

Subject to analysis and endorsement in the BoD meeting dated 23.03.2021 and approval in the O.G.M.S. meeting dated 28.04.2021
Maintenance Development Unit
Investment Management Department
No.9345/16.03.2021

ENDORSED

The Board of Directors

Pursuant to Decision no. 5 dated
23.03.2021

Chairman of the Board of Directors
GHEORGHE Cristian - Florin

SUBSTANTIATION NOTE

for the approval, by the Ordinary General Meeting of Shareholders,
of the Investments Programme for 2021 (containing also the estimates for the years 2022 - 2023)

The Investments Programme for the year 2021 and the estimates for the years 2022 - 2023 is an Annex to the Revenues and Expenditure Budget of 2021 and of the estimates for the years 2022 and 2023, investment spending and financing sources representing elements presented in the budget.

The prices for oil transport charged by the company, approved by NAMR include a modernization quota intended to finance the investment objectives included in the programs of rehabilitation, modernization and development, agreed with the National Agency for Mineral Resources as per "Oil agreement for concession of the operating activity of the national transport system of crude oil, gas, condensate and ethane, including major pipelines and installations, equipments and annexed endowments".

For the substantiation of the investment program 2021-2023 were analyzed the achievements estimated at December 31st, 2020, namely the physical state and the value of the ongoing investments, in order to determine the remaining budgeted expenses in the period prior to completion as well as the new investment proposals developed by entities within CONPET. Inclusion in the investment program of the new objectives was made only for proposals that were based on substantiation notes.

The estimated value of the investments for the period 2021-2023, determined by further investments, under different stages (feasibility studies, design, planning and execution, execution), of the values estimated for new investments and of the transport program is of 330 million RON.



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In terms of operations, the proposed investment works should aim to provide transport oil in the established parameters - volume, pressure, compliance with technological admitted losses as well as choosing the solutions that allow intelligent pigging, in pipelines replacement, which will ensure operational safety of the major pipelines of crude oil transport, eliminating risk factors.

To ensure optimal conditions for transport of crude oil and avoid the risk of further damage with serious environmental consequences, replacing or restoring crossings shall be necessary.

The new investments objectives, which will start in 2021, representative technically and value are presented as follows:

- Replacement of the connection lines Danube crossing C1-C2 and C3-C4 Borcea Arm
- Intelligent pigging, detection of pipelines Ø12" and Ø14 Cartojani - Ploiești condition
- Replacement of pipeline section Constanța – Midia Ø24", the area of Năvodari, approx. 1100m
- Installation of outdoor shelters in 11 locations
- Expanding Cyber + Telecom telecommunications locations for SCADA system and weighing system
- Modernization of the temperature measurement system and level of crude oil in the tanks in Videle, Otești, Țicleni and Poiana Lacului stations
- Registry and document management software

One of the main investment's goals with major impact on the environment included in the 2021-2023 draft program is the replacement works of replacing the connection pipes overcrossing the Danube, namely wires C1 and C2, C3 and Borcea Arm C3 and C4 wires.

The current state of the under crossings is a major risk for the environment, for the petrochemical industry and national economy.

By replacing the pipes in the afore-mentioned crossings, the following objectives will be achieved:

- ensure the functioning of the transport pipeline, on the section in question, in safe conditions and designed parameters;
- eliminating the serious risk of oil pollution, which would have a major environmental impact on the environment;
- safety in exploitation;
- reducing maintenance costs;
- increase of the operational life;
- ensure optimal oil transport conditions at the designed parameters;
- positive impact on the natural and human factors in these areas.

For the period 2021 - 2023, Conpet ahs planned to complete the most important investment objective of this period, namely the replacement of connecting wires on imported crude oil transport pipelines of 20" and 28", between stations C1-C2 and C3-C4 including the crossing of the Danube River and the Borcea Arm by horizontally directed drilling.

In a global context marked by climate change, global warming, increase of pollution level, and also by the concerns of institutions to combat the effects of these phenomena, the achievement of this investment objective will help improve the quality of the environment factors by ensuring the functionality of the crude oil transport pipelines in safety conditions and avoid the potential damage that may occur for technical accidents.

As mentioned above, the value of the ongoing investment objectives, included in the draft of the Investment Program 2021 and estimates for the years 2022 - 2023, was based on information on the physical status and their value on 31.12.2020.

Also, because of some unforeseen circumstances that may occur in the field, throughout the works, eg. additional works or waiver at work, which could lead to changes (additions/decreases) of the budgeted values.

