditions

(a) There are three (3) Users as above.

2. Total Output at Kinneil and Production from Gas Fractionation Plant

All calculations below are displayed to the nearest whole number but calculated using the computer's maximum number of significant figures.

## 2.1 Output

This is calculated in A.2.2.6 herein. Mass input = mass output as below:

	Tonnes
SCO at Kinneil approved meters	1,905,947
Raw Gas at Kinneil approved meters	94,214
Total input	<u>2,000,161</u>

## 2.2 Total Actual Production (from Paragraph 3.7 herein)

	Tonnes (mass)
Dry Gas	22,500
Acid gas	2,205
Propane	28,862
Butane	24,314
C <sub>5+</sub> Condensate	16,062

## 2.3 Incremental computer yield factors for each Field (from Paragraphs 3.1 and 3.6)

	Tonnes			
	Field A	Field B	Field C	Total System
Dry Gas	1964	2457	17857	22278
Acid Gas	1494	72	652	2218
Propane	10679	1825	16398	28902
Butane	6881	1719	15687	24287
C <sub>5+</sub> Condensate		3932	1150	11038      16120
Raw Gas	24950	7223	61632	93805
<u>SCO</u>	<u>384380</u>	<u>174870</u>	<u>1347105</u>	<u>1906356</u>
Total (Mass	409330	182093	1408737	2000161

input at Kinneil)

## 2.4 Allocated product quantities (from Paragraph 3.9)

### 2.4.1 Example:

$$\text{Field A's Raw Gas} = \frac{24950 \times 94214}{93805}$$

$$= 25059 \text{ Tonnes}$$

$$\text{Field B's Raw Gas} = \frac{7223 \times 94214}{93805}$$

$$= 7255 \text{ Tonnes}$$

$$\text{Field C's Raw Gas} = \frac{61632 \times 94214}{93805}$$

$$= 61901 \text{ Tonnes}$$

## 2.5 Allocation of Raw Gas, Dry Gas, Propane, Butane, C<sub>5</sub>+ Condensate, acid gas and SCO

Tonnes

	<u>Field A</u>	<u>Field B</u>	<u>Field C</u>	<u>Total System</u> <u>Actual</u>
(1) Dry Gas	1984	2481	18035	22500
(2) Acid Gas	1485	72	648	2205
(3) Propane	10664	1822	16375	28862
(4) Butane	6889	1721	15704	24314
(5) C5+ Condensate	3918	1146	10998	6062
(6) Total gas	24940	7242	61761	93943

products

= (1+2+3+4+5)

(7)	Raw Gas	25059	7255	61901	94214
(8)	SCO Allocation (at Kinneil)	384272	174839	1346836	1905947

= (10-7)

(9)	Gas Plant Difference	119	12	140	271
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= (7-6)

(10)	Total Input at Kinneil (from B.2.3 herein)	409330	182093	1408737	2000161
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2.6 Entitlement to Forties Blend for Allocation Period (from 3.10 and 3.11 of herein)

	<u>Field A</u>	<u>Field B</u>	<u>Field C</u>	<u>Total</u>
(a) Allocated SCO at Kinneil approved meters (Tonnes (mass))	384272	174839	1346836	1905947
(b) Entitlement to Forties Blend at Kinneil approved meters	(see Attachment B - Part II to this Agreement			
(Tonnes (wt)) (Barrels)	374922	172683	1355841	1903446
	2811915	1295121	10168800	14275836
(c) To Petrolneos Grangemouth Refinery [ ] (Barrels)	1000000	500000	0	1500000
(d) To Dalmeny (Barrels)	1811915	795121	10168800	12775836
(e) % of barrels to Dalmeny	14.18	6.22	79.59	
(f) Actual Barrels				12773000
(g) Loss at Dalmeny (Barrels)				2836
(h) Allocated loss at Dalmeny (Barrels)	402	177	2257	

(i) Total Forties Blend Entitlement (c) + (d) - (h)	2811513	1294945	10166542	14273000



**ATTACHMENT B - PART II - VALUATION PROCEDURE AND DETERMINATION OF ENTITLEMENT TO FORTIES BLEND**

The definitions set out elsewhere in this Agreement shall apply to this Attachment B - Part II. Any reference to a Paragraph in this Attachment B – Part II is to a Paragraph of this Attachment B – Part II unless the context otherwise requires.

The quantity in Barrels of Forties Blend that each User shall be entitled to receive in each Month shall be determined in accordance with the following formula:

$$E_1 = \frac{\left[ \frac{A_1 * V_1}{A * V} \right]}{\sum_{allusers} \left[ \frac{A_i * V_i}{A * V} \right]} * M$$

Where:

$E_1$  is the entitlement of User 1 to Forties Blend in Barrels.

$A_1$  is the quantity of SCO in Tonnes (wt) derived from Tonnes allocated to User 1 pursuant to Attachment B - Part I to this Agreement for the Month in question.

$A_i$  is the quantity of SCO in Tonnes (wt) derived from Tonnes allocated to User i pursuant to Attachment B - Part I to this Agreement for the Month in question.

$V_1$  is the value in US dollars/Tonne (wt) of the SCO attributable to User 1 as derived from Paragraph 1.3.4.

$V_i$  is the value in US dollars/Tonne (wt) of the SCO attributable to User i as derived from Paragraph 1.3.4.

$M$  is the total quantity in Barrels of Forties Blend produced during the Month in question.

$A$  is the quantity of SCO in Tonnes (wt) derived from Tonnes allocated to all Users pursuant to Attachment B - Part I to this Agreement for the Month in question.

V is the reference value in US dollars/Tonne (wt) of Forties Blend as determined pursuant to Paragraph 1.1.1 for the Month in question.

For the purposes of determining the values in US dollars/Tonne (wt) of SCO and Forties Blend the procedure set forth in Paragraphs 1.1, 1.2 and 1.3 shall apply.

In the event that C5+ Condensate is spiked into Forties Blend, the value adjustment step shall be repeated. The first stage shall calculate Users' entitlement to SCO at the Kerse of Kinneil meters as above. The second stage shall be the value adjustment of the combined crude stream metered to Dalmeny and the metered C5+ Condensate streams, as explained in Attachment B - Part I to this Agreement.

The above formula shall still apply at the second stage, A being the sum of the total Tonnes (wt) SCO metered to Dalmeny and the C5+ spike Tonnes (wt) metered at Kerse of Kinneil.

## 1. Mechanism

### 1.1 Reference Values

#### 1.1.1 Forties Blend

The reference value of Forties Blend in US dollars/Tonne (wt) for a Month shall be calculated by adding together the quantities obtained by multiplying each lifting of Forties Blend (expressed in Barrels) during that Month by the prevailing term price (expressed in US dollars/Barrel) for Forties Blend applicable to the relevant lifting and then dividing the sum of each such quantities by the total quantity in Tonnes (wt) of Forties Blend lifted during such Month.

For the purpose of this Paragraph 1.1.1, the prevailing term price shall be taken to be the average of the mid price of the daily quoted ranges for Forties Blend as published in the Platts Crude Oil Marketwire (Forties Blend being therein described as "Forties") during such Month.

### 1.1.2 Products

The average values in US dollars/Tonne (wt) for the following products shall be the Platts European Marketscan published average mean cargo price quotations c.i.f. NWE (basis ARA) for the month in question. The standard qualities required for Paragraph 1.3 shall be taken from the same publication:

Naphtha Physical, defined as  $P_n$

Jet-Kero, defined as  $P_k$

Gasoil (0.2% sulphur), defined as  $P_{go}$

0.5-0.6% Sulphur Vacuum Gasoil, defined as  $P_{lsvgo}$

2% Sulphur Vacuum Gasoil, defined as  $P_{hsvgo}$

1% Sulphur Fuel Oil, defined as  $P_{lsfo}$

3.5% Sulphur Fuel Oil, defined as  $P_{hsfo}$

### 1.2 Composition

The product yields of the SCO for each User shall be determined in accordance with Paragraph 4 of Attachment B - Part I to this Agreement.

Data for each User's SCO as determined using the above procedure are shown in the table below indicated with 'x'. Product qualities shown by 'z' are measured from samples of the User's Pipeline Liquids.

Product	Cut	Composition wt%	Relative Density 60/60 °F	Viscosity at 100 °C (cSt)	Sulphur (%wt)
Gas	C <sub>1</sub> -C <sub>4</sub>	x			
Naphtha	C <sub>5</sub> -150°C TBP	x			
Kerosene	150-250°C TBP	x	z		
Gasoil	250-350°C TBP	x	z		
Vacuum Gasoil	350-550°C TBP	x			z
Vacuum Residue	greater than 550°C TBP	x		z	z

The product yields and product qualities for Forties Blend are obtained by averaging the yields and qualities of all Users' SCO, weighted by User Monthly SCO allocation from Paragraph 3.10 of Attachment B - Part I to this Agreement.

### 1.3 Valuation

1.3.1 A deemed differential value (Delta V) in US dollars between one Tonne (wt) of each User's SCO and one Tonne (wt) of Forties Blend shall be calculated from the following formula:

$$\begin{aligned}
 \text{Delta V} = & 1.16 * P_{\text{hsfo}} * (DG_i - DG_f) + P_n * (DN_i - DN_f) + P_k * \left( \frac{K_i * 0.8}{\text{spg}K_i} - \frac{K_f * 0.8}{\text{spg}K_f} \right) + \\
 & P_{\text{go}} * \left( \frac{GO_i * 0.845}{\text{spg}GO_i} - \frac{GO_f * 0.845}{\text{spg}GO_f} \right) + \left( P_{\text{vgoi}} * VGO_i - P_{\text{vgof}} * VGO_f \right) + \\
 & \left( P_{\text{vri}} * VR_i - P_{\text{vrf}} * VR_f \right) \qquad \qquad \qquad \text{[Equation 1]}
 \end{aligned}$$

where:

**P<sub>n</sub>**, **P<sub>k</sub>**, **P<sub>go</sub>** and **P<sub>hsfo</sub>** are determined from Paragraph 1.1.2

**P<sub>vgoi</sub>** and **P<sub>vgof</sub>** are the values in US Dollars respectively of one Tonne (wt) of quality corrected vacuum gasoil (“VGO”) for the SCO of each User and Forties Blend as determined from Paragraph 1.3.2

**P<sub>vri</sub>** and **P<sub>vrf</sub>** are the values in US Dollars respectively of one Tonne (wt) of quality corrected vacuum residue for the SCO of each User and Forties Blend as determined from Paragraph 1.3.3

**DG<sub>i</sub>**, **DN<sub>i</sub>**, **K<sub>i</sub>**, **GO<sub>i</sub>**, **VGO<sub>i</sub>** and **VR<sub>i</sub>** are the product yield fractions by weight respectively of gas, naphtha, kerosene, gasoil, vacuum gasoil and vacuum residue of the User’s SCO determined from Paragraph 1.2

**DG<sub>f</sub>**, **DN<sub>f</sub>**, **K<sub>f</sub>**, **GO<sub>f</sub>**, **VGO<sub>f</sub>** and **VR<sub>f</sub>** are the product yield fractions by weight respectively of gas, naphtha, kerosene, gasoil, vacuum gasoil and vacuum residue of Forties Blend determined from Paragraph 1.2

**spgK<sub>i</sub>** and **spgK<sub>f</sub>** are the specific gravities of kerosene for each User’s SCO and for Forties Blend respectively as determined from Paragraph 1.2

**spgGO<sub>i</sub>** and **spgGO<sub>f</sub>** are the specific gravities of gasoil for each User's SCO and for Forties Blend respectively as determined from Paragraph 1.2

The quantity "1.16" is the assumed fuel oil calorific equivalent of the gas cut.

1.3.2 The value of vacuum gasoil in US Dollars per tonne for each User (**P<sub>vgoi</sub>**) and Forties Blend (**P<sub>vgof</sub>**) is based on sulphur content in the vacuum gasoil. It is assumed that the quality of standard low-sulphur vacuum gasoil defined in section 1.1.2 has a sulphur content of 0.5%wt and high-sulphur vacuum gasoil has a sulphur content of 2.0% and that the value of sulphur in any VGO varies linearly. The value of each User’s SCO VGO is calculated by:

$$P_{vgoi} = \left( \frac{P_{lsvgo} - P_{hsvgo}}{1.5} \right) * (0.5 - S_{vgoi}) + P_{lsvgo} \quad \text{[Equation 2]}$$

Where **S<sub>vgoi</sub>** is the measured sulphur weight percent of each User’s SCO vacuum gasoil from the table in Paragraph 1.2

Likewise, the price of the Forties Blend vacuum gasoil is calculated by:

$$P_{\text{vgof}} = \left( \frac{P_{\text{lsvgo}} - P_{\text{hsvgo}}}{1.5} \right) * (0.5 - S_{\text{vgof}}) + P_{\text{lsvgo}} \quad [\text{Equation 3}]$$

Where  $S_{\text{vgof}}$  is the sulphur weight percent of the Forties Blend vacuum gasoil calculated by a weighted average of each User.

1.3.3 The quality adjusted vacuum residue values are calculated by deblending into standard gasoil and fuel oil qualities. The following standard qualities are currently used:

Gasoil:	Relative Density 60°F/60°F	0.845
	Sulphur by weight (Gs)	0.2%
	Kinematic Viscosity @ 100°C	1.29cSt
	Viscosity Index (Gkv)	6.54
	(calculated from viscosity)	(to two decimal places)
Fuel Oil:	Low-sulphur by weight (Slfo)	1.0%
	High-sulphur by weight (Shsfo)	3.5%
	Kinematic Viscosity @ 100°C	31.2cSt
	Viscosity Index (Fkv)	29.04
	(calculated from viscosity)	(to two decimal places)

Residue viscosities are converted to a viscosity index VI, by using the standard formula:

$$VI = 23.097 + 33.468 * \log_{10}(\log_{10}(V + 0.8)) \quad [\text{Equation 4}]$$

where  $V$  = viscosity measured in centistokes at 100°C of residue to be valued as determined under Paragraph 1.2

The residue is deblended/blended for viscosity using the following formula:

$$VI = y * F_{kv} + (1 - y) * G_{kv} \quad [\text{Equation 5}]$$

where:

**y** = weight fraction of standard fuel oil

**F<sub>kv</sub>, G<sub>kv</sub>** = viscosity blending index of standard fuel oil and gasoil respectively as specified above

Hence:

$$y = \frac{VI - G_{kv}}{F_{kv} - G_{kv}} \quad [\text{Equation 6}]$$

Having blended or deblended the residue into standard gasoil and fuel oil components which match the viscosity of the residue it is now necessary to adjust for the sulphur quality of the residue.

This is done by comparing the average sulphur content of the standard blend obtained above, with the sulphur content of standard fuel oil and valuing the difference.

The following formulae are used to calculate the sulphur of the deblended residue (DFs):

$$S_{VR} = y * DFs + (1 - y) * G_s \quad [\text{Equation 7}]$$

and hence:

$$DFs = \frac{S_{VR} - G_s * (1 - y)}{y} \quad [\text{Equation 8}]$$

where:

**S<sub>VR</sub>** is the sulphur in % by weight of the vacuum residue being valued as determined under Paragraph 1.2

**DFs** is the sulphur in % by weight of the deblended residue

**Gs** is the sulphur in % by weight of the standard gasoil as specified above

The price of standard fuel oil at the same sulphur level of deblended residue (DFs), is calculated using a 2-slope sulphur gradient. This has an inflexion point at the 1.5% intermediate sulphur fuel oil price (**P<sub>isfo</sub>**), and passes through the 1% sulphur fuel oil price (**P<sub>lsfo</sub>**) and 3.5% sulphur fuel oil price (**P<sub>hsfo</sub>**).

The price of 1.5% intermediate sulphur fuel oil is calculated by:

$$P_{isfo} = \left( \frac{P_{lsfo} + P_{hsfo}}{2} \right) \quad \text{[Equation9]}$$

For a deblended residue sulphur <1.5%, the price gradient for sulphur, **DeltaS<sub>(<1.5)</sub>**, is given by:

$$\text{DeltaS}_{(<1.5)} = \left( \frac{P_{lsfo} - P_{isfo}}{0.5} \right) \quad \text{[Equation10]}$$

Hence, the value of the quality adjusted residue for each SCO and Forties Blend (**P<sub>VRi,f</sub>**) is:

$$P_{VRi,f} = y * \left[ P_{lsfo} + \text{DeltaS}_{(<1.5)} * (S_{lsfo} - DFs) \right] + (1 - y) * P_{go} \quad \text{[Equation 11]}$$

where:

**S<sub>lsfo</sub>** is the sulphur in % by weight of 1% S Fuel Oil as specified above.

When the deblended residue sulphur is  $\geq 1.5\%$ , the price gradient for sulphur, **Delta S<sub>( $\geq 1.5$ )</sub>**, is given by:



$$\text{DeltaS}_{(\geq 1.5)} = \left( \frac{P_{\text{isfo}} - P_{\text{hsfo}}}{2.0} \right) \quad [\text{Equation12}]$$

Hence, the value of the quality adjusted residue for each SCO and Forties Blend ( $P_{\text{VRi,f}}$ ) is:

$$P_{\text{VRi,f}} = y * \left[ P_{\text{hsfo}} + \text{DeltaS}_{(\geq 1.5)} * (S_{\text{hsfo}} - \text{DFs}) \right] + (1 - y) * P_{\text{go}} \quad [\text{Equation13}]$$

where:

$S_{\text{hsfo}}$  is the sulphur in % by weight of 3.5% S Fuel Oil as specified above.

