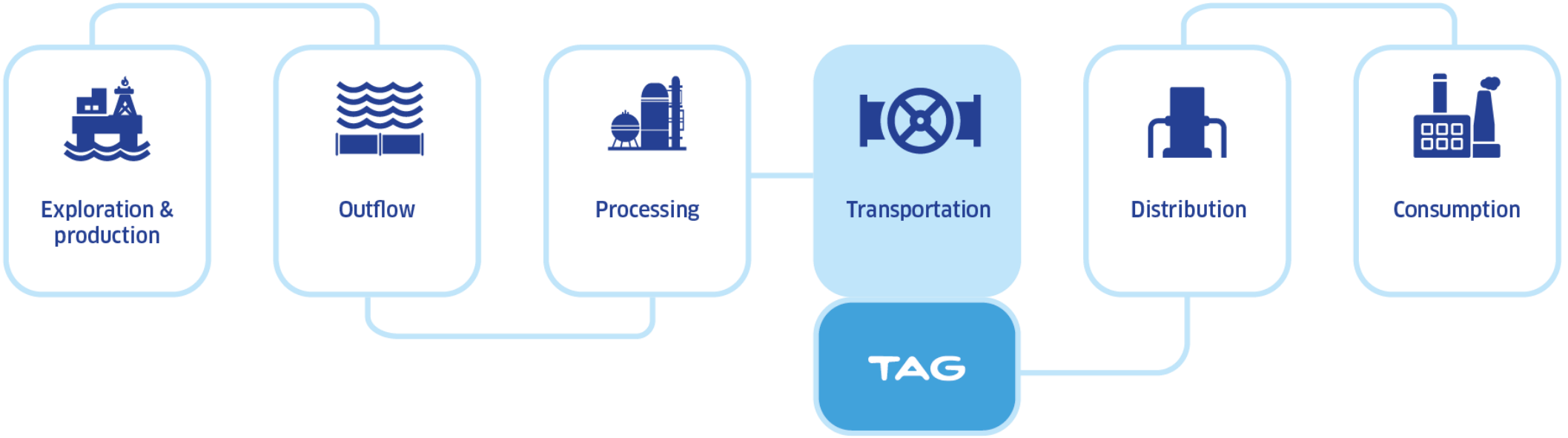
INSIDE TAG

Gas Infrastructure



Where is TAG in the gas chain?

