Financial Case

April 2024

Private & Confidential

Financial Case: Table of Contents

4.1 Introduction

The purpose of the financial case is to ensure that the project is affordable and can be securely financed.

Understanding

A high level of understanding of the expected costs and revenue requirements of the project

Funding

The extent of available and potential funding sources

Affordability

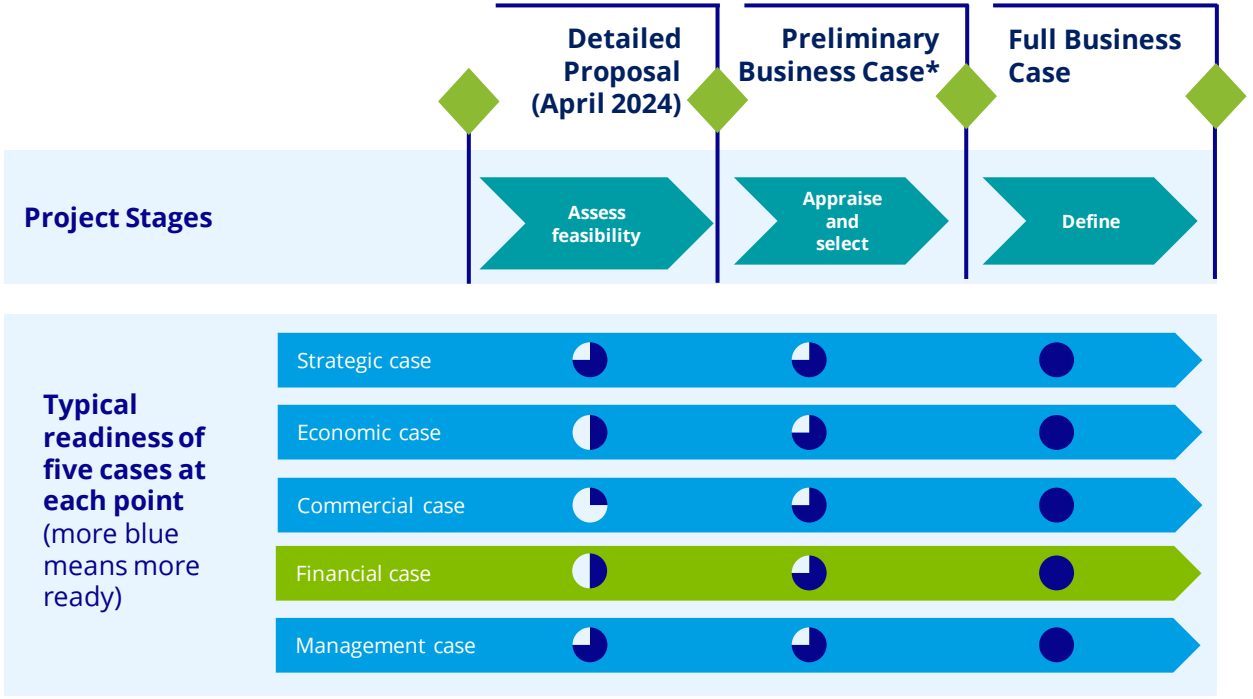
Whether the funding required is affordable and whether there are any 'affordability gaps'

Financial modelling of revenue and costs is carried out for the period 2025 to 2050, but for presentation purposes the slides show annual profiles up to 2035.

4.1 Introduction

Business Case structure:

- The business case has been prepared in compliance with both the Infrastructure Guidelines: Strategic Assessment and Preliminary Business Case, December 2023 and the Infrastructure and Projects Authority's Infrastructure Business Case five-cases model. The business case includes: strategic, economic, commercial, financial and management cases – the five dimensions of the case.
- The Project is currently at the Preliminary Business Case stage, which if approved, will enable the Project to proceed to Final Business Case, where detailed design and procurement activities will determine the final scope, cost and schedule for the project.
- At Preliminary Business Case stage the Financial Case should:-
  - Demonstrates that capital investment and operating costs are affordable;
  - Provide indicative whole-life costs for the emerging preferred option(s);
  - Consider potential funding and financing options.