1.3.4 The deemed value in US dollars/Tonne (wt) of each User's SCO shall be the sum of the reference value (from Paragraph 1.1.1) and the differential value established from Equation 1.

1.3.5 Pre-defined changes to valuation mechanism:

- (i) Should any of the standard product qualities change, the data and equations defined in Paragraphs 1.3.1, 1.3.2 and 1.3.3 shall, to the extent necessary but not otherwise, be adjusted accordingly by INEOS. INEOS shall notify the Field Operator of any such adjustments as soon as reasonably practicable. If no written objections to the adjustments are received within sixty (60) days after receipt of INEOS's notification by the Field Operators, INEOS shall implement the adjustments for the next Month accounting period and for subsequent Months. If written objections to the validity of the adjustments are received, then the Review process described in Paragraph 3 shall apply.
- (ii) Should either Platts or Petroleum Argus introduce a reliable new NWE CIF intermediate sulphur fuel oil price assessment based on a sulphur content greater than 1% and less than 3.5%, INEOS shall notify Field Operators of this as soon as reasonably practicable, and such notice shall include the date of the introduction of the new price assessment. If no written objections to the validity of the new price assessment are received within sixty (60) days after receipt of INEOS's notification by the Field Operators, INEOS shall use the new data in the valuation mechanism for the next

Month accounting period and for subsequent Months. The sulphur content of the intermediate sulphur fuel oil described in Paragraph 1.3.3 shall be changed to the sulphur content of the new price assessment. The intermediate sulphur fuel oil price shall be calculated in the same way as the other products defined in Paragraph 1.1.2, and Equation 9 shall no longer apply. If written objections to the validity of the new price assessment are received, then the Review process described in Paragraph 3 shall apply.

## 2. Application

After the end of each Month INEOS shall calculate the entitlement at the Kerse of Kinneil meters to Forties Blend for each User for the Month and shall endeavour to advise each User of its entitlement for that Month within twenty (20) Working Days of the end of the Month in question.

## 3. Review

3.1 In the event that any Field Operator considers that the valuation mechanism as described above no longer gives, or is not expected to give, a reasonable measure of the relative values of Users' SCO the Field Operator shall deliver to INEOS a statement detailing:

- (a) the proposed modifications to the mechanism in Paragraph 1 above
- (b) justification for the modifications proposed.

3.2 Not later than the first Day of the following Quarter (hereafter referred to as the "Date of Appeal"), subject to the provisions of Paragraph 3.4, INEOS shall send to all Field Operators copies of any submissions received and as soon as practicable after the Date of Appeal shall call a meeting of all Field Operators to discuss the submissions and agree any modifications to the mechanism.

3.3 If the Field Operators fail to agree within sixty (60) days of the Date of Appeal on the modification to be applied the matter shall promptly be referred to an expert for

determination. Such expert shall be a person, firm or company suited by reason of its qualifications, experience and expertise for the determination in question and shall be appointed by agreement with all Field Operators or failing appointment within fourteen (14) days of the expiry of the aforesaid sixty (60) day period, by the President for the time being of the Energy Institute in London (or any successor body fulfilling the same or materially the same functions).

The expert shall be required to complete his determination within thirty (30) days of the date of the reference and shall be required to implement the principles of this Agreement and consider any representations made by Field Operators, give reasons for his decision and advise any values of each User's SCO which he had used in his determination.

The expert's decision shall be final and binding on all Users and any modifications shall take effect from the Date of Appeal and shall remain in force until subsequently amended.

- 3.4 The Date of Appeal may not be less than six (6) months after any previous Date of Appeal.

## **ATTACHMENT B - PART III - SECONDARY ALLOCATION AND VALUE ADJUSTMENT PROCEDURES**

The definitions set out in Section 1 and Section 2 of this Agreement shall apply to this Attachment B - Part III. Any reference to a Paragraph in this Attachment B – Part III is to a paragraph of this Attachment B - Part III unless the context otherwise requires.

### 1. **INTRODUCTION**

The Secondary Allocation and Value Adjustment Procedures (the "**Secondary Procedures**") shall be used to calculate the mass and weight allocations to Stabilised Crude Oil (SCO), Raw Gas, Propane, Butane, C<sub>5+</sub> Condensate and acid gas and the volume entitlements to Forties Blend between Users ("**Secondary Users**") whose Pipeline Liquids contribute to the commingled stream ("**Commingled Stream**").

Certain principles underlie these Secondary Procedures:

- i) The Secondary Procedures shall be performed after the Allocation Procedures contained in Attachment B - Part I to this Agreement and the Value Adjustment Procedures in Attachment B - Part II to this Agreement (the "**Primary Procedures**") and shall not alter the allocations and entitlements calculated by the Primary Procedures for Users who are not Secondary Users.
- ii) The Secondary Procedures shall apply to all Users who contribute Pipeline Liquids to the Commingled Stream.
- iii) The Secondary Procedures shall use compositional and quantity data provided by the Operator of the facility where Pipeline Liquids are commingled (the "**Primary Operator**").

## 2. **MECHANISMS**

### 2.1 Primary Allocation

The allocations for SCO, Raw Gas, Dry Gas, Propane, Butane, C<sub>5+</sub> Condensate and acid gas and the entitlement to Forties Blend for the Commingled Stream shall be calculated in accordance with Attachment B Parts I and II to this Agreement.

### 2.2 Secondary Allocation - Stage 1

The Primary Operator shall provide simulated compositions and quantities for the contribution of each Secondary User to the Commingled Stream, which shall be used as input to this Stage 1.

The quantity data shall be used to prorate the total input to Kinneil for the Commingled Stream to each of the Secondary Users.

These Kinneil input quantities, together with the compositional data, shall be used to calculate Raw Gas, Dry Gas Propane, Butane, C<sub>5+</sub> Condensate and acid gas allocations for each of the Secondary Users in accordance with the principles of Attachment B Part I to this Agreement.

### 2.3 Calculation of Raw Gas, Dry Gas, acid gas and Propane, Butane, C<sub>5+</sub> Condensate Allocation - Stage 2

The allocation of Raw Gas, Dry Gas, Propane, Butane, C<sub>5+</sub> Condensate and acid gas resulting from Stage 1 shall be prorated to the allocations of these products for the Commingled Stream from the Primary Procedures calculated in Paragraph 2.1, as follows:

For each of Raw Gas, Dry Gas, Propane, Butane, C<sub>5+</sub> Condensate and acid gas the quantity of each product to be allocated to each Secondary User shall be calculated as follows:

$$\text{Secondary User Allocation} = \text{CSPA} \times \frac{\text{SUPA}}{\text{Sum of SUPA}}$$

where

CSPA = Commingled Stream allocation of product from Paragraph 2.1

SUPA = Secondary User's allocation of product from Paragraph 2.2

#### 2.4 Calculation of SCO Allocation - Stage 3

The allocation of SCO for each of the Secondary Users shall be calculated in accordance with the principles of Attachment B Part I to this Agreement.

For each Secondary User the allocated quantity of SCO shall be calculated by difference between the input quantity at Kinneil for the Secondary User from Paragraph 2.2 and the allocated quantity of Raw Gas from Paragraph 2.3:

Secondary User allocation of SCO (tonnes) = Secondary User Input to Kinneil (tonnes) - Secondary User allocation of Raw Gas from Paragraph 2.3 (tonnes)

#### 2.5 Calculation of Value Adjusted SCO - Stage 4

The value adjusted SCO for each of the Secondary Users shall be calculated in accordance with Attachment B Part II to this Agreement.

#### 2.6 Calculation of Entitlement to Forties Blend - Stage 5

The Entitlement to Forties Blend for each of the Secondary Users shall be calculated by prorating the value adjusted SCO for the Secondary Users to the entitlement to Forties Blend for the Commingled Stream from the Primary Procedures calculated in Paragraph 2.1.

For each Secondary User

$$\text{SUFB} = \frac{\text{SUVASCO}}{\text{Sum of SUVASCO}} \times \text{CSFB}$$

where

SUFB = Secondary User entitlement to Forties Blend (in weight and volume)

SUVASCO = Secondary User Value Adjusted SCO

CSFB = Commingled Stream entitlement to Forties Blend (in weight and volume) from Paragraph 2.1

### **EXAMPLE CALCULATION**

The following is an example calculation of the mass allocation of SCO, Raw Gas, Dry Gas, Propane, Butane, C<sub>5+</sub> Condensate and acid gas and the entitlement to Forties Blend for Secondary Users. The values for the terms and expressions are for the purpose of the example only. The calculations have been conducted by computer without rounding but the results are displayed to the appropriate number of decimal places for simplicity.

#### 1 Incremental Computer Yields and Forties Blend Entitlement for the Commingled Stream (from Paragraph 2.1)

Tonnes (mass)	Primary Procedures Commingled Stream
Input to Kinneil	1000
Raw Gas	700
Dry Gas	30
acid gas	0
Propane	300
Butane	200
C <sub>5+</sub> Condensate	160
SCO	300

SCO post value adjustment (tonnes)	369
SCO post value adjustment (barrels)	2765

2 Incremental Computer Yields for each Secondary User (from Paragraph 2.2)

Tonnes (mass)	Secondary Procedures Stage 1	
	Secondary User A	Secondary User B
Input to Kinneil	700	300
Raw Gas	430	250
Dry Gas	10	20
acid gas	0	0
Propane	180	100
Butane	140	80
C5+ Condensate	90	60

3 Calculation of Allocated Raw Gas, Dry Gas, acid gas and Propane, Butane, C<sub>5+</sub> Condensate (Stage 2)

Example

$$\text{Secondary User A's Raw Gas} = 700 \times \frac{430}{(430 + 250)} = 443 \text{ tonnes}$$

$$\text{Secondary User B's Raw Gas} = 700 \times \frac{250}{(430 + 250)} = 257 \text{ tonnes}$$

This is repeated for acid gas and each of Dry Gas, Propane, Butane, C<sub>5+</sub> Condensate.

4 Calculation of Allocated SCO (Stage 3)



Secondary User A's SCO = 700 - 443 = 257 tonnes

Secondary User B's SCO = 300 - 257 = 43 tonnes

5 Calculation of Value Adjusted SCO (Stage 4)

Using the standard value adjustment procedures applied to the allocated SCO from stage 3.

Secondary User A's Value Adjusted SCO = 313.9 tonnes

Secondary User B's Value Adjusted SCO = 53.6 tonnes

6 Calculation of Entitlement to Forties Blend (Stage 5)

Secondary User A's Entitlement =  $\frac{313.9}{(313.9+53.6)} \times 369 = 315.2$  tonnes

Secondary User B's Entitlement =  $\frac{53.6}{(313.9+53.6)} \times 369 = 53.8$  tonnes

Secondary User A's Entitlement =  $\frac{315.2}{369} \times 2765 = 2362$  barrels

Secondary User B's Entitlement =  $\frac{53.8}{369} \times 2765 = 403$  barrels

7 Resulting Product Allocations and Entitlements

Tonnes (mass)	Secondary Procedures Stages 2-5	
	Secondary User A	Secondary User B
Input to Kinneil	700	300

Raw Gas	443	257	
Dry Gas	10	20	
acid gas	0	0	Stage 2
Propane	193	107	
Butane	127	73	
C5+ Condensate	96	64	
SCO (by difference)	257	43	Stage 3
SCO post value adjustment	313.9	53.6	Stage 4
Entitlement to Forties Blend			
Tonnes	315.2	53.8	Stage 5
Barrels	2362	403	

## ATTACHMENT C - GAS PRODUCTS SPECIFICATION

The definitions set out in Clause 1 of Section 1 and Section 2 of this Agreement shall apply to this Attachment C.

### 1. Quality of Dry Gas

The present specification for Dry Gas is as set out below. In all cases the test methods shall be those based on the most recently published standards. INEOS, however, retains the right, at its discretion, to vary this specification from time to time upon giving notice in writing to that effect, provided always that such product is of merchantable quality for Dry Gas.

<u>Component/Property</u>		<u>Units</u>	<u>Min/Max</u>	<u>Specification</u>
<u>Method</u>				
Carbon Dioxide	mol %	max	2.5	ASTM D 1945
Hydrogen Sulphide	ppm vol	max	3.0	BS 4250*
Sulphur	ppm vol	max	35	ASTM D 2784
Oxygen	mol %	max	0.1	ASTM D 1945
Unsaturated				
Hydrocarbons	mol %	max	1.0	ASTM D 1945
C <sub>1</sub> -C <sub>3</sub>				
Hydrocarbons	mol %	min	97.5	ASTM D 1945
Water Dew Point at				
Delivery Point Pressure°C		max	-10.0	Karl Fischer**

\* Modified using photoelectric determination of darkening.

\*\* No formal industry standard.

### 2. Quality of Propane

The present specification for Propane is as set out below. In all cases the test methods shall be based on the most recently published standards. However, INEOS retains the right, at its discretion, to vary this specification from time to time upon giving notice in writing to that effect, provided always that such product is of merchantable quality for Propane.

The Propane shall not contain harmful quantities of toxic or nauseating substances. It shall comply in general with ASTM D 1835 and BS 4250 and in particular to the following. It will be delivered unstenched.

<u>Component/Property</u>	<u>Units</u>	<u>Min/Max</u>	<u>Specification</u>	<u>Method</u>
Vapour Pressure @ 45°C	bar	max	17.6	ASTM D 2598
Methane	mol %	max	0.1 }	
C <sub>2</sub> Hydrocarbons	mol %	max	2.5 }	ASTM D 2163
Propane	mol %	min	95.0 }	or similar
C <sub>4</sub> and Heavier Hydrocarbons	mol %	max	2.5 }	
Total Unsaturated Hydrocarbons	mol %	max	1.0	
Total Sulphur	ppm (wt)	max	20	ASTM D 2784
Hydrogen Sulphide			less than 0.5 ppm	BS 4250
Total Mercaptans	ppm(wt) (as sulphur)		max	5
Copper Strip Test			No 1 strip	ASTM D 1838
Residual Matter				
- "R" number		max	10	ASTM D 2158
- "O" number		max	33	ASTM D 2158
Valve Freeze Test			pass	ASTM D 2713

### 3. Quality of Butane

The present specification for Butane is as set out below. In all cases the test methods shall be based on the most recently published standards. However, INEOS retains the right, at its discretion, to vary this specification from time to time upon giving notice in writing to that effect, provided always that such product is of merchantable quality for Butane.

The Butane shall not contain harmful quantities of toxic or nauseating substances. It shall comply in general with ASTM D 1835 and BS 4250 and in particular to the following. It will be delivered unstenched.

<u>Component/Property</u>	<u>Units</u>	<u>Min/Max</u>	<u>Specification</u>	<u>Method</u>
Vapour Pressure @ 45°C	bar	max	5.86	ASTM D 2598
Methane	mol %	max	0.1 }	
C <sub>2</sub> /C <sub>3</sub> Hydrocarbons	mol %	max	2.5 }	ASTM D 2163
Butane	mol %	min	95.0 }	or similar
C <sub>5</sub> and Heavier Hydrocarbons	mol %	max	2.0 }	
Total Unsaturated Hydrocarbons	mol %	max	1.0	
Total Sulphur	ppm (wt)	max	50	ASTM D 2784
Hydrogen Sulphide			less than 0.5 ppm	BS 4250
Total Mercaptans	ppm(wt) (as sulphur)		max	5
Copper Strip Test			No 1 strip	ASTM D 1838
Residual Matter				
- "R" number		max	10	ASTM D 2158
- "O" number		max	33	ASTM D 2158

**ATTACHMENT D - FORTIES BLEND OFFTAKE SCHEDULING AND HOUND POINT  
TERMINAL PROCEDURES**

- 1 DEFINITIONS
- 2 FORTIES BLEND AVAILABILITY AND TANKSHIP NOMINATIONS
- 3 ACCEPTABILITY AND RECEPTION OF STABILISED CRUDE OIL TANKSHIPS
- 4 BERTH UTILISATION AND DELAYS
- 5 SAMPLES AND SHIP'S DOCUMENTS
- 6 FREE IN PIPE PROCEDURES
- 7 PROCEDURE CHANGES
- 8 NOTICES

## **1. DEFINITIONS**

The definitions set out in Section 1 and Section 2 of this Agreement shall apply to this Attachment D, except that in this Attachment D, “**Shippers Group**” shall have the same meaning as “**Shippers**”. Any reference to a Paragraph in this Attachment D is to a paragraph of this Attachment D unless the context otherwise requires. In addition, the following terms shall have the following meanings:

**“Availability”** means the Entitlement net of overlift, underlift and User Dead Stock, which the Shippers Group is entitled to lift in any period in question.

**“Entitlement”** means the quantity of Forties Blend to which the Shippers Group is entitled calculated in accordance with Attachment B - Parts I and II to this Agreement, for the period in question.

**“Notice of Readiness” or**

**“NOR”** means the communication given by the Master of the tankship or his representative wishing to berth in accordance with this Attachment D to INEOS (Hound Point terminal) or its representative advising that the tankship will be ready in all respects to commence deballasting (if any) and loading operations on berthing.

