

Ms Anna Brincat
Clerk for the Public Accounts Committee
House of Representatives Parliament of Malta
Freedom Square
Valletta

22nd June 2021

Dear Ms Brincat,

I am enclosing the following document:

1. I am submitting a document that was discussed and prepared by the Board of GEM Holdings Limited, which provides a detailed explanation of the success and development fees received by GEM Holdings Limited and the manner in which they were spent.
2. I am also submitting the replies received from the two Electrogas Directors following my conveying, the contents of your email of the 17th June which I translated for them to understand the request therein.
3. In view of the aforementioned replies from both the representatives of Siemens and Socar I am unable to submit any contracts to which Siemens and Socar are parties, given the confidentiality obligations in all such contracts and therefore any requests for any contracts should be taken up directly with Siemens and Socar, in the manner outlined in the said two emails.
4. I have made several attempts to contact Gasol directly with a view to discussing your request but have been unable to get through to them.

Regards,



Paul Azzopardo

Paul Apap Bologna

From: Sanchez Hernandez, Alejandro <alejandro.sanchez_hernandez@siemens.com>
Sent: 22 June 2021 12:34
To: Paul Apap Bologna
Subject: RE: Informazzjoni mitluba mill-PAC u d-data tal-laqgħa li jmiss

Dear Paul,

On behalf of Siemens Project Ventures GmbH, any request for cooperation to German based entities by foreign authorities should go through the established process, this is, the Maltese authorities should contact the German authorities who will then request the information to Siemens Project Ventures GmbH.

Siemens will, as it did in the past, of course instantly and fully cooperate with the authorities in handling such a request.

Regards

Mit freundlichen Grüßen
Alejandro Sánchez Hernández

Siemens Project Ventures GmbH
SFS EQ EMEA RM
Otto-Hahn-Ring 6
81739 München, Deutschland
Tel.: +49 9131 17-45069
Mobil: +49 172 7969404
mailto:alejandro.sanchez_hernandez@siemens.com
www.siemens.com

SIEMENS

Siemens Project Ventures GmbH: Geschäftsführer: Klaus Kolof, Bernadette Rinderle, Roger Carsten Ernst; Sitz der Gesellschaft: Erlangen; Registergericht: Fürth, HRB 5812

From: Paul Apap Bologna <pab@adc.com.mt>
Sent: Tuesday, June 22, 2021 12:32 PM
To: Sanchez Hernandez, Alejandro (SFS EQ EMEA RM) <alejandro.sanchez_hernandez@siemens.com>
Subject: Informazzjoni mitluba mill-PAC u d-data tal-laqgħa li jmiss

The Board of Directors
Electrogas Malta

Please find hereunder the email I have received from the Public Accounts committee requesting certain documentation before the next sitting which is to take place next week.

I have translated the email which is in Maltese hereunder:

“We wish to remind you that during the PAC Committee which was held yesterday the 16th June, 2021, you were asked to submit the committee with the following information:-

Any contract / agreement which was held between ElectroGas Malta Ltd and any company or if at any point in time were shareholders in the company ElectroGas Malta Ltd, and any contract /agreement which was held between the Companies/Persons which directly or indirectly at any point in time were shareholders in the Company ElectroGas Malta Ltd amongst which, but not only the Company EGM Holdings Ltd, GEM Holdings Ltd, Siemens Venture GMBH, Socar Trading SA, Tumas Energy Ltd, Gasan Enterprises Ltd, CP Holdings Ltd, New Energy Supply Ltd, GASOL LNG Import Ltd, GASOL Malta Ltd, Malta Power and GAS Ltd and MPG Energy Services Ltd, GASAN Group Ltd, GASAN Properties Ltd, JAG Holdings Ltd and TUMAS Group Company Ltd.

This information is to be handed over to the Committee before the next meeting which is scheduled for the 23rd June, 2021 at 2.30om.

We remind you that you are being summoned to be present for this meeting in order to continue giving evidence.”

I would be grateful if you could inform me how you wish to proceed. I am happy to get on a call.