NATURAL GAS CHAIN



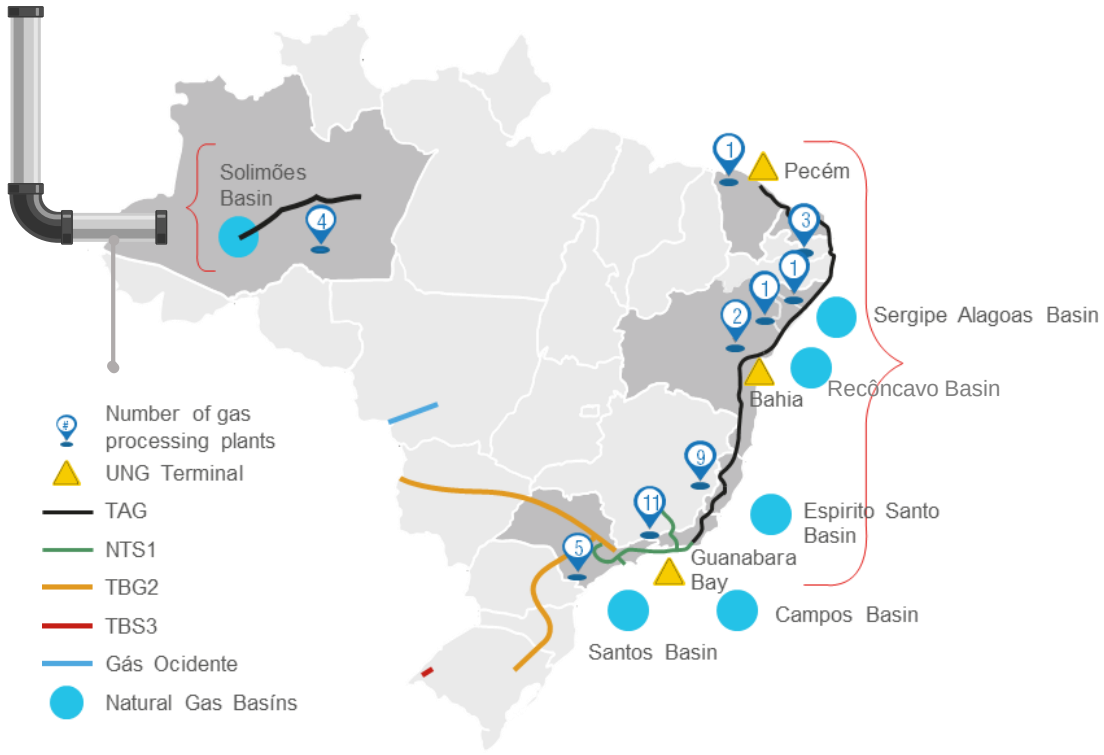
Mission

Transport energy safely, integrating the natural gas market for sustainable development of the society.

Vision

Be the protagonist of the natural gas market transformation, connecting energy to life.

Main characteristics of the assets



(1) Nova Transportadora do Sudeste
(2) Transportadora Brasileira Gasoduto Bolívia-Brasil
(3) Transportadora Sulbrasileira de Gás

The largest Brazilian gas transportation company in terms of length

~4,500 km of gas pipelines

3,700 km on the Northeast coast

800 km in the Amazon Region

11 Compression Stations

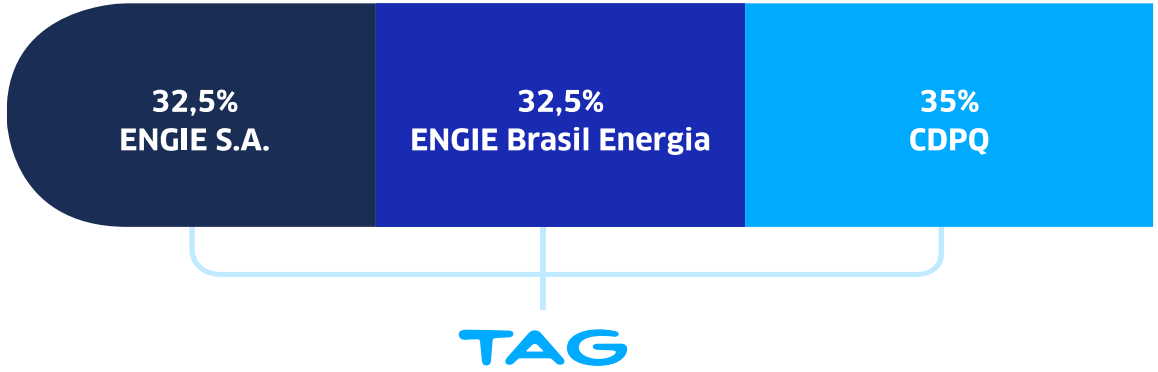
(6 owned and 5 subcontracted)

Network with multiple **connection points:**

- 10 gas distributors
- 91 delivery points
- Supply to refineries, fertilizer plants and electric power plants
- 12 gas entry points (including 2 LNG terminals already connected + 2 with potential connection)
- Opportunities for connection of new offshore (Pre-Salt + Sergipe Alagoas basin) and onshore fields

Ownership Structure

In July 2020, TAG became the first 100% private gas transportation company in Brazil, after the acquisition of the remaining 10% of Petrobras stake by the current shareholders.