The works from the investment program for the period 2021-2023 are presented in the structure, according to stage, as follows:

The value of expenses with the investment objectives proposed in the Multiannual Investment Programme is as follows:

- Year 2021 – 96,000 thousand RON
- Year 2022 – 117,078 thousand RON
- Year 2023 – 117,273 thousand RON

The investment programme proposed for 2021 has a total value of 96,000 thousand RON, out of which, on financing sources:

- Modernization quota - 69,000 thousand RON
- Own sources - 27,000 thousand RON

INVESTMENTS PROGRAM 2021

CRT.no.	Name of the Objective	Program 2021		
		Total, out of which:	Modernization quota	Own sources
	Total investments, o/w:	96,000	69,000	27,000
I	PUBLIC DOMAIN	69,000	69,000	0
1	Pipelines rehabilitation, out of which:	21,946	21,946	0
1.1	Pipeline replacement	21,636	21,636	0
1.2	Safe disposals	310	310	0
2	Line replacement C1-C2 Danube overcrossing and C3-C4 Borcea Arm	15,000	15,000	0

3	Modernization and monitoring of the cathodic protection system related to the NTS domestic and import - stage 2	4,500	4,500	
4	Modernization of the monitoring and transmission system data related to cathode protection stations mounted on the Țicleni – Ploiești F1 and F2 transport pipelines	0	0	
5	Technical support and consultancy	25	25	
6	Tanks	7,695	7,695	0
7	Energy works	249	249	0
8	Telecommunication works	2,244	2,244	0
9	Pumping systems upgrade	1,525	1,525	0
10	Stations/ramp upgrade	6,742	6,742	0
11	Buildings, station fences	957	957	0
12	Automation and SCADA works	7,071	7,071	0
13	Other works	362	362	0
14	Projects, Studies, Technical Appraisals	684	684	0
II	OPERATING DOMAIN	27,000	0	27,000
	Investment objectives, o/w:	18,549	0	18,549
1	Pipelines rehabilitation	2,815	0	2,815
2	Buildings, station fences	3,120	0	3,120
3	LDH and wagons	4,271	0	4,271
4	Other works	4,094	0	4,094
5	Intangible investments	4,249		4,249
	Independent facilities and equipment	8,451		8,451

The most important investment projects for the National Transport System, contained in the program 2021-2023, are:

I. PUBLIC DOMAIN

I.1. PIPELINES REHABILITATION

The necessity and opportunity have been established following the intelligent pigging inline inspections, the breakdowns history and the soil resistivity measures. The measures required by the environmental and water management authorities, comprised in the compliance programs, represented one of the determining reasons for making the decision to carry out various works on pipelines rehabilitation.

At substantiation there have been considered the projects execution stages, namely the contracting of the design services and subsequently the contracting of the execution works.

Following the internal analyses performed it was realized a prioritisation of the works according to the breakdown - related risk estimated for each pipeline.

I.1.1 Pipelines replacement - out of which, the most important are:



- Replacement of the Ø10¾" F2 crude oil pipeline Siliște-Ploiești, in the Brazi Stadium – inside Petrobrazi Refinery area Prahova County, on a length of approximately 117 0m and replacement of cleaning plant;
- Replacement of a pipeline section, about 3400 m in length, Ø10¾" in diameter, from the pipeline Ø10¾" Icoana – Cartojani necessary to be replaced, which has as starting point the entry to the forest from park 4 Roata ending to the exit part of forest park 4 Roata;
- Replacement of a pipeline section. 3500 m in length, with diameters Ø12 ¾" and Ø14 ¾" Cartojani - Ploiești in the water tributary to Neajlov river and Saint Gheorghe forest".

I.1.2. Safe disposals - o/w:

- Safe disposal of the F1 and F2 10 ¾" Siliștea-Ploiești crude oil pipelines and the decommissioning of the old - inactive pipes in the Comișani-Bucșani area, at the undercrossing of the Ialomîța River;
- Solution study and design for the safe disposal of the 12" and 14" Cartojani-Ploiești pipelines at the overpassing of Cricovul Dulce river.

I.2. LINE REPLACEMENT C1-C2 DANUBE OVERCROSSING AND C3-C4 BORCEA

Feasibility study completed. Design and execution contract in progress.

I.3. MODERNIZATION AND MONITORING OF THE CATHODIC PROTECTION SYSTEM RELATED TO THE NATIONAL TRANSPORT SYSTEM IMPORT AND DOMESTIC - stage 2

Design and execution project in progress for a number of 30 locations.