**“User Dead Stock”** means the proportion of Dead Stock allocated to each User in the Month in question as calculated by the following formula:

$$\text{User Dead Stock} = \frac{\text{Estimated Entitlement} \times \text{Dead Stock}}{\text{Sum of all Users' Estimated Entitlements.}}$$

## **2. FORTIES BLEND AVAILABILITY AND TANKSHIP NOMINATIONS**

2.1 By the second Day of each Month (M), INEOS shall advise the Shippers Operator of the Shippers Group's Availability of Forties Blend, in Barrels, for the following Month (M+1), at the same time detailing:

- (i) estimated Entitlement for the Month (M+1) as advised pursuant to Clause 6.04(b)(ii) of Section 2 of this Agreement;
- (ii) actual Entitlement for the Month (M-2) based where practicable on final production data, and where this is not practicable INEOS 's best estimate thereof;
- (iii) estimated Entitlement for the Months (M-1) and (M);
- (iv) actual liftings made by the Shippers Group for the Months (M-1) and (M-2);
- (v) estimated liftings made by the Shippers Group for Month (M);
- (vi) adjustment of Availability during Months (M+1), (M), (M-1) and (M-2) resulting from commercial arrangements, if any, to transfer Forties Blend, in pipe and/or in tank to or from any member of the Shippers Group;
- (vii) estimated over/underlift position at the end of the Months (M), (M-1) and (M-2);
- (viii) estimated User Dead Stock for the Months (M+1), (M), (M-1) and (M-2).

2.2 By the sixth (6<sup>th</sup>) Day of each Month (M), the Shippers Operator shall advise INEOS in writing of the Shippers Group's required Offtake Programme for Forties Blend, for the following Month (M+1). Such advice for the following Month (M+1) shall detail:

- (i) the name of the tankship (designation "to be nominated" ("TBN") may be used provided that the Shippers Operator notifies INEOS in accordance with



Paragraph 2.10 of the name of the tankship prior to the expected date of arrival accepted in accordance with Paragraph 2.4(i) or 2.6);

- (ii) the quantity to be loaded to any one tankship from the Availability and the total quantity to be loaded. The total quantity, which shall be not less than 50,000 Tonnes (wt), may not subsequently be altered by more than plus or minus five per cent (5%) without INEOS's written consent. Such consent shall not be unreasonably withheld or delayed;
- (iii) the expected date of arrival of the tankship at Hound Point terminal (designation "to be advised" ("TBA")) may be used provided that the Shippers Operator notifies INEOS of the estimated date and time of arrival of each tankship in accordance with Paragraph 3.5;
- (iv) the destination or destinations of the tankship, (designation TBA may be used provided that the Shippers Operator notifies INEOS in accordance with Paragraph 2.10 of the destination(s) prior to the expected date of arrival of the tankship at Hound Point terminal accepted in accordance with Paragraph 2.4(i) or Paragraph 2.6);
- (v) the length of the tankship and its estimated sailing draught on completion of loading. For TBN nominations, such detail shall be notified in accordance with Section 2.2(i);
- (vi) the name(s) of the member(s) of the Shippers Group from whose entitlement each quantity is to be loaded;
- (vii) where the Offtake Programme contains quantities which a member of the Shippers Group wishes to lift in conjunction with its entitlement(s) to Forties Blend arising out of other agreements then the Shippers Operator shall advise INEOS of the field of origin(s) and quantity(ies) of such other entitlement(s).

2.3 In submitting a required Offtake Programme for Forties Blend in accordance with Paragraph 2.2, the Shippers Operator shall ensure that the full Monthly

Availability of the Shippers Group advised in accordance with Paragraph 2.1 is lifted evenly throughout the Month. However, subject to Paragraph 2.11, in the event that the Monthly Availability of the Shippers Group is less than 50,000 Tonnes (wt) then the period over which liftings of such Forties Blend attributable to the Shippers Group must be made evenly shall be increased correspondingly to a period over which an Availability of 50,000 Tonnes will accrue.

2.4 (i) By no later than the twenty-second Day before the last Day of each Month (M), INEOS shall confirm to the Shippers Operator the acceptability, or otherwise, of the Shippers Group's required Offtake Programme for the following Month (M+1) submitted in accordance with Paragraph 2.2 and shall assign a Forties Blend cargo number to each nomination.

(ii) Each cargo of Forties Blend in the Offtake Programme shall then be allocated to the most underlifted User against its Availability, as a ratio of the cargo size nominated.

(iii) In the event that a nomination contained in the Shippers Group's required Offtake Programme for the following Month (M+1) is unacceptable, INEOS shall advise the Shippers Operator accordingly and request a revised nomination the expected date of arrival of which shall be within the period advised by INEOS. In the event that the Shippers Group's required Offtake Programme does not fully comply with the requirements contained in Paragraph 2.3, INEOS shall nevertheless accept such Offtake Programme, unless to do so would, in INEOS's reasonable opinion, result in a High Stock Position.

2.5 Following receipt of a request to revise a nomination(s) for the forthcoming Month (M+1), issued in accordance with Paragraph 2.4 (iii), the Shippers Operator shall, by no later than the twenty-second (22<sup>nd</sup>) day before the last day of each Month (M), notify INEOS of such revised nomination(s).

2.6 INEOS shall notify to the Shippers Operator its acceptance, or otherwise, of a nomination made in accordance with Paragraph 2.5 no later than the nineteenth (19<sup>th</sup>) day before the last day of the Month (M). Upon acceptance by INEOS of

a nomination made in accordance with Paragraphs 2.4 and 2.5, the Shippers Operator shall be deemed to have notified a range of days extending over one (1) day before and one (1) day after the allocated lifting date making a range of three (3) days in all ("the accepted range of days"). The accepted range of days shall be revised only with INEOS's written agreement. The giving or withholding of such agreement shall be at the reasonable discretion of INEOS having regard to its other operating commitments at Hound Point terminal.

2.7 INEOS shall at all times endeavour to load the Shippers Group tankships within the accepted range of days and with the amount of Forties Blend accepted in accordance with Paragraphs 2.4(i) and 2.6. However, in order to safeguard the continuous operation of the Hound Point terminal, INEOS shall, at its reasonable discretion, be empowered to make alterations to the Offtake Programme accepted pursuant to Paragraphs 2.4(i) and 2.6.

2.8 Following an alteration made to the Offtake Programme in accordance with Paragraph 2.7, INEOS shall promptly notify the Shippers Operator of such new range of days and such range of days shall apply with immediate effect and the provisions of Paragraph 4 shall apply thereto. For the purpose of calculating demurrage only it is agreed that:

- (i) if INEOS provides the Shippers Operator with seven (7) or more days' notice prior to the first day of the accepted range of days, that INEOS wishes to change the accepted range of days, the new range of days advised by INEOS to the Shippers Operator shall apply in determining any demurrage as defined in Paragraphs 4.5 and 4.6 payable by INEOS or any Affiliate thereof to the Shippers Group;
- (ii) if INEOS provides the Shippers Operator with less than seven (7) days' notice prior to the first day of the accepted range of days, that it wishes to change the accepted range of days, such most recently established accepted range of days shall apply in determining any demurrage as defined in Paragraphs 4.5 and 4.6 payable by INEOS or any Affiliate thereof to the Shippers Group. However, in the event that the Shippers Operator agrees to accept the new range of days advised by INEOS within

twenty four (24) hours of such advice such new range of days shall apply in determining any demurrage as defined in Paragraphs 4.5 and 4.6 payable by INEOS or any Affiliate thereof to the Shippers Group.

- 2.9 By no later than the eighteenth (18<sup>th</sup>) Day before the last of the Month (M) INEOS shall notify the Shippers Operator of the Hound Point Offtake Programme for the following Month (M+1) which shall contain details of Other Users' free on board liftings of Forties Blend from the Hound Point terminal provided that the Shippers Group have consented to the disclosure of such details to the Other Users in accordance with Clause 10.06 of Section 2 of this Agreement and further provided that such disclosure shall only be made to those Other Users who have consented to the disclosure of such comparable information to the Shippers Group. The Offtake Programme shall therefore only contain those details of free on board liftings of those Other Users who have consented to the disclosure of such information to the Shippers Group. The Hound Point Offtake Programme shall consist of a list of free on board lifting nominations and shall detail the range of days, the quantity to be loaded, the Forties Blend cargo number and the User(s) from whose entitlement each free on board lifting is to be made. Such Offtake Programme shall also state the total availability of Forties Blend for the FPS System for the Month (M+1).
- 2.10 For any tankship designated TBN or TBA in the Offtake Programme advised pursuant to Paragraph 2.2, the Shippers Operator shall advise INEOS in writing of the name or destination(s) respectively of the tankship not less than seventy-two (72) hours before either the estimated time of arrival of the tankship or the accepted range of days for the nomination, whichever is the earlier.
- 2.11 Notwithstanding Paragraph 2.3, in the event that, in the reasonable opinion of INEOS, further liftings of Forties Blend are required in addition to those nominated by all Users in respect of the Month (M) in order to mitigate a High Stock Position, and if INEOS can not agree any other reasonable course of action with the Users, then the User anticipated by INEOS to be the most underlifted against its Entitlement net of User Dead Stock at the end of the Month (M) shall be required by INEOS during Month (M) to lift an additional cargo of Forties Blend

and/or to increase the quantity to be loaded to one or more of its liftings of Forties Blend.

### **3. ACCEPTABILITY AND RECEPTION OF STABILISED CRUDE OIL TANKSHIPS**

3.1 The Hound Point terminal shall be maintained open for the reception of tankships over every day of every year for the duration of this Agreement, subject only to tugs being available, closures enforced by reasons of bad weather and reasonable maintenance requirements.

3.2 Any tankship nominated for loading at Hound Point terminal shall comply with the specification for Berth I or Berth II given below.

<b>Description</b>	<b>Specification</b>	<b>Specification</b>
	<b>For Berth I</b>	<b>for Berth II</b>
Maximum length overall (metres)	350	300
Minimum length overall (metres)	210	180
Maximum draught in salt water (metres)	20.7	20.7
Maximum summer dead weight (Tonnes wt)	300,000	150,000
Maximum displacement on berthing for part-laden ships (Tonnes (wt))	150,000	174,000
Minimum length from the centre of the tankship's permanent hose connection to:		
(i) the forward parallel vertical on the tankship's hull (metres)	47.5	32.0
(ii) the stern parallel vertical on the tankship's hull (metres)	47.5	32.0
Minimum distance between permanent hose		

connections (metres)	2.0	2.0
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Maximum vertical distance from waterline to centre of tankship's permanent hose connection (metres)	31.0	25.1
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Permanent hose connections shall not be manufactured from cast iron.

INEOS shall have the right to reject tankships whose manifolds do not meet the Oil Companies International Marine Forum standards.

- 3.3 (i) Any tankship nominated for loading at the Hound Point terminal shall be subject to investigation by INEOS. In the event that INEOS indicates dissatisfaction with the tankship in question on any reasonable grounds, then INEOS shall have the right to require the Shippers Operator to replace the tankship with a tankship shown to have performance acceptable to INEOS. In addition INEOS shall have the right to refuse, on any reasonable grounds, to accept for loading any tankship named as a replacement for a TBN or named as a substitute tankship pursuant to Paragraph 3.7. In the event INEOS exercises such rights then, upon the request of the Shippers Operator, INEOS shall advise the Shippers Operator of the reasons for such action.
- (ii) Neither INEOS nor any Affiliate thereof shall be liable for any loss or damage, direct or indirect, which the Shippers Operator or the Shippers Group may suffer as a result of action taken by INEOS in accordance with Paragraph 3.3(i).
- 3.4 The tankship nominated shall on arrival be capable of receiving a full cargo in twenty (20) hours and pro rata for a part cargo. If at any time the tankship is in the reasonable opinion of INEOS not so capable, then INEOS, having regard to its other operating commitments at the Hound Point terminal, shall have the right to require the tankship forthwith to vacate the berth, if it has already berthed, and/or to refuse, or suspend loading. If such right is exercised no demurrage, deviation, or other costs will be payable by INEOS or any Affiliate thereof to the

Shippers Operator or the Shippers Group. If such right is exercised before loading of the tankship commences, then the nomination in question shall be deemed to be void, and a new nomination shall be made giving details of advice required in Paragraph 2.2. Subject to those terms and conditions elsewhere herein contained, INEOS will accept such nominated tankship for loading as soon as possible. If such right is not exercised and the actual hours spent loading the cargo are in excess of twenty (20) hours, or the appropriate pro rata hours calculated for a part cargo, then such excess hours shall not count as Running Hours for the purpose of calculating any demurrage unless this excessive loading time was directly caused by any act or omission of INEOS not otherwise relievable under the terms of this agreement.

- 3.5 The Shippers Operator shall arrange for the estimated date and time of arrival ("ETA") of each tankship nominated by the Shippers Group to be confirmed to INEOS (Hound Point terminal) at least seventy two (72) hours and then at forty eight (48) hours before the ETA. For a tankship whose departure from a previous port takes place less than seventy two (72) hours before the ETA the Shippers Operator shall arrange for the ETA to be confirmed on departure from such previous port.

The Shippers Operator shall also arrange for each tankship to advise to INEOS (Hound Point terminal) its ETA at Hound Point terminal twenty four (24) hours before arrival and thereafter to report any variation in ETA of more than three (3) hours.

- 3.6 INEOS or any Affiliate thereof shall not be under obligation to commence loading a tankship prior to 0600 hours on the first day of the accepted range of days. If NOR is given for any tankship after the last day of the accepted range of days, INEOS or any Affiliate thereof's obligation to load shall be subject to berth availability and the availability of Forties Blend, and INEOS may at its discretion give priority to tankships for which NOR has been given within their respective accepted ranges of days, provided that INEOS or any Affiliate thereof shall not be under obligation to load the tankship if NOR is given for it more than ten (10) days after the accepted range of days.



- 3.7 Subject to those terms and conditions herein elsewhere contained, the Shippers Operator shall be entitled to substitute another tankship for that accepted by INEOS pursuant to Paragraphs 2.4 (i) and 2.6 provided that:
- (i) the quantity to be loaded shall not, without the prior written consent of INEOS, differ materially from the quantity specified in the notice of nomination made pursuant to Paragraph 2.2 (ii);
  - (ii) the accepted range of days, determined in accordance with either Paragraphs 2.4 (i) or 2.6, shall apply to the substitute tankship; and
  - (iii) The Shippers Operator shall give notice to INEOS of the name and the destination or destinations of the substitute tankship not less than seventy two (72) hours before either the ETA of the substitute tankship or the accepted range of days of the tankship originally nominated, whichever is the earlier.
- 3.8 If a tankship nominated by the Shippers Operator fails to lift the agreed shipment of Forties Blend in accordance with the Offtake Programme including revisions thereto, and such failure to lift results in a High Stock Position, INEOS shall take all reasonable steps in order to avoid curtailing or discontinuing acceptance of Shippers Pipeline Liquids at the Transfer Point. Any costs incurred by INEOS in taking such reasonable steps will be borne by the Shippers Group. INEOS will take all reasonable measures to keep such costs to a minimum. If such steps are not successful, INEOS shall, in accordance with Clause 12 of Section 2 of this Agreement, be empowered to require a reduction in the quantity of Shippers Pipeline Liquids tendered at the Transfer Point.
- 3.9 Promptly after NOR has been given, INEOS shall advise each tankship as to which of the Hound Point terminal berths the tankship will be berthed, having regard to the specification of the tankship in question. When two (2) or more tankships have presented NOR, priority in berthing shall be given to the first accepted tankship arriving within its accepted range of days unless to do so would result in a High Stock Position.

## **4. BERTH UTILISATION AND DELAYS**

### 4.1 Berth Utilisation

Subject to the provisions of this Attachment D, for the loading of each shipment of Forties Blend INEOS shall provide to the Shippers Group a berth at Hound Point terminal at which a tankship fulfilling the specification for either Berth I or Berth II as given in Paragraph 3.2 can, when fully laden, safely reach and leave and where it can lie always safely afloat.

If, while the tankship nominated by the Shippers Operator is approaching berthing or departing from Hound Point terminal, or is present at the Hound Point terminal, the length or draught of such tankship shall be found to exceed the length or draught specified in Paragraph 3.2 for whatsoever reason, then, notwithstanding the provisions of Clause 17 of Section 2 of this Agreement, INEOS or any Affiliate thereof shall not be liable for any loss or damage caused as a result thereof. Such exclusion of liability shall not, however, apply where there has been a loss or damage consequent upon Wilful Misconduct on the part of INEOS or any Affiliate thereof, but INEOS or any Affiliate thereof shall at all times be able to rely on Clause 17.02 of Section 2 of this Agreement.

4.2 INEOS shall be entitled, at its discretion, to cease delivery to any tankship if the vertical distance from the water line of the tankship to the centre of its permanent hose connection becomes less than four decimal point five (4.5) metres, in which event loading arms shall be disconnected and loading shall be deemed to be completed. If the loading arms as aforesaid are disconnected, then the re-connection of the arms to load the balance of the shipment shall be at the discretion of INEOS, and all expenses incurred by the tankship in question consequent upon the exercise of INEOS's discretion pursuant to this Paragraph 4.2, including delay, demurrage or deadfreight, shall be for the account of the Shippers Group.

4.3 If a tankship is removed from the berth in accordance with any of the regulations referred to in Paragraph 4.7, then re-berthing of the tankship to load the balance of the shipment shall be at the reasonable discretion of INEOS, and all expenses

incurred by the tankship in question consequent upon the exercise of such discretion, including delay or deadfreight, shall be for the account of the Shippers Group.

#### 4.4 Loading Conditions

##### (i) Time Allowed

Subject as hereinafter provided in this Paragraph 4.4 and in Paragraphs 4.5 and 4.6, the time allowed to INEOS for the loading of each shipment hereunder shall be thirty six (36) consecutive hours, weather permitting, Sundays and holidays included unless loading on the Sunday or holiday in question is prohibited by law or regulation at the Hound Point terminal.