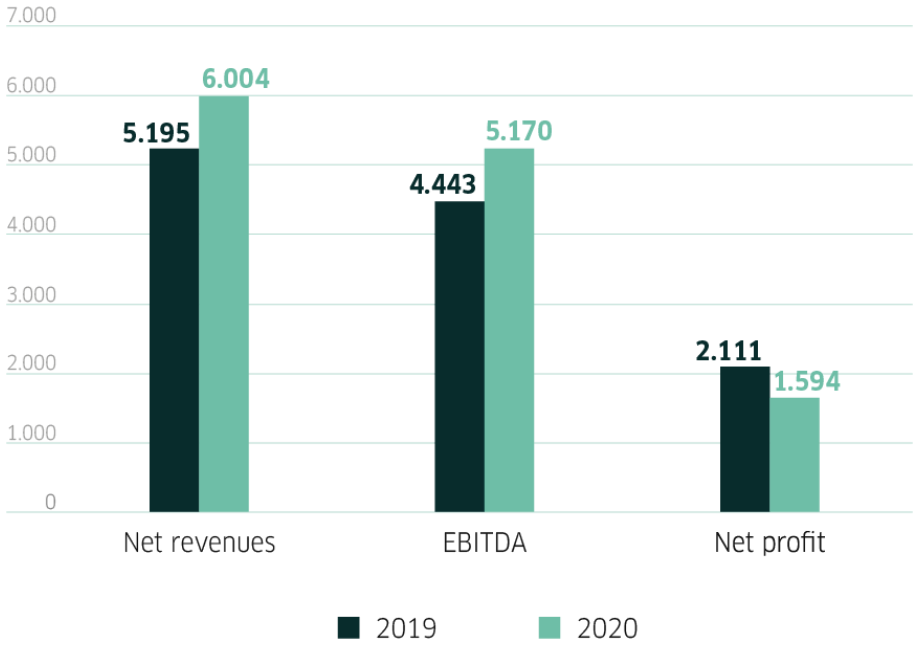


ENGIE – **One of the world's leading energy companies**, operating in 70 countries on 5 continents, focusing on **accelerating the energy transition to a low carbon economy**. The Company has a **prominent position in Europe's gas infrastructure**, through GRTGAZ and GRDF, which **owns a gas network pipelines in France with 32,000 km of transport and 200,000 km of distribution**, respectively. ENGIE Brasil Energia is the largest private power producer in Brazil, with approximately 90% of its generation coming from renewable sources.

CDPQ – Global investment group managing funds for public retirement and insurance plans in the province of Quebec, with approximately CND 365 billion in assets under management on December 31st, 2020. CDPQ is **one of the major global infrastructure investors, with approximately CND 32 billion of investments in this asset class**, in which it has been active over 20 years. With operations in more than 65 countries, the Company **maintains strategic investments in energy sector companies, contributing to the global energy transition**.

Main financial data

Financial Highlights MBRL



OPTIMIZED CAPITAL STRUCTURE

Total assets: 34.3 BBRL (Dec/20)

Equity: 6,9 BBRL (Dec/20)

Net debt: 24,1 BBRL (Dec/20)

Dividend Payout

Dec/2019: 1.200 MBRL

2020: 2.300 MBRL

Non-recourse financing

FINANCING TOTALLY BASED ON CASH FLOW GENERATED BY THE ASSET

- **Largest non-recourse financing in Brazil** (~ USD 6 billion)
- Key to increased **competitiveness in the "bid"**
- Financing in BRL:
  - Debenture issue
  - Financed by 3 local banks
  - Total amortization for a term of 7 years
- Financing in USD:
  - Fully matched with GTA indexed in USD
  - Financed initially by 7 international banks and subsequent syndication including a further 6 financial institutions
  - Amortization with a duration of 8 years

R$ 14 billion

bradesco · Itaú · Banco do Brasil

USD 2.45 billion

Crédit Agricole · Societe Generale · ING · MUFG · BNP Paribas · Mizuho · Santander · CIC · SMBC · Allianz Global Investors · ABN·AMRO · Intesa Sanpaolo

Seine River Funding LLC

Commercial agreements

CURRENT AGREEMENTS - 2020

Contract/ Section	QDC		Share of revenue	Average Transmission	Maximum Transmission Recorded	Date Maximum Recorded	Extension	
	MMm³/dia	%	(%)	(MMm³/dia)	(MMm³/dia)		Km	Maturity
Gasene Sul	20,00	27,2	20,6	7,35	14,46	14-out-2020	1.400	nov/2033
Gasene Norte	10,30	14,0	17,2	8,75	15,22	20-out-2020		
Malha Nordeste	21,58	29,3	22,3	16,2	23,71	22-jan-2020	2.000	dez/2025
Pilar-Ipojuca	15,00	20,4	5,8	4,81	7,81	21-fev-2020	200	nov/2031
Urucu-Manaus	6,70	9,1	33,9	5,09	5,64	14-fev-2020	800	nov/2030
Lagoa Parda-Vitória	In negociation						100	
Total	**73,58**	**100**	**100**	**42,20**	**66,84**	-	**4.500**	-