Kind regards,

Paul

From: Brincat Anna at Parlament-MT <anna.brincat@parlament.mt>

Sent: 17 June 2021 09:06

To: Paul Apap Bologna <pab@adc.com.mt>

Cc: beppe fenech adami <beppefenechadami1@gmail.com>; Bedingfield Glenn at Kottonera Foundation <glenn.bedingfield@kottonera.mt>

Subject: Re: Informazzjoni mitluba mill-PAC u d-data tal-laqgħa li jmiss

Sur Paul Apap Bologna

Ippermettili nfakkrek li waqt il-laqgħa tal-Kumitat Permanenti dwar il-Kontijiet Pubbliċi, li saret ilbieraħ 16 ta' Ġunju 2021, inti ġejt mitlub sabiex tipprovdi lill-Kumitat s-segwenti informazzjoni:

- Kwalunkwe kuntratt/ftehim li sar bejn ElectroGas Malta Limited u l-kumpaniji li huma, jew f'xi żmien kienu, azzjonisti fil-kumpanija ElectroGas Malta Limited u kwalunkwe kuntratt/ftehim li sar bejn il-kumpaniji/persuni li b'mod dirett jew indirett huma, jew f'xi żmien kienu, azzjonisti fil-kumpanija ElectroGas Malta Limited fosthom, iżda mhux biss, il-kumpaniji EGM Holdings Limited, GEM Holdings Limited, Siemens Project Ventures GMBH, SOCAR Trading SA, TUMAS Energy Limited, GASAN Enterprises Limited, CP Holdings Limited, New Energy Supply Limited, GASOL LNG Import Limited, GASOL Malta Limited, Malta Power and Gas Limited u MPG Energy Services Limited, Gasan Group Limited, Gasan Properties Limited, JAG Holdings Limited u Tumas Group Company Limited.

Din l-informazzjoni għandha tasal għand il-Kumitat qabel il-laqgħa li jmiss, li hija skedata għal nhar l-Erbgħa 23 ta' Ġunju 2021 fis-2:30 p.m.

Ninfurmak li inti qiegħed tigi mitlub tkun preżenti għal din il-laqqgħa sabiex tkompli tagħti x-xhieda tiegħek.

Inselli għalik

Anna Brincat

Clerk for Public Accounts Committee
Environment and Development Planning Committee
National Audit Office Accounts Committee

t: +356 25596308 e: anna.brincat@parlament.mt | www.parlament.mt

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**HOUSE OF REPRESENTATIVES
PARLIAMENT OF MALTA**
FREEDOM SQUARE, VALLETTA. MALTA

Paul Apap Bologna

From: Rustam Shomurodov <rshomurodov@socartrading.com>
Sent: 22 June 2021 13:00
To: Paul Apap Bologna
Subject: RE: Informazzjoni mitluba mill-PAC u d-data tal-laqgħa li jmiss

Dear Paul,

Any request for cooperation to Swiss based entities by foreign authorities should go through the established process, ie the Maltese authorities should contact the Swiss authorities who will then request the information from SOCAR Trading.

This was explained as well during previous calls with EGM.

Contravening to this process exposes SOCAR Trading to risks in Switzerland.

With best regards,
Rustam



Rustam Shomurodov
Head of Structured Finance

SOCAR Trading SA
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Phone: +41 22 562 0018, Mobile: +41 79 596 7800
rshomurodov@socartrading.com

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From: Paul Apap Bologna <pab@adc.com.mt>
Sent: Tuesday, 22 June 2021 12:32
To: Rustam Shomurodov <rshomurodov@socartrading.com>
Subject: Informazzjoni mitluba mill-PAC u d-data tal-laqgħa li jmiss

The Board of Directors
Electrogas Malta

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Services Limited, Gasan Group Limited, Gasan Properties Limited, JAG Holdings Limited u Tumas Group Company Limited.

Din l-informazzjoni għandha tasal għand il-Kumitat qabel il-laqgħa li jmiss, li hija skedata għal nhar l-Erbgħa 23 ta' Ġunju 2021 fis-2:30 p.m.

Ninfurmak li Inti qiegħed tiġi mitlub tkun preżenti għal din il-laqgħa sabiex tkompli tagħti x-xhieda tiegħek.