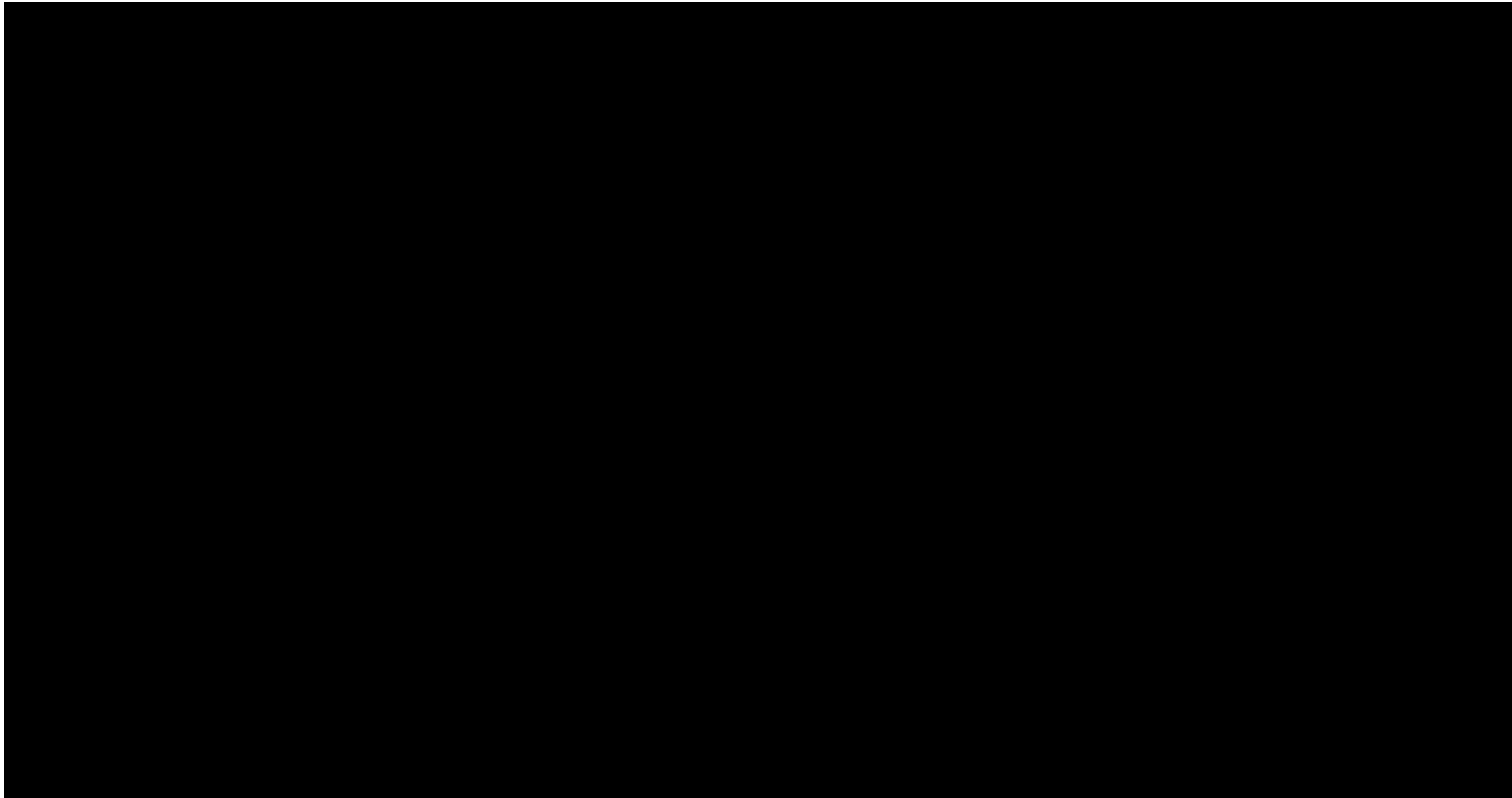


Source: Infrastructure Project Authority (2022) Project Routemap

*Target for Government submission in June

Infrastructure Project Authority (2022) Project Routemap;
Department of Public Expenditure NDP Delivery and Reform (2023), Infrastructure Guidelines: Strategic Assessment and Preliminary Business Case. Available here

Leased FSRU | Build FSRU | FSRU & Salt Cavern



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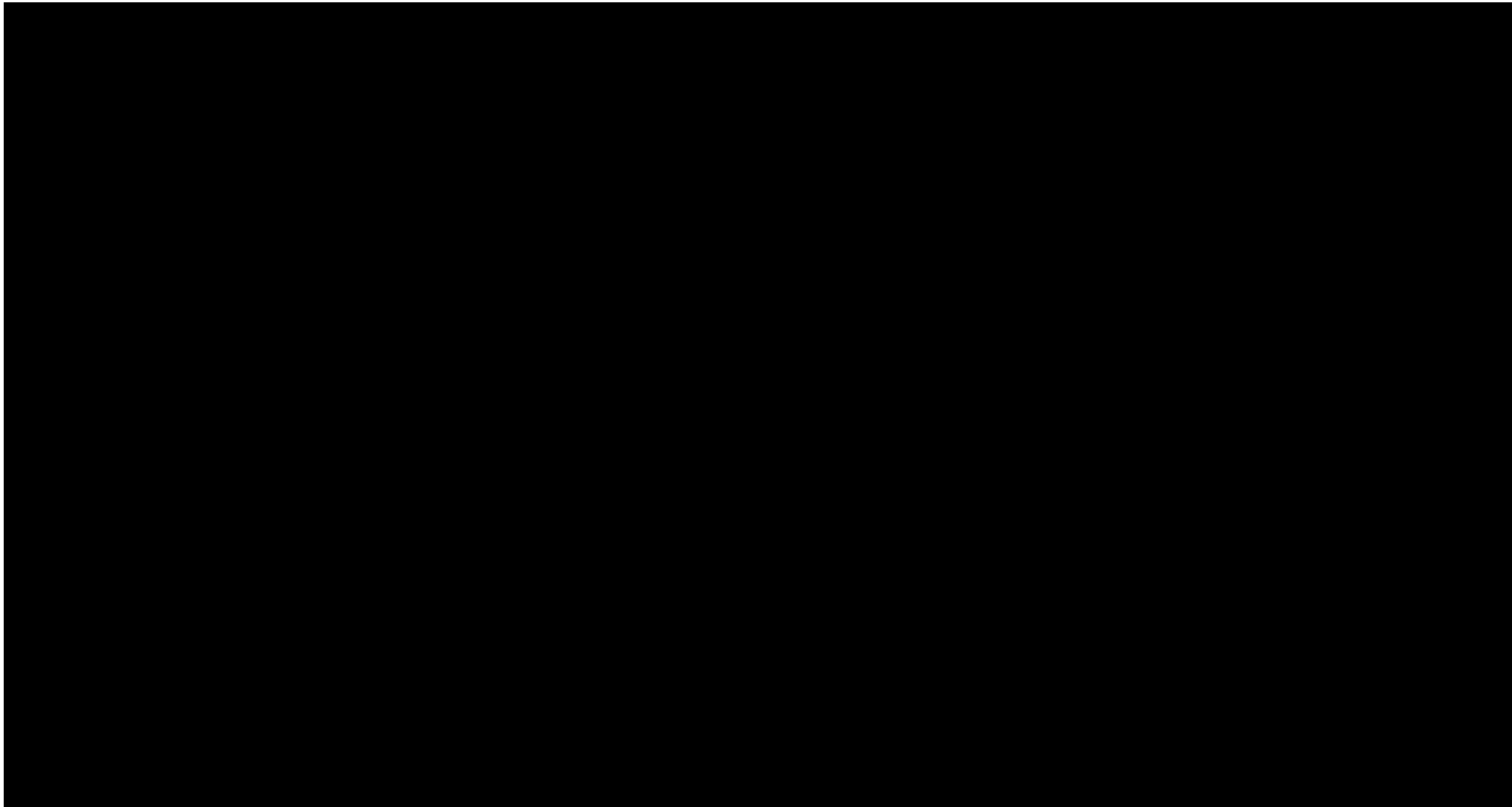