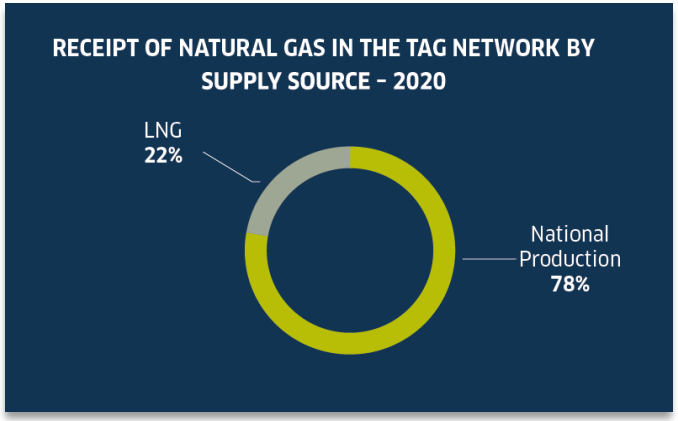
After the maturity of the existing agreements:

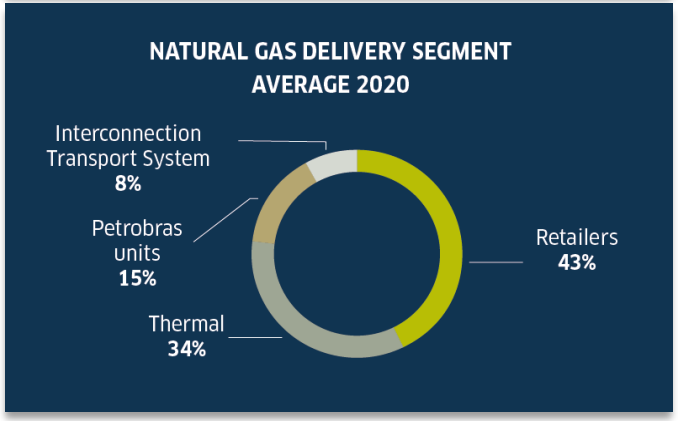
- New tariffs will be proposed by TAG and approved by the ANP, based on a maximum allowed revenue
- Start of five-year tariff review cycle
- Public offer of transmission capacity