##### (ii) Running Hours

(a) Subject to Paragraph 4.4 (ii) (b) and other provisions of this Attachment D, running hours shall commence on commencement of loading or, berth or no berth, six (6) hours after NOR is given to INEOS (Hound Point terminal) by the Master of the tankship (or his representative) after its arrival at the River Forth Pilot Station or the River Forth Anchorage which ever is the earlier, provided that the Shippers Operator has complied with the regulations relating to notification of ETA as set out in the last paragraph of Paragraph 3.5 and such NOR is given within the accepted range of days. If NOR is given for the tankship before the first day of the accepted range of days, running hours shall commence on commencement of loading or at 0600 hours on the first day of the accepted range of days, whichever is the earlier. If NOR is given for the tankship after the last day of the accepted range of days then, subject to Paragraph 3.6 running hours shall commence on commencement of loading. Loading shall be deemed to be completed upon disconnection of loading arms notwithstanding that the loading arms may have been subsequently reconnected pursuant to Paragraph 4.2.

(b) Any time consumed for any of the following purposes or reasons shall not (whether or not the tankship is already on demurrage) be counted or included in calculating the time taken by INEOS to load the shipment in question or the time in respect of which INEOS is liable for demurrage:

- (1) awaiting pratique, tugs, tides or pilot;
- (2) inward passage until the tankship is securely moored at the berth;
- (3) discharge of ballast to the extent that this is not concurrent with loading;
- (4) restrictions imposed by the owner, charterer or Master of the tankship;
- (5) tankship's breakdown or failure to comply with requirements of the Hound Point terminal with respect to equipment aboard causing delay or restriction to loading operations;
- (6) cleaning and inspection of the tankship's cargo tanks;
- (7) time spent complying with any of the regulations and other requirements referred to in Paragraph 4.7;
- (8) any excessive loading time pursuant to Paragraph 3.4;
- (9) any other delay attributable to the tankship or agents appointed in connection with the shipment in question.

(iii) Every Shippers Group tankship shall vacate the berth as soon as loading arms have been disconnected. In the event that a Shippers Group tankship fails so to vacate the berth for reasons within the control of the

tankship, any demurrage incurred by INEOS due to delay in the berthing of other tankships awaiting loading shall be borne by the Shippers Group. INEOS shall use reasonable endeavours to keep any such demurrage to a minimum. For the avoidance of doubt it is agreed for purposes of this sub-Paragraph, that technical failure or breakdown shall be a circumstance within the control of the tankship.

#### 4.5 Damages for Delay

- (i) In the event of any delay of any kind or from any cause whatsoever whether in connection with the scheduling of the tankship's turn to load (including any change in such scheduling), berthing or loading of the tankship or otherwise howsoever without limitation, any liability of INEOS or any Affiliate or contractor thereof, however the same may arise and whether or not arising under this Attachment D, and notwithstanding the provisions of Clause 17 of Section 2 of this Agreement, shall be limited to the payment of a claim of demurrage as hereinafter specified, and the Shippers Operator shall not be entitled to complain directly or indirectly of any delay except for the purpose of founding a claim to such demurrage. Such limitation of liability shall not, however, apply where there has been Wilful Misconduct on the part of INEOS or any Affiliate thereof, but shall be subject always to Clause 17.02 of Section 2 of this Agreement. The Shippers Group and the Shippers Operator shall defend, indemnify and hold INEOS and its Affiliates harmless from and against any claims incurred by any of them exceeding such limitations as a result of any such delay, irrespective of the negligence or breach of duty (statutory or otherwise) of INEOS or its Affiliates.
  
- (ii) Subject to Paragraph 4.5 (iii) and Paragraph 4.6, if the shipment is not loaded within the time allowed in accordance with Paragraph 4.4 (i), the time so allowed shall be extended by the excess time but INEOS shall pay to the Shippers Group in respect of excess time at the appropriate rate of demurrage per day (or pro rata for part of a day) as hereinafter specified. Notwithstanding the provisions of Clause 17 of Section 2 of this Agreement, INEOS or any Affiliate thereof shall not be liable (other than

for demurrage as set out in Paragraph 4.5(ii) for any claims which the Shippers Operator and/or any other member of the Shippers Group may suffer as a result of the shipment not being loaded within the time allowed in accordance with Paragraph 4.4 (i). Such limitations shall not apply however, where there has been Wilful Misconduct on the part of INEOS or any Affiliate thereof, but subject always to Clause 17.02 of Section 2 of this Agreement-.

- (iii) The appropriate rate of demurrage shall be the actual charter party demurrage rate used. Such rate shall be commensurate with a tankship of a size and type relative to the cargo loaded. If INEOS and the Shippers Operator fail to agree within thirty (30) days from the date of receipt of the claim upon the amount of such rate, then at the instance of either INEOS or the Shippers Operator the question shall be referred to and determined by a tribunal of the London Tanker Brokers panel acting as an Expert under Clause 22 of Section 2 of this Agreement, whose decision thereupon shall be final and binding. The costs of the tribunal's deliberations shall be borne equally by INEOS on the one hand and Shippers Group on the other.

Notwithstanding anything else in this Attachment D, if INEOS is, for reasons of Force Majeure, prevented, delayed or hindered from bringing to the Hound Point terminal the Forties Blend required for any shipment hereunder or any part thereof, or from or in loading the same, any time so lost, whether in the commencement, carrying out or completion of the loading shall not be counted or included in calculating the time taken by INEOS to load such shipment and any time so lost after the time allowed for loading as hereinbefore provided shall have expired shall not be counted or included in calculating the time in respect of which INEOS is liable for demurrage except to the extent that INEOS is able to recover such demurrage from other users of the Hound Point terminal.

- (iv) In no event shall INEOS or any Affiliate thereof be liable for demurrage hereunder unless the demurrage claim has been submitted to INEOS in writing within forty-five (45) days of the date of disconnection of loading

hoses, stating in reasonable detail the specific facts upon which the claim is based, provided that any supporting documentation which is not at the time available shall be submitted within one hundred and eighty (180) days of the date of disconnection of loading hoses. If such notice is not given or such documentation is not provided within the aforesaid limits, then any liability of INEOS or any affiliate for demurrage shall be extinguished.

#### 4.6 Part Cargo Lots

If delivery of a shipment is given and taken as other than a full cargo lot, the following provisions shall apply:-

- (i) In the case where more than one (1) shipment is loaded on the tankship at the Hound Point terminal and such shipments form a full cargo for the tankship, Paragraph 4.5 shall apply except that any demurrage payable thereunder shall be restricted to that proportion of the demurrage calculated under Paragraph 4.5 which the quantity of Forties Blend loaded pursuant to this Attachment D bears to the total quantity of Forties Blend loaded on the tankship at the Hound Point terminal.
- (ii) In the case where the shipment is the only shipment loaded on the tankship at the Hound Point terminal, Paragraph 4.5 shall apply but for the purposes thereof in ascertaining the appropriate rate of demurrage the following equation shall be used:

$$\text{Charter Party Demurrage rate} \times \frac{\text{Cargo loaded} + 5\%}{\text{Summer dwt}}$$

- (iii) In the case where more than one (1) shipment is loaded on the tankship at the Hound Point terminal but such shipments do not form a full cargo for the tankship, Paragraph 4.5 shall apply but for the purposes thereof:-
  - (a) the period from the commencement of running hours until completion of loading of the shipment in question, and the time allowed pursuant to Paragraph 4.4 (i), shall each be reduced to that

proportion thereof which the quantity of Forties Blend loaded pursuant to this Attachment D bears to the total quantity of Forties Blend loaded on the tankship at the Hound Point terminal; and

- (b) in ascertaining the appropriate rate of demurrage the equation shown in Paragraph 4.6 (ii) shall be used.

#### 4.7 Regulations in Force at Hound Point terminal

Notwithstanding the terms of this Attachment D and in particular Paragraph 6, INEOS reserves the right upon giving reasonable notice to the Shippers Operator to amend or modify any terms hereof for the purposes of ensuring that the said terms comply at all times with requirements imposed upon INEOS and regulations from time to time in force at the Hound Point terminal. All tankships shall comply with requirements imposed upon INEOS and all applicable governmental, local and Port Authority regulations and requirements, including the Hound Point Marine terminal Port Information and Berth Regulations, and any other requirements imposed upon INEOS in force at the Hound Point terminal. INEOS or any Affiliate thereof shall not be liable for any consequence of rejection of a tankship by virtue of the application of the aforesaid regulations and requirements.

Notwithstanding the foregoing INEOS shall at all times be empowered to amend the terms of this Attachment D to give effect to any measures which INEOS as a Reasonable and Prudent Operator considers necessary for reasons of health, safety, protection of the environment, or any such like matter.

#### 4.8 Dues on Tankships at Hound Point terminal

Dues and other charges, not originating from INEOS or any other Affiliate thereof, to each tankship nominated by the Shippers Operator berthing at the Hound Point terminal, shall be borne by the Shippers Group. For the avoidance of doubt, Charges on Goods levied by Forth Ports PLC (or any successor thereof) shall also be borne by the Shippers Group.



## **5 . SAMPLES AND SHIP'S DOCUMENTS**

5.1 As soon as is reasonably practicable and in any event not later than 1200 hours on the day immediately preceding either the first day of the accepted range of days or the ETA of a Shippers Group tankship whichever is the earlier, the Shippers Operator shall advise INEOS in writing of the number and type of documents to be prepared by INEOS and the required distribution thereof. The documents prepared by INEOS in respect of the Forties Blend to be loaded onto the tankship shall be limited to the following:-

Manifest

Bill of Lading

Combined Certificates of Quantity, Quality and Origin

Master's Receipt for Samples

Master's Receipt for Documents

Timesheet

Ullage Report.

5.2 Measurement of the quantities and the taking of representative samples for the purpose of determining the quality of Forties Blend in each shipment shall be carried out in accordance with good standard practice at the time of the shipment in question. The Certificates of Quantity and Quality of the Forties Blend comprising the shipment in question issued in accordance with the aforesaid standard practice shall be conclusive and binding on INEOS and the Shippers Group save for fraud or manifest error.

5.3 The Shippers Operator shall have the right in respect of each Shippers Group loading at the Hound Point terminal to appoint one (1) independent inspector to witness measurement and sampling at Dalmeny and one (1) independent inspector to witness the same at the Hound Point terminal. At the same time that the Shippers Operator advises INEOS pursuant to Paragraph 5.1, the Shippers Operator shall also advise INEOS of the name of any such independent inspector and on whose behalf such independent inspector is acting. Such appointment shall be notified in writing to INEOS for each shipment, and all charges in respect thereof shall be for the Shippers Operator's account and the duties of such

inspector shall be considered solely as a service to the Shippers Operator. Such inspector shall at no time have the right to delay the tankship's departure.

## **6. FREE IN PIPE PROCEDURES**

- 6.1 This Paragraph sets out the processes and procedures to allow for Petrolneos Grangemouth Refinery to receive delivery of cargoes of Forties Blend free in pipe Kinneil (“FIP” or “FIP Kinneil”) from Shippers on essentially the same basis as deliveries of free on board crude oil cargoes made at the Hound Point terminal (“FOB” or “FOB Hound Point”).
- 6.2 The following processes and procedures to manage FIP deliveries shall apply to all Shippers:
- (i) All Shippers will have the option to nominate delivery of a Forties Blend cargo either FOB Hound Point or FIP Kinneil. Upon receipt of the Forties Blend lifting programme for the forthcoming Month, Shippers shall advise INEOS Shipping Coordination (“SC”) of any cargo nominated to be delivered FIP Kinneil by the 20<sup>th</sup> of the Month before the Month of delivery.
  - (ii) Standard FIP cargoes will be the same size as the standard FOB parcel (600kbbbl) and have the same operational tolerance (+/- 5% at buyer’s option), subject to acceptance by SC, with such acceptance not to be unreasonably withheld. As for FOB deliveries, notification of the requested operational tolerance amount (+ or -) shall be made by the buyer to SC no later than 36 hours prior to the commencement of the FIP delivery.
  - (iii) FIP Kinneil delivery date ranges will be the same as FOB Hound Point date ranges: that is, a three day date range, commencing at 00:01hrs on the first day of the date range and ending at 23:59hrs on the final day of the date range, with such date ranges to be allocated by SC within the Forties Blend lifting programme on the same basis as FOB liftings.
  - (iv) After making FIP Kinneil nominations under paragraph (i) above, any Shipper may request SC to change a FOB Hound Point cargo to become a FIP Kinneil cargo:

- (a) If the request is made not less than seven days before either the start of the delivery or the start of the three day date range for the nomination, whichever is the earlier, then SC shall agree to the request;
  - (b) Changes at shorter notice shall be at SC's absolute discretion.
  - (c) Shippers should note that there is no facility to physically return crude from Dalmeny to FIP Kinneil delivery, and thus execution of such a nomination change is contingent upon the availability of pipeline volumes if the nomination change has been made after the crude volumes pertaining to the FOB parcel have been delivered to Dalmeny.
- (v) Any Shipper may request SC to change a FIP Kinneil cargo to become a FOB Hound Point cargo:
- (a) If the request is made not less than seven days before either the start of the delivery or the start of the three day date range for the nomination, whichever is the earlier, then SC shall agree to the request;
  - (b) Changes at shorter notice shall be at SC's absolute discretion.
- (vi) The Shipper shall advise SC of the time and date on which the Shipper wishes the FIP delivery to commence, along with the usual documentary instructions, not less than 72 hours before either the start of the delivery or the start of the three day date range for the nomination, if earlier.
- (vii) Delivery of an FIP cargo will commence within its three day date range, unless agreed otherwise by SC and Petrolneos Grangemouth Refinery. Delivery of a FIP cargo shall not commence until after delivery of the immediately preceding FIP cargo has been completed.
- (viii) The Bill of Lading date will be deemed to be the date two (2) days after the date on which delivery commenced.

- (ix) The Shipper will be entitled to request a rateable parcel delivery over a longer period than the 36 hours normal delivery period, subject to the agreement of Petrolneos Grangemouth Refinery and SC.
- (x) The Forties Blend lifting programme, and any changes made to it under the standard FPS terms in force at any time, shall as far as reasonably practicable deal with FOB and FIP cargoes in the same way, so as not to advantage either FOB or FIP deliveries. This includes but is not limited to forced cargo advancements or deferrals, which will treat FOB and FIP cargoes in the same fashion.
- (xi) The Shipper will be entitled to request amendments to an agreed FIP lifting in the same way that Shippers can request amendments to FOB liftings via requests to the Shipping Coordination team.
- (xii) FIP Kinneil cargoes will not be dropped from the Forties Blend lifting programme without the agreement of the Shipper, in circumstances where the cargo has already been sold.
- (xiii) FIP cargoes will be treated in the same fashion as FOB cargoes in relation to provisions regarding failure to lift; that is, the Shipper will be subject to the same consequences in either case.
- (xiv) Each FIP cargo shall be metered by the Kinneil fiscal meters.
- (xv) The commencement of a FIP cargo delivery can take place either:
  - (a) immediately following the completion of the previous FIP cargo delivery, without any break in flow or interruption to physical delivery at the FIP delivery point; or
  - (b) by starting up flow following a period of complete cessation of physical delivery at the FIP delivery point.
- (xvi) The completion of a FIP cargo delivery can take place either:

- (a) without any break in flow or interruption to physical delivery at the FIP delivery point, in which case the FIP cargo quantity delivered shall be the exact nominated quantity for that FIP cargo (including any operational tolerance adjustment nominated by the buyer) and the FIP delivery shall be deemed to be completed at the point in time when the exact nominated quantity is delivered (and the next subsequent FIP cargo delivery shall be deemed to commence at the same point in time);  
or
  - (b) by stopping flow resulting in a complete cessation of physical delivery, in which case the FIP cargo quantity delivered shall be as measured by the cumulative fiscal metered quantity from the commencement of delivery to the completion of delivery.
- (xvii) Flow proportional samples from FIP deliveries shall be taken on a daily basis using facilities primarily used for the FPS hydrocarbon accounting system. The average quality of a FIP cargo shall be calculated as the weighted average of the quality of the samples averaged over the three day date range as allocated by SC or as otherwise agreed between buyer and seller. The flow proportional samples from FIP deliveries are taken from the pipelines connecting the INEOS facilities at Kinneil and the Petrolneos facilities at Grangemouth. The sampling facilities comply with ISO3171. The sampling facilities are subject to the FPS System measurement standards and therefore subject to regular audit. The samples are analysed in INEOS facilities on behalf of FPS to provide data for the FPS hydrocarbon accounting system. Once analysis for the FPS hydrocarbon accounting system is complete, the remaining quantity of sample can be used for other analysis as required between the buyer and seller. The sample is typically 9 litres. The analysis for the FPS hydrocarbon accounting system typically requires up to 2 litres. Therefore typically up to 7 litres of the sample will remain left for Petrolneos and Shipper testing.

## **7. PROCEDURE CHANGES**

In the event that the Shippers Operator wishes to make changes to this Attachment D then the Shippers Operator shall notify INEOS of the proposed changes and the justification for those changes. INEOS shall send copies of the proposed changes and the justifications to the Field Operators within sixty (60) days of receiving them, but shall be under no obligation to accept them unless INEOS and all Field Operators agree with such changes.

## **8. NOTICES**

- 8.1 All notices and other communications required to be sent to INEOS, INEOS (Hound Point terminal) or the Shippers Operator under this Attachment D shall be in writing and shall be sent to the appropriate party at the relevant addresses given in Clause 7 of Section 1 or such other address as the Party in question may at any time on giving not less than fifteen (15) days' notice to the other Parties designate..
- 8.2 Outside normal office hours, 0900 to 1700 hours, at weekends and on public holidays in England and/or Scotland, all urgent matters which have to be dealt with before the next Working Day should be passed to the nominated representative of the Shippers Operator and/or INEOS for appropriate action. The Shippers Operator and INEOS will advise each other of those persons (and their telephone numbers) who can be contacted outside the said normal office hours to deal with urgent matters.



