

PROTOCOL
on the Rules of Access to Services of Natural Monopoly Entities in
the Sphere of Gas Transportations Using Gas Transportation
Systems, including Fundamental Pricing and Tariff Policy

1. This Protocol has been developed in accordance with Articles 79, 80 and 83 of the Treaty on the Eurasian Economic Union (hereinafter - "the Treaty") and establishes the framework for cooperation in the gas sphere, the principles and terms of providing access to services of natural monopoly entities in the sphere of gas transportation using gas transportation systems, including the fundamental provisions of pricing and tariff policies, for meeting the demands of the Member States.

2. The terms used in this Protocol shall have the following meanings:

"domestic demands for gas" means the volume of gas required for consumption on the territory of each Member State;

"gas" means a combustible mixture of gaseous hydrocarbons and other gases mined and/or produced on the territory of the Member States, consisting mainly of methane, transported in a compressed gaseous state using gas transportation systems;

"gas producing Member States" means the Member States on the territory of which the output of gas exceeds its consumption;

"gas consuming Member States" means the Member States on the territory of which the consumption of gas exceeds its output;

"gas transportation systems" means facilities designed for gas transportation, including main gas pipelines and related facilities connected by a single production process, except for gas distribution networks;

"access to services of natural monopoly entities in the sphere of gas transportation" means provision of the right to use gas transportation systems controlled by natural monopoly entities of the Member States for the transportation of gas;

"equal-netback pricing" means wholesale prices of gas formed to meet the domestic demands based, among other things, on the following principles:

for gas producing Member States, the wholesale market price shall be calculated by extraction from the selling price of gas in the external market of the value of duties, charges, taxes and other fees collected in these states and of the cost of gas transportation outside gas producing Member States, with account of the difference in the cost of gas transportation in the external and internal markets of the gas supplier;

for gas consuming Member States, the market wholesale price formed by a gas producer of a gas producing state by deducting duties, charges, taxes and other fees and of the cost of gas transportation outside gas producing Member States from the selling price of gas in the external market;

"gas transportation services" means services for the transportation of gas using gas transportation systems;

"authorised authorities" means state authorities authorised by the Member States to control the implementation of this Protocol.

3. The Member States shall gradually form a common gas market of the Union, as well as provide access to services of natural monopoly entities in

the sphere of gas transportation using gas transportation systems of the Member States on the basis of the following main principles:

1) non-application in mutual trade of import and export customs duties (other equivalent duties, taxes and fees);

2) priority supply of domestic demands for gas of the Member States;

3) prices and tariffs for gas transportation services for supply of the domestic demands of the Member States shall be set in accordance with the legislation of the Member States;

4) unification of gas-related norms and standards of the Member States;

5) ensuring environmental safety;

6) information exchange based on the information including data on domestic gas consumption.

4. Access to services of natural monopoly entities in the sphere of gas transportation shall be granted under the terms of this Protocol only in respect to gas originating from the territories of the Member States. The provisions of this Protocol shall not apply to relations of access to services of natural monopoly entities in the sphere of transportation of gas originating from the territories of third states and relations in the sphere of gas transportation to and from the territory of the Union.

5. Access to services of natural monopoly entities in the sphere of gas transportation using gas transportation systems of the Member States provided for by this Protocol shall be ensured subject to the implementation by the Member States of a set of measures, including the following activities:

establishment of an information exchange system based on the information including data on domestic gas consumption;

establishment mechanisms for the preparation of indicative (projected) balances in accordance with this Protocol;

unification of gas-related norms and standards of the Member States;

maintaining market prices to ensure commercial profitability of gas sales on the territories of the Member States.

Upon completion of the set of measures specified in this paragraph, the Member States shall execute a respective protocol.

6. The Member States shall seek to achieve equal-netback pricing on the territories of all Member States.

7. Upon completion by all the Member States of the set of measures specified in paragraph 5 of this Protocol, the Member States shall, within the existing technical capabilities and available capacities of gas transportation systems, with account of the agreed indicative (projected) gas balance of the Union and on the basis of civil law contracts of economic entities, ensure access of economic entities of other Member States to gas transportation systems located on the territories of the Member States for the transportation of gas to meet the domestic demands of the Member States, under the following rules:

economic entities of the Member States shall be granted access to the gas transportation system of another Member State on equal terms (including with regard to tariffs) with gas producers that are not owners of the gas transportation system of the Member State on the territory of which the transportation is carried out;

gas transportation volumes, prices and tariffs, as well as commercial and other terms of gas transportation using gas transportation systems, shall

be determined by civil law contracts between economic entities of the Member States in accordance with the legislation of the Member States.

The Member States shall facilitate proper implementation of existing contracts for the transportation of gas using main pipelines concluded between economic entities operating on their territories.

8. In accordance with the methodology for calculating indicative (projected) balances of gas, oil and petroleum products and with the participation of the Commission, authorised authorities of the Member States shall develop and agree the indicative (projected) gas balance of the Union (for the production, consumption and supply to meet the domestic demands , including mutual supplies), to be compiled for a period of 5 years and updated annually before October 1.

The Member States shall provide access to services of natural monopoly entities in the sphere of gas transportation for internal markets of the Member States with consideration for the agreed gas balance.

9. The Member States shall seek to develop long-term mutually beneficial cooperation in the following areas:

- 1) gas transportation across the territories of the Member States;
- 2) construction, reconstruction and operation of gas pipelines, underground gas storage facilities and other gas-related infrastructure;
- 3) provision of services required to meet domestic gas demands of the Member States.

10. The Member States shall ensure unification of regulatory and technical documents governing the operation of gas transportation systems located on the territories of the Member States.

11. This Protocol shall not affect the rights and obligations of the Member States under other international treaties to which they are participants.

The relations of the Member States in the sphere of gas transportation which are not regulated by the Treaty shall be governed by the legislation of the Member States.

12. The provisions of Section XVIII of the Treaty shall apply to natural monopoly entities engaged in gas transportation with account of the specific features provided for by this Protocol.

13. Pending the entry into force of an international treaty on the establishment of a common gas market of the Union provided for by paragraph 3 of Article 83 of the Treaty, bilateral treaties concluded between the Member States in the field of gas supply shall apply, unless otherwise agreed by the respective Member States.