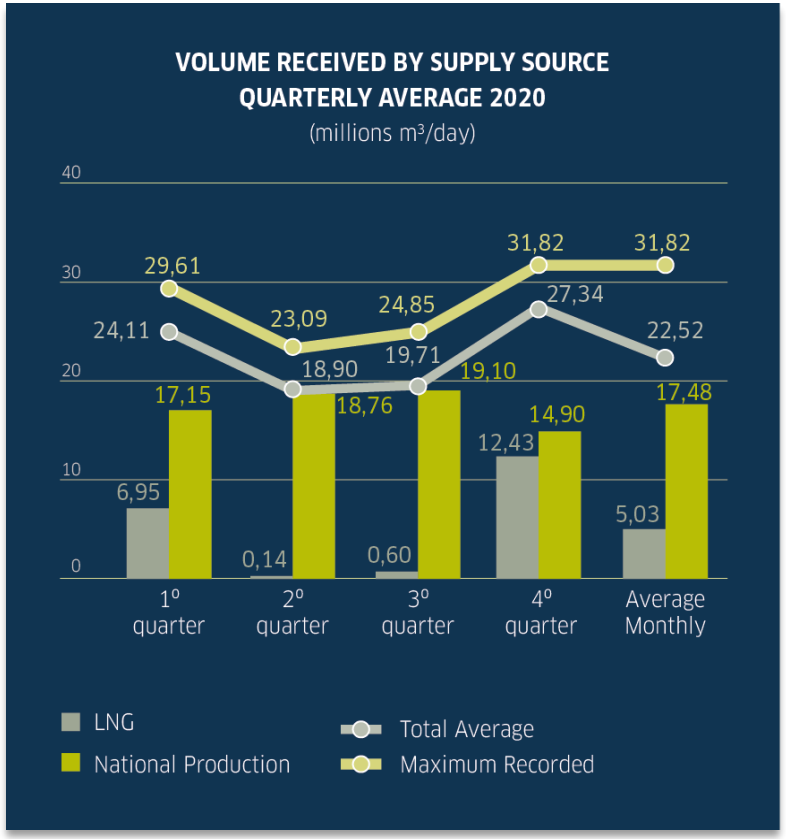
HIGHLIGHTS

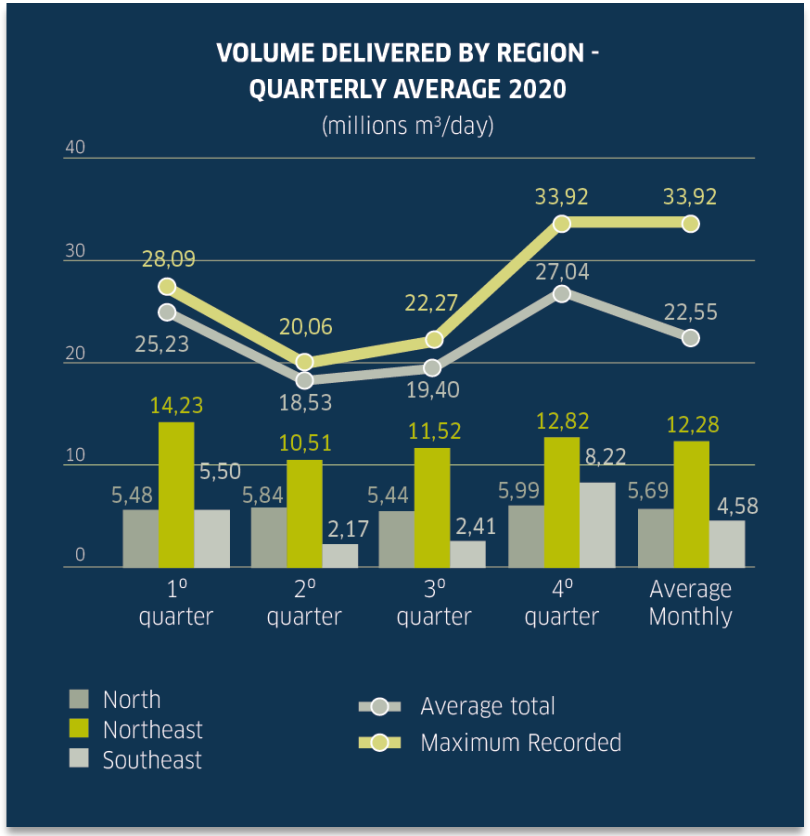
- Revenue based on availability of the network for meeting agents' requirements (Medium /long-term tariffs agreed on Gas Transmission Agreements - GTAs with Ship-or-Pay clauses).
- Agreements annually indexed by Brazilian inflation and BRL/USD exchange rate (~65% IGP-M, ~16% IPCA and 19% FX)
- High level of contractual use of the network even in a year affected by the pandemic.
- Bi-directional gas pipelines allow the supply of the Southeast Region from TAG Network.
- Thermal dispatch can represent up to 50% of the gas transported.
- Infrastructure with capacity to meet the Daily and Intra-daily variations in the market (24 x 7 regime)
- Interruptible GTAs signed in 2021 with the Unigel group totaling 2.3 MMm3/d contracted.

Volume transported in TAG´s network in 2020





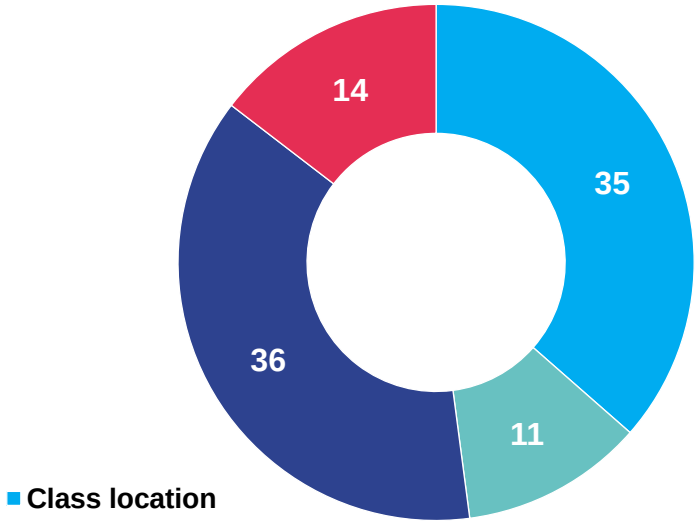




Investment Plan (CAPEX)