## **ATTACHMENT E - MEASUREMENT AND SAMPLING**

### **(PROVISION OF ACCOUNTING DATA)**

The definitions set out in Section 1 and Section 2 of this Agreement shall apply to this Attachment E. Any reference to a Paragraph in this Attachment E is to a paragraph of this Attachment E unless the context otherwise requires. In addition, the following terms shall have the following meanings:

- Commingled Stream : A Commingled Stream is made up of Pipeline Liquids from two (2) or more Primary or Secondary Streams. A Commingled Stream may itself form part of one or more further Commingled Streams. Any Commingled Stream entering directly into the FPS System shall be measured and sampled to the same standards as are required for a Primary Stream unless each constituent stream has been measured and sampled to such standards.
- Primary Stream : Pipeline Liquids which are measured and sampled to a standard approved by INEOS such that the resultant data is anticipated to be sufficiently accurate for use in the allocation and valuation procedures contained in Attachment B, Part I and Part II to this Agreement.
- Secondary Stream : Pipeline Liquids which are measured and sampled to a standard acceptable to all owners of other Secondary Streams contributing Pipeline Liquids to the same Primary Stream such that the resultant data is anticipated to be sufficiently accurate for use in the secondary allocation and value adjustment procedures contained in Attachment B, Part III to this Agreement. If appropriate for the determination of tariff such measurement and sampling standards shall also be acceptable to INEOS.

Measurement

Measurement includes any or all activities, procedures and facilities associated with the determination of metered quantities, sampling and analyses as the context requires.

Shippers

For the purpose of this Attachment E, the term Shippers shall be construed as the owners of a Primary Stream. The terms Shippers Group and Shippers Operator shall be construed accordingly.

## **1 DATA REQUIRED FOR PRIMARY STREAMS**

The data required in this Paragraph 1 shall be provided by the Shippers Operator, or their approved agents, to INEOS. Where the total quantity measured by any Primary Stream measurement system comprises Pipeline Liquids of more than one User, then INEOS shall calculate the entitlement to Stabilised Crude Oil and Gas Products attributable to all of such Users as a whole. The method of sub allocation to determine the entitlement of individual Users, if carried out by INEOS, shall be agreed by INEOS and the Shippers Operator.

### **1.1 Quantity and Associated Data**

#### **1.1.1 Quantity Data**

Total quantity (including sediment and water) of the Shippers Pipeline Liquids as measured by meters approved pursuant to Paragraph 1.1.4:

- (i) Mass in Tonnes
- (ii) Volume under standard conditions
  - (a) Cubic metres at 15<sup>0</sup>C and 1.01325 bara
  - (b) Barrels at 60<sup>0</sup>F and 14.73 psia
- (iii) Water: % by mass and % by volume

The above data shall be provided daily by 1200 hrs on the following Working Day, or as otherwise agreed, for each period of twenty four (24) hours ending at 18.00 hrs.

#### **1.1.2 Stock Change**

Where a Shipper's Pipeline Liquids enter the FPS System after being commingled with other Pipeline Liquids in an intervening system the change in stock for each Shipper's Pipeline Liquids in the intervening system shall be accounted for as follows:-

- (i) Stock mass (wet) in Tonnes (wt) and volume in barrels (wet) at 60°F and 14.73 psia of each Users' Pipeline Liquids in the intervening system shall be calculated by the operator of the intervening system and advised to each User and to the operator of the FPS System for each Simulation Period and each Allocation Period within three (3) Working Days of the end of each Simulation Period and each Allocation Period.
- (ii) The FPS System operator will determine each User's stock change for each Simulation and Allocation Period by subtracting its share of stock at the end of the preceding period from its share at the end of the period in question.

### **1.1.3 Operational Data**

Operational details and data from the measurement facilities specified pursuant to Paragraph 1.1.4, including, but not limited to the following, shall be provided on request for each period of twenty four (24) hours ending at 18:00 hrs:

- Meter streams in use, including times on/off line
- Temperature and pressure data for streams, densitometer and prover where provided
- Meter proving data, including data not downloaded
- Data for density measurement including any equipment changes
- Flow weighted daily water content of Pipeline Liquids in % by mass from a water in oil monitor (if available)
- Gross observed volume, gross standard volume and mass totaliser readings
- Non-routine changes to factors or constants in stream, prover and station flow computers, as appropriate

### **1.1.4 Measurement Facilities**

The measurement systems and associated calculations and procedures for operation, calibration and maintenance require to be approved by the Oil and Gas Authority (Petroleum Measurement and Allocation Team) or the Norwegian

Petroleum Directorate, as appropriate, and INEOS Standards shall be at least as rigorous as in the document "FPS System: Statement of Requirements for New Measurement Systems".

### **1.1.5 Failure or Non Availability of Measurement Facilities**

Failure or non-availability, including times of non-availability, of any part of the measurement facilities shall be notified to INEOS within twenty-four (24) hours.

Any proposed changes to the design, operation, calibration or maintenance of the measurement facilities must be approved by INEOS in writing before implementation (such approval not to be unreasonably withheld or delayed).

## **1.2 Quality Data**

### **1.2.1 Data Required for the Allocation and Valuation Procedures**

The on-line representative samples of Shippers Pipeline Liquids shall be analysed by the same mutually agreed independent laboratory or, where the analyses of on-line representative samples is carried out at the place of sampling any verification or calibration activities shall be carried out by the above independent laboratory, and the Shipper shall comply with the appropriate detailed procedures in the "FPS System Allocation Schedule of Analysis" (as defined in Attachment G) as amended from time to time. Failing agreement on choice of independent laboratory, such samples shall be analysed in accordance with the above procedures by an independent laboratory nominated by the President of the Energy Institute. The cost of any analysis shall be borne by the Shippers Group for their respective samples.

The following analyses shall be carried out on single phase representative on-line samples provided by the Shippers Operator. The analyses of Shippers Pipeline Liquids as required by this Section shall be as detailed below and shall be carried out using the procedures detailed in the FPS System Allocation Schedule of Analysis as amended from time to time by agreement of the FPS System Measurement Forum:

### 1.2.1.1 For samples analysed in the independent laboratory

A Regular Analyses shall be carried out on the sample provided for each Sample Period. The Sample Period shall be seven (7) days, the starting day of which shall be advised from INEOS from time to time. The Sample Period shall start at 1800hrs.

#### 1.2.1.1.1 Regular Analysis

- i. % by weight – N<sub>2</sub>, CO<sub>2</sub> (of overall dry Pipeline Liquids)
- ii. % by weight C<sub>1</sub>, C<sub>2</sub>, C<sub>3</sub>, iC<sub>4</sub>, nC<sub>4</sub>, C<sub>5+</sub> (of overall dry Pipeline Liquids)
- iii. % by weight H<sub>2</sub>O, sediment (of overall wet Pipeline Liquids)
- iv. Overall density (kg/m<sup>3</sup>), wet and dry at 15.00C and 1.01325 bara

#### 1.2.1.1.2 Full Analysis

A Full Analysis shall be undertaken on the sample obtained for the first complete Sample Period of each Month or as required by INEOS as follows:

- i. Regular Analysis as detailed in Paragraph 2.1
- ii. % by weight of overall dry Pipeline Liquids for the following hydrocarbon boiling point ranges (oC): 45-60, 60-75, 75-90, 90-105, 105-120, 120-135, 135-150, 150-165, 165-200, 200-250, 250-300, 300-350, 350-400, 400-450, 450-500, 500-550 and 550+ residue
- iii. Molecular weight and relative density (dry) 60oF/60oF for the following hydrocarbon boiling point ranges (oC): 45-60, 60-75, 75-90, 90-105, 105-120, 120-35, 135-150, 150-165, 165-200, 200-250, 250-300, 300-350, 350-400, 400-450, 450-500, 500-550 and 550 + residue.
- iv. Viscosity @ 100C (cSt) of the fraction 550C + residue
- v. Sulphur content (% by weight) of the fraction 350 - 550C and 550C+

Additional analyses, which may be required from time to time by INEOS, shall be provided for the same time period as the Sample Period.

### **1.2.1.2 For samples analysed on the Shippers Operator's installation**

A Full Analysis, as detailed in Paragraph 1.2.1.1.2 shall be carried out on the sample provided for each Sample Period. The Sample Period shall be one (1) day, starting at 1800 hrs.

Additional analyses which may be required from time to time by INEOS shall be provided for the same time period as the Sample Period.

### **1.2.2 Data Required to Monitor Compliance with Exhibit II Herein**

Analyses required to monitor compliance with Exhibit II and which must be determined at the place of sampling shall be determined by methods and at frequencies agreed by INEOS and the Shippers Operator in question.

The results of such analyses, if carried out by or on behalf of the Shippers operator, shall be made available to INEOS within twenty-four (24) hours of the analyses being completed. Similarly INEOS shall report such results to the Shippers Operator within twenty-four (24) hours if the analyses are carried out by or on behalf of INEOS.

## **1.3 Missing or Anomalous Data**

### **1.3.1 Quantity Data**

The following procedures will be used where applicable in the correction of any error (a "Mismeasurement") as required by Clause 6.11 of Section 2 of this Agreement- and will be subject to the application of Clauses 6.11(a) and 6.11(b) of Section 2 (hereinafter referred to as the Cut Off Date).

#### **1.3.1.1 Error Notification**

Notification of errors and resolution of disputes shall be carried out in accordance with the Protocol to the FPS System Measurement Forum contained in Attachment G to this Agreement.

### **1.3.1.2 Determination Of The Duration Of A Measurement Error**

1.3.1.2.1 When the exact date of the start of the Mismeasurement is known, the full correction shall be applied from that date or the Cut Off Date, whichever is the later, to the date on which the Mismeasurement ceased.

1.3.1.2.2 When the exact date of the start of the Mismeasurement cannot be determined with certainty, the most recent date on which there is an auditable trail demonstrating that the appropriate parameter was correct shall be ascertained. The period from that date to the date that the Mismeasurement was identified shall be halved. No correction shall be applied for the first half of the period. The appropriate correction shall be made in full for the second half of the period and thereafter until the Mismeasurement ceases. Notwithstanding the above no correction shall be applied to any period prior to the Cut Off Date.

### **1.3.1.3 Calculation of a Mismeasurement**

Where a Mismeasurement occurs, the following data will be applied where available:

- (a) data from back-up, verification or substitute measurement devices or procedures; failing which,
- (b) where applicable, calibration tests; failing which,
- (c) estimates based on periods when similar conditions applied; failing which,
- (d) estimates based on the best available technical and scientific evidence.

### **1.3.2 Quality Data**

In the event of any quality data not being available or found to be anomalous alternative data shall be utilised. The alternative analyses used shall be that for a recent period of the same or similar duration during which the well and plant operating conditions were as close as possible to the period for which the data are



missing or anomalous. The alternative analyses shall be agreed by the Shippers operator and INEOS and the reason for their use noted in writing.

### **1.3.2.1 Error Notification**

Notification of errors and resolution of disputes shall be carried out in accordance with the Protocol to the FPS System Measurement Forum contained in Attachment G to this Agreement.

## **2. DATA REQUIRED FOR SECONDARY STREAMS**

For each Secondary Stream the data in this section 2 shall be provided by the operator of the Primary Stream, or their approved agents, to INEOS. If, in the reasonable opinion of INEOS, data required for the Allocation Procedure or the Valuation Procedure are anomalous or not received by INEOS in sufficient time for these procedures to be completed within the required timescale then INEOS will use the latest acceptable data available in lieu of the missing or anomalous data.

### **2.1 Quantity Data**

#### **2.1.1 Quantities**

Total quantity (including sediment and water) of the Secondary Stream Pipeline Liquids as follows:

- (i) mass in Tonnes
- (ii) volume under standard conditions
  - a. Cubic metres at 15<sup>0</sup>C and 1.01325 bara
  - b. Barrels at 60<sup>0</sup>F and 14.73 psia
- (iii) Water: % by mass and by volume

The above data shall be provided daily by 12.00 hrs on the following Working Day or as otherwise agreed, for each period of twenty four (24) hours ending at 18.00 hrs.

Alternatively such data may be provided for each Month provided that the analyses data in Paragraph 2.2.1 is also provided for each Month.

The sum of the masses of the Secondary Streams shall be equal to the mass for the Primary Stream for each period for which data are provided.

The sum of the volumes of the Secondary Streams shall be equal to the volume for the Primary Stream for each period for which data are provided.

The reported water and sediment contents of each Secondary Stream shall be determined such that the sum of the resultant dry mass (water and sediment removed) for the Secondary Streams equates to the dry mass for the Primary Stream for each period for which data are provided.

### **2.1.2 Stock Change**

Where a Shipper's Pipeline Liquids enter the FPS System after being commingled with other Pipeline Liquids in an intervening system the change in stock for each Shipper's Pipeline Liquids in the intervening system shall be accounted for as follows:-

- (i) Stock mass (wet) in Tonnes of each Users' Pipeline Liquids in the intervening system shall be calculated by the operator of the intervening system and advised to each User and to the operator of the FPS System for each Simulation Period and each Allocation Period within three (3) Working Days of the end of each Simulation Period and each Allocation Period.
- (ii) The FPS System operator will determine each User's stock change mass (dry) for each Simulation and Allocation Period by subtracting its share of stock mass (dry) at the end of the preceding period from its share at the end of the period in question.
- (iii) In addition to the provisions of (i) and (ii) above the sum of the stocks and resulting stock changes for all Secondary Streams within a Primary Stream

shall equal the stock and resulting stock change for the Primary Stream as determined in Paragraph 1.1.2 herein.

### **2.1.3. Measurement Facilities**

The measurement facilities and procedures for operation, calibration and maintenance and associated calculations require to be approved by the owners of all Secondary Streams within a Primary Stream, INEOS (if appropriate for tariff purposes) and the Oil and Gas Authority (Petroleum Measurement and Allocation Team). If the approval of INEOS is required then any subsequent proposed changes to the design, calibration, maintenance or operation of the measurement facilities must be approved by INEOS in writing before implementation, such approval not to be unreasonably withheld.

## **2.2 Quality Data**

### **2.2.1 Data Required for the Allocation and Valuation Procedures**

Analysis data of Pipeline Liquids identical to the analyses required under Paragraphs 1.2.1 or 1.2.2 shall be provided. The analysis period shall be one (1) day, seven (7) days or one (1) Month as agreed between the Shippers Group and INEOS. Where the analysis period is seven (7) days the start day for this shall be the same as that of the Sample Period for the Primary or Commingled Stream as appropriate. For all Sample Periods the starting time shall be 18.00 hrs.

### **2.2.2 Data Required to Monitor Compliance with Exhibit II**

Analyses required to monitor compliance with Exhibit II and which must be determined at the place of sampling shall be determined by methods and at frequencies agreed by INEOS and the Shippers operator in question.

The results of such analyses, if carried out by or on behalf of the Shippers operator, shall be made available to INEOS within twenty-four (24) hours of the analyses being

completed. Similarly INEOS shall report such results to the Shippers operator within twenty-four (24) hours if the analyses are carried out by or on behalf of INEOS.

### **3 FPS SYSTEM DATA USED IN ALLOCATION PROCEDURES**

The following data, as used in the allocation procedures, for each Allocation Period shall be made available to the Shippers Operator by INEOS:

#### **3.1 Measured Quantities**

##### **3.1.1 Cruden Bay flare gas:**

Mass (dry) in Tonnes

##### **3.1.2 Kinneil flare gas (upstream of the Kerse of Kinneil approved meters):**

Mass (dry) in Tonnes

##### **3.1.3 Kinneil Raw Gas:**

Mass (wet) and mass (dry) in Tonnes, as derived from the Kerse of Kinneil approved meters or as otherwise agreed with the FPS System\_Measurement Forum.

##### **3.1.4 3.1.4 Forties Blend:**

Mass (dry) in Tonnes, as derived from the Kerse of Kinneil approved meters.

##### **3.1.5 End-user measurements:**

Weight (dry) in Tonnes and mass (dry) in Tonnes as appropriate of Forties Blend and Gas Products as derived from end user measurements and stock changes in transportation and storage

#### **3.2 Stock Change Variations**

Total stock change variations, mass in tonnes (dry) for each User and for FPS System as calculated by INEOS from the sum of:

### **3.2.1 Forties sealine variable:**

Variable stocks in the FPS System sealine from Forties Platform FC pig launcher outlet valve to the Cruden Bay pig receiver inlet valve.

### **3.2.2 Cruden Bay variable:**

Cruden Bay variable oil stocks in the surge relief tanks.

### **3.2.3 St Fergus to Cruden Bay landline variable:**

Variable stocks in the St Fergus to Cruden Bay landline from the St Fergus INEOS battery limit to the first valve on the FPS System landline.

### **3.2.4 Cruden Bay dead:**

Cruden Bay dead stocks (stocks in all lines to and from the Cruden Bay surge relief tanks).

### **3.2.5 FPS System landline variable:**

Variable stocks in the FPS System landline from the Cruden Bay pig launcher outlet valve to the FPS System landline outlet valve at the Kerse of Kinneil.

### **3.2.6 Kinneil dead:**

Kinneil oil and gas dead stocks (stocks in all lines and vessels downstream of the FPS System landline outlet valve at the Kerse of Kinneil to the Kerse of Kinneil Forties Blend and Raw Gas approved meters).

### **3.2.7 Kinneil variable:**

Kinneil relief and Kinneil flow tanks variable oil stocks.