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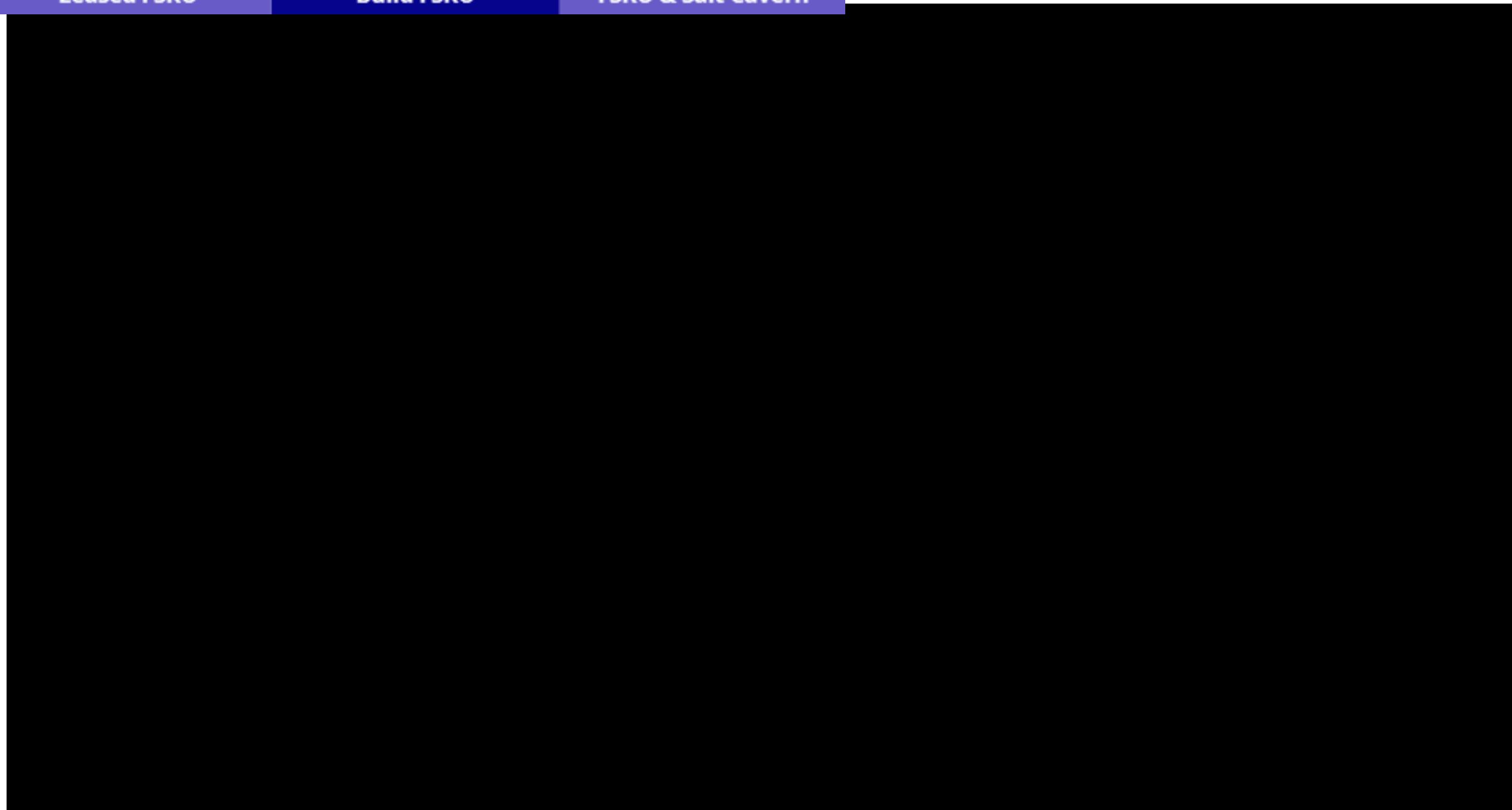

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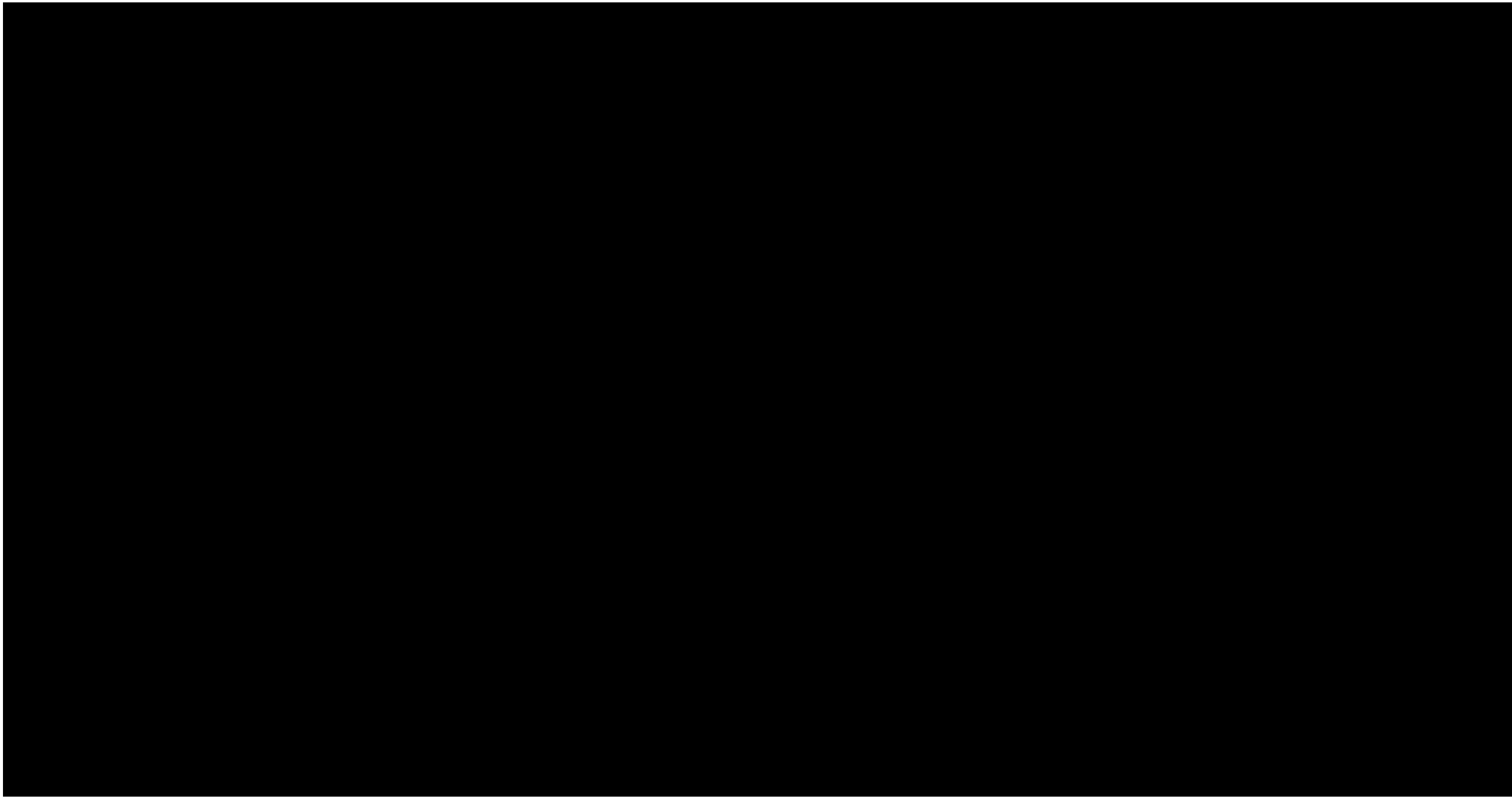