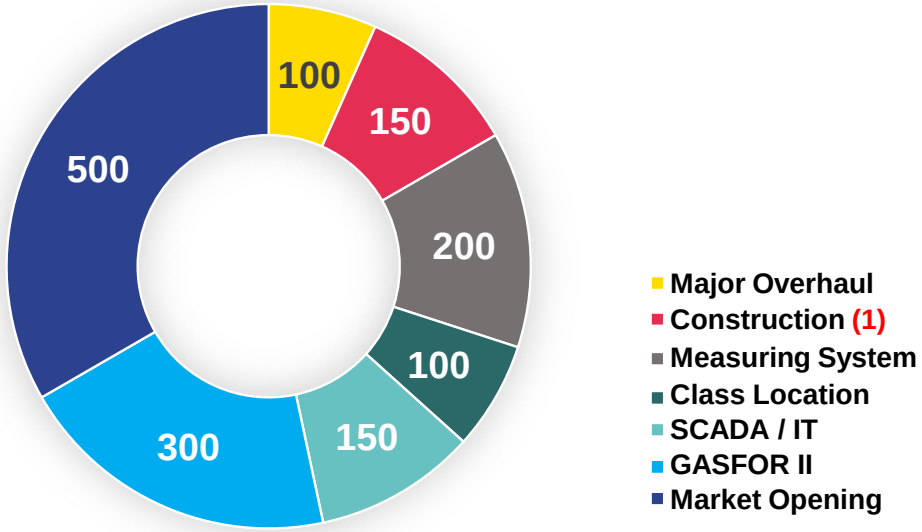
As Petrobras constrained some investments before sale process, TAG has a relevant CAPEX plan for guaranteeing the quality and operational safety of the assets (already expected in TAG acquisition Business Plan)

CAPEX 2020
MBRL 96



Estimated CAPEX*
2021-2025 MBRL 1,500

**** Subject to the Regulatory Validation process***



(1) Chromatography, Delivery & Receiving Points already validated, River Crossing, Lagoa Parda, among others.

TAG | Market efforts and main actions

In March 2021, TAG launched a process to **map agents' demand for access to its transport network**, announcing **new investments throughout its infrastructure**. It's an important step in preparing for an **Incremental Public Call**.



