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Geothermal district heating in the city of Kecskemét

MLEI GeoKec – City of Kecskemét (HU)

Contract number: IEE/12/064. SI2.645706

REPORT ON THE CONTRACTS

March 2016



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In 2012 EU-FIRE Ltd concluded a syndicate agreement with the Municipality of Kecskemét City, in which the parties set forth that they shall mutually cooperate in order to implement the geothermal project.

The Municipality of Kecskemét concluded an agreement for carrying out the management of the project with CAM Consulting Szolgáltató Kft. on July 2, 2013.

Thereafter, the Municipality of Kecskemét concluded agreements with 3 companies for carrying out the professional preparation works: Aquasoft EHF (preparation of feasibility study), Stapi ehf (exploratory geological survey, geological analysis and well siting), GEOEKS D.O.O (carrying out water base modelling service).

Termostar Kft. seated in Kecskemét stated in a declaration of intent on 29 April, 2014 that it shall undertake negotiations with the Project Company (Kecskeméti Termálrendszer Kft.) for the purpose of purchasing geothermal heat, based on which the Project Company concluded the professional investment agreement with Mannvit Kft. headquartered in Iceland on October 17, 2014.

After EU-FIRE Ltd concluded an agreement with P&L Kft. on July 1, 2014 on carrying out the procurement process with respect to the EPCM and the development agreement, the EPCM agreement was concluded with Mannvit Kft. on September 7, 2014.

As a result of the Feasibility Study (FS), the Project Company signed the binding financial agreement with Lilly Media Kft. on February 5, 2016.

After the acquisitions were completed with respect to the development, on March 17, 2016. Kecskeméti Termálrendszer Kft. concluded the development agreement with EB Hungary Kft.

Based on the above agreements, the implementation of the geothermal development project became feasible, which is expected to commence by EU-FIRE in the summer of 2016.

During the project, three in-house contracts have been concluded in the following subjects: professional general business consultancy, professional financial consultancy, project consultancy and professional technical activity (Vestra Kft., Kovácsné Dobor Dorina individual entrepreneur and Drem Kft.).

The Municipality of Kecskemét City - EU-FIRE Kft.

Date: 2012.

Subject: Syndicate agreement

Based on Resolution 226/2011 (VI. 30.) KH. passed by the General Assembly of the Municipality of Kecskemét on June 30, 2011 (hereinafter the „Resolution”), the Contracting Parties established an Project Company under the name Kecskeméti Termálrendszer Beruházó, Fejlesztő és Szolgáltató Kft.

It is the duty of the Project Company to prepare the implementation of a „green” geothermal system supplemented with electricity which can be operated on the long run and can satisfy the public and residential heat energy demand at an optimal price level.

The contracting parties set forth that they shall mutually cooperate in assessing award systems and preparing tender submissions in order to implement the Project.

CAM Consulting Szolgáltató Kft. – The Municipality of Kecskemét City

Date: July 2, 2013

Subject: Carrying out project management duties with respect to the IEE-MLEI award

- general project management activity
- maintaining contact with project partners
- maintaining contact with committee (EACI)
- maintaining contact with stakeholders
- preparation of project reports for the European Commission

CAM Consulting Szolgáltató Kft. – The Municipality of Kecskemét City

Date: September 15, 2015

Subject:

This agreement was concluded for a term lasting until March 20, 2016 with the condition that if the project is implemented prior to the termination date, the contractor shall cooperate in the preparation of the closing documentation until the above date, as well as the correction thereof. Early performance is approved in case the entire project is implemented faster than expected.

The Municipality of Kecskemét City - Aquasoft EHF

Date: January 24, 2014

Subject:

Preparation of feasibility study, carrying out services with respect to the IEE-MLEI award containing the below tasks:

A study pertaining to the geothermal system of Kecskemét and the design thereof adequate for licensing shall be prepared.

The study design includes a feasibility study summarizing and presenting the possibilities, which, on the basis of a geological study and results of the water base modelling, explores and analyzes the optimal possibilities of implementing the geothermal heating system. The feasibility study lays down the basis of system design, outlines the implementation of the system, as well as provides the parameters and costs of the implementation and operation of the geothermal system. As an Annex to the feasibility study, a conceptional (study) design has to be prepared for the geological environment and the geothermal heating system adjusted to the results of the completed reservoir modelling.

The Municipality of Kecskemét City - Aquasoft EHF

Date: October 30, 2014

Subject:

The Parties amend the deadline to September 30, 2014 due to objective reasons not attributable to the Contractor, such as delays in exploring the ownership structures, as well as in the negotiations with the public utility providers and relevant authorities, in addition the unexpected occurrence of technical problems.

Stapi ehf – Jarðfræðistofa – The Municipality of Kecskemét City

Date: January 24, 2014

Subject:

- Exploratory geological survey, geological analysis and well siting with respect to the IEE-MLEI award.
- Geothermal well siting; gathering geological and well data, as well as evaluation of expected well parameters, operational data (