
(a) **Incorporation of NBP Terms.** The Short Term Flat NBP Trading Terms & Conditions (Ref. NBP 1997) (the “NBP Terms”), as amended by this Part [6] of the Schedule, are hereby incorporated by reference in this Agreement. The NBP Terms, as amended hereby, are applicable only to Transactions which are NBP Transactions or NBP Options. Except as otherwise provided in this Part [6], terms defined in the NBP Terms shall have the same meaning when used in this Part [6] and in any Confirmation. “NBP Option” shall mean: (i) an oral or written agreement to enter into an option on an NBP Transaction; and (ii) each transaction identified in the related confirmation to be an NBP Option. Any reference in this Part [6] to a Clause or Clauses is a reference to a clause or clauses in the NBP Terms as amended hereby. In the event of any conflict between the NBP Terms and any other provision of this Agreement, that other provision shall prevail.

(b) **NBP Transactions and NBP Options.** Any NBP Transaction or NBP Option into which the Parties have entered will be governed by this Agreement. Any NBP Transaction or NBP Option into which the Parties may enter will be governed by this Agreement in all circumstances except when the Parties expressly agree that this Part [6] will not apply. Each such NBP Transaction and NBP Option will be deemed to be a Transaction and the related confirmation or other confirming evidence will be deemed to constitute a Confirmation for purposes of this Agreement.

(c) **Applicable NBP Terms.**

(i) Clauses 1, 2, 3, 4, 5[ and] 6[ and] 7 of the NBP Terms (as amended hereby) shall be applicable to NBP Transactions between the Parties. Clauses 8, 9, 10.1, 10.2, 10.4, 11, 12, 13, 14, 15, 16 and 17 of the NBP Terms shall not be applicable to NBP Transactions between the Parties.

(ii) Unless otherwise agreed between the Parties or specified in a Confirmation, the compensation payable in the event of a breach of Clauses 4.1.1, 4.1.2 or 4.1.5 of the NBP Terms in respect of an NBP Transaction, for the purposes of Clause 4.2 and 4.3 of the NBP Terms, shall be in accordance with option A.

(d) **Additional Provisions for NBP Transactions.** The following additional provisions shall apply:

[(i) The following shall constitute an additional Event of Default for purposes of this Agreement:

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1 The Parties may wish to consider whether they wish to amend the NBP Terms so as to delete the right to terminate Transactions pursuant to Clause 7.2 of the NBP Terms.
2 To be included if Clause 10.5 of the NBP Terms is to be used to value NBP Transactions upon an Early Termination.
[(aa) Any material adverse change in the financial standing of a Party when compared to such Party’s financial standing as at the date of an NBP Transaction which change affects its ability to perform its financial obligations in respect of such NBP Transaction, and such Party fails to provide reasonable security for the performance of its financial obligations in respect of all Transactions within three (3) NBP Banking Days of the other Party’s request therefor.]

[(iii)] The following shall constitute an Additional Termination Event for the purposes of Section 5(b)(v) and shall not be an Event of Default:

[(aa) A representation made by a Party (which shall be the Affected Party) in respect of one or more NBP Transactions (which shall be the Affected Transactions) pursuant to Clause 3 of the NBP Terms proves to have been incorrect or misleading in any material respect when made.]

[(iii)] Failure by a Party to make, when due, any delivery (including, without limitation, by nomination or notification) under Section 2(a)(i) or [9(h)(i)(2) or (4)] of this Agreement required to be made by it in relation to any NBP Transaction shall not constitute an Event of Default under Section 5(a)(i).

[(iv)] Failure by a Party to accept, deliver, nominate or notify in relation to an NBP Transaction shall not constitute an Event of Default under Section 5(a)(ii).

[(v)] Section 5(b)(ii) of this Agreement shall not apply in relation to NBP Transactions.

[(vi)] For the avoidance of doubt, the termination of an NBP Transaction pursuant to Clause 7.2 of the NBP Terms shall not be deemed to be the termination of that NBP Transaction pursuant to a Termination Event or an Event of Default.

[(vii)] For the avoidance of doubt, each representation made by a Party in respect of an NBP Transaction pursuant to Clause 3 of the NBP Terms is a representation for purposes of this Agreement.

[(viii)] Notwithstanding any designations made in Part 4 of the Schedule, the NBP Terms will be governed by, and construed and enforced in accordance with English law.

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3 This provision is consistent with the NBP Terms but Parties may choose to omit it as such a provision may already be applicable to the ISDA Master Agreement as a whole or the Parties may find it inappropriate in the context of a master agreement with broader coverage.

4 Include this provision if the breach of NBP representations is to be a Termination Event rather than an Event of Default - see also footnote 8.

5 Include this provision if using an ISDA 2002 Master Agreement.

6 Include this provision if using a 1992 ISDA Master Agreement (Multicurrency – Cross Border).

7 Include this provision if using an ISDA 2002 Master Agreement.

8 Include this provision if the breach of these representations is to be an Event of Default - see also footnote 4.
[(e)] **Close-Out of NBP Transactions.** For purposes of this Agreement, the [Close-out Amount in relation to each Terminated Transaction that is an NBP Transaction][9] Parties agree that, if Market Quotation is the applicable payment measure, it will be deemed that a Market Quotation cannot be determined for each Terminated Transaction that is an NBP Transaction. Loss (other than, where appropriate, in respect of losses and costs (or gains) in respect of any payment or delivery required to be made on or before the relevant Early Termination Date) in relation to each such Terminated Transaction[10] shall be determined in accordance with Clause 10.5 of the NBP Terms. For this purpose references in Clause 10.5 to the non-defaulting Party shall be read as references to the Party making the determination and Clause 10.5 is hereby amended by:

(i) adding “in respect of each Transaction” after “Payment” in the first line and deleting the parenthetical “(if any)” in such line; and

(ii) adding a new Clause 10.5(d) thereto, as follows:

“(d) If the Early Termination Payment for an NBP Transaction is a positive number, it shall be a loss of the non-defaulting Party. If the Early Termination Payment for an NBP Transaction is a negative number, the absolute value thereof shall be a gain of the non-defaulting Party.”