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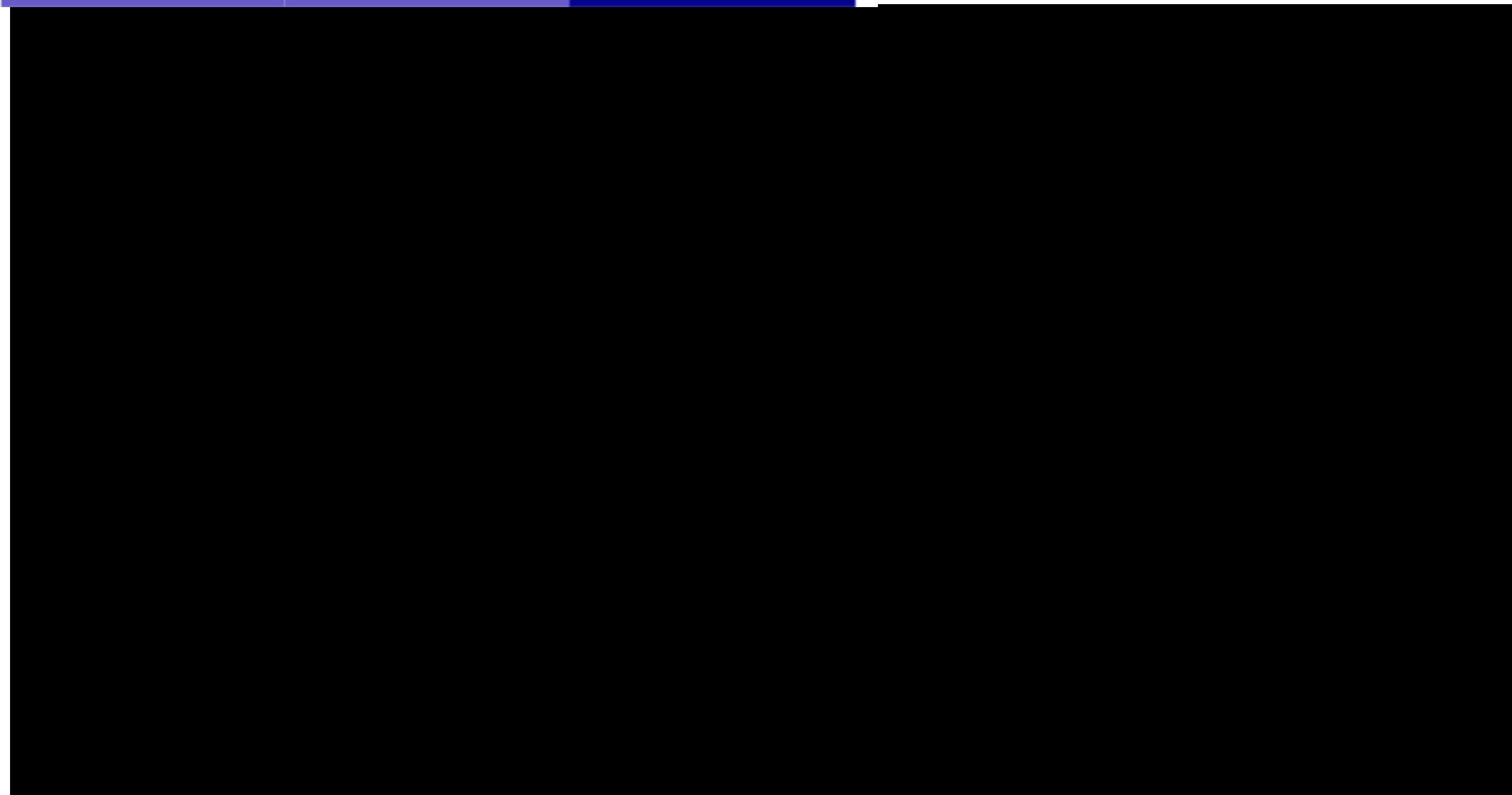