Inselli għalik

Anna Brincat

Clerk for Public Accounts Committee
Environment and Development Planning Committee
National Audit Office Accounts Committee

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HOUSE OF REPRESENTATIVES
PARLIAMENT OF MALTA
FREEDOM SQUARE, VALLETTA, MALTA

MEMO: The purpose of this document is to give a full explanation of the scope and extent of the success and development Fees received in relation to the Electrogas project, which were backed up by formal agreements between the respective and concerned parties; and the fees and expenses that were paid following receipt of the said fees received.

1. Explanation of Fees Receivable

GEM Holdings Limited ("GEM") received a total of €6.16 million of fees from Electrogas Malta Limited ("EGM"), being:

- a) A success fee of €4.16 million; and
- b) A development fee of €2 million.

As explained in detail below, GEM paid, out of the above fees, just over €4 million for the government guarantee fee and related costs, and €1 million to New Energy Supply Limited.

A. Success fee payable by EGM to GEM:

A Project Development Agreement was entered into on 28th August 2013 between GEM, Gasol plc, Socar Trading SA and Siemens Project Ventures GMBH. The purpose of this agreement was to specify their cooperation and internal relationship in respect of the power station project and the submission of the Bid for this. This internal agreement was entered into prior to EGM submitting the Request for Proposal (RFP) bid in September 2013. The agreement entailed a Success Fee that was to be paid to all the EGM Partners should EGM be awarded the tender and was subject to certain conditions.

The total Success Fee as per the original agreement was to be €6.5 million, which amount was to be paid to each Party at Financial Close on a pro rata basis in accordance with the then existing shareholding. However, as noted in the opening statement, the amount paid to GEM in July 2015 was €4.16 million, with an equal amount also paid to the two other remaining shareholders (Socar Trading SA and Siemens Project Ventures GMBH, as Gasol plc had as at July 2015 already sold its shares in Electrogas to the remaining shareholders). Hence the total amount paid by EGM to the three remaining shareholders of EGM was €12.5 million. The fee as originally agreed was increased because the shareholders had to cover the costs of the government guarantee fee and related bank charges for the government guarantee, which totalled some €12 million and which were not foreseen at RFP stage, because the need for the government guarantee arose later.

At this point, it is important to give context to the requirement of the government guarantee, since it had a bearing on the amount and utilisation of the success fee.

Enemalta's RFP for a Gas Supply Agreement and a Power Purchase Agreement, which EGM submitted in September 2013, contemplated that in the event of successful

award of the RFP (as a result of which EGM would sign the agreements with Enemalta), the shareholders would inject own funds and that the Lenders would provide loan facilities to EGM to finance the construction of the power plant and ancillary facilities based on a 80:20 ratio (80% from the Lenders and 20% from the Shareholders) with the bank's loan facilities secured on the basis of the underlying Enemalta agreements.¹ After EGM was awarded the tender, EGM was informed that State Aid Clearance was required. The Lenders of EGM were not willing to provide the required loan facilities to EGM to finance the project prior to government getting State Aid Clearance. This clearance was not a condition precedent at the time of the RFP, hence the shareholders were faced with a costly issue that was not envisaged. Because the government wanted the project to proceed without delay, government intervened and provided a guarantee to cover the Lenders' financing with the cost of the guarantee being paid for by the shareholders.

Hence, the success fees were utilised by the Shareholders of EGM as follows:

- fees charged by government totalling €11 million for the provision of the government guarantee fee. The amount of this government guarantee fee was established by government at arm's length and reflects similar fees one would expect for such an undertaking. Such a state of affairs has also been confirmed in the NAO Report at Chapter 10.9.8.

GEM's share of this amount was €3.6 million and was paid directly by GEM to government.

- bank guarantee fees for the provision of Letters of Credit that were provided by the shareholders as part of the interim bridge loan financing of the construction phase of the project. GEM's cost for the provision of these Letters of Credit amounted to €0.4 million.

With reference to the above costs paid by the shareholders for the government guarantee fee and the banks, it is important to emphasise that these were not recharged to EGM and that the success fees received were used to cover these expenses.

