

Polish Oil and Gas Company (PGNiG SA)
Head Office

Warsaw, December 18th 2014

Current Report No. 122/2014

Warsaw, December 18th 2014

President of URE's decision on Gas Fuel Supply Tariffs

Current Report No. 122/2014

The Management Board of Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG") has been notified of:

- the approval of PGNiG Gas Fuel Supply Tariff No. 7/2015 ("Wholesale Tariff") under the President of the Energy Regulatory Office's ("President of URE") decision of December 17th 2014;
- the approval of PGNiG Obrót Detaliczny Gas Fuel Supply Tariff No. 1/2015 ("Retail Tariff") under the President of the Energy Regulatory Office's ("President of URE") decision of December 17th 2014.

Wholesale Tariff

The Wholesale Tariff was introduced in response to customer requirements, bringing a new, more flexible classification of natural gas customers into tariff groups (e.g. depending on contracted gas volumes, connection points and unbalanced consumption rates). The Tariff will remain in effect until April 30th 2014.

Under the PGNiG Wholesale Tariff, the cost of high-methane gas is 6.4% lower than under Tariff No. 6/2014, due to lower crude oil prices and relatively stable gas prices across wholesale gas markets in north-western Europe.

Considering the increase in the cost of introducing gas into the domestic transmission system (entry charges), higher capacities used in the underground storage facilities as compared with the previous year, and increased cost of compliance with the Energy Efficiency Act (white certificates), the average price of gas fuel was reduced by 4%.

The price of nitrogen-rich gas was reduced as well. The average price per one kWh of nitrogen-rich gas is lower by 3.7% than the price per one kWh of high-methane gas, which follows from the gradual alignment of the price per unit of energy irrespective of the type of gas fuel supplied.

For detailed information, see PGNiG Gas Fuel Supply Tariff No. 7/2015 approved under the President of URE's Decision No. DRG-4212-46(20)/2014/652/VII/KS available from

www.ure.gov.pl and published in Biuletyn Branżowy URE – Paliwa gazowe (the URE official gazette – Gaseous fuels) No. 116 (785) of December 17th 2014.

Retail Tariff

The Retail Tariff was submitted for approval to the President of URE in connection with the development strategy adopted by PGNiG for the PGNiG Group, under which the retail sale and wholesale sale of gas fuels were separated.

Pursuant to Art. 2.1. of the Act Amending the Energy Law of June 26th 2014 (Dz.U. of 2014, item 942), PGNiG Obrót Detaliczny Sp. z o.o. ("PGNiG OD") was authorised to make settlements with customers based on the PGNiG's tariff effective as at August 1st 2014, that is the day when PGNiG OD commenced its operating activities. Furthermore, pursuant to Art. 2.2 of the abovementioned Act, PGNiG OD was obliged to submit a gas fuel tariff to the President of URE not later than by October 31st 2014. PGNiG OD fulfilled this obligation and, following the administrative proceedings, on December 17th 2014 the President of URE passed a decision approving PGNiG OD tariff. The Retail Tariff will remain in effect until December 31st 2015.

The average change in the trading price (gas fuel price plus subscription fee) in the Retail Tariff relative to PGNiG Gas Fuel Supply Tariff No. 6/2004 is as follows:

- for high-methane gas (group E) – trading price reduction by 1.8%,
- for nitrogen-rich gas (Lw subgroup) – trading price reduction by 0.8%,
- for nitrogen-rich gas (Ls group) – trading price reduction by 1.1%,
- for decompressed propane-butane (B/P group) – trading price reduction by 1.6%.

For detailed information, see PGNiG Obrót Detaliczny Gas Fuel Supply Tariff No. 1/2015 approved under the President of URE's Decision No. DRG-4212-48(17)/2014/23213/I/1/PD available from www.ure.gov.pl and published in Biuletyn Branżowy URE – Paliwa gazowe (the URE official gazette – Gaseous fuels) No. 115 (784) of December 17th 2014.