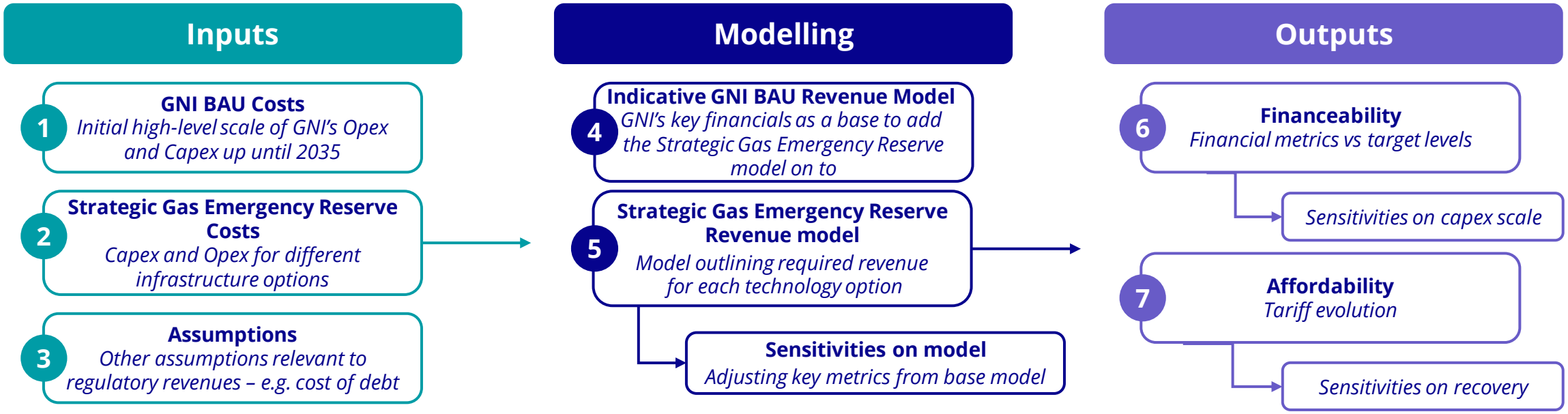
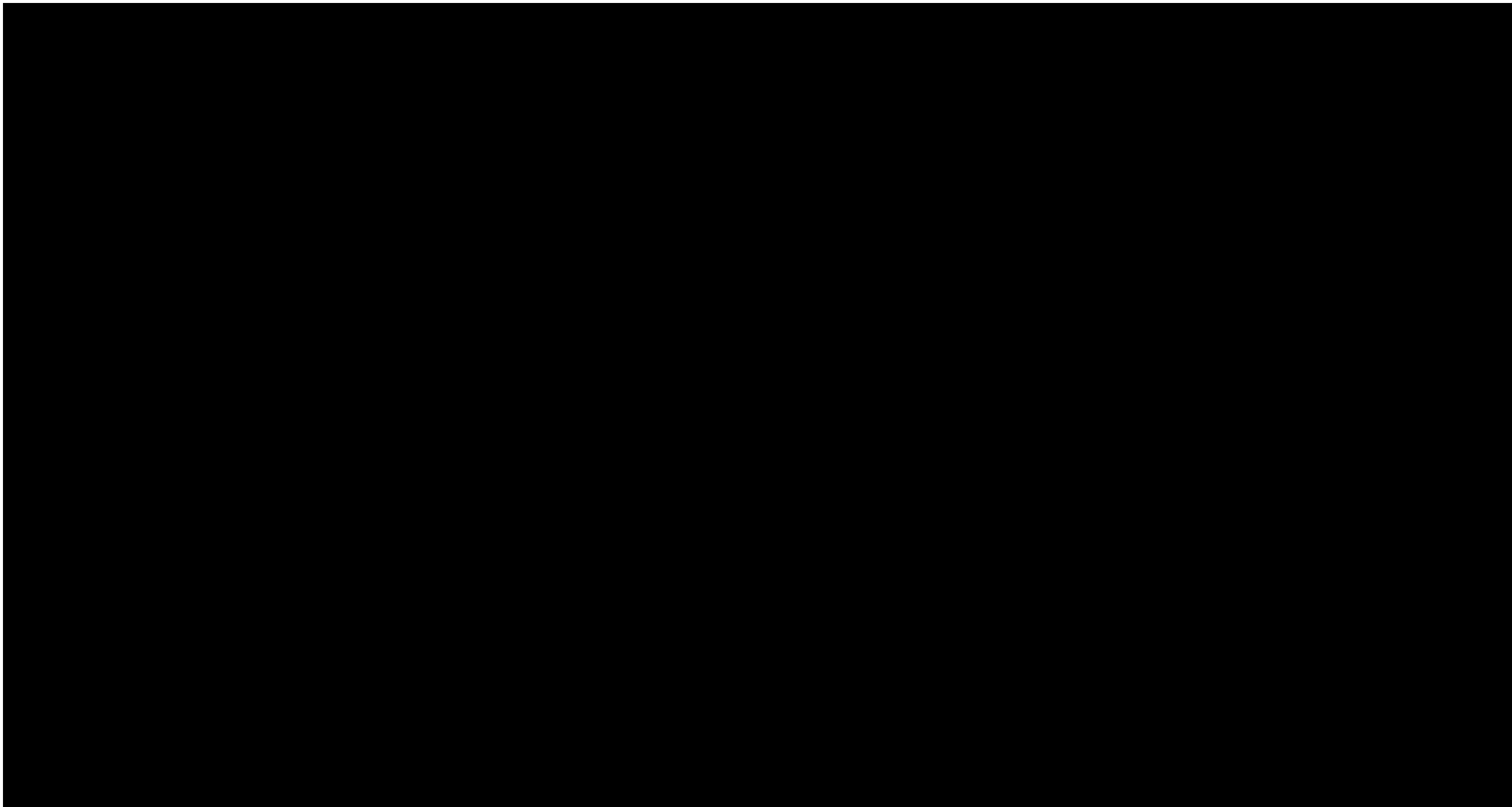


