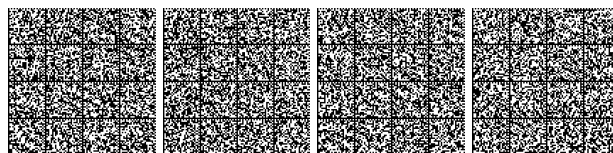


AGREEMENT
BETWEEN THE GOVERNMENT OF THE ITALIAN REPUBLIC
AND THE
GOVERNMENT OF THE TUNISIAN REPUBLIC
ON THE DEVELOPMENT OF AN ELECTRICAL TRANSMISSION INFRASTRUCTURE
AIMED AT MAXIMIZING ENERGY EXCHANGES BETWEEN EUROPE AND NORTH
AFRICA

The Government of the Italian Republic and the Government of the Tunisian Republic (hereinafter referred to as the "**Parties**")

Taking into consideration:

- a. the Energy Cooperation Protocol between the two Governments signed in Rome on July 16, 2003, having as its purpose the strengthening of energy exchanges between the two Countries;
- b. the Joint Declaration between the Ministry of Economic Development of the Italian Republic and the Ministry of Industry, Energy and Small and Medium Enterprises of the Tunisian Republic, signed in Rome on March 8, 2007, concerning the establishment of a joint working group to examine the pre-feasibility of the power plant project of El Haouaria and the interconnection between the Italian and Tunisian power grids;
- c. the Joint Declaration between the Ministry of Economic Development of the Italian Republic and the Ministry of Industry, Energy and Small and Medium Enterprises of the Tunisian Republic signed in Tunis on June 29, 2007 on the project of interconnection of the Italian and Tunisian electrical systems;
- d. the Memorandum of Understanding signed in Tunis on June 29, 2007 between TERNA - Rete Elettrica Nazionale S.p.A. (TERNA) and Société Tunisienne de l'Electricité et du Gaz (STEG) for the *establishment of a joint venture having the objectives to realize the ELMED project, an integrated project including a production pole in Tunisia addressed to the domestic market and to the Italian market*, and a direct current submarine cable connecting the Tunisian and Italian electrical grids;
- e. the Joint Declaration between the Ministry of Economic Development of the Italian Republic and the Ministry of Industry, Energy and Small and Medium Enterprises of the Tunisian Republic, signed in Tunis on August 7, 2008 on the electricity interconnection project between Italy and Tunisia;
- f. the Partnership Agreement of March 2009 between TERNA, as the Italian Transmission System Operator ("TSO"), and STEG, as the Tunisian Transmission System Operator, which *inter alia* provided for the establishment of ELMED Etudes S.a.r.l., a limited liability company under joint control having as main purpose to assist the Tunisian Ministry of Industry, Energy and Small and Medium Enterprises in carrying out the preliminary activities

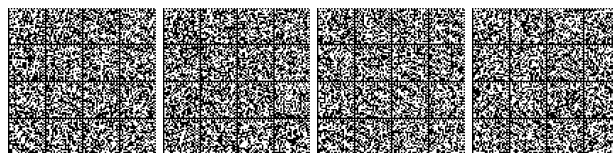


for the construction and operation of the HVDC submarine cable connecting the Tunisian and Italian electrical grids;

- g. the Joint Decision of the European Parliament and the European Union Council No. 684/2017/UE setting up an information exchange mechanism with regard to intergovernmental agreements between Member States and third countries in the field of energy, which repealed the previous Joint Decision of the European Parliament and the European Union Council No. 994/2012/EU;
- h. the European Union law on public procurement, especially Directives 2014/23/UE, 2014/24/UE, 2014/25/UE, and the Italian Legislative Decree no. 50 of 18 April 2016 as amended by Legislative Decree no. 56 of 19 April 2017,

Whereas:

- i. the rapidly evolving energy scenario has provided for a new rationale for the development of an electrical transmission infrastructure aimed at maximizing energy exchanges between Europe and North Africa. In particular, a new project, named "Italy-Tunisia interconnection" (the "New Project"), has been developed by Terna and STEG (hereinafter referred to as the "Co-Promoters") in accordance with the new energy scenarios, as mentioned in *letter k*. This New Project consists of a 600 MW 400 kV HVDC subsea cable line between Tunisia and Sicily which will enable Italy/Europe and Tunisia to exchange electricity in the medium-term and the long term and will allow Tunisia to export also to North Africa Countries electricity produced by renewable energy sources in the longer-run;
- j. the New Project has received institutional endorsement by the Governments of Italy, Tunisia, and by the European Commission (see letter o) and p) and by Malta (letter dated October 6th 2015 of the Minister for Energy and Health of Malta to the Vice President of the Energy Union and the Commissioner for Climate Action and Energy and the Minister of Economic Development of the Italian Republic) Germany (letter dated January 6th 2017 of the Secretary of State of the Federal Ministry for Economic Affairs and Energy, to the Director General for Energy of the European Commission), given its benefits in terms of market integration, security of supply, sustainability and development of North African Solar Plans;
- k. the New Project, on the one hand, has been included by the Tunisian Government, as a priority national project, in the National Development Plan for the 2016/2020 period and, on the other hand, by the Italian TSO in the Italian Transmission Network Development Plan;
- l. the *Cost Benefit Analysis*, reported in the Ten-Year Network Development Plan (TYNDP) 2016 of ENTSO-E (European Network of Transmission System Operators for Electricity), highlights that the "Italy-Tunisia interconnection" returns very positive results in all dimensions and in all different mid-term and long-term scenarios, providing significant economic benefits for Italy, Tunisia and other EU Member States. Therefore, the New Project has been included by ENTSO-E in the list of Projects of Pan-European interest within the TYNDP 2016;
- m. the New Project will contribute to reduce present and future limitations to the power exchanges on the northern Italian border with France, Switzerland, Austria and Slovenia, and



it will allow to significantly increase the transmission capacity and its exploitation, under specific conditions, by at least 500 MW on that boundary;

- n. the New Project has been included in the 2017 3rd list of Project of Common Interest - PCI - (EU Rég. 347/13), and therefore it can benefit from the Connecting Europe Facility (CEF) for the 2018-2019 period;
- o. on April 30, 2015 the Italian Minister of Economic Development and the Tunisian Minister of Industry, Mines and Energy addressed a letter to the Vice President of the European Commission and High Representative of the Union for Foreign Affairs and Security Policy, to the Vice President of the European Commission for Energy Union and to the European Commissioners for Neighbouring Policy and Enlargement Negotiations and for EU Climate Actions and Energy Policies recognizing the importance of the "Italy-Tunisia Interconnection" and the need of the EU financial support;
- p. on October 21, 2015 the reply letter of the EU Commission's Vice Presidents and the Commissioners addressed to the Italian and Tunisian Ministers recognized the relevance of the project in the context of the EU strategy and envisaged various options for the EU financial support to the New Project;
- q. on June 15, 2016 the Global Infrastructure Facility (GIF) of the World Bank addressed a letter to the Co-Promoters to confirm that project preparation support to the Italy-Tunisia Interconnector project is being actively considered by the management Unit of GIF;
- r. on February 9, 2017 the Italian and Tunisian Governments signed a Memorandum of Understanding on Development Cooperation for the 2017-2020 period, providing the Tunisian Government with resources for several development projects among which the Italian Agency for International Cooperation and Development allocated a 5 million Euro grant to finance the studies complementary to those financed by the GIF (as mentioned in letter q);
- s. The realization of the infrastructure by the Co-Promoters remains subject to the granting by the European Commission of substantial financial resources necessary to make the project viable, in compliance with the relevant laws and regulations, (hereinafter the "**Financial Condition**");

have agreed as follows:

Basic provisions

Article 1

1. The Parties, having considered the activities carried out by the Co-Promoters, also through their joint controlled company ELMED Etudes S.a.r.l., for the development of the New Project acknowledge the following:

- a) the Italy-Tunisia Interconnection is a strategic project under the objective of a Euro Mediterranean Electricity Grid, connecting the North-African countries among them and with Europe;



b) the Italy-Tunisia Interconnection will realize a bridge between Europe and North Africa of major importance under the objective of a Euro-Mediterranean interconnected system, to achieve the integration of the markets, to reduce balancing problems, to improve the security of supply and sustainability, to exchange energy in the medium term and to allow Tunisia to export also to North-African Countries electricity produced by renewable energy sources in the long run;

c) the Co-Promoters intend to develop and carry out the construction and operation of the "Italy-Tunisia Interconnection" in compliance with the Italian and Tunisian laws and regulations which provide for all the requirements necessary for being considered as part of the National Transmission Networks by the respective National Competent Authorities;

d) the Co-Promoters intend to implement their network development plans, comprising, where necessary, the associated network infrastructures and the new interconnecting lines reinforcing the border with neighbouring countries, which implies the operation and full utilization of the Italy-Tunisia Interconnection;

e) TERNÀ intends to implement the construction of the new electrical interconnection between Italy and Tunisia, as part of the Italian Transmission Network and as laid down in the Network Development Plan of TERNÀ;

f) STEG intends to implement the construction of a new electrical interconnection between Italy and Tunisia, as part of the Tunisian Transmission Network and as laid down in the Network Development Plan of STEG;

g) the Co-Promoters intend to share any grant assigned to the "New Project" on an equal basis;

h) where necessary, the Co-Promoters intend to amend the provisions of any previous arrangement between them that are not compliant with this Agreement and the New Project.