The Parties also agree that Clause 10.3 of the NBP Terms is be deleted and replaced with the following:

“The termination of NBP Transactions, however occurring, shall not affect any rights or obligations that may have accrued to either Party prior to such termination and, without limitation to the foregoing, any amounts that would be payable (but for such termination) in respect of the performance or non-performance of any NBP Trades pursuant to such terminated NBP Transactions relating to any day falling on or prior to such termination shall become immediately due and payable upon the date of such termination whether or not such amounts are included in a Monthly Statement.”]¹¹

[(f)] **Amendments to NBP Terms.** The following amendments are made to the NBP Terms:

(i) Clause 1 of the NBP Terms is amended:

(aa) by deleting the definitions of the terms “Affiliate”, “Confirmation”, and “LIBOR”; and

(bb) by deleting the definition of the term “Party” and inserting the following new definition:

“Party” shall mean one or the other of the parties to this Agreement;”.

(ii) All Clauses of the NBP Terms:

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9 Include this provision if using an ISDA 2002 Master Agreement.
10 Include this provision if using a 1992 ISDA Master Agreement (Multicurrency – Cross Border).
11 To be included if the Parties intend to use the close-out mechanics of Clause 10 of the NBP Terms.
(aa) in which the term “Banking Day” is defined or appears are amended to substitute the term “NBP Banking Day” for the term “Banking Day” each place that the latter term appears; and

(bb) in which the term “Transaction” is defined or appears are amended to substitute the term “NBP Transaction” for the term “Transaction” each place that the latter term appears.

(iii) Clause 6 of the NBP Terms is amended as follows:

(aa) Clause 6.2 is amended by adding the words “and subject to Section 2(c) of the Agreement” after the words “the Monthly Statement” in the third line;

(bb) Clause 6.5 is amended by deleting the words “shown in the Monthly Statement” in the first line;

(cc) Clause 6.6.3 is amended by deleting the words “the Transaction” and replacing such words with “all NBP Transactions”; and

(dd) Clauses 6.6.1, 6.6.2 and 6.7 are deleted.

(iv) Clause 10.3 of the NBP Terms is to be deleted and replaced with the following:

“The termination of NBP Transactions, however occurring, shall not affect any rights or obligations that may have accrued to either Party prior to such termination and, without limitation to the foregoing, any amounts that would be payable (but for such termination are not then due) in respect of the performance or non-performance of any NBP Trades pursuant to such terminated NBP Transactions on or prior to such termination shall become immediately due and payable upon the date of such termination whether or not such amounts are included in a Monthly Statement.”

([g]) Additional Provisions for NBP Options. The following definitions, terms and conditions shall apply to each NBP Option:

[(i)] Definitions

“Call” means an NBP Option entitling, but not obligating, the Option Buyer upon exercise to enter into an NBP Transaction as the Buyer.

“Exercise Period” means:

For European style NBP Options, in respect of each Supply Period, at any time between 0900 hours London Time and the Expiration Time solely on the Expiration Date.

For American style NBP Options, in respect of each Supply Period, at any time between 0900 – 1700 hours London Time on any NBP Banking Day prior to the Expiration Time on the Expiration Date(s).

12 The Parties may consider deleting Clause 6.5 in its entirety.

13 Delete if optional paragraph (e) above is included.
For Daily Expiring NBP Options, in respect of each Day at any time between 0900 hours London Time and the Expiry Time on the applicable Expiration Date.

“Expiration Date” means the date on which an NBP Option expires as agreed between the Parties at the time the NBP Option is entered into, provided that in respect of a Daily Expiring style NBP Option, Expiration Date means the NBP Banking Day preceding the Day (in the Term of the relevant Daily Expiring style NBP Option) to which the Daily Expiring style NBP Option relates.

“Option Buyer” means the person identified as such by the Parties at the time of entering into an NBP Option.

“Option Seller” means the person identified as such by the Parties at the time of entering into an NBP Option.

“Put” means an NBP Option Transaction entitling, but not obligating, the Option Buyer upon exercise to enter into an NBP Transaction as the Seller.

“Premium” means the price to be paid by the Option Buyer for an NBP Option but exclusive of VAT and other applicable taxes and expressed in pence/Therm, as agreed between the Parties at the time of entering into an NBP Option.

“Premium Payment Date” means in respect of an NBP Option, the day which falls [ ] NBP Banking Days after the Trade Date or such other day as the Parties may expressly agree at the time of entering into the NBP Option.

“Reference Price”, save where otherwise specified in the NBP Option Confirmation, means:

In respect of each Supply Period, the arithmetic average of the Argus Price, Heren Price, IPE Price and the Platts Price quoted in respect of the Expiration Date; where:

“Argus Price” shall be the mean of the high and low prices (in the currency/UOM agreed to in the applicable Confirmation) for that Supply Period under the heading “European Spot Gas Prices (subheading ‘NBP’)” as reported in “Energy Argus Daily European Natural Gas” published by Petroleum Argus Ltd. on the Expiration Date.

“Heren Price” shall be the mean of the high and low prices for that Supply Period under the heading “ESGM Price Assessment (subheading ‘NBP’)” as reported in “The Heren Report European Spot Gas Markets” on the Expiration Date.

“IPE Price” shall mean closing settlement price for the Expiration Date on the International Petroleum Exchange for the IPE Natural Gas Futures Contract for that Supply Period.

“Platts Price” shall be the mean of the high and low prices (in the currency/UOM agreed to in the applicable Confirmation) for that Supply Period under the heading “Platts UK Market Assessments (subheading ‘UK NBP Market’)” as reported in “Platts European Natural Gas Report” on the Expiration Date.
“Strike Price” means the price agreed between the Parties as the strike price at the time of entering into the NBP Option (being also the Contract Price at which the Option Buyer may exercise its option under that NBP Option to buy or sell pursuant to an NBP Transaction).