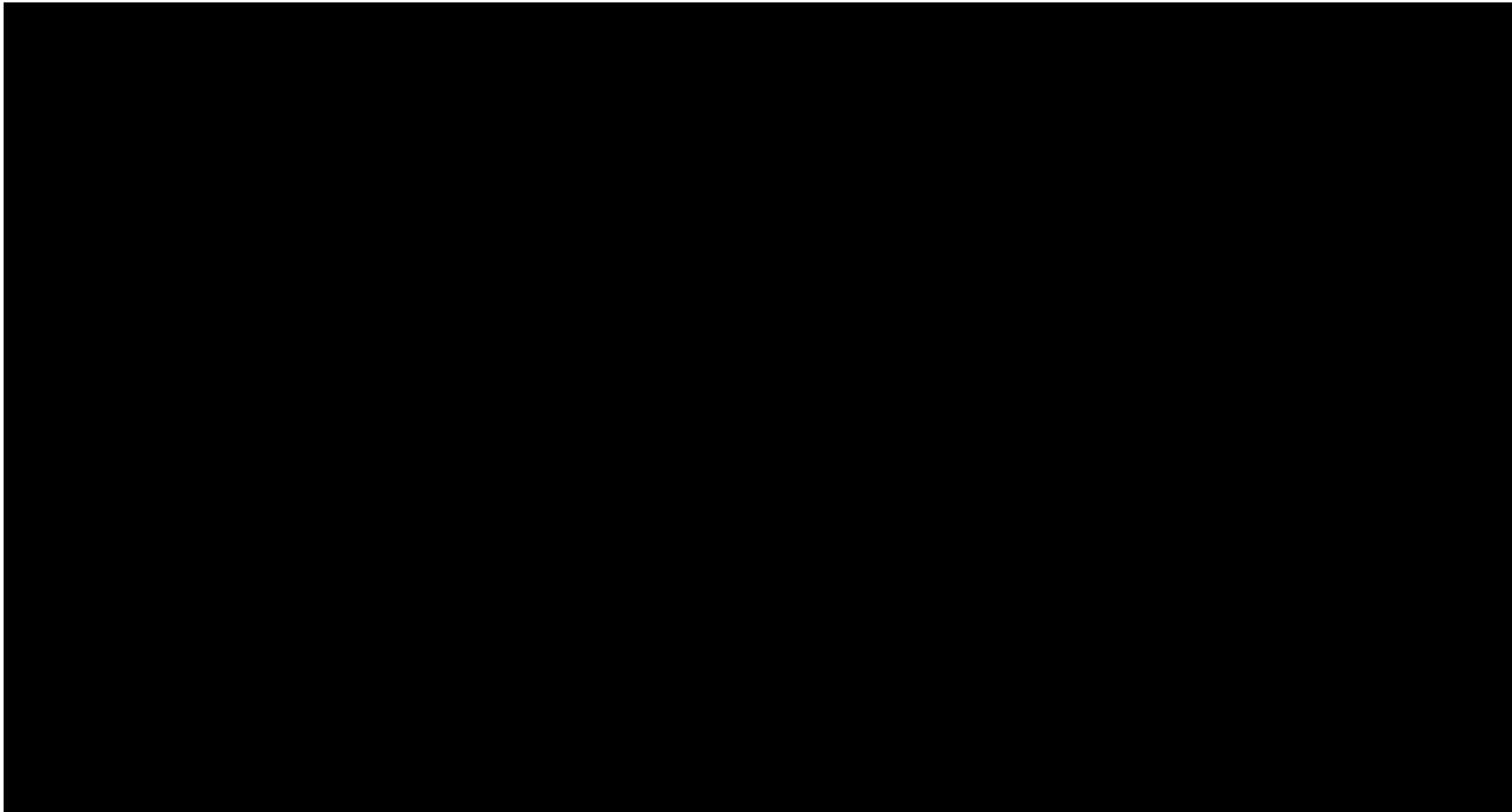
4.4 Financial Model Overview

The purpose of the financial analysis is to assess the impact of the Strategic Gas Emergency Reserve cost projections on GNI's financial metrics up to 2035 but also assess indicative impacts to customer bills.

- This initial indicative financeability analysis is tested on the basis of financing the project through corporate financing, it does not include grant funding or alternative potential financing options at this juncture.
- This high-level analysis is used to derive insights on whether the options are considered feasible, given affordability and financeability considerations.







4.6 Financial Sources

The preliminary financeability assessment is based on GNI securing corporate financing for the project. However, other potential financing sources could be accessed, as detailed below, and a full review and assessment will be carried out.

Exchequer financing

- **Description:** Government provides financing for project.
- **Key Benefits:** Financing through the Government is likely to incur the lowest costs, attributed to the minimal risk associated with government debt.
- **Key Risks:** This approach carries significant risks related to political, public, and market acceptability.

Project financing

- **Description:** GNI raises funding through project financing, which could be a mixture of debt raised and injection of equity from GNI; or could be purely debt.
- **Key Benefits:** Potentially reduces the burden on GNI's balance sheet, subject to rating agency assessments. Unlikely to face public opposition.
- **Key Risks:** Cost higher than corporate financing, attributed to the increased risk, with potential that GNI may not get rating benefit. Lenders may require secured interest / step in rights over assets.

GNI corporate financing

- **Description:** Project financed through an extension of GNI's existing corporate financing. Could include a mixture of increased debt via bonds; corporate debt placement and/or supranational finance such as EIB.
- **Key Benefits:** Depending on scale of investment, offers lower cost due to GNI's strong balance sheet position. The financing mechanism is already established and is unlikely to face public opposition.
- **Key Risks:** May put pressure on GNI's financial metrics, contingent on the project's specifics, scale of investment, revenue certainty and return on investment.

PPP

- **Description:** Project financed by the private sector as part of wider PPP arrangements.
- **Key Benefits:** Reduces the burden on GNI's balance sheet, and some risks are internalised.
- **Key Risks:** Would require some change to the regulatory regime to ensure incentives and financing align. Higher cost of capital versus exchequer finance. Lenders may require secured interest / step in rights over assets. PPP Co. must be viewed to bear a significant amount of risk and management responsibility.

JV

- **Description:** GNI undertakes the project as part of a joint venture, where the joint venture partner contributes at least a proportion of the financing. This option could be combined with other options , although most likely with corporate financing.
- **Key Benefits:** Reduces the burden on GNI's balance sheet subject to a rating agency assessment.
- **Key Risks:** Would be a first of a kind, requiring additional arrangements and governance (corporate and regulatory).

4.7 Affordability Considerations

A preliminary affordability assessment has been prepared by simplified assumption of analysing the potential impact on customers using two comprehensive recovery mechanisms:

1 Existing tariff structure – peak capacity based

- Under GNI's current tariff structure, 90% of tariffs are based on end gas users' peak loads, with the remaining 10% based on gas consumption volume.
- This mechanism directly charges domestic gas customers for the project, while electricity customers are indirectly charged through tariffs on gas-fired electricity generators, which are then passed on to end users.
- The primary concern with this approach is that it distorts the wholesale electricity market and may result in undercharging electricity customers.
- The latter is driven by the fact that unlike domestic customers, gas generators can opt out of capacity charges by not booking capacity. In addition, since they rarely increase their gas consumption significantly above the average, their load factors are lower.

2 A notional gas/ electricity levy – volume based

- At the opposite end of peak-based tariffs are volumetric levies, which charge customers based on the volume of gas used.
- This approach generally leads to a fairer distribution of costs among customer groups.
- Additionally, since electricity customers cannot effectively opt out of these charges when gas generators are idle, volume-based metrics shift a higher share of costs to electricity customers compared to the tariff recovery mechanism.

The ultimate funding mechanism is to be determined and may be one or a combination of peak/capacity, volumetric and obligation. The values presented on the following slides are subject to further input and methodology refinements and should be interpreted with caution and as indicative.

4.7 Affordability Considerations

High-level affordability metrics – existing tariff & potential levy funding domestic gas customers

- Opting to lease an FSRU, rather than purchasing it, incurs an additional revenue requirement.
- Thus, while options involving a leased FSRU present a relatively lower initial capex, the net present value (NPV) of their required revenues is higher.