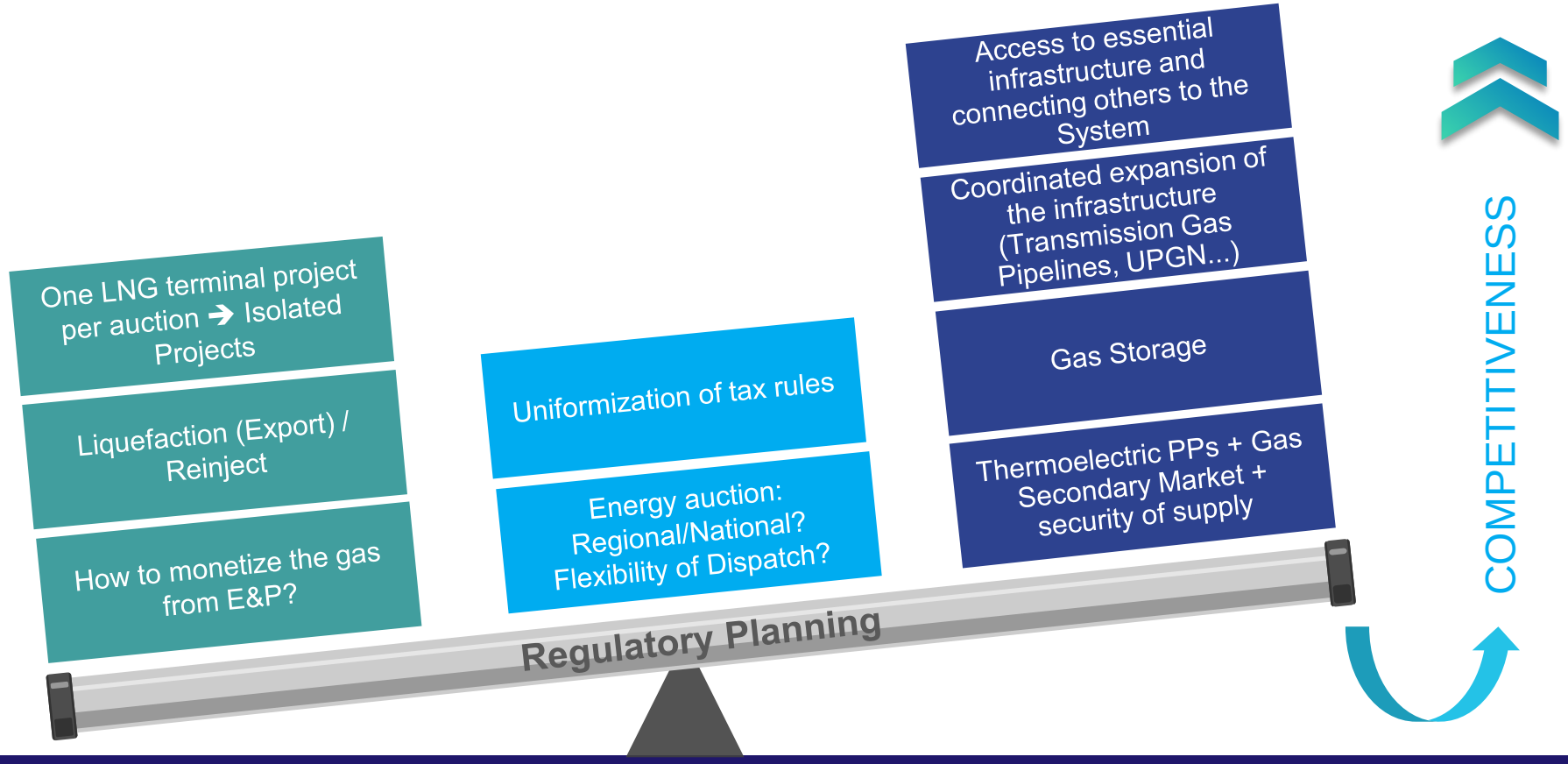


TAG's protagonism with the **signing of the firsts GTAs in Brazil to transport gas with a private gas transportation company** in the entry/exit regime.

Challenges of the New Gas Market

How to build a business model that is Sustainable in the long term and more Competitive?

Verticalized Market » **Integrated Market**



Final remarks / Highlights

- The transmission sector has a fundamental role in the opening of the natural gas market in Brazil.
- Represents the main connection axis of the various sources of supply, which guarantees the possibility of competition in the molecule and reliability of service.
- The integrated development of the network industry (transmission and distribution) promotes the optimization in the use of such infrastructures for agents, assuring a higher competition in the molecule
- The New Gas Bill of Law signed by the president represents the consensus of several sectors after a wide debate promoted in recent years
- The sustainable development of the natural gas market is an important economic signal for attracting new investments in network infrastructure
- Regulatory harmonization between States and the federal government is very important

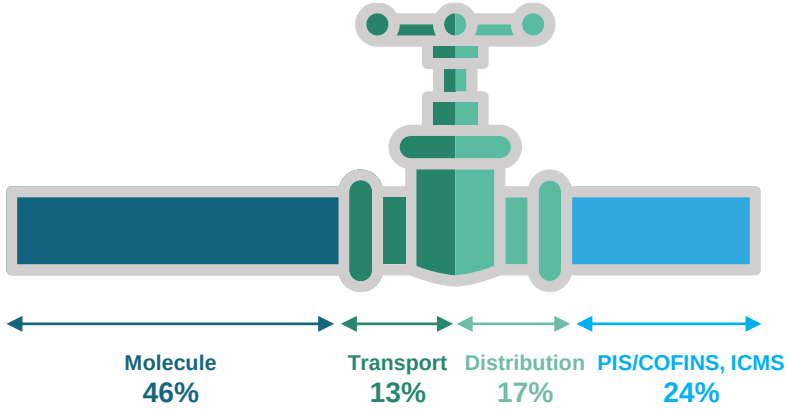


Figure 5. Average price composition to the final consumer (average 2018)
Source: own elaboration based on MME (2029)
Note: average Brazilian distribution margin for consumers in the range of 50 thousand m3/d.