(ii) Confirmation

Each Confirmation of an NBP Option shall be in substantially the form of a Confirmation (as set forth in Part II of Annex 1 to this Agreement (an “NBP Option Confirmation”)). The terms and conditions provided for in the NBP Option Confirmation shall apply to that NBP Option.

(iii) Exercise Provisions

Unless provided otherwise in the NBP Option Confirmation, an NBP Option shall be exercised in its Exercise Period by the Option Buyer by so advising the Seller of its intention to do so. If the Buyer fails to exercise this option by the Expiration Time on the Expiration Date, this option shall expire and no payment or delivery shall be due thereunder (except that any outstanding Total Premium shall remain payable by the Option Buyer to the Option Seller).

(iv) Automatic Exercise

Unless the Parties otherwise agree at the time the NBP Option is entered into or, unless the Option Seller is otherwise instructed by the Option Buyer at or prior to the Expiration Time of that NBP Option, that the NBP Option shall be deemed to have been exercised at the Expiration Time where the In-the-Money Amount payable to the Buyer equals or exceeds the product of (A) 10 per cent (or such other percentage as may have been agreed by the Parties) of the Strike Price and (B) the Daily Quantity for that Day or Supply Period as the case may be.

For the purposes of hereof “In-the-Money Amount” means:

i) in the case of a call option, the amount, if any, by which (x) the product of the Total Quantity times the Reference Price exceeds (y) the product of the Total Quantity times the Strike Price; and

ii) in the case of a put option, the amount, if any, by which (x) the product of the Total Quantity times the Strike Price exceeds (y) the product of the Total Quantity times the Reference Price.

(v) Premium and VAT

The Premium payer shall pay the Total Premium specified in the NBP Option Confirmation to the Premium payee on the Premium Payment Date. The Total Premium payable shall be exclusive of VAT and the Premium payer shall pay any VAT due in relation to the Total Premium on the Premium Payment Date against appropriate tax invoice(s) from the Premium payee.

(vi) Settlement Provisions

In respect of each Day or Supply Period, as the case may be, in relation to which an NBP Option is exercised, upon the Buyer exercising that NBP Option it shall cease to be outstanding (but without prejudice to any claim that the Option Seller may have in respect of any unpaid Total Premium or other amount relating to such NBP Option) in respect of that Day or Supply Period, as the case may be, and a binding NBP Transaction shall automatically and immediately arise between the Seller and the Buyer (without any further
action by the Parties) to undertake one or more NBP Trades for the period, Total Quantity, Daily Quantity and Strike Price (being the Contract Price) set out above for that Day or Supply Period, as the case may be, in accordance with the terms of the NBP Transaction Confirmation attached to the NBP Option Confirmation for that NBP Option. The terms of such NBP Transaction Confirmation shall be consistent with the terms set out in the NBP Option Confirmation and shall be subject to the Agreement.

[vii] Late Payment

If the Total Premium payable in respect of an NBP Option is not received on or before the Premium Payment Date for that NBP Option, the Seller may elect: (i) to accept a late payment of such Total Premium; [(ii) to give written notice of such non-payment and, if such payment shall not be received within three (3) NBP Banking Days of such notice the Buyer shall be in default under that NBP Option and the Seller may treat that NBP Option as void; or][14] [(iii)] to give written notice of such non-payment and, if such payment shall not be received within three (3) NBP Banking Days of such notice, treat such non-payment as a breach under Section 5(a)(i) of the Agreement entitling the Seller to terminate all Transactions. If the Seller elects to act under [either] (i)[, or (ii)] of the preceding sentence, the Buyer shall pay all out-of-pocket costs and actual damages incurred in connection with such unpaid or late Premium or void NBP Option, including, without limitation, interest on such Total Premium from and including the relevant Premium Payment Date to but excluding the late payment date at the Default Rate together with, in either case, any other losses, costs or expenses incurred by the Seller in covering its obligations in connection with such NBP Option for the loss of its bargain, its actual cost of funding, or the loss incurred as a result of terminating, liquidating, obtaining or re-establishing a hedge or related trading position with respect to such NBP Option.[15]

([h]) Payment Instructions. All payments to be made hereunder in respect of NBP Transactions and NBP Options shall be made in accordance with the standing payment instructions provided by the Parties (or as otherwise specified in a Confirmation).

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14 This provision differs from the approach set forth in the NBP Terms in that rather than the Seller being able to treat the NBP Option as void, the NBP Terms provides that if payment of the Total Premium is not received within three (3) NBP Banking Days of the receipt of the notice, the Seller has the right to terminate all NBP Option Transactions. Accordingly, it is up to Parties to determine if they would like this bracketed provision to remain as part of their Agreement.

15 The Parties may consider this provision to create flexibility in the treatment of the late payment of Premium.
PART I - FORM OF CONFIRMATION OF NBP TRANSACTION:

This is to confirm the terms and conditions of the NBP Transaction entered into between Party A and Party B on the Trade Date specified below (the “NBP Transaction”). This constitutes a “Confirmation” as referred to in the [ISDA 2002 Master Agreement][1992 ISDA Master Agreement (Multicurrency – Cross Border)] specified below.

This Confirmation supplements, forms part of, and is subject to, the [ISDA 2002 Master Agreement][1992 ISDA Master Agreement (Multicurrency – Cross Border)] dated as of [date], as amended and supplemented from time to time (the “Agreement”), between Party A and Party B. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

The SELLER and the BUYER named below hereby agree that this Confirmation confirms the details of an agreement to undertake NBP Trades in accordance with the Short Term Flat NBP Trading Terms and Conditions Ref. NBP 1997 (as amended by, and only to the extent specified in, the Agreement) and C6 of the Network Code.