- The full GB outage option is forecasted to raise annual bills for both gas and electricity customers under the existing tariff regime. However, some of this increase is likely to be negated by grants and a wider customer base.
- Volumetric levy relatively favourable to gas customers as a proportionately higher burden is carried by electricity customers.

Note:
No CBCA - assumption of modelling to date is that the RoI customers pay for the infrastructure costs – i.e. NI customers are excluded.
Findings presented are subject to further input and methodology refinements and should be interpreted with caution and as indicative.
In addition, options exclude recovery of residual value at the end of the project lifetime (2050).

4.7 Affordability Considerations

High-level affordability metrics – existing tariff & potential levy funding Domestic Electricity Customers (via gas generators)

- The division of costs between gas and electricity customers is determined by the average end-use consumption and the assumption that 46% of electricity demand is met through gas-fired generation.
- The difference relative to the gas customers' bill increase is driven primarily by the lower effective peak capacity bookings required by electricity customers .
- It is assumed that any increase in the single electricity market ("**SEM**") marginal price will be passed on to all customers.

- The allocation of costs between electricity and gas customers under existing tariff regime is mainly influenced by peak capacity.
- Under a volumetric mechanism, electricity customers are charged relatively more.

Note:
No CBCA - assumption of modelling to date is that the RoI customers pay for the infrastructure costs – i.e. NI customers are excluded.
Findings presented are subject to further input and methodology refinements and should be interpreted with caution and as indicative.
In addition, options exclude recovery of residual value at the end of the project lifetime (2050).

4.7 Affordability Considerations

1 Emerging N-1 Solution FSRU

RAB based model. Regulated Asset and paid for via existing regulatory tariffs and/or Levy (tbc).

- Further analysis to be done on technology in terms of send out or not.
- Any send out scenario could result in revenue stream to offset costs.

2 Emerging Full GB Outage Solution Salt Cavern + FSRU

RAB based model. Regulated asset and scenario modelling below shows indicative cost if paid for via existing regulatory tariffs and/or Levy (tbc).

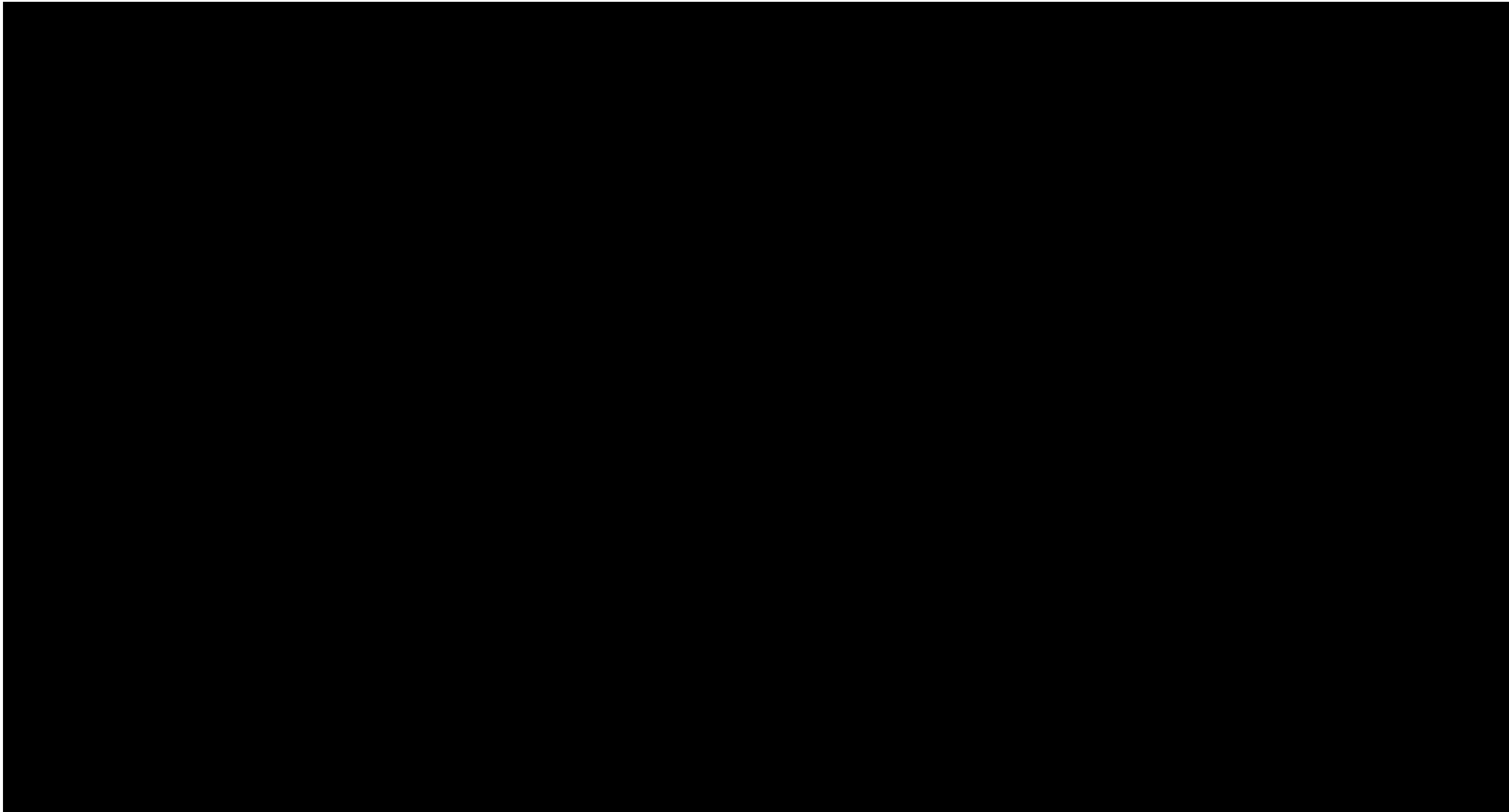
- Larger cost but more grant opportunities (not included).
- Suggests wider customer base (not included).
- As a result indicative costs below likely to be lower after further analysis.