## **4 DATA REQUIRED FOR SECONDARY ALLOCATION (ALTERNATIVE METHOD)**

For each Secondary Stream contributing to a Primary Stream the data in this Paragraph 4 shall be provided by the operator of the Primary Stream, or their approved agents, to INEOS. If, in the reasonable opinion of INEOS, data required for tariff and allocation procedures are anomalous or not received by INEOS in sufficient time for these procedures to be completed within the required timescale then INEOS will use the latest acceptable data available in lieu of the missing or anomalous data.

### **4.1 Percentage Data**

#### **4.1.1 Tariff percentages**

Percentage of the Primary Stream quantities, as defined in Paragraph 1.1.1 (ii) b herein, that are to be allocated to each secondary stream for tariff purposes for the allocation period. The sum of the percentages must equal one hundred per cent (100%).

#### **4.1.2 Allocation and entitlement percentages**

Percentages of the Primary Stream allocations and entitlements that are to be allocated to each Secondary Stream for the allocation period. Percentages should be provided for each of the following products:

- a) Raw Gas allocation
- b) Dry Gas allocation
- c) Propane allocation
- d) Butane allocation
- e) C<sub>5+</sub> Condensate allocation
- f) Forties Blend Stabilised Crude Oil entitlement

The sum of the percentages for each product must equal one hundred per cent (100%).

### **4.1.3. Measurement Facilities**

The measurement facilities and procedures for operation, calibration and maintenance and associated calculations require to be approved by all Secondary Stream owners, INEOS (if appropriate for tariff purposes) and the Oil and Gas Authority (Petroleum Measurement and Allocation Team). If the approval of INEOS is required then any subsequent proposed changes to the design, calibration, maintenance or operation of the measurement facilities must be approved by INEOS in writing before implementation, such approval not to be unreasonably withheld.

## **4.2 Quality Data**

### **4.2.1 Data Required to Monitor Compliance with Exhibit II**

Analyses required to monitor compliance with Exhibit II to Section 1 of this Agreement- and which must be determined at the place of sampling shall be determined by methods and at frequencies agreed by INEOS and the Shippers Operator in question.

The results of such analyses, if carried out by or on behalf of the Shippers Operator, shall be made available to INEOS within twenty-four (24) hours of the analyses being completed. Similarly INEOS shall report such results to the Shippers Operator within twenty-four (24) hours if the analyses are carried out by or on behalf of INEOS.



## **ATTACHMENT F - FPS SYSTEM COST SHARING PRINCIPLES**

The definitions set out in Section 1 and Section 2 of this Agreement shall apply to this Attachment F.

### 1. Definitions and Interpretations

1.1 In this Attachment F, the following terms have the meaning set out below:-

**"Capital Costs"** means all costs and expenditures incurred for the construction or replacement of facilities comprising the FPS System either under Paragraph 2.3 or under a work programme and budget determined under Paragraph 2, excluding Capital Liabilities;

**"Capital Liabilities"** means Liabilities associated with the construction or replacement of facilities comprising the FPS System;

**"Discretionary Capital Costs"** means Capital Costs other than Non-Discretionary Capital Costs;

**"Facility Categories"** is defined in Paragraph 3.1;

**"INEOS Capital Costs"** means Discretionary Capital Costs incurred at INEOS's own discretion for its own purposes;

**"Liabilities"** means claims, demands, actions, proceedings, liabilities, damages, penalties, judgements, awards, costs and expenses (including legal fees on a full indemnity basis and reasonable sums paid by way of settlement or compromise) arising out of or in connection with the conduct of a work programme and budget determined under Paragraph 2, or under Paragraph 2.3 excluding in all cases such of the foregoing as result from the Wilful Misconduct of INEOS.

**"Non-Discretionary Capital Costs"** means Capital Costs which are either:

- (i) incurred in order to ensure that the FPS System complies with any legal or regulatory requirement or to comply with then current INEOS Health, Safety or Environment Policy; or
- (ii) reasonably necessary to allow the FPS System to continue to provide contractual services to any and each User.

**"Operating Costs"** means all costs and expenditures (other than Liabilities and Capital Costs) incurred in relation to the FPS System and being reasonably necessary for the transportation, processing, storage or delivery of Pipeline Liquids and products derived from them either under Paragraph 2.3 or under a work programme and budget determined under Paragraph 2.

**"Operating Liabilities"** means Liabilities other than Capital Liabilities.

**"Specific User Capital Costs"** means any Discretionary Capital Costs agreed with an individual User or group of Users to be incurred by INEOS on their behalf for the purposes of enabling provision of enhanced contractual services to them.

- 1.2 Paragraph references are to Paragraphs in this Attachment F unless otherwise indicated.

## 2. Work Programmes and Budgets

- 2.1 INEOS will provide a draft work programme and budget following its notice under Clause 8.04 of this Agreement and no later than 1 August in each Year which will specify in reasonable detail the Operating Costs, Non-Discretionary Capital Costs, Specific User Capital Costs and INEOS Capital Costs for each Facility Category which it anticipates will be required in the following Year. Each budget will include a ten percent (10%) overrun provision element. INEOS will also provide forecasts of those classes of cost for each Facility Category for the following three (3) Years.

INEOS will call a meeting of all Users to discuss the draft programme and budget in an endeavour to achieve agreement to it with all Users.

Failing agreement, INEOS will submit its final work programme and budget no later than 1 October, which may only include works which a Reasonable and Prudent Operator would consider necessary to enable continuing compliance with contractual obligations under all relevant agreements with all Users at a reasonable overall cost.

2.2 If at any time INEOS believes that the current final work programme and budget requires amendment to include additional works and/or additional expenditure, it will notify all Users accordingly, giving as much notice as is reasonably practicable.

2.3 INEOS may make any expenditure or incur commitments for expenditures or take any actions it deems necessary in the case of emergency involving the safeguarding of lives or property, the prevention or mitigation of pollution or other environmental damage. Expenditure under this Paragraph will constitute Operating Costs and will not be subject to review under Paragraph 2.4 or 2.5.

2.4 If any User believes that any item in a final or amended work programme and budget:

- (a) would not be considered necessary by a Reasonable and Prudent Operator to enable continuing compliance with contractual obligations to any and each User at a reasonable overall cost; or
- (b) has been wrongly attributed to a Facility Category; or
- (c) has been wrongly categorised as Operating Costs, Non-Discretionary Capital Costs, Specific User Capital Costs or INEOS Capital Costs,

it may submit the matter for determination by an Expert.

- 2.5 The procedure adopted for any Expert determination under Paragraph 2.4, especially in the case of an amendment to a work programme and budget, will proceed in a manner and at a speed which will not prejudice the continuing efficient operation of the FPS System. All Users will seek to agree abridged Expert determination procedures for this purpose.
- 2.6 INEOS will amend the final work programme and budget as directed by the Expert under Paragraph 2.4.
- 2.7 Failing reference to an Expert under Paragraph 2.4 within thirty (30) days of submission of a first work programme and budget under Paragraph 2.1 or within seven (7) days of submission of an amendment under Paragraph 2.2, the work programme and budget and associated categories and attributions will be deemed to comply with this Clause.

### 3. Division of FPS System into Parts

- 3.1 The FPS System shall be divided into five (5) parts ("**Facility Categories**") as follows:
- (a) the submarine pipelines from Forties Platform FC to the landfall at Cruden Bay together with all related facilities on Forties Platform FC and the Unity Platform ("**First Facilities**") and;
  - (b) the Cruden Bay terminal, the oil stabilisation and effluent treatment plant at the Kerse of Kinneil and the connecting onshore pipeline together with all the related facilities ("**Second Facilities**") and;
  - (c) the gas processing and handling facilities at the Kerse of Kinneil and the gas products' storage and export facilities at the Grangemouth complex ("**Third Facilities**"), and
  - (d) the crude oil pipeline from the Kerse of Kinneil to Dalmeny, the crude oil storage facilities at Dalmeny, the crude oil pipeline from Dalmeny to

Hound Point and the crude oil export facilities at Hound Point ("**Fourth Facilities**").

(e) the INEOS terminal and its ancillary facilities at St. Fergus and the pipeline from that terminal to the Cruden Bay terminal (the "**Fifth Facilities**").

3.2 It is recognised that in the event that alterations and/or additions are made to the FPS System, the constituent elements of any Facility Category may vary from those described in Paragraph 3.1. In such event, INEOS shall advise the Shippers Operator of such variation, but any failure to so notify shall not prevent INEOS from being entitled to determine the Shippers Group' Quarterly share of Operating Costs and Capital Costs taking into account such variation in a fair and equitable manner.

#### 4. Determination of the Shippers Group Share of Operating Costs

4.1 Operating Costs will be allocated by INEOS on a fair and reasonable basis between the five Facility Categories.

4.2 In respect of each Facility Category, the Shippers Group will pay a Quarterly charge for Operating Costs calculated in accordance with the following formula:-

$$\text{Charge} = \text{Uplift} \times \frac{\text{Shippers' Share}}{\text{Total}} \times \text{Operating Costs}$$

Where:

"**Uplift**" means 1.30;

"**Shippers' Share**" means the higher of:

(i) actual usage of the relevant Facility Category by the Shippers Group during the relevant Quarter; or

- (ii) deemed usage of the relevant Facility Category based on Pipeline Liquids having been tendered at 0.833 x FMQ for each Day in the relevant Quarter.

**"Total"** means the aggregate usage of the relevant Facility Category by all Users. For the purposes of this definition, the "usage" of a User will be the higher of:

- (i) actual usage of the relevant Facility Category by that User during the relevant Quarter; or
- (ii) deemed usage of the relevant Facility Category by that User based on Pipeline Liquids having been tendered at 0.833 x such User's FMQ (or equivalent firm maximum quantity) for each Day in the relevant Quarter.

## 5. Determination of Shippers Group Share of Capital Costs

5.1 Capital Costs will be allocated by INEOS on a fair and reasonable basis between the Facility Categories, and, in each case, further allocated between Non-Discretionary Capital Costs, Specific User Capital Costs and INEOS Capital Costs.

5.2 In respect of each Facility Category, the Shippers Group will pay costs invoiced monthly for Non-Discretionary Capital Costs calculated in accordance with the following formula:-

$$\text{Charge} = \left[ A \times \frac{\text{Shippers' Share}}{\text{Total}} \right] + \left[ \text{Balance NDCC} \times \frac{\text{Shippers Reserves}}{\text{Total Reserves}} \right]$$

Where:

**"A"** means in respect of each Facilities Category all Non-Discretionary Capital Costs incurred in that month up to the following maximum:-

- (i)  $\text{£}200,000 \times \frac{P2}{P1}$  in respect of the First Facilities;
- (ii)  $\text{£}200,000 \times \frac{P2}{P1}$  in respect of the Second Facilities;
- (iii)  $\text{£}350,000 \times \frac{P2}{P1}$  in respect of the Third Facilities;
- (iv)  $\text{£}200,000 \times \frac{P2}{P1}$  in respect of the Fourth Facilities;
- (v)  $\text{£}200,000 \times \frac{P2}{P1}$  in respect of the Fifth Facilities.

**"Balance NDCC"** means all Non-Discretionary Capital Costs allocated to the relevant Facility Category in excess of "A" above incurred in that month.

**"Shippers Reserves"** means the best available bona fide estimate of the remaining usage by the Shippers Group of the relevant Facility Category based on Shippers Pipeline Liquids yet to be produced.

**"Shippers Share"** bears the same meaning as in Paragraph 4.2 for the Quarter last ending before the relevant month.

**"P1"** is 66.30984230 the average of the monthly indices for the fourth quarter 1994 of the Producer Price Index.

**"P2"** is the Producer Price Index, averaged for the fourth Quarter of the Year preceding the Year in question.

**"Total"** bears the same meaning as in Paragraph 4.2 for the Quarter last ending before the relevant month.

**"Total Reserves"** means the best available bona fide estimate of the remaining usage by all Users of the relevant Facility Category based on all Pipeline Liquids yet to be produced.

- 5.3 The Shippers Group will also pay all Specific User Capital Costs attributable to them in accordance with the agreement pursuant to which relevant works were undertaken.
- 5.4 The Shippers Group and all Other Users will meet and agree consistent assumptions and methodologies to ensure estimates used to determine Shippers Reserves and Total Reserves fairly allocate the relevant costs between them. Failing agreement, an Expert will be appointed to determine these matters.
- 5.5 Where a significant item of capital equipment is constructed and paid for as a Non-Discretionary Capital Cost, INEOS, the Shippers Group and Other Users will meet and endeavour to agree principles by virtue of which any new User of the relevant Facility Category will reimburse a fair and reasonable proportion of that Capital Cost to the Users who incurred it.
- 5.6 For the avoidance of doubt, INEOS Capital Costs shall at all times be for the sole account of INEOS as owner of the FPS System.

6. Clarification of "Operating Costs" and "Capital Costs"

- 6.1 For the avoidance of doubt and notwithstanding any inconsistency with Paragraph 1.1:
  - (a) Subject to Paragraph 6.1(d) and (f), the Parties intend that all costs, obligations, liabilities, claims, expenditures and outgoings which arise out of or in connection with the conduct of works authorised under Paragraph 2 will be categorised as either Operating Costs, Capital Costs or Liabilities and will be apportioned in accordance with this Attachment F;
  - (b) INEOS will be entitled to recover the fully built up cost of all manpower employed in relation to the FPS System including full provision for employment "on costs" (such as leave, training, allowances, incentives



etc) and overheads together with reasonable provision for non-time writing staff who provide support;

(c) INEOS will be entitled to recover a funding charge at SONIA compounded in arrears in respect of funds employed in relation to Operating Costs and Capital Costs from the date of payment until the date of recovery at the end of the relevant month (both dates inclusive), with a five (5) Working Day lookback plus two (2) per cent per annum. Alternatively:

(i) in the case of Operating Costs, Users and INEOS may agree a mechanism for cash calling necessary funds in advance of their disbursement; and

(ii) in the case of Capital Costs, INEOS shall be entitled to cash call the Shippers Group in respect of its share of necessary funds in advance of their disbursement. If INEOS decides to cash call in advance, it will calculate the relevant amounts payable by the Shippers Group in accordance with the formula set out in Paragraph 5 provided that, in so calculating, INEOS shall use its bona fide best estimates (at the time of calculation) of the parameter values required to be input into such formula. The Shippers Group shall advance the amount of the cash call to INEOS's nominated bank account on or before the due date specified in the cash call. Any amounts cash called by INEOS in accordance with the foregoing shall be subject to reconciliation as soon as reasonably practicable once actual data for the disbursement period is available. Any underpayments or overpayments apparent from such reconciliation will be settled respectively by way of a payment by the Shippers Group or INEOS to the other, such payments being subject to interest from the date of underpayment or overpayment at SONIA compounded in arrears with a five (5) Working Day lookback plus two per cent (2%);

- (d) INEOS will not be entitled to recover any expenditure under this Clause to the extent that it is caused by INEOS's failure to maintain the FPS System to the standard of a Reasonable and Prudent Operator prior to the effective date of the notice under Clause 8.04 of Section 2 of this Agreement;
- (e) The Shippers Group shall have reasonable access to INEOS's records to enable them to audit the correct application of this Attachment F. The Shippers Group shall have a right of technical audit of the FPS System to be exercised prior to the effective date of the notice under Clause 8.04 of Section 2 of this Agreement.

The terms of reference for the technical audit shall be agreed between INEOS and the Shippers Group. The Shippers Group shall pay for the cost of the technical audit.

For the avoidance of doubt, INEOS shall not be entitled to recover any expenditure identified from the technical audit and agreed between INEOS and the Shippers Group as being the result of INEOS's failure to maintain the FPS System to the standard of a Reasonable and Prudent Operator prior to the effective date of the notice under Clause 8.04 of Section 2 of this Agreement. If INEOS or the Shippers Group fail to agree then the issue may be referred to an Expert.

- (f) Any amount payable by INEOS to any Other User under its contract regarding use of the FPS System as a consequence of breach of that contract by INEOS shall not be included in Liabilities, Operating Costs or Capital Costs;
- (g) Should material Operating Costs be necessitated as a consequence of INEOS Capital Costs or Specific User Capital Costs, either INEOS or the relevant Users (as applicable) will meet those additional Operating Costs.

## 7. Insurance

- 7.1 At the same time as it proposes its work programme and budget under Paragraph 2.1 INEOS will submit its recommended programme of insurance in relation to the FPS System and its operation. This will be discussed with all Users. After considering the views of Users, INEOS will determine the programme of insurances which it will take out.
- 7.2 Insurance premiums will be included in Operating Costs.
- 7.3 Proceeds of successful claims under the insurance policies will be credited in a fair and equitable manner to those Users who initially incurred costs associated with the relevant loss.

8. Liabilities

- 8.1 INEOS will keep all Users regularly informed regarding any claim that may or does give rise to any liability.
- 8.2 In respect of each liability, INEOS will determine:--
  - (i) the date on which the liability arose or accrued;
  - (ii) whether it constitutes a Capital Liability or an Operating Liability; and
  - (iii) the Facility Category to which the liability relates.
- 8.3 In respect of each Operating Liability in each Facility Category, the Shippers Group will pay a Quarterly charge calculated in accordance with the following formula:

$$\text{Charge} = \frac{\text{Shippers Share}}{\text{Total}} \times \text{Operating Liability}$$

Where:

"**Shippers Share**" and "**Total**" bear the same meaning as under Paragraph 4.2, as calculated in respect of the Quarter during which the Operating Liability arose or accrued;

"**Operating Liability**" means the amount actually paid out by INEOS in respect of the Operating Liability during the relevant Quarter.