B. Development fee payable by EGM to GEM:

A Project Services Agreement was entered into on 28th August 2013 between GEM, Gasol plc, Socar Trading SA and Siemens Project Ventures GMBH. The purpose of this agreement was to detail the specific financial, legal and technical tasks which had been assigned specifically to GEM and Gasol plc and to be undertaken in furtherance of the project as well as to agree the fees payable to Gasol and GEM for the services that

¹ It had been agreed with the banks that the project costs would include the success fee and the development fee as originally fixed.

they were rendering to EGM. These tasks were collectively listed as 'Project Services' within the Project Services Agreement and the following is a list of the Project Services:

- forming a consortium including SOCAR for LNG supply expertise and SIEMENS and its affiliates for engineering, procurement, and construction (EPC) and for operation and maintenance experience.
- developing the regasification and other technical solutions for the Project and providing the technical lead for the Project.
- working on sourcing the vessel for the Project and providing the lead on the Project in the regard to obtaining an appropriate vessel (*at the time with AWILCO, eventually with BUMI*).
- leading the selection of a group of banks to finance the Project.
- working on sourcing and organising Maltese contractors and professional advisers and interfacing with government authorities on the Project.
- GASOL working as Consortium Leader on the Project and together with GEM leading the various working groups (in particular, technical, financial, and legal) and the collection and finalisation of the Bid documents including:
 - i. Preparation and development of the financial model.
 - ii. Liaison with the banks on the financing term sheet, the banks support letter and the banks due diligence.
 - iii. The determination of the optimal technical project solution and the preparation of work programs for review by contractors.
 - iv. Liaison with the consortium's owner engineer (URS).
 - v. Liaison with the consortium's insurance adviser (Jardine Lloyd Thompson).
 - vi. Liaison with PWC on Bid preparation.
 - vii. Liaison with AWILCO (*eventually BUMI*) on sourcing the FSU.
 - viii. Liaison with regas equipment suppliers (Hamworthy/ WISON) for sourcing equipment for the Project.
 - ix. Liaison with local Maltese contractors on the construction of a jetty, mooring, pipelines and wave breakers for the Project.
 - x. Liaison with SOCAR on LNG supply options; and
 - xi. liaison with SIEMENS on EPC and O&M arrangements for the Project.

The total Development fees agreed to be paid by EGM to Gasol and GEM for the services being rendered as per above was €2 million to each of GEM and Gasol. The fees were payable subject to the award of the project, the successful completion of the tasks assigned and the securing of the financing of the project.

C. Project Service fee by Gasol to GEM:

A Project Services Agreement was entered into on 28th August 2013 between GEM and Gasol plc, regulating the manner in which GEM was to undertake the Project Services in connection with the Project and the consideration which Gasol plc was to pay GEM for these Project Services. In effect, this was an agreement between GEM and Gasol in terms of which GEM was to take on the greater part of the services that

had to be performed under the Project Services Agreement. GEM was to be paid €1.5 million by Gasol from the €2 million development fee that was due to Gasol.

2. Explanation of Fees and Expenses Payable

A. Project Service fee of €1 million paid to New Energy Supply (“NES”) by GEM:

NES conducted most of the work in relation to the project, in line with the original understanding between the GEM shareholders. This was the understanding between the shareholders from inception of the consortium, since some of the investors had agreed to participate in the investment as investors, without getting involved in any executive roles within the development of the project.

No shareholders or directors of GEM were paid any salary or director fees from either EGM or GEM.

Instead, the understanding was that NES would be paid a fee only:

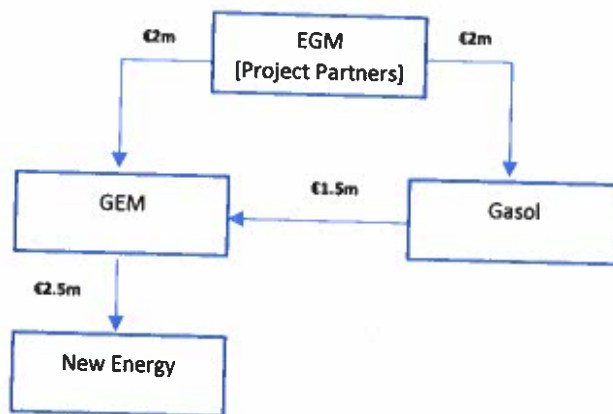
- (i) upon successful tendering of the project followed by the necessary negotiations and agreements with the various parties and suppliers to the project; and
- (ii) upon receipt by GEM of a development fee from both EGM (as explained in 1(B)) and Gasol (as explained in 1(C)). This is clearly stipulated in clause 5.1 of the agreement between GEM and NES. GEM would only pay NES once it had received the funds from EGM and Gasol. This entailed that GEM would itself have had successfully fulfilled its duties with EGM’s shareholders under terms and conditions of those respective agreements and, therefore, once GEM received the funds, it would be in a position to pay NES for the services rendered since NES, on GEM’s behalf, managed and implemented the tasks that had been entrusted to GEM.

In order to regulate the above, GEM, after the project was awarded to EGM towards the end of 2013, and after internal discussions, entered into an agreement with NES for Project Services for an amount of €2.5 million, in order to address the specific financial, technical and legal tasks assigned by EGM and Gasol to GEM, as described in 1(B). GEM agreed to retain €1 million of the fees it was to receive from EGM for the services rendered to cover expenses within GEM.

The payment of the development fee from EGM to GEM (as explained in 1(B)) triggered the actioning of the Projects Service fees payable by GEM to NES. However, the amount paid by GEM to NES was €1 million given that the amount due from Gasol to GEM was not received by GEM and therefore not due by GEM to NES. A further amount of €1.5 million was paid by Gasol directly to NES.

The following figures seek to summarise (i) the flow of funds as contemplated within the agreements and (ii) the actual flow of funds as it happened:

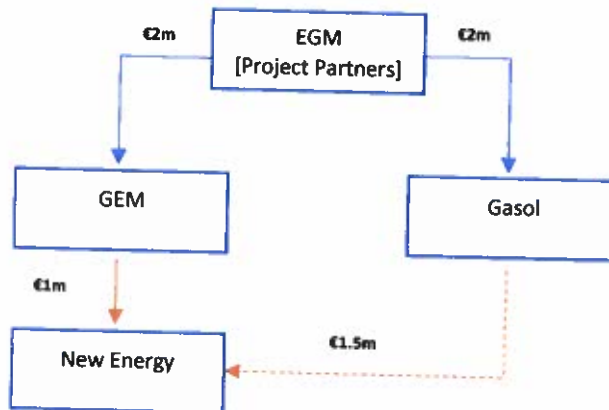
As had been agreed between the parties:



Resulting amounts for recipients:

	Inflow	Outflow	Net
GEM	€3.5m	€ (2.5) m	€1m
Gasol	€2m	€ (1.5) m	€0.5m
New Energy	€2.5m	-	€2.5m

As per actual funds flow:



Resulting amounts for recipients:

	Inflow	Outflow	Net
GEM	€2m	€ (1)m	€1m
Gasol	€2m	€ (1.5) m	€0.5m
New Energy	€2.5m	-	€2.5m

B. Summary of Funds Receivable and Payable by GEM:

		€'000
Funds received from EGM in relation to:		
-	Success Fee	4,167
-	Development Fee	2,000
	TOTAL	6,167
Funds paid to:		
-	New Energy (re Project Service fee)	(1,000)
-	Government guarantee ²	(3,629)
-	Bank guarantees	(400)
	TOTAL	(5,029)

² Government guarantee fee was paid by all the EGM Project Partners as consideration for the guarantee issued by Government to Lenders for the bridge loan, which was required in view of the delays in State Aid ruling by the EC.

Net funds receivable pre-Operating cycle, reinvested in EGM	1,138
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It should be noted that both the success and development fees were authorised and approved for payment by all the Shareholders and Lenders of EGM. These were also included in the financial model drawn up with respect to the project by PricewaterhouseCoopers, in their capacity as financial advisors to the consortium. All monies that came in and out of GEM were paid through invoices and formal agreements; all amounts are fully documented.

Paul Apap Bologna

21.06.21