3 Sensitivities not modelled at present (next phase)

- Exchequer or state funding.
- Opportunities for EU and other funding with the salt cavern given transition to hydrogen.
- Salt cavern costs/revenues likely via some form of obligation and via supplier charges (EU norm).
- FSRU utilisation for minimum send out could have revenue stream.
- Further funding and allocation methods from cross-border CBA.
- Further engagement with power generation stakeholders and regulators re fuel switch/ secondary fuel policy.

[redacted]

Note:
Findings presented are subject to further input and methodology refinements and should be interpreted with caution and as indicative.
Illustration of indicative residential costs are draft and are subject to further review and analysis dependent on actual costs, funding and final allocation mechanism (subject to consultation).
All scenarios indicate a broad incremental cost in the range which is in line with current and historic norms of similar levies (e.g. Electricity PSO and NORA levy).
The illustrative values are the simple average of the impacts across the recovery mechanisms modelled



Appendix F1
Miscellaneous

Appendix F1: Project Acronyms (1/2)

Acronym	Description
ABP	An Bord Pleanála
ACER	Agency for the Cooperation of Energy Regulators
AGI	Above Ground Installation
ALARP	As Low As Reasonably Practicable
AMP	Asset Management Plan
ARC	Audit & Risk Committee
BAT	Best Available Techniques
BAU	Business as Usual
BIM	Building Information Management
BIMCO	Baltic and International Maritime Council
BOG	Boil Off Gas
CAP	Climate Action Plan
CAPEX	Capital Expenditure
CBA	Cost Benefit Analysis / Assessment
CBCA	Criteria Based Content Analysis
CEPA	Cambridge Economic Policy Associates
CLO	Community Liaison Officer
CoDG	Cost of Disruption of Gas
COMAH	Control of Major Accident Hazards
CPO	Compulsory Purchase Order
CRU	Commission for Regulation of Utilities
CSF	Critical Success Factors
CSO	Central Statistics Office
D&A	Depreciation & Amortisation
DAERA	Department of Agriculture, Environment and Rural Affairs
DB+OM	Design Build + Operate Maintain

Acronym	Description
DECC	Department of the Environment, Climate and Communications
DG COMP	Directorate General for Competition
DHLGH	Department of Housing, Local Government and Heritage
DofE	Department of Energy (Northern Ireland)
DofF	Department of Finance (Northern Ireland)
DPENDR	Department of Public Expenditure, NDP Delivery and Reform
DPER	Department of Public Expenditure and Reform
EAC	Expenditure Approvals Committee
EC	European Commission
EGIG	European Gas Pipeline Incident Group
EIA	Environmental Impact Assessment
EIAR	Environmental Impact Assessment Report
EP	Equator Principles
EPA	Environmental Protection Agency
EPC	Engineer Procure Construct
EPO	Emerging Preferred Option
EPRS	Emergency Pipeline Repair System
ESBN	ESB Networks
ESG	Environmental Social and Governance
ESG	Energy Security Group
ESP	Engineering Services Provider
FBC	Final Business Case
FEED	Front End Engineering Design
FFO	Funds From Operations
FID	Final Investment Decision

Acronym	Description
FIDIC	International Federation of Consulting Engineers
FSRU	Floating Storage and Regasification Unit
FTE	Full Time Equivalent
GB	Great Britain
GDP	Gross Domestic Product
GHG	Greenhouse Gas
HSA	Health and Safety Authority
HVO	Hydrogenated Vegetable Oil
IAAP	Integrated Assurance and Approvals Plan
IBP	Integrated Business Planning
IC	Interconnector
IChemE	Institution of Chemical Engineers
IEA	International Energy Agency
IED	Industrial Emissions Directive
IoM	Isle of Man
IPA	Infrastructure and Projects Authority (UK)
ISO	International Organisation for Standardisation
KPI	Key Performance Indicator
LNG	Liquefied Natural Gas
LNGC	Liquefied Natural Gas Carrier
LSO	LNG System Operator
MAC	Maritime Area Consent
MARA	Maritime Area Regulatory Authority
MSCM	Millions of Standard Cubic Metres
MSm	Mega Standard Cubic Metres

Appendix F1: Project Acronyms (2/2)

Acronym	Description
NDP	National Development Plan
NEC4	New Engineering Contract 4
NGEM	Natural Gas Emergency Manager
NGEP	National Gas Emergency Plan
NI	Northern Ireland
NPF	National Planning Framework
NPV	Net Present Value
NPWS	National Parks and Wildlife Service
NSO	National Strategic Objective
O&M	Operation & Maintenance
OJEU	The Official Journal of the European Union
OOM	Order Of Magnitude
OPEX	Operating Expenditure
PDA	Planning and Development Act 2000 (as amended)
PID	Piping Instrumentation Diagram
PLT	Project Leadership Team
PMO	Project Management Office
PP JV	Public-Private Joint Venture
PPP	Public-Private Partnership
PRAM	Project Risk Analysis and Management
PSO	Public Service Obligation
QA	Quality Assurance
QRA	Quantitative Risk Assessment
QSRA	Quantitative Schedule Risk Analysis
RAB	Regulated Asset Base
RACI	Responsible Accountable Consulted Informed
RAG	Red, Amber, Green
RCF	Reference Class Forecasting
RED	Renewable Energy Directive (EU) 2023/2413
RES	Renewable Energy Source
ROI	Republic of Ireland
RPE	Real Price Effect
RTP	Route to Procurement
S&P	Standard & Poor's
SBC	Strategic Business Case
SCRT	SCR + CRT (Selective Catalytic Reduction + Continuous Regenerating Technology)
SDG	Sustainable Development Goal
SEM	Single Electricity Market
SGER	Strategic Gas Emergency Reserve
SGERP	Strategic Gas Emergency Reserve Project
SGR	Sustainable Growth Rate
SID	Strategic Infrastructure Development
SME	Small and Medium-sized Enterprises
SNIP	Scotland-Northern Ireland Pipeline
SNP	South North Pipeline
SoLR	Supplier of Last Resort
SoS	Security of Supply
SRO	Senior Responsible Owner
SWOT	Strengths, Weaknesses, Opportunities, Threats
TBC	To Be Completed
TEG	Temporary Emergency Generation (Act)
TOC	Table of Contents
TPA	Third Party Access
TPER	Total Primary Energy Requirement
TSO	Transmission System Operator
UGS	Underground Gas Storage
VfM	Value for Money
VoLL	Value of Lost Load
WACC	Weighted Average Cost of Capital