REFERENCE NUMBER:

TRADE DATE:

SELLER:

(including AT LINK Reference)   [To be advised]

BUYER:

(including AT LINK Reference)   [Please advise]

SUPPLY PERIOD:

DAILY QUANTITY:

TOTAL QUANTITY

TOTAL FOR SUPPLY PERIOD

CONTRACT PRICE:

COMPENSATION FOR BREACH WITHIN CLAUSES 4.2 OR 4.3:        SMP IN ACCORDANCE WITH OPTION A

SPECIAL CONDITIONS:

Please confirm that the foregoing correctly sets forth the terms of our agreement with respect to this NBP Transaction (contract Reference number: _____) by signing this Confirmation in the space provided below and immediately returning a copy of the executed Confirmation via facsimile to the attention of Commodity operations at:
For the sake of good order, please note that the terms of this NBP Transaction shall be agreed solely between the parties and that any brokers’ confirmation telex referencing the details of this NBP Transaction is for informational purposes only.

Regards,
[Party A] [Party B]

By: ________________________
Name: 
Title: 

[Party A] [Party B]
Agreed:
Signed on behalf of [Party A] [Party B]

By: ________________________
Name: 
Title: 
PART II – FORM OF CONFIRMATION OF NBP OPTION:

To: [Party A] [Party B]

Attention: [ ]

CC: [ ]

Attention: [ ]

CC: [ ]

Attention: [ ]

From: [Party A] [Party B]

This is to confirm the terms and conditions of the NBP Option entered into between Party A and Party B on the Trade Date specified below (the “Transaction”). This constitutes a “Confirmation” as referred to in the [ISDA 2002 Master Agreement] [1992 ISDA Master Agreement (Multicurrency – Cross Border)] specified below.

This Confirmation supplements, forms part of, and is subject to, the [ISDA 2002 Master Agreement] [1992 ISDA Master Agreement (Multicurrency – Cross Border)] dated as of [date], as amended and supplemented from time to time (the “Agreement”), between Party A and Party B. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

All terms that are defined in the Short Term Flat NBP Trading Terms and Conditions Ref. NBP 1997 (the “NBP Terms”), as amended by the Agreement shall have the same meanings herein as are ascribed to them in the NBP Terms, as so amended.

Reference number: [______]

Trade Date: [ , 200__]

Buyer: 

Seller: 

Commodity: NBP Trades.

Option type: [Call][Put]

Option style: [European][American][Daily Expiring]

Settlement: Physical

(see Settlement Provisions as set out in the Agreement))

Automatic Exercise: [Not to apply]

Supply Period: [For a daily option:]

Any day in respect of which this option is exercised from the Start Day to the End Day (inclusive)

Start Day:

End Day:]

[For an American/European option:
Each period specified below:
Expiration Date Start Day End Day Supply Period Quantity (Therms)
[ ]
Expiration Date:
[For a daily expiring option: For any day, the Banking Day immediately preceding that day]
[For an American/Euro pean option: For each Supply Period, the Expiration Date specified above]
Expiration Time: In respect of each [day][Supply Period], [12][17]:00 hrs. London Time on the Expiration Date
Daily Quantity: _____ Therms
Total Quantity: _____ Therms
Strike Price: GBP _____ per Therm
Premium: GBP _____ per Therm
Total Premium: GBP _____
Premium Payment Date:
Due to:
Reference Price: [ ]

Please confirm that the foregoing correctly sets forth the terms of our agreement with respect to this Transaction (contract Reference number: _____) by signing this Confirmation in the space provided below and immediately returning a copy of the executed Confirmation via facsimile to the attention of Commodity operations at:

For the sake of good order, please note that the terms of this Transaction shall be agreed solely between the Parties and that any brokers’ confirmation telex referencing the details of this Transaction is for informational purposes only.

[We are pleased to have been able to conclude this Transaction with [Party A] [Party B].]

Regards,
[Party A][Party B]

Agreed:
Signed on behalf of [Party A] [Party B]

By: ________________________
Name:
Title:
Form of NBP Transaction Confirmation to be attached to Confirmation of NBP Option and to be issued upon exercise of such NBP Option:

This is to confirm the terms and conditions of the NBP Transaction entered into between Party A and Party B on the Trade Date specified below (the “NBP Transaction”). This constitutes a “Confirmation” as referred to in the [ISDA 2002 Master Agreement][1992 ISDA Master Agreement (Multicurrency – Cross Border)] specified below.

This Confirmation supplements, forms part of, and is subject to, the [ISDA 2002 Master Agreement][1992 ISDA Master Agreement (Multicurrency – Cross Border)] dated as of [date], as amended and supplemented from time to time (the “Agreement”), between Party A and Party B. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

The SELLER and the BUYER named below hereby agree that this Confirmation confirms the details of an agreement to undertake NBP Trades in accordance with the Short Term Flat NBP Trading Terms and Conditions Ref. NBP 1997 (as amended by, and only to the extent specified in, the Agreement) and C6 of the Network Code.

REFERENCE NUMBER: 
TRADE DATE: 
SELLER: 
(including AT LINK Reference) [To be advised]
BUYER: 
(including AT LINK Reference) [Please advise]
SUPPLY PERIOD: 
DAILY QUANTITY: 
TOTAL QUANTITY TOTAL FOR SUPPLY PERIOD

CONTRACT PRICE: 
COMPENSATION FOR BREACH 
WITHIN CLAUSES 4.2 OR 4.3: SMP IN ACCORDANCE WITH OPTION A
[CREDIT: ]
SPECIAL CONDITIONS:

Please confirm that the foregoing correctly sets forth the terms of our agreement with respect to this NBP Transaction (contract Reference number: _____) by signing this Confirmation in the space provided below and immediately returning a copy of the executed Confirmation via facsimile to the attention of Commodity operations at:

For the sake of good order, please note that the terms of this NBP Transaction shall be agreed solely between the parties and that any brokers’ confirmation telex referencing the details of this NBP Transaction is for informational purposes only.