I.4. MODERNIZATION OF THE MONITORING AND TRANSMISSION SYSTEM DATA RELATED TO THE CATHODE PROTECTION STATIONS MOUNTED ON THE F1 AND F2 ȚICLENII - PLOIEȘTI TRANSPORT PIPELINES

I.5. TECHNICAL SUPPORT AND CONSULTANCY

I.6. TANKS – out of which, the most important are:

- Crude oil tank with a capacity of 2,500 cubic meters in Poiana Lacului station
- Crude oil tank with a capacity of 2,500 cubic meters in Orlești station
- Condensation tank of 500 mc capacity from Barbătești station
- Crude oil tank with a capacity of 2,500 cubic meters in Biled station

I.7. ENERGY WORKS – out of which, the most important is:

- Power converter 6/0.5kV – 1000 KVA Bărbătești

I.8. TELECOMMUNICATION WORKS – out of which, the most important are

- Expanding Cyber + Telecom telecommunications locations for SCADA system and weighing system

- Installation of outdoor shelters in 11 locations

I.9. PUMPING SYSTEMS UPGRADE – out of which, the most important is:

- Modernization of pumping station Potlogi
- Modernization of pumping station Ochiuri

I.10. RAMPS MODERNIZATION – out of which, the most important are:

- Modernization of Ciresu ramp
- Modernization of Berca Ramp
- Modernization of Imeci ramp
- Modernization of Marghita ramp

I.11. BUILDINGS, STATION FENCING – out of which, the most important are:

- Rehabilitation of the building related to connections 6kV, electrical distributors 6/0,4 kv A+B Central Dispatch, electrical distributors CDE, Călăreți station
- Modernization of locomotive parking shed Biled Ramp

I.12. SCADA and AUTOMATION works - out of which, the most important are:

- Optimizing the SCADA system and hardware and software upgrade for the Remote Transmission Unit (RTU)
- Geographical patrimonial inventory system
- Modernization of the temperature measurement system and level of crude oil in the tanks in Videle, Otești, Țicleni and Poiana Lacului stations

I.13. OTHER INVESTMENT OBJECTIVES – out of which, the most important are:

- Rehabilitation of the access road - Bărbătești warehouse

I.14. PROJECTS, STUDIES, TECHNICAL APPRAISALS

II. OPERATOR FIELD

II.1. PIPELINES REHABILITATION – out of which, the most important are:

- Replacement of the crude oil transport Ø8", NEW, Vega-Brazi Refinery, in the area Petrobrazi Refinery - keyboard SKIDs, Prahova County, on a length of approx. 800 m and replacement of the cleaning installation.
- Safe disposal of the overcrossing of the crude oil transport 12 3/4" și 14 3/4" Cartojani-Brazi Refinery of the river Arges, Găiseni area, Giurgiu County.

II.2. BUILDINGS, STATION FENCING – out of which, the most important are:

- Modernization of Conpet SA headquarters building located in Ploiesti, 7 Independentei Avenue.
- Dispatch building, Biled ramp



II.3. LDH AND WAGONS

- LDH 700 HP transformation
- RG LDH
- RR LDH
- Electric power supply LEA loading post, Biled ramp

II.4. OTHER WORKS - of which the most important:

- Railway scale Marghita
- Video conference system software upgrade
- Power addition headquarters building located in 7 Independentei Avenue
- Modernization of Integrated Information System
- Registry and document management application

II.5. INDEPENDENT EQUIPMENT AND ENDOWMENTS - of which the most important:

- Crane lorry 45 tons
- Double terrain utility vehicle wheel-drive 4x4
- Pipe material transport semitrailer
- Lifting installations
- Computing technique – laptop and desktop systems.

Considering the above-mentioned, we recommend for the approval of the General Meeting of the Shareholders the Investments Program for 2021 (containing also the estimates of the Investment expenses for 2022 and 2023), having the form and contents provided in Appendixes 1-3 to the Substantiation Note herein.

Director General
Eng. TUDORA Dorin
S.s Illegible

Economic Director,
Econ. TOADER Sanda
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Head of Maintenance Development Unit
Eng. BUZATU Dan
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Head of Investment Management Office
Eng. VOINEA Ingrid
S.s Illegible

Head of Legal Department
Legal Adviser Legal expert BĂNICĂ Cornel
S.s Illegible



Subject to analysis and endorsement in the BIA meeting dated _____ and approval in the O G M S meeting dated _____