Article 2

1. Based on the above information, the Parties, in accordance with the applicable laws and regulations, will provide institutional support to the Co-Promoters for the timely authorisations, development, construction and operation of the new electrical interconnection between Italy and Tunisia.

2. The Parties will support the Co-Promoters for the continued inclusion of the "New Project" in the list of Project of Common Interest (PCI) according to EU Reg. 347/13.

3. The Parties acknowledge that the implementation of the Network Development Plans mentioned in art. 1 letter d) shall aim at guaranteeing the optimal utilization of the "Italy-Tunisia Interconnection" for electricity exchange between Italy and Tunisia, as well as between Italy and other EU Member States and adequate benefits for the Tunisian and Italian systems on the long-term horizon.

4. The Parties acknowledge the Italy-Tunisia Interconnection being considered as part of the National Transmission Networks by the respective national Competent Authorities and consequently:

a) the transmission capacity made available by the New Project, on the border between Italy and Tunisia, and the relevant congestion revenues shall be split between the Co-Promoters on the



basis of their respective investment costs to be devoted to realize the "New Project" on a 50 % - 50% basic principle;

b) the transmission capacity of the "New Project" shall be offered to the market on the basis of non-discriminatory market-based rules, based on provisions that are to be defined by the Competent National Authorities.

Financing

Article 3

1. The Parties recognize the "New Project" as a public line, that as such shall be realized by the Co-Promoters, and that its realisation remain subject to the Financial Condition stated under *letter s)* of the preamble of this Agreement.

2. To this aim, the Parties shall encourage an institutional dialogue between the European Commission and their respective National Competent Authorities.

Monitoring Committee

Article 4

1. The Parties shall establish a Monitoring Committee composed by six members in total, three members appointed respectively, as for the Italian Party, by the Ministry of Economic Development and, as for the Tunisian Party, by the Ministry of Industry and Small and Medium Enterprises, with the aim to promote all necessary measures to achieve the goals of this Agreement, monitor and evaluate the implementation of the "New Project". The Monitoring Committee will be assisted as operational Secretariat by ELMED Etudes S.a.r.l.. The Monitoring Committee will present a comprehensive work plan for approval to the Italian Ministry of Economic Development and the Tunisian Ministry of Industry and Small and Medium Enterprises, within two months from the entry into force of this Agreement. One representative of each Co-Promoter shall be invited to participate in the Monitoring Committee. The Monitoring Committee will be summoned every six months, also by video conference, in order to check the work plan implementation and, in case of any delay, to promote the corrective measures as appropriate.

Dispute Resolution

Article 5

1. Any dispute arising out of the interpretation and/or application of this Agreement shall be settled by means of direct consultations and negotiations between the Parties through diplomatic channels.

Entry into Force

Article 6

1. This Agreement shall enter into force on the date of the receipt of the last written notification whereby the Parties inform each other through diplomatic channels that their respective national legal conditions for its entry into force have been fulfilled.



2. This Agreement shall remain into force for four (4) years (the "Term"), unless one of the Parties notifies the other Party in writing through diplomatic channels its intention to terminate this Agreement at least six (6) months before expiration of the Term. In that case the Agreement shall cease to be effective after six (6) months from the date of the receipt of the termination note.

3. The termination of this Agreement shall not affect the projects or any other activity and/or cooperation already completed, initiated or in progress which have not been completed before the due date.

4. The Parties may amend or supplement this Agreement upon mutual written consent. The agreed amendments and supplements shall enter into force in accordance with the same procedure set in paragraph 1 of this Article.

5. This Agreement will be implemented in conformity with the national legislation of each Party and, as for the Italian Party, the obligations arising from its membership of the European Union.

6. Given that this Agreement concerns an electrical infrastructure, it will be promptly transmitted to the European Commission after its adoption.

7. This Agreement will be amended in case of occurring amendments to the legislation of the European Union and to the EU Directives concerning electrical transmission infrastructure.

Done in Tunis on 30th April 2019 into two originals in the English language, both texts being equally authentic.

For the Government of the Italian
Republic

For the Government of the Tunisian
Republic

LUIGI DI MAIO

SLIM FERIANI

Minister of Economic Development, Labour
and Social Policies

Minister of Industry and Small and Medium
Enterprises