[We are pleased to have been able to conclude this NBP Transaction with [Party A] [Party B].]

Regards,

[Party A][Party B]
Agreed:
Signed on behalf of [Party A] [Party B]

By: _______________________
Name:
Title:
Part [7]. Provisions Relating to ZBT Transactions and ZBT Options.

(a) **Incorporation of ZBT Terms.** The Zeebrugge Natural Gas Trading Terms and Conditions (Ref. ZBT 2004) and the ZBT Option Transactions Annex (collectively, the “ZBT Terms”), as amended by this Part [7] of the Schedule, are hereby incorporated by reference in this Agreement. The ZBT Terms, as amended hereby, are applicable only to Transactions which are ZBT Transactions or ZBT Options. Except as otherwise provided in this Part [7], terms defined in the ZBT Terms shall have the same meaning when used in this Part [7] and in any Confirmation. “ZBT Option” shall mean: (i) an oral or written agreement to enter into an option on a ZBT Transaction; and (ii) each transaction identified in the related confirmation to be a ZBT Option. Any reference in this Part [7] to a Clause or Clauses or Article or Articles is a reference to a clause or clauses or article or articles in the ZBT Terms as amended hereby. In the event of any conflict between the ZBT Terms and any other provision of this Agreement, that other provision shall prevail.

(b) **ZBT Transactions and ZBT Options.** Any ZBT Transaction or ZBT Option into which the Parties have entered will be governed by this Agreement. Any ZBT Transaction or ZBT Option into which the Parties may enter will be governed by this Agreement in all circumstances except when the Parties expressly agree that this Part [7] will not apply. Each such ZBT Transaction and ZBT Option will be deemed to be a Transaction and the related confirmation or other confirming evidence will be deemed to constitute a Confirmation for purposes of this Agreement.

(c) **Applicable ZBT Terms.** Clauses 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 13.3, 13.4, 14 and 20 of the ZBT Terms (as amended hereby) shall be applicable to ZBT Transactions between the Parties. Clauses 11, 12, 13 (other than 13.3 and 13.4), [14], 15, 16, 17, 18, 19, 21 and 22 of the ZBT Terms shall not be applicable to ZBT Transactions between the Parties. Articles 1, 2, 3, 4, 5 (other than 5.3) and 6 of the ZBT Option Transaction Annex (as amended hereby) shall be applicable to ZBT Options between the Parties.

(d) **Additional Provisions for ZBT Transactions and ZBT Options.** The following additional provisions shall apply:

[(i)] The following shall constitute an additional Event of Default for purposes of this Master Agreement:

[(aa)] Any material adverse change in the financial standing of a Party when compared to such Party’s financial standing as at

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1. It may not be possible to give the warranty to title demanded by this Clause 3 under Belgian law. Parties should satisfy themselves on this point.
2. The Parties may wish to consider whether they wish to amend the ZBT Terms so as to delete the right to terminate ZBT Transactions pursuant to Clause 10.3 of the ZBT Terms.
3. To be included if Clause 13.4 of the ZBT Terms is to be used to value ZBT Transactions upon an Early Termination.
4. If the Parties wish the ZBT Terms to be construed in accordance with Belgian law, Clause 21 should be made applicable to the Agreement.
5. See footnote 22.
the date of a ZBT Transaction or a ZBT Option which change affects its ability to perform its financial obligations in respect of such ZBT Transaction or ZBT Option, and such Party fails to provide reasonable security for the performance of its financial obligations in respect of all Transactions within five (5) Working Days of the other Party’s request therefor.][6]

([iii]) The following shall constitute an Additional Termination Event for the purposes of Section 5(b)(v) and shall not be an Event of Default:

[(aa) A representation made by a Party (which shall be the Affected Party) in respect of one or more ZBT Transactions or ZBT Options (which shall be the Affected Transactions) pursuant to Clause 6 of the ZBT Terms proves to have been incorrect or misleading in any material respect when made.]7

([iii]) Failure by a Party to make, when due, any delivery (including, without limitation, by nomination or notification) under Section 2(a)(i) or 2(b)(i) or (2) or (4)) or (2(e)) of this Agreement required to be made by it in relation to any ZBT Transaction shall not constitute an Event of Default under Section 5(a)(i).

([iv]) Failure by a Party to accept, deliver, nominate or notify in relation to an ZBT Transaction shall not constitute an Event of Default under Section 5(a)(ii).

([v]) Section 5(b)(ii) of this Agreement shall not apply in relation to ZBT Transactions.10

([vii]) For the avoidance of doubt, the termination of a ZBT Transaction pursuant to Clause 10.3 of the ZBT Terms shall not be deemed to be the termination of that ZBT Transaction pursuant to a Termination Event or Event of Default.

[([vii]) For the avoidance of doubt, each representation made by a Party pursuant to Clause 6 of the ZBT Terms is a representation for purposes of this Master Agreement.]11

[(e) Close-Out of ZBT Transactions. For purposes of this Agreement, the Close-out Amount in relation to each Terminated Transaction that is a ZBT Transaction][12][Parties agree that, if Market Quotation is the applicable payment measure, it will be deemed that a Market Quotation cannot be determined for each Terminated Transaction that is a ZBT Transaction. Loss (other than, where appropriate, in respect of losses and costs (or gains) in respect of any payment or delivery required to be made on or before the relevant Early Termination Date) in relation to each such Terminated Transaction shall be determined as follows:

6 Parties may choose to omit this provision as such a provision may already be applicable to the ISDA Master Agreement as a whole or the Parties may find it inappropriate in the context of a master agreement with broader coverage. 
7 Include if the breach of ZBT representations is to be a Termination Event rather than an Event of Default. 
8 Include this provision if using an ISDA 2002 Master Agreement. 
9 Include this provision if using a 1992 ISDA Master Agreement (Multicurrency – Cross Border). 
10 Include this provision if using an ISDA 2002 Master Agreement. 
11 Include this provision if the breach of these representations is to be an Event of Default. 
12 Include this provision if using an ISDA 2002 Master Agreement.
Transaction]\(^{13}\) shall be determined in accordance with Clause 13.4 of the ZBT Terms. For this purpose references in Clause 13.4 to the non-defaulting Party shall be read as references to the Party making the determination and Clause 13.4 is hereby amended by adding a new Clause 13.4.3 thereto, as follows:

“If the Early Termination Payment is a positive number, it shall be a loss of the non-defaulting Party. If the Early Termination Payment is a negative number, the absolute value thereof shall be a gain of the non-defaulting Party.”