- 8.4 In respect of each Capital Liability in each Facility Category the Shippers Group will pay a Quarterly Charge calculated in accordance with the following formula:-

$$\text{Charge} = \frac{\text{Shippers Reserves}}{\text{Total Reserves}} \times \text{Capital Liability}$$

Where:

"**Shippers Reserves**" and "**Total Reserves**" bear the same meaning as under Paragraph 5.2 as calculated in respect of the Quarter during which the Capital Liability arose or accrued.

"**Capital Liability**" means the amount actually paid out by INEOS in respect of the Capital Liability during the relevant Quarter.

## 9. Discussion of Alternative Management and Cost Sharing Mechanisms

- 9.1 Upon service of a notice under Clause 8.04 of Section 2 of this Agreement, INEOS will call a meeting of all Users to review the principles set out in this Attachment F and will negotiate in good faith to agree more detailed or, if possible more equitable and/or efficient alternative arrangements for management of and sharing of costs in relation to the FPS System. One aspect for discussion will be the possibility of mutual hold harmless arrangements between Users. Further, INEOS will propose a detailed accounting procedure to more fully explain the calculation of Operating Costs and Capital Costs.

## **ATTACHMENT G - FPS SYSTEM MEASUREMENT FORUM CONSTITUTION AND RULES**

### **1. DEFINITIONS**

Defined terms used in this Attachment G shall, unless expressly stated to the contrary, have the meanings given to such terms in Section 1 and Section 2 of this Agreement. Terms not defined in Section 1 or Section 2 of this Agreement shall, unless expressly stated to the contrary, have the meanings given below. Any reference to a Paragraph in this Attachment G is to a paragraph of this Attachment G unless the context otherwise requires.

**"Chairman"** has the meaning set out at Paragraph 8.2.

**"Convenor"** has the meaning set out at Paragraph 8.1.

**"FPS System Allocation Schedule of Analysis"** means the INEOS document containing detailed methodology for the analysis of Pipeline Liquids for each Customer and the reporting procedures for results.

**"FPS System Owner"** means INEOS FPS Limited or its successors in title or assignees acting as owner and/or operator of the FPS System.

**"FPS System Transportation Agreement"** or **"TPA"** means an agreement between the FPS System Owner and a user which entitles the user to tender hydrocarbon rich pipeline liquids for transportation and/or processing and delivery via the FPS System.

**"Forum"** has the meaning set out in Paragraph 2.1.

**"Member"** means a member of the Forum as defined in Paragraph 4.1 (and the term **"Membership"** shall be construed accordingly).

**"Meeting"** means a meeting of the Forum.

**"Secretary"** has the meaning set out in Paragraph 8.2.

**"Sub-committee"** means a Sub-committee of the Forum.

## 2. Creation and Scope of Forum

- 2.1 A forum to be called the FPS System Measurement Forum (the "**Forum**") is created by virtue of this Constitution.
- 2.2 The scope of the Forum will extend only to those activities necessary or incidental to achieving its objects set out in Paragraph 3.
- 2.3 The Forum has no power to alter or affect the rights of any party to an FPS System Transportation Agreement.

## 3. Objects

- 3.1 The objects of the Forum are:-
  - (a) to provide an opportunity for Members to discuss issues of common interest with respect to the FPS System relating to:
    - hydrocarbon accounting
    - audit of hydrocarbon accounts
    - measurement audits of user production facilities
    - measurement audits of FPS System facilities
    - selection of analytical laboratories
    - audit of analytical laboratories
    - measurement issues as they may affect the FPS System
    - discussion of any dispute associated with any of the foregoing;
  - (b) to carry out such functions as specifically required of the Forum or its Sub-committees under any FPS System Transportation Agreement.

## 4. Qualifications for Membership

- 4.1 Any field operator of an oil field which has the right to tender pipeline liquids for delivery into the FPS System, or which is about to execute an Agreement which gives them that right shall become a Member of the Forum ("**Member**").

- 4.2 Where a conflict of interests is identified, and a substitute field operator is appointed, the substitute operator shall become a Member of the Forum to the extent and for all purposes of the substitution.
- 4.3 Where the same company acts as the operator of more than one oil field, it will be deemed a Member and be entitled to separate representations in each relevant capacity.
- 4.4 INEOS FPS Limited will be deemed a Member in its capacity as Operator of the FPS System, in addition to Membership in any other relevant capacities.

## **5. Initial Membership**

The initial membership of the Forum consists of the Parties to the FPS System Measurement Forum (Constitution and Rules) Agreement.

## **6. Admission of Members**

Any person qualified for membership of the Forum under Paragraph 4.1 shall become a Member by executing an undertaking to be bound by the Constitution and Rules in favour of each other Member and forwarding this to the Secretary for the time being of the Forum. Upon receipt of the undertaking by the Secretary that person will become a Member, will be entitled to all the benefits of Membership and will be bound by this Constitution and Rules.

## **7. Cessation of Membership**

- 7.1 A Member who ceases to be qualified for membership under Paragraph 4.1 shall be deemed immediately to have resigned from the Forum, without prejudice to any accrued rights or obligations to the date of resignation.
- 7.2 Members may not resign from the Forum except as specified in Paragraph 7.1.

## **8. Convenor of the Forum**

- 8.1 The FPS System Owner from time to time is appointed convenor of the Forum ("**Convenor**"). The Convenor will carry out the functions and duties specified in this Constitution and Rules.

- 8.2 The Convenor will appoint a chairman and a secretary of the Forum (respectively “**Chairman**” and “**Secretary**”) and will generally support its objects in any ways it deems necessary or expedient. The Chairman and Secretary will carry out the functions and duties specified in this Constitution and Rules but will have no voting rights in those capacities.
- 8.3 Without prejudice to the FPS System Owner’s rights and obligations under the FPS System Transportation Agreements, each Member (on behalf of itself and its Shippers Group) releases the Convenor and each Chairman and Secretary from all legal liability to them except to the extent caused by the Gross Negligence of any of them. In this Clause, "Gross Negligence" means a deliberate or reckless act or omission by managerial staff with conscious disregard or indifference to its foreseeable harmful consequences.

## **9. Meetings of the Forum**

- 9.1 Each Member will notify the Secretary in writing of its representative and an alternate representative for Meetings. Representatives and alternates can be changed from time to time by a further notice. The Secretary will keep a current register of Members and their representatives and alternates. Alternates have the authority of the representative if the representative is not present at any Meeting.
- 9.2 Representatives or their alternates plus (at their cost) a reasonable number of advisers have the right to attend Meetings. Such advisers shall not be entitled to vote.
- 9.3 The Chairman will call a Meeting when he considers it necessary to do so (but not less than once each Year), or if so requested in writing by any Member provided the Member specifies the business it wishes the Meeting to transact, in which event the Meeting shall be called within forty (40) days of such Member’s request. Meetings will be called by giving not less than twenty-one (21) days’ written notice sent by mail, e-mail or fax. The notice will include a draft agenda for the Meeting. Any Member may add items to the agenda not less than five (5) days before a Meeting by giving the Chairman and each



Member written notice of the addition. Unless all Members agree, only business in the agenda may be transacted at a Meeting.

- 9.4 The quorum for a valid Meeting will be the representatives of not less than ten (10) Members or such other number as may be agreed by all Members from time to time having regard to the level of Membership of the Forum. For the avoidance of doubt, an individual attending a Meeting as representative or alternate representative on behalf of more than one Member shall be counted, for the purpose of the quorum and voting, in each such capacity.
- 9.5 Decisions of the Forum will be made by unanimous vote of the representatives and/or alternates attending a Meeting validly constituted in accordance with the provisions of Paragraphs 9.3 and 9.4 above.
- 9.6 The Secretary will keep summary minutes of the business transacted at each Meeting which will specify all decisions taken. The Secretary will circulate draft minutes to all Members as soon as practicable and in any event within twenty (20) days after each Meeting. Members are entitled to comment on the draft. If no comments are received from a Member within twenty (20) days of circulation of the draft, the minutes will be deemed approved by that Member.
- 9.7 Meetings of the Forum will take place in the Convenor's offices (presently in Aberdeen, Scotland) unless another venue is unanimously agreed.
- 9.8 The Forum may adopt such procedures or protocols as it considers appropriate to facilitate its objectives or to ensure the efficient conduct of business at Meetings. The Convenor, Chairman and Secretary will act in accordance with approved procedures and protocols.
- 9.9 The Chairman may invite non-Members to attend a meeting where the relevant person has an interest in or is able to make a contribution in relation to the business to be conducted at that Meeting; provided that the Chairman shall take all necessary steps to avoid the disclosure to such non-Members of Members' confidential information.

## **10. Finances and Property of the Forum**

- 10.1 The Forum will not hold property and shall not maintain bank accounts.
- 10.2 The general administration costs of the Forum will be borne solely by the Convenor.
- 10.3 If following a decision made pursuant to Paragraph 9.5 the Forum decides to incur any reasonable expenditure, the Convenor will make necessary arrangements and the costs will be borne equally by each Member, unless agreed otherwise. The Convenor will submit invoices when appropriate which must be paid by a Member within ten (10) Working Days from the date of receipt thereof.

## **11. Sub-committees**

- 11.1 A meeting of the Forum may approve the formation of a Sub-committee of the Forum, where such a Sub-committee is required to carry out a function under any one or more FPS System Transportation Agreement.
- 11.2 The resolution forming a Sub-committee must state:-
  - (a) the terms of reference of the Sub-committee which will specify the function which the Sub-committee is to fulfil;
  - (b) how the membership of the Sub-committee is to be ascertained; and
  - (c) such procedural guidelines as are deemed appropriate given the activities of the Sub-committee.
- 11.3 The Forum will appoint the Chairman and Secretary of each Sub-committee.
- 11.4 Sub-committees are formed exclusively to advise and report to the Forum and, unless otherwise agreed have no independent power to make determinations or otherwise to bind the Forum or its Members.

## **12. Initial Sub-committees**

The Independent Laboratory Selection Sub-Committee is created to pre-qualify independent laboratory facilities for use in relation to the FPS System. It will consist of appropriately qualified representatives of not more than six (6) Members, to be appointed by the Forum.

### **13. Dissolution of the Forum**

The Forum may be dissolved by unanimous vote of its Members at a meeting of the Forum.

## **FPS SYSTEM MEASUREMENT FORUM**

### **PROTOCOL 1**

Without prejudice to the rights of Members, their Shippers Groups and INEOS under their relevant Transportation and Processing Agreements ("**TPA**"), the Protocol was adopted by the FPS System Measurement Forum at its Meeting on 9 September 1998, pursuant to Paragraph 9.8 of the Forum's Constitution and Rules:-

#### **1. FACILITIES AUDITS**

##### **1.1 General**

Expressions used in this Protocol shall have the meanings given to them in the FPS System Measurement Forum (Constitution and Rules) Agreement.

Each TPA provides reciprocal rights of INEOS and the relevant Shippers Group to have access to facilities to ensure measurement and sampling procedures and gauges, etc are accurate. Each Member recognises that accurate hydrocarbon accounting under its TPA is dependent on accurate recording of inputs to and outputs from the FPS System under all TPAs. Each Member also recognises that inspections of FPS System facilities and Shippers Group facilities and facilities audits need to be co-ordinated so as to ensure they are conducted efficiently and with minimum disruption to continuing operations.

An independent measurement audit shall be carried out on each installation at least annually, both onshore and offshore, where the results of the measurements are used as input to or output from the FPS System hydrocarbon accounts. The independent measurement audit shall be arranged and managed in accordance with the following process:

- (i) INEOS shall prepare suitable audit criteria (utilising previously adopted criteria) and present it to the FPS System Measurement Forum for consultation purposes.

- (ii) Having regard to representations made by Members of the FPS System Measurement Forum, INEOS shall then select a proposed auditor by means of a competitive tender process. Once an auditor has been selected, INEOS shall provide relevant details at a meeting of the customer forum (which meetings are arranged by INEOS and which take place on a quarterly basis) and the FPS System Measurement Forum prior to contract award.
- (iii) INEOS shall contract with, and procure the services of, the auditor selected under paragraph (ii) above for performance of the independent measurement audits. INEOS shall bear its own internal administrative costs arising from the selection and instruction process.
- (iv) Each Shippers Group shall separately liaise with INEOS and the selected auditor in relation to the audit of each of their installations.

Each Shippers Group shall, with respect to their own installations, be responsible for, and shall be liable to reimburse INEOS for, all audit costs properly invoiced to INEOS by the auditor. Those audit costs shall be paid to INEOS by the Shippers Operator within thirty (30) calendar days of the date of issue by INEOS to the Shippers Operator of an invoice setting out the relevant properly invoiced audit costs, together with a copy of the related auditor's invoice. Should the Shippers Operator fail or refuse to make payment by the due date, the amount shall bear interest (both before and after judgement) at SONIA compounded in arrears from the due date until the date of actual payment (both inclusive) with a five (5) Working Day lookback plus three (3) per cent.

Raw Gas, Inter Stage Liquids, Gas Products and Stabilised Crude Oil metering points at the INEOS plant at Kerse of Kinneil and the Stabilised Crude Oil Metering installation at the Dalmeny tank farm are subject to independent audit.

It is intended that any inspections which one or more Member wishes to conduct in addition to the independent audit to be arranged by INEOS will be co-ordinated and, where possible, conducted jointly by all interested Members at the same time.

## 1.2 Audit Criteria

INEOS will prepare a manual specifying general audit criteria which will apply to all facilities comprising or using the FPS System for the consideration and approval of the Forum. The general criteria will be subject to detailed additions or exemptions for each facility. In respect of the facilities of each Shippers Group, detailed procedures will be agreed between INEOS and the relevant Field Operator, and tabled for discussion by the Forum. In relation to FPS System facilities, detailed procedures will be proposed by INEOS for approval by the Forum.

Once adopted, the audit criteria will form the instructions to the independent or Member's auditors conducting each relevant inspection and audit.

## 1.3 Timing of Audits

Each year INEOS will propose an appropriate timetable for independent audit of Shippers Group and FPS System facilities and, if requested, for Member audit of FPS System facilities, for discussion and approval by the Forum. The exact timing of the audit for each facility will continue to be agreed between the relevant Field Operator and INEOS generally in accordance with the approved timetable.

The Members intend that each Shippers Group's individual rights to audit FPS System facilities under each TPA will be co-ordinated in accordance with the approved timetable and such procedures as the Forum may adopt in relation to joint audit teams, reporting procedures and so on.

As far as practicable, the timetable will provide for an audit approximately six (6) months after the annual prover calibration of the relevant facility and that the first independent audit of any installation entering the FPS System shall be carried out within three (3) months of first delivery of Pipeline Liquids.

## 1.4 Reporting of Audit Results

The Summary/Recommendations section of the report of all facilities audits shall be distributed promptly to the representatives of each Member.

At each Meeting, INEOS shall provide representatives with an update on all significant recommendations from audit reports, including those outstanding from previous Meetings.

If requested by any representative, INEOS shall make available the complete audit report for any installation (including the Field Operator's response thereto).

#### 1.5 Cost of Members Audits

If requested by any Member, the Forum will discuss appropriate arrangements for sharing the cost of a co-ordinated Members audit of FPS System facilities between the Members.

## 2. **SELECTION AND AUDIT OF INDEPENDENT LABORATORY**

### 2.1 General

Each Member notes that each TPA requires analysis of samples under all TPAs by the same independent laboratory, and acknowledges that co-ordination of the procedure for pre-qualification, selection and audit of the laboratory should be arranged through the Forum.

### 2.2 Pre-Qualification

In good time prior to the expiry of the then current contract with the independent laboratory, the Chairman will include review of the provision of laboratory services on the Agenda of the next Meeting, and will invite suggestions from Members as to which laboratories they consider suitable for pre-qualification. At the Meeting, the Forum will consider the list of suggested

laboratories and determine which of them should be submitted to the Independent Laboratory Selection Sub-committee for pre-qualification.

The Forum will also consider procedures to select the most appropriate pre-qualified laboratory and to make contractual arrangements with it.

## 2.3 Annual Audit of Independent Laboratory

The selected independent laboratory shall be subject to annual audit.

### 2.3.1 **The Audit Team**

- (a) The audit team will consist of appropriate experts who have specialised knowledge of the analyses required under the FPS System Allocation Schedule of Analysis and a INEOS auditor.
- (b) Prior to each audit of the independent laboratory, INEOS will invite each Member to have a representative of their organisation join/lead the audit team. Such a representative shall take a full working role in the audit in an appropriate area of expertise.
- (c) The audit team will not exceed five (5) persons. If there are more than five (5) persons wishing to be audit team members, the Forum shall meet to agree the composition of the audit team.

2.3.2 INEOS shall issue the terms of reference for the audit of the independent laboratory after consultation with the Forum.

2.3.3 The timing of the annual audit shall be agreed by the Forum and the independent laboratory. Reasonable endeavours shall be used to avoid carrying out the audit during the period when the independent laboratory is conducting the analyses for week 2 of the Allocation Period.



2.3.4 The report of the annual audit shall be distributed to all Members. INEOS shall meet with the independent laboratory to progress recommendations contained in the report. The Chairman shall provide an update on progress at each Meeting.

### 3. **AUDIT OF HYDROCARBON ACCOUNTS**

#### 3.1 General

As with physical audit of facilities covered in Paragraph 1 above, all Members recognise the advantages of co-ordination of individual TPA audit rights of the records and procedures which comprise the FPS System hydrocarbon accounts, and intend to co-operate such that audits can be carried out efficiently.