CONPET S.A. Ploiești

Annex 1

2021 -2023 INVESTMENTS PROGRAM

Crt. no.	Name of the Objective	Estimated objective value	achieved at 31.12.2020 for the prior contracted objective	Program 2021				Program quarter I	Program quarter II	Program quarter III	Program quarter IV	Estimated 2022				Estimated 2023			
				Km	total, out of which:	Modernization quota	Own sources					Km	total, out of which:	modernization quota	own sources	Km	total, out of which:	modernization quota	own sources
	Total general, o/w:	535,326	73,827	10	96,000	69,000	27,000	15,361	21,419	24,661	34,559	13	117,078	94,854	22,224	14	117,273	96,745	20,528
I	PUBLIC DOMAIN	448,396	64,301	10	69,000	69,000	0	10,383	18,121	12,750	27,786	13	94,854	94,854	0	14	96,745	96,745	0
1	Pipelines rehabilitation, out of which:	188,511	36,166	10	21,946	21,946	0	3,926	9,155	5,950	2,915	11	15,315	15,315	0	12	18,649	18,649	0
1.1	Pipeline replacement	187,701	36,166	10	21,636	21,636	0	3,926	9,105	5,800	2,805	11	15,315	15,315	0	12	18,555	18,555	0
1.2	Safe disposals	810	0	0	310	310	0	0	50	150	110	0	0	0	0	0	94	94	0
2	Line replacement C1-C2 Danube overcrossing and C3-C4 Borcea Arm	115,459	459	0	15,000	15,000	0	0	0	1,000	14,000	2	50,000	50,000	0	2	50,000	50,000	0
3	Modernization and monitoring of the cathodic protection system related to the NTS domestic and import - stage 2	7,680	1,180		4,500	4,500		900	1,000	1,300	1,300		2,000	2,000			0	0	
4	Modernization of the monitoring and transmission data system related to cathode protection stations mounted on the Ticieni - Ploiești F1 and F2 transport pipelines	2,405			0	0		0	0	0	0		0	0			2,405	2,405	
5	Technical support and consultancy	100			25	25					25		25	25			50	50	
6	Tanks	39,897	13,777		7,695	7,695	0	1,868	2,900	1,150	1,777	0	8,350	8,350	0	0	4,000	4,000	0
7	Energy works	249	0		249	249	0	249	0	0	0	0	0	0	0	0	0	0	0
8	Telecommunication works	11,524	0		2,244	2,244	0	100	224	1,000	920	0	1,140	1,140	0	0	7,940	7,940	0
9	Pumping systems modernization	7,852	284		1,525	1,525	0	200	275	50	1,000	0	3,000	3,000	0	0	3,043	3,043	0
10	Stations/ramp modernization	47,522	11,273		6,742	6,742	0	2,340	2,025	1,550	827	0	5,800	5,800	0	0	5,921	5,921	0
11	Buildings, station fences	1,508	91		957	957	0	200	297	380	80	0	400	400	0	0	60	60	0
12	Automation and SCADA works	23,196	624		7,071	7,071	0	396	1,683	195	4,797	0	8,724	8,724	0	0	3,777	3,777	0
13	Other works	1,213	51		362	362	0	0	362	0	0	0	0	0	0	0	800	800	0
14	Projects, studies, technical Analyses	1,280	396		684	684	0	184	200	175	125	0	100	100	0	0	100	100	0
II	OPERATING DOMAIN	86,929	9,526	0	27,000	0	27,000	4,998	3,298	11,911	6,793	0	22,224	0	22,224	0	20,528	0	20,528
	INVESTMENT OBJECTIVES, o/w:	68,578	9,526	0	18,549	0	18,549	2,538	2,442	7,586	6,003	0	17,324	0	17,324	0	15,528	0	15,528
1	Pipelines rehabilitation	9,669	1,435	0	2,815	0	2,815	250	515	1,000	1,050	0	1,744	0	1,744	0	0	0	0

INVESTMENTS PROGRAM 2021 -2023

Subject to analysis and endorsement in the BoA meeting dated _____ and approval in the O G M S meeting dated _____

Crt. no.	Name of the Objective	Estimated objective value	achieved at 31.12.2020 for the prior contracted objective	Program 2021				Program quarter I	Program quarter II	Program quarter III	Program quarter IV	Estimated 2022				Estimated 2023			
				Km	total, out of which:	Modernization quota	Own sources					Km	total, out of which:	modernization quota	own sources	Km	total, out of which:	modernization quota	own sources
2	Buildings, station fences	12,964	4,346	3,120	0	3,120	2,055	427	200	438	0	612	0	612	0	910	0	910	
3	LDH and wagons	25,917	3,746	4,271	0	4,271	78	914	3,189	90	0	7,900	0	7,900	0	10,000	0	10,000	
4	Other works	14,780	0	4,094	0	4,094	150	535	2,984	425	0	6,568	0	6,568	0	4,118	0	4,118	
5	Intangible investments	5,249		4,249		4,249	5	51	193	4,000		500		500		500		500	
	Independent facilities and equipment	18,351		8,451		8,451	2,460	856	4,345	790		4,900		4,900		5,000		5,000	

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