The Parties also agree that Clause 13.3 of ZBT terms is to be deleted and replaced with the following:

“The termination of ZBT Transactions, however occurring, shall not affect any rights or obligations that may have accrued to either Party prior to such termination and, without limitation to the foregoing, any amounts that would be payable (but for such termination) in respect of the performance or non-performance under such terminated ZBT Transactions relating to any Day falling on or prior to such termination shall become immediately due and payable upon the date of such termination whether or not such amounts are included in a Monthly Statement.”\(^{14}\)

([f]) **Amendments to ZBT Terms.** The following amendments are made to the ZBT Terms:

(i) Clause 1 of the ZBT Terms is amended:

(aa) by deleting the definition of the terms “Affiliated Company”, “Confidential Information”, “Confirmation”, “Office Hours”, “Performance Assurance” and “Tax”; and

(bb) by deleting the definition of the term “Party” and inserting the following new definition:

> **Party** shall mean one or the other of the parties to this Agreement;”.

(ii) All Clauses of the ZBT Terms in which the term “Transaction” is defined or appears are amended to substitute the term “ZBT Transaction” for the term “Transaction” each place that the latter term appears; and all clauses of the ZBT Terms in which the term “Option Transaction” appears are amended to substitute the term “ZBT Option”.

(iii) All Clauses of the ZBT Terms in which the term “Defaulting Party” is defined or appears are amended to substitute the term “Owing Party” for the term “Defaulting Party” each place that the latter term appears; and all clauses of the ZBT Terms in which the term “Non-Defaulting Party” appears are amended to substitute the term “Owed Party” for the term “Non-Defaulting Party” each place that the latter term appears;

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\(^{13}\) Include this provision if using a 1992 ISDA Master Agreement (Multicurrency – Cross Border).

\(^{14}\) To be included if the Parties intend to use the close-out mechanics of Clause 13 of the ZBT Terms.
Clause 8.2 of the ZBT Terms is amended by deleting the clause in its entirety and replacing it as follows: “Where VAT is chargeable by the Seller to the Buyer, the Buyer shall pay any VAT on receipt of a valid VAT invoice from the Seller and shall ensure that all VAT legally payable by the Buyer to the Seller arising as a result of each ZBT Transaction are paid. In the event that the Buyer is required by law to account for any VAT to the relevant tax authorities, then the Buyer hereby covenants to the Seller that it will do all such proper acts, deeds and things as are necessary to ensure that the correct amount of VAT is accounted for.”

Clause 9 of the ZBT Terms is amended as follows:

(aa) Clause 9.3 is amended by replacing “the Monthly Statement” with “Section 2(c) of the Agreement” in the fifth line;

(bb) Clause 9.5 is amended by (1) deleting “shown in the Monthly Statement” in the first sentence and (2) deleting the words “Clause 9.6.1” in the last sentence thereof and replacing such words with “[Section [9(h)]15 [2(e)]16 of the Agreement”; and

(cc) Clauses 9.6.1, 9.6.2 and 9.7 are deleted.

Clause 13.3 of the ZBT Terms is deleted and replaced with the following:

“The termination of ZBT Transactions, however occurring, shall not affect any rights or obligations that may have accrued to either Party prior to such termination and, without limitation to the foregoing, any amounts that would be payable (but for such termination are not then due) in respect of the performance or non-performance under such terminated ZBT Transactions on or prior to such termination of shall become immediately due and payable upon the date of such termination whether or not such amounts are included in a Monthly Statement.”]

Amendments to ZBT Option Transactions Annex. The following amendments are made to the ZBT Option Transactions Annex:

(i) Article 1 is amended to delete the definition of “Option Confirmation” and replace it with the following:

“ZBT Option Confirmation” means a Confirmation substantially in the form as set forth in Part II of Annex 2 to the Agreement.”;

(ii) Article 4.2 is amended by adding the following optional second sentence: “The Total Premium will be subject to netting in accordance with Section 2(c) of the Agreement.”;

(iii) Article 4.3 is amended to delete references to Clauses 9.6 (excluding Clause 9.6.3) and 9.7;

(iv) Article 5.1.1 is amended to delete reference to “Clause 19.1.3” and is replaced with “Section 12 of the Agreement”;

15 Include this provision if using an ISDA 2002 Master Agreement.
16 Include this provision if using a 1992 ISDA Master Agreement (Multicurrency – Cross Border).
17 Delete if optional paragraph (e) above is included.
Article 5.1.2 is amended to delete reference to “Clause 19” and is replaced with “Section 12 of the Agreement”; and

Article 5.1.2(b) is amended to delete “pursuant to Clause 13.2.1” and is replaced with “of the ZBT Terms”.

Additional Provision for ZBT Options. The following definition, terms and conditions shall apply to each ZBT Option:

(i) Definitions

“Reference Price”, save where otherwise specified in the ZBT Option Confirmation, means:

In respect of each Supply Period, the arithmetic average of the Argus Price, Heren Price and Platts Price quoted in respect of the Expiration Date; where:

“Argus Price” shall be the mean of the high and low prices (in the currency/UOM agreed to in the applicable Confirmation) for that Supply Period under the heading “Complete continental European spot gas prices, and UK beach prices (Subheading ‘Zeebrugge’ or ‘Zeebrugge (€/MWh)’ as applicable) as reported in “Energy Argus Daily European Natural Gas” published by Petroleum Argus Ltd. on the Expiration Date.

