

Vilnius/Warsaw, 16 September 2019

Polish commodity clearing house IRGiT starts cooperation with the Baltic-Finnish Gas Exchange GET Baltic

Another step in the process of integration of gas markets in the Baltic region

Press Release

- On 16 September 2019 in Vilnius, an advisory services agreement was officially signed between the Polish commodity clearing house IRGiT and the Baltic-Finnish Gas Exchange GET Baltic.
- The scope of IRGiT's services includes the development of a risk management system, collateral and clearing model for the natural gas exchange operated by GET Baltic for Lithuania, Latvia, Estonia and from 1st January 2020 Finland.
- GET Baltic is creating new collateral and clearing model which will provides more favourable conditions for Baltic and Finnish participants of the gas exchange to trade on both spot and forward markets, adding up to liquidity, competition and attractiveness of region.
- IRGiT is controlled by Towarowa Giełda Energii (TGE) which participates in many projects at the European and regional level.
- Both IRGiT and TGE are members of the WSE Group which is currently focusing on the diversification of the Group's business.

The agreement was signed in the presence of Urszula Doroszevska, Ambassador of the Republic of Poland to the Republic of Lithuania and representatives of the Polish-Lithuanian Chamber of Commerce which is committed to developing a positive climate for Polish-Lithuanian economic ventures and dynamic trade between the countries.

‘By developing tailor-made solutions for the Nordic-Baltic natural gas market, GET Baltic always strives to apply best European practices. And the most effective way to do this is to exchange experience between experts in the field. By signing the agreement with IRGiT we seek to leverage their experience accumulated throughout the years of clearing and financially settling exchange transactions in Poland. Together with IRGiT, we are planning to upgrade the current collateral management and settlement system of the GET Baltic's gas exchange. The upgraded system will set new rules for participants as well as higher standards for GET Baltic, and will bring our regional natural gas market closer to the developed ones. Moreover, the new model will increase the attractiveness of the regional market by facilitating its development and trading. It will be implemented in 2020’ - said GET Baltic's CEO Giedrė Kurmė.

¹ **Towarowa Giełda Energii S.A. (TGE)** it is the Nominated Electricity Market Operator (NEMO) for the Polish pricing area and the only licensed commodity exchange in Poland, holding a licence to operate a regulated market since March 2015. On 15 November 2017, TGE started operating as a full-rights PCR coordinating exchange and operator on the European MRC market. TGE is included on the ACER's list of platforms for reporting transaction information according to REMIT requirements. TGE guarantees the reliability and security of trading on all markets it operates. Since March 2012, TGE has been a member of the Warsaw Stock Exchange Group.

The objective of the cooperation is to create an optimal collateral and clearing model as well as a risk management system for spot and forward gas markets operated by GET Baltic. GET Baltic administrate natural gas exchange for regional trading in the market areas located in Lithuania, Latvia, Estonia and from 1 January 2020 in Finland. One rulebook for trading and settlement are used for all 4 counties, therefore the new collateral and clearing model will bring European standards, reduce needed capital to trade, adds up to the higher trading efficiency and liquidity in the whole Baltic and Finnish region.

In the first stage of the project, the partners plan to jointly develop a clearing concept taking into account the specificity of the Baltic-Finnish Gas Exchange, including an efficient model for determining margins and effective procedures for closing positions and handling the insolvency of defaulting Members. Further stages are expected to focus on the implementation of an automated IT system for risk management and streamlining and automating the clearing model.

-'We are delighted to have established cooperation with GET Baltic. We believe that the project will bring real benefits not only to IRGiT and GET Baltic, but also to the entire gas market in the Baltic Region as the level of security of exchange trading will increase. This is due to the fact that an exchange market which provides a guarantee of the delivery of goods and payments, which offers appropriate risk management and default management mechanisms is a safe and attractive market for its participants. In the 10 years of its operation, IRGiT has developed sophisticated risk management models and clearing mechanisms taking into account especially the expectations of market participants, but also supervisory guidelines as well as European standards applicable to clearing houses. Thanks to this experience, our team has unique competences that we will use during the project implementation.' - said Łukasz Goliszewski, Vice-President of the Management Board of IRGiT.

The integration of gas markets in the Baltic region is a process aimed at connecting gas markets into homogeneous balancing zones. It takes place at many levels – infrastructural, regulatory and business. Poland, with its central location will establish, in the near future, a physical connection to Denmark and Sweden via the Baltic Pipe, and to Lithuania, Latvia, Estonia and Finland via the GIPL. This will create new opportunities for the development of cross-border trade and the creation of a liquid regional gas market. The "Gas Hub" project, which in the Strategy for Responsible Growth has been described as "(...) a gas transmission and trading centre for the countries of Central and Eastern Europe and the Baltic States", fits perfectly into all integration activities.

TGE, which has approached the partners from the Baltic States with a cooperation initiative is starting to get involved in the process of gas market integration. The first effect of the actions taken by TGE is the signing of a cooperation agreement between the Lithuanian exchange GET Baltic and the Polish commodity clearing house IRGiT controlled by TGE.

-'The integration of gas markets is gaining momentum, and TGE does not want to and cannot stand by at such an important moment. The ongoing changes create great opportunities for the development of new business initiatives, and we want to take advantage of this opportunity. I am convinced that the cooperation between IRGiT and GET Baltic will open up new doors for us and bring measurable benefits for the entire Group' - said Piotr Zawistowski, President of the Management Board of TGE and Chairman of the Supervisory Board of IRGiT.

IRGiT (Izba Rozliczeniowa Giełd Towarowych S.A.) is a clearing house licensed by the Polish Financial Supervision Authority and operating on the Polish market for electricity, gas, property rights and CO₂ Emission Allowances, responsible for clearing, settlement and securing of all transactions concluded on Towarowa Giełda Energii S.A. IRGiT is a part of the TGE Group and is a member of the EACH association – the European Association of CCP Clearing Houses as well as the Association of Futures Markets. In 2018, the total volume of transactions registered by IRGiT for clearing amounted to 446 TWh of electricity, 286 TWh of gas and 52 TWh of property rights. The total value of the collaterals contributed to IRGiT at the end of August 2019 amounted to over PLN 7.2 billion.

GET Baltic established in 2012 in Lithuania is a part of energy transmission and exchange state-owned group of companies – EPSO-G. The organization is run by experts in energy trading, commodity markets, IT projects management, EU regulation, international business development, risk management and other relevant business fields. GET Baltic operates as a licensed natural gas market operator with the status of Registered Reporting Mechanism provided by ACER. The Company administrates the electronic trading system for trading spot and forward natural gas products with physical delivery in the market areas located in Lithuania, Latvia, Estonia and from 1st January 2020 Finland. The development of tailor-made solutions for natural gas trading is intended to contribute to increased liquidity, competitiveness and transparency of wholesale gas markets in Finland and the Baltic States.

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