#### 3.2 Scope

3.2.1 Unless the Forum otherwise decides, an annual audit of the hydrocarbon accounts will be carried out.

3.2.2 The terms of reference for the audit shall be issued by INEOS after consultation with the Forum. The primary role of the audit shall be to ensure that the allocation procedures and the valuation procedures and determination of entitlement to Forties Blend of each TPA have been correctly applied during the period since the last audit.

#### 3.3 The Audit Team

3.3.1 Prior to each audit of the hydrocarbon accounts INEOS shall issue an invitation to all Members to have a representative join/lead the audit team. Such a representative shall take a full working role in the audit in an appropriate area of expertise.

3.3.2 The audit team shall consist of a maximum of four (4) persons. If more than four (4) persons wish to be audit team members the Forum shall meet to agree the composition of the audit team.

#### 3.4 Timing of the Audit

3.4.1 An audit will be carried out at a time determined by the audit team leader after consultation with the Forum and will avoid the period immediately prior to the issue of the Monthly hydrocarbon accounts.

#### 3.5 Reporting

3.5.1 The audit team leader shall issue a report detailing the recommendations of the audit team directly to all Members.

3.5.2 The report shall be issued not later than four (4) weeks after the completion of the audit.

3.5.3 The Forum shall discuss the recommendations of the report. At each meeting the Chairman will report progress in relation to each outstanding audit issue.

### 4. CONFLICTS OF INTEREST

4.1 Without prejudice to the provisions of Paragraph 4.2 of the Forum's Constitution and Rules, where any Member (or representative) believes a conflict exists or may exist between:

- (a) that Member's obligations (or the obligations of its representative, where such representative is not an employee of the Member) or the obligations of another Member (or its representative, where such representative is not an employee of the Member) in relation to the audits referred to in Paragraphs 1, 2 or 3 hereof (the Member or representative in respect of which the conflict is asserted being called the "**Conflicted Party**"); and

(b) the other interests of the Conflicted Party,

it will notify the other Members accordingly.

4.2 The Member (or representative) notifying pursuant to Paragraph 4.1 shall specify the conflict and suggest appropriate procedures which would allow it to be managed. The Forum will discuss the alleged conflict and will endeavour to agree unanimously procedures for the management thereof, which procedures shall be balanced and fair to all the Members (including the Conflicted Party). All Members shall comply with the conflict management procedures agreed under this Clause.

## 5. **SUBSTITUTE ANALYSIS**

### 5.1 General

On a Quarterly basis INEOS will report each instance of the use of a substitute analysis in the hydrocarbon accounts, and these reports will be tabled for discussion at the following Meeting.

### 5.2 Disputes Regarding Substitute Analysis

Should any dispute arise regarding whether or not a substitute analysis is required in accordance with each TPA, the matter will be listed for discussion on the Agenda for the next Meeting.

5.3 Where substitute analysis is required on more than two (2) consecutive occasions due to the same cause, the Forum will discuss what remedial measures are appropriate in the circumstances.

## 6. **MISMEASUREMENT PROCEDURES**

6.1 Without prejudice to the rights of any Member under its TPA, each Member is committed to using reasonable endeavours to identify and correct by agreement any error made in relation to the measurement of inputs to or outputs from the FPS System or in the determination of entitlement to and the volume lifted of Forties Blend and other products from the FPS System (a "Mismeasurement"). Where a dispute persists despite these efforts, the Members intend to co-operate in a process of dispute resolution involving all Members affected as underlifters or overlifters as a consequence of the same set of circumstances. The Forum is intended to facilitate resolution of all such disputes in accordance with this Protocol.

### 6.2 **Notification of Errors**

Members who become aware of a Mismeasurement shall notify details to the Secretary who will make available at each Meeting, a list of all Mismeasurements which have been noted since the previous Meeting and this list will form an agenda item for the Meeting.

The list will have separate sections for Mismeasurements to which Paragraph 6.3 applies (in each case noting the details of all corrections made as a consequence) and for those to which Paragraph 6.4 applies, (each of which will form agenda items for the Meeting).

### 6.3 **Handling of Minor Agreed Errors**

Except as provided in Paragraph 6.4 when INEOS and the principal overlifting or underlifting Member agree that there has been a Mismeasurement and the quantity involved is less than 1000 tonnes mass (dry) or 1200 m<sup>3</sup> as appropriate then, without prejudice to the rights of any Member to dispute the matter later, a correction shall be applied without discussion of the matter by the Forum.

#### 6.4 Discussion of Major Mismeasurement by the Forum

When any Mismeasurement is equal to or greater than 1000 tonnes mass (dry) or 1200 m<sup>3</sup> as appropriate or Mismeasurements of lesser amount occur repeatedly from the same cause, the details of Mismeasurements notified as in Paragraph 6.2 shall be presented to the Members by INEOS. The Forum shall discuss the technical issues of the Mismeasurement.

The Forum may appoint an ad hoc Sub-committee to investigate the detail of any Mismeasurement and report their findings to the Forum.

Where agreement is reached on the quantity of the Mismeasurement a correction shall be made.

#### 6.5 Co-ordination of Dispute Resolution

Prior to the submission of a Mismeasurement dispute for determination under any TPA, the Members intend that the Forum be given an opportunity to discuss who would be the most appropriate person to act as an expert in relation to the dispute, and discuss what process it recommends the expert should adopt so as to facilitate expedient resolution of the matter.

### 7. **CORRECTION OF MISMEASUREMENTS**

#### 7.1 Correction of Minor Mismeasurements

In respect of each Mismeasurement to which Paragraph 6.3 above applies, INEOS will apply the corrections to the next set of accounts to be run so that the corrections lead to revised entitlements for all Members (and the members of their respective Shippers Groups). Any affected Members (and the members of their respective Shippers Groups) may challenge the accuracy of the amended accounts, but, without prejudice to the rights of such Members (and the members of their respective Shippers Groups) under its TPA, the amended entitlements will apply until further agreement is reached or the dispute is otherwise determined.

## 7.2 Correction of Major Mismeasurements

In respect of each Mismeasurement to which Paragraph 6.4 above applies, INEOS will apply the notified corrections to the next set of accounts to be run so that the corrections lead to revised entitlements for all Members (and the members of their respective Shippers Groups). Upon agreement by the Forum of the Mismeasurement INEOS will apply any difference between the agreed quantity and the notified quantity, in equal amounts up to 1000 tonnes, to the next sets of accounts to be run so that the corrections lead to revised entitlements for all Members (and the members of their respective Shippers Groups).

The Members intend that all Mismeasurements will effectively be corrected by an amendment to the overlift/underlift balances in the hydrocarbon accounts on the basis of the quantity of hydrocarbons mismeasured, and without reference to the timing of the Mismeasurement or changes in the price of related products in the interim. Without prejudice to their rights under each TPA, each Member acknowledges the impact a variation of entitlement consequent on the corrections of a major Mismeasurement would have on the hydrocarbon lifting sales programme of other users of the FPS System. Members intend that, when they are an underlifter, they will give sympathetic consideration to a request by an overlifter to spread the adjustment of entitlement over an appropriate period of time. As a guideline, where an adjustment to the entitlement of any Member is around ten thousand (10,000) tonnes mass (dry) or twelve thousand square metres (12,000 m<sup>3</sup>) as appropriate, correction in equal amounts over the following three months is considered to be reasonable.

## 7.3 Correction of Analysis Mismeasurements

All Mismeasurements introduced as a consequence of an error in the analysis of Pipeline Liquids will be corrected by determining the variation of entitlement caused by the application of corrected analysis in the Allocation Period(s) in which the error occurred.

## **ATTACHMENT H - MERCURY ASSESSMENT AND REMOVAL**

Defined terms used in this Attachment H shall, unless expressly stated to the contrary, have the meanings given to such terms in Section 1 and Section 2 of this Agreement. Terms not defined in Section 1 or Section 2 of this Agreement shall, unless expressly stated to the contrary, have the meanings given below. Any reference to a Paragraph in this Attachment H is to a paragraph of this Attachment H, unless the context otherwise requires.

**“Actual Level”** means the actual level of mercury contained in Shippers Production as specified in a notice served by the Shippers Operator on INEOS in accordance with either Paragraph 4 or Paragraph 5.

**“Mercury Forum”** means a group of Users (which, for the avoidance of doubt, does not include the Shippers Group) established to consider matters including sampling and measurement methods for mercury in the FPS System.

**“Plant Operating Costs”** means all of the direct costs (including costs payable to INEOS's contractors and sub-contractors) associated with the Mercury Removal Plant in respect of:

- (a) the periodic renewal of absorbent;
- (b) the disposal of mercury and mercury contaminated absorbent;
- (c) the cost of purchasing such insurance cover as may, in the reasonable opinion of INEOS, be necessary in connection with the disposal of mercury and mercury contaminated absorbent where such disposal occurs in connection with the operation of the Mercury Removal Plant, including the losses incurred due to flaring during bed change outs;
- (d) the cost of routine maintenance; and
- (e) the provision of utility services;

but shall exclude, for the avoidance of doubt:-

- (i) interest, depreciation, abandonment provisions and costs, opportunity costs, taxes on profits or income; and

- (ii) liabilities or costs which arise as a consequence of any breach of duty (statutory or otherwise) by INEOS to third parties or any statutory agency in connection with the disposal of mercury and mercury contaminated absorbent.
1. The quantity of mercury expressed in ng/g (if any) set out in Clause 5.3 of Section 1 represents a level of volatile organic or inorganic mercury in Shippers Production, which is expected to separate into Raw Gas under Kinneil operating conditions, and is in excess of the levels set out in Exhibit II of Section 1 (the “**Anticipated Level**”). If no such quantity (being, for the avoidance of doubt, that which is in excess of the levels set out in Exhibit II of Section 1) is expressly set out in Clause 5.3 of Section 1, then there shall be no Anticipated Level and Paragraph 2 below shall not apply.
  2. INEOS hereby grants a waiver in favour of the Shippers Group which shall permit the Shippers Group to deliver at the Transfer Point Shippers Production containing mercury up to the Anticipated Level.
  3. In consideration of any waiver set out in Paragraph 2 above (as that waiver may be amended in accordance with Paragraphs 7 or 8 below, or, where relevant, in consideration of a waiver issued in accordance with Paragraph 9 below, the Shippers Group shall pay a share of the Plant Operating Costs in respect of the mercury treaters for the removal of mercury from the Dry Gas, Propane, Butane and C<sub>5+</sub> Condensate streams at Kerse of Kinneil (the “**Mercury Removal Plant**”) such share to be determined on the Opex Sharing Basis set out in Schedule 2 to this Attachment H.
  4. Within three (3) months following the Commencement Date, the Shippers Operator shall serve a notice in writing upon INEOS specifying the actual level of mercury in Shippers Production. Such notification shall be supported by measurements from three (3) different samples, which are agreed by INEOS and the Shippers Operator to be representative of the composition of Shippers Production, and where such sampling and measurements are in accordance the methods agreed between INEOS and the Mercury Forum.



5. Notwithstanding Paragraph 4 above, if Shippers Production tendered for delivery at the Transfer Point at any time contains, or is likely to contain, levels of mercury in excess of the levels set out in Exhibit II to Section 1 of this Agreement (or, where a waiver has been granted in accordance with this Attachment H, in excess of the levels of mercury permitted by that waiver), the Shippers Operator shall serve a notice upon INEOS specifying the actual levels of mercury in Shippers Production. Such notification shall be supported by measurements from three (3) different samples, which are agreed by INEOS and the Shippers Operator, acting reasonably, to be representative of the composition of Shippers Production, and where such sampling and measurements are in accordance with methods agreed between INEOS and the Mercury Forum.
6. If the Actual Level pursuant to the provisions of Paragraph 4 discloses a level of mercury in Shippers Production of less than the levels set out in Exhibit II to Section 1 of this Agreement, the Shippers Group shall, pursuant to Schedule 2 to this Attachment H, not be required to pay any share of the Plant Operating Costs thereafter and any waiver granted under Paragraph 2 above shall terminate.
7. If the Actual Level pursuant to the provisions of Paragraph 4 discloses a level of mercury in Shippers Production of more than the levels set out in Exhibit II to Section 1 of this Agreement, but less than the Anticipated Level, INEOS shall reduce any waiver granted under Paragraph 2 to the Actual Level. Such reduction in the waiver shall result in a corresponding reduction in the Shippers Group's share of the Plant Operating Costs pursuant to Schedule 2 to this Attachment H. If there is no Anticipated Level and corresponding waiver under Paragraph 2, INEOS may (subject to the provisions of Clause 7.03 of Section 2) grant a waiver in favour of the Shippers Group which shall permit the Shippers Group to deliver at the Transfer Point Shippers Production containing mercury up to a level specified by INEOS.
8. If the Actual Level pursuant to the provisions of Paragraph 4 discloses a level of mercury in Shippers Production of more than the Anticipated Level, INEOS may increase the waiver granted under Paragraph 2 up to the Actual Level subject to INEOS assessing that the total mass of mercury flowing through the Mercury Removal Plant at the Kerse of Kinneil is acceptable in accordance with the criteria set out in Schedule 1 to this Attachment H. Such increase in the waiver shall result

in a corresponding increase in the Shippers Group's share of the Plant Operating Costs pursuant to Schedule 2 hereto with effect from the Commencement Date. If there is no Anticipated Level and corresponding waiver under Paragraph 2, INEOS may (subject to the provisions of Clause 7.03 of Section 2) grant a waiver in favour of the Shippers Group which shall permit the Shippers Group to deliver at the Transfer Point Shippers Production containing mercury up to a level specified by INEOS.

9. If the Actual Level pursuant to the provisions of Paragraph 5 discloses a level of mercury in Shippers Production of more than the levels set out in Exhibit II to Section 1 of this Agreement (or, where a waiver has been granted in accordance with this Attachment H in excess of the levels of mercury permitted by that waiver), INEOS may (subject to the provisions of Clause 7.03 of Section 2) grant a waiver in favour of the Shippers Group which shall permit the Shippers Group to deliver at the Transfer Point Shippers Production containing mercury up to a level specified by INEOS, which may be less than the Actual Level.

10. Additional Removal Plant

10.1 To the extent that that a waiver at the Actual Level is not granted in accordance with Paragraphs 8 or 9 above, then INEOS shall discuss with the Shippers Group in good faith additional mercury removal and liquids handling options. Following such discussions INEOS may procure, at the cost of the Shippers Group, the installation and commissioning of such additional mercury removal plant ("**Additional Removal Plant**") as is necessary to enable the reception and treatment of that portion of Shippers Production which cannot be treated in the Mercury Removal Plant at the Kerse of Kinneil, subject always to agreement and execution of appropriate documentation governing the terms upon which such Additional Removal Plant shall be installed and commissioned used and operated.

10.2 Subject to Paragraph 10.1, and with effect from the completion of commissioning of the Additional Removal Plant, INEOS shall increase the waiver granted under Paragraph 2 or 9 (as applicable) above up to the Actual Level which for the avoidance of doubt shall not be subject to a further reduction or limitation by INEOS and shall be subject to the continued funding by the Shippers Group of the installation and commissioning of Additional Removal Plant in accordance with Paragraph 10.1.

10.3 Following the increase of the waiver as set out in Paragraph 10.2 above, the Shippers Group shall pay:

- (i) the Shippers Group's share of the Plant Operating Costs corresponding to the Shippers Group's usage of said plant pursuant to Schedule 2 to this Attachment H; and
- (ii) the full operating costs of such Additional Removal Plant or share the operating costs with any future users of such Additional Removal Plant on the basis of Schedule 2 to this Attachment H, *mutatis mutandis*.

## **SCHEDULE 1**

### **Criteria for Assessing Capacity of Mercury Removal Plant**

These criteria shall include reference to the following:-

1. Existing capacity of Mercury Removal Plant and any Additional Removal;
2. Available ullage in the Mercury Removal Plant and any Additional Removal Plant;
3. Impact of delivery of Shippers Production on:
  - (a) operational integrity of FPS System;
  - (b) health, safety and environmental impact of the operation of the Mercury Removal Plant;
  - (c) the quality of Forties Blend, Dry Gas and Gas Products;
  - (d) the ability of the Mercury Removal Plant to continue processing the Pipeline Liquids of the Other Users on the contracted firm basis i.e. FMQ basis.

In particular but without prejudice to the foregoing generality, in the event that delivery of Shippers Production causes the life of the beds in the Mercury Removal Plant to be materially reduced from their design life of five (5) years, Additional Removal Plant shall be required. For the avoidance of doubt, a reduction in such design life of six (6) months or more shall be deemed to be material.

## SCHEDULE 2

### THE OPEX SHARING BASIS

Plant Operating Costs will be shared in accordance with the following formula:

$$\text{OSF} = \frac{\text{AMF} \times \text{TPF}}{\sum(\text{AMT} \times \text{TPT})}$$

where:

“**OSF**” is the share of Plant Operating Costs to be paid by the Shippers Group for the period in question..

“**AMF**” is the time weighted average waiver level of the Shippers Group during the period in question in excess of the level set out in Exhibit II to Section 1 of this Agreement, expressed in ng/g.

“**TPF**” is the throughput of Pipeline Liquids from the Shippers Group received into the FPS System, during the period in question, expressed in Barrels.

“**AMT**” is the time weighted average waiver level of mercury in excess of the level set out in Exhibit II to Section 1 of this Agreement of each User during the period in question, expressed in ng/g.

“**TPT**” is the throughput of Pipeline Liquids received into the FPS System from each User granted a waiver in respect of mercury (including the Shippers Group) during the period in question, expressed in Barrels.