“Heren Price” shall be the mean of the high and low prices for that Supply Period under the heading “ESGM Price Assessment (subheading ‘Zeebrugg Hub’) as reported in “The Heren Report European Spot Gas Markets” on the Expiration Date.

“Platts Price” shall be the mean of the high and low prices (in the currency/UOM agreed to in the applicable Confirmation) for that Supply Period under the heading “Platts Zeebrugge Assessments” as reported in “Platts European Natural Gas Report” on the Expiration Date.

(ii) Automatic Exercise

Unless the Parties otherwise agree at the time the ZBT Option is entered into or, unless the Option Seller is otherwise instructed by the Option Buyer at or prior to the Expiration Time of that ZBT Option, that ZBT Option shall be deemed to have been exercised at the Expiration Time where the In-the-Money Amount payable to the Buyer equals or exceeds the product of (A) 10 per cent (or such other percentage as may have been agreed by the Parties) of the Strike Price and (B) the Daily Quantity for that Day or Supply Period as the case may be.

For the purposes of hereof “In-the-Money Amount” means:

i) in the case of a call option, the amount, if any, by which (x) the product of the Total Quantity times the Reference Price exceeds (y) the product of the Total Quantity times the Strike Price; and

ii) in the case of a put option, the amount, if any, by which (x) the product of the Total Quantity times the Strike Price exceeds (y) the product of the Total Quantity times the Reference Price.

The ZBT Terms do not contain a provision for Automatic Exercise, so Parties may wish to consider whether to include this provision.
[iii] Late Payment

[If the Total Premium payable in respect of a ZBT Option is not received on or before the Premium Payment Date for that ZBT Option, the Seller may elect: (i) to accept a late payment of such Total Premium; [(ii) to give written notice of such non-payment and, if such payment shall not be received within five (5) Working Days of such notice the Buyer shall be in default under that ZBT Option and the Seller may treat that ZBT Option as void; or][19] [(iii)] to give written notice of such non-payment and, if such payment shall not be received within five (5) Working Days of such notice, treat such non-payment as a breach under Section 5(a)(i) of the Agreement entitling the Seller to terminate all Transactions. If the Seller elects to act under [either] (i) [or (ii)] of the preceding sentence, the Buyer shall pay all out-of-pocket costs and actual damages incurred in connection with such unpaid or late Premium or void ZBT Option, including, without limitation, interest on such Total Premium from and including the relevant Premium Payment Date to but excluding the late payment date at the Default Rate together with, in either case, any other losses, costs or expenses incurred by the Seller in covering its obligations in connection with such ZBT Option for the loss of its bargain, its actual cost of funding, or the loss incurred as a result of terminating, liquidating, obtaining or re-establishing a hedge or related trading position with respect to such ZBT Option.]

[If the Parties utilize Article 6 of the ZBT Option Transactions Annex: (i) Article 6.1 of the ZBT Option Transactions Annex shall be deleted; (ii) Article 6.2(i) of the ZBT Option Transactions Annex shall be amended to delete “in accordance with Section [9(h)]20[2(e)]21 of the Agreement”; and (iii) Article 6.3 of the ZBT Option Transactions Annex shall be deleted in its entirety and shall be replaced with “The value of any Terminated Transaction that is a ZBT Option shall be determined in accordance with Section 6(e) of the Agreement.”]22

(i) Payment Instructions. All payments to be made hereunder in respect of ZBT Transactions and ZBT Options shall be made in accordance with the standing payment instructions provided by the Parties (or as otherwise specified in a Confirmation).

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19 This provision differs from the approach set forth in Clause 6.2(ii) of the ZBT Option Transaction Annex in that rather than the Seller being able to treat the ZBT Option as void, Clause 6.2(ii) of the ZBT Option Transactions Annex provides that if payment of the Total Premium is not received within five (5) Working Days of the receipt of the notice, the Seller has the right to terminate all ZBT Option Transactions. Accordingly, it is up to Parties to determine if they would like this bracketed provision to remain as part of their Agreement.

20 Include this provision if using an ISDA 2002 Master Agreement.

21 Include this provision if using a 1992 ISDA Master Agreement (Multicurrency – Cross Border).

22 Please note that Parties must elect between the two bracketed paragraphs. If the second bracketed paragraph is not used, Article 6 should be disappplied in Part 7(c). The second bracketed paragraph is intended to overlay the close-out mechanisms for ZBT Options. This approach is consistent with the approach to NBP Transactions and Options, but given that the ZBT Terms work for closing-out ZBT Options, it is probably unnecessary. Accordingly, it is up to Parties to determine if they would like this bracketed paragraph to remain as part of their Agreement.
PART I - FORM OF CONFIRMATION OF ZBT TRANSACTION:

This is to confirm the terms and conditions of the ZBT Transaction entered into between Party A and Party B on the Trade Date specified below (the “ZBT Transaction”). This constitutes a “Confirmation” as referred to in the [ISDA 2002 Master Agreement][1992 ISDA Master Agreement (Multicurrency – Cross Border)] specified below.

This Confirmation supplements, forms part of, and is subject to, the [ISDA 2002 Master Agreement][1992 ISDA Master Agreement (Multicurrency – Cross Border)] dated as of [date], as amended and supplemented from time to time (the “Agreement”), between Party A and Party B. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

The SELLER and the BUYER named below hereby agree that this Confirmation confirms the details of a ZBT Transaction in accordance with the Zeebrugge Natural Gas Trading Terms and Conditions (Ref. ZBT 2004) (as amended by, and only to the extent specified in, the Agreement) and the Hub Services Agreement.

