

14 October 2022

Auction of Lease Rights and Personal Servitude in regards of the Real Estate located in the Freeport of Riga Territory in Spilve

A summary of the clarifying questions of the interested parties and the answers provided by the Authority.

- 1. Question: Should solar energy production be considered a commercial activity related to port functions?**

Answer: According to the Freeport of Riga Authority's "Methodology of the Real Estate Lease and Granting the Right of Superficies" (https://rop.lv/sites/default/files/2022-09/Attachment_VL_51_Nekustama_ipasuma_nomas_metodika.pdf), renewable energy production (including solar energy production) is considered to be a commercial activity related to port functions (see Clause 3.1.11 of the Methodology).

- 2. Question: How is it possible to certify the experience required by Clause 6.2 of the Regulations of the Auction of Lease Rights and Personal Servitude in regards of the Real Estate located in the Freeport of Riga Territory in Spilve (further on - Regulations)?**

Answer: In accordance with Clause 7.3 of the Regulations, the documents proving compliance with the requirement of Clause 6.2 of the Regulations (customer reviews (or copies thereof) or other documents certifying experience (copies of the certificate of acceptance into service, copies of documents certifying the transaction or other documents certifying experience issued in accordance with the laws and regulations of the applicant's home country, if the works were performed in a foreign country) should be provided. It is also possible to submit certified copies or extracts of contracts, reference and/or acceptance certificates, as well as other documents, their copies or extracts certifying the Applicant's compliance with the requirements of Clause 6.2.

- 3. Question: Does the Authority need only 5% of the generated electricity or could it be more?**

Answer: In accordance with Clause 5.5 of the Regulations, annual Item rent (rental fee) shall consist of (1) the Item rent part in EUR and (2) the produced electricity part, expressed as a percentage of the electricity produced at the Item.

In accordance with Clause 8.2 of the Regulations, the initial amount of the generated electricity component of the annual Item rent shall be 5%. Within the framework of the Auction, in compliance with the Auction Procedure, the auction shall be carried out in accordance with the step specified in Clause 9 of the Regulations for this component of the Item rent.

Consequently, the mentioned 5% of the produced electricity is the component of the produced electricity part of the initial Item rent, but not the planned consumption of the Authority. The Authority shall procure the electricity necessary for its needs in accordance with the Public Service Providers' Procurement Law.

- 4. Question: From when, is the solar park developer obliged to pay the rental fee and**

the personal servitude rent fee - after signing the land lease agreement, or after commissioning of the object?

Answer: In accordance with the Regulations, two types of agreements shall be concluded with the winner of the auction (draft agreements are attached to the auction documents): (1) personal servitude agreements for each plot of land subject to the personal servitude and (2) the land lease agreement for the land plots included into the Item.

The procedure for the payment of the land rent fee is defined in each of the agreements. In accordance with the procedure provided for in the agreements, on the day of entry into force (signing) of the land lease agreement, the land plots with the Transfer and acceptance act shall be transferred to the lessee and from this moment the calculation of the rental fee payable by the lessee shall be started (see Clauses 6, 7 and 15 of the draft agreements). The Lessee shall start to pay the part of the rent payment that is a component of the part of the produced electricity from the moment when the production of electricity is started at the leased Item.

In accordance with the Freeport of Riga Authority's "Methodology of the Real Estate Lease and Granting the Right of Superficies" (https://rop.lv/sites/default/files/2022-09/Attachment_VL_51_Nekustama_ipasuma_nomas_metodika.pdf), the procedure laid down in Clause 33 of the "Methodology of the Real Estate Lease and Granting the Right of Superficies" shall be applied to the land rental fee.

5. Question: Is the rent constant for the whole period of the land lease?

Answer: The land rental fee shall be determined according to the highest auction bid for the EUR component of the Item rent and is fixed in the land lease agreement. During the term of the land lease agreement, the rent payment may be changed in accordance with the procedure laid down in the agreement.

6. Question: What other payments are due for leased land plots?

Answer: In addition to the rent, the lessee shall also pay value added tax and real estate tax on the leased land. With regard to the lease of personal servitude, in addition to the bid rent the rent payment shall also include a payment of 5% of the cadastral value of the leased servitude, which, according to Section 4, Paragraph five of the Freeport of Riga Law, shall be a compensation to the landowner.

7. Question: Can the Applicant plan the connection to the transmission network for the production and provision of electricity by choosing an alternative connection point to the high-voltage cable line?

Answer: The Applicant is entitled to offer an alternative connection point to the LN219 high-voltage cable line on Krievu Island of the Freeport of Riga specified in the Regulations, upon receipt of the relevant terms and conditions from AS "Augstsprieguma tīkls", however, the construction of the 110kV substation shall be implemented in accordance with the requirements of Clause 5.7.4 of the Regulations and in compliance with the development area of the High Voltage Substation and Medium Voltage Substation in Spilve territory, defined in the Regulations.

Question: When starting operation in the territory of the Freeport of Riga, does the Applicant have the right to operate under the regime of a special economic zone?

Answer:

A concluded land lease agreement by itself provides the right to carry out commercial activities in the Freeport of Riga under the free zone regime. According to Section 10 (1) and (3) of the Freeport of Riga Law, commercial activities in the Freeport of Riga may be carried out by capital companies registered in the Republic of Latvia, which have concluded an agreement on licensed commercial activities in the Freeport of Riga and have received permission from the port authority to carry out such activities. Merchants who do not have the status of a licensed capital company may carry out commercial activities in the territory of the Freeport without the relief granted to licensed capital companies and subject to the control of the Port Authority within its competence.

In order to conclude an agreement on licensed commercial activities under the free zone regime, a capital company shall comply with the provisions of Section 12, Paragraph one of the Freeport of Riga Law. In addition, we would like to inform you that licensed capital companies may not carry out commercial activities outside the Freeport territory, except in the cases provided for in Section 12, Paragraph three of the Freeport of Riga Law.