REFERENCE NUMBER:

TRADE DATE:

SELLER:

(including Hub Code) [To be advised]

BUYER:

(including Hub Code) [Please advise]

SUPPLY PERIOD:

HOURLY QUANTITY: GJ/Hour

DAILY QUANTITY: GJ/Day

TOTAL QUANTITY TOTAL FOR SUPPLY PERIOD

CONTRACT PRICE: EUR/GJ

SPECIAL CONDITIONS:

Please confirm that the foregoing correctly sets forth the terms of our agreement with respect to this ZBT Transaction (contract Reference number: ______) by signing this Confirmation in the space provided below and immediately returning a copy of the executed Confirmation via facsimile to the attention of Commodity operations at:
For the sake of good order, please note that the terms of this ZBT Transaction shall be agreed solely between the parties and that any brokers’ confirmation telex referencing the details of this ZBT Transaction is for informational purposes only.

Regards,

[Party A][Party B]

By: ________________________
Name: ________________________
Title: ________________________

[Party A][Party B]

Agreed:
Signed on behalf of [Party A][Party B]

By: ________________________
Name: ________________________
Title: ________________________
PART II – FORM OF CONFIRMATION OF ZBT OPTION:

To: [Party A][Party B]
Attention: [     ]

CC: [     ]
Attention: [     ]
CC: Party A
Attention: [     ]
From: [Party A][Party B]

This is to confirm the terms and conditions of the ZBT Option entered into between Party A & Company and Party B on the Trade Date specified below (the “Transaction”). This constitutes a “Confirmation” as referred to in the [ISDA 2002 Master Agreement][1992 ISDA Master Agreement (Multicurrency – Cross Border)] specified below.

This Confirmation supplements, forms part of, and is subject to, the [ISDA 2002 Master Agreement][1992 ISDA Master Agreement (Multicurrency – Cross Border)] dated as of [date], as amended and supplemented from time to time (the “Agreement”), between Party A and Party B. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

All terms that are defined in the Zeebrugge Natural Gas Trading Terms and Conditions (Ref. ZBT 2004) (the “ZBT Terms”), as amended by the Agreement, shall have the same meanings herein as are ascribed to them in the ZBT Terms, as so amended.

Reference number: [______]

Trade Date: [ , 200_]

Buyer:

Seller:

Commodity: Natural Gas

Option type: [Call][Put]

Option style: [European][American][Daily Expiring]

Settlement: Physical
(see Settlement Provisions as set out in the Agreement)

Automatic Exercise: [Not to apply]

Supply Period:

[For a daily option:

Any Day in respect of which this option is exercised from the Start Day to the End Day (inclusive)

Start Day:

End Day:]

[For an American/European option:
Each period specified below:
Expiration Date Start Day End Day Supply Period Quantity (Therms)
[ ]
Expiration Date:
[For a daily expiring option: For any Day, the London Business Day immediately preceding that Day]
[For an American/European option: For each Supply Period, the Expiration Date specified above]
Expiration Time: In respect of each [Day][Supply Period], [12][17]:00 hrs. London Time on the Expiration Date

Exercise Period:
Hourly Quantity: ______ GJ/Hour
Daily Quantity: ______ GJ/Day
Total Quantity: ______ GJ
Strike Price: EUR _____ per GJ
Premium: EUR _____ per GJ
Total Premium: EUR _____
Premium Payment Date:
Due to:
Reference Price: [ ]

Please confirm that the foregoing correctly sets forth the terms of our agreement with respect to this Transaction (contract Reference number: _____) by signing this Confirmation in the space provided below and immediately returning a copy of the executed Confirmation via facsimile to the attention of Commodity operations at:

For the sake of good order, please note that the terms of this Transaction shall be agreed solely between the parties and that any brokers’ confirmation telex referencing the details of this Transaction is for informational purposes only.

Regards,
[Party A] [Party B]
Agreed:
Signed on behalf of [Party A][Party B]

By: ________________________
Name:
Title:
Form of ZBT Transaction Confirmation to be attached to Confirmation of ZBT Option and to be issued upon exercise of such ZBT Option:

This is to confirm the terms and conditions of the ZBT Transaction entered into between Party A and Party B on the Trade Date specified below (the “Transaction”). This constitutes a “Confirmation” as referred to in the [ISDA 2002 Master Agreement][1992 ISDA Master Agreement (Multicurrency-Cross Border)] specified below.

This Confirmation supplements, forms part of, and is subject to, the [ISDA 2002 Master Agreement][1992 ISDA Master Agreement (Multicurrency-Cross Border)] dated as of [date], as amended and supplemented from time to time (the “Agreement”), between Party A and Party B. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

The SELLER and the BUYER named below hereby agree that this Confirmation confirms the details of an agreement to undertake a Transaction in accordance with the Zeebrugge Natural Gas Trading Terms and Conditions (Ref. ZBT 2004) (as amended by, and only to the extent specified in, the Agreement) and the Hub Services Agreement.

REFERENCE NUMBER:
TRADE DATE:
SELLER:
(including Hub Code)   [To be advised]
BUYER:
(including Hub Code)   [Please advise]
SUPPLY PERIOD:
HOURLY QUANTITY:                    GJ/Hour
DAILY QUANTITY:                        GJ/Day
TOTAL QUANTITY                                                 TOTAL FOR
SUPPLY PERIOD

CONTACT PRICE:                     EUR/GJ

SPECIAL CONDITIONS:

Please confirm that the foregoing correctly sets forth the terms of our agreement with respect to this Transaction (contract Reference number: ______) by signing this Confirmation in the space provided below and immediately returning a copy of the executed Confirmation via facsimile to the attention of Commodity operations at:

For the sake of good order, please note that the terms of this Transaction shall be agreed solely between the parties and that any brokers’ confirmation telex referencing the details of this Transaction is for informational purposes only.

[We are pleased to have been able to conclude this Transaction with [Party A][Party B].]

Regards,
[Party A][Party B]
Agreed:
Signed on behalf of [Party A][Party B]

By: ______________________
Name: ____________________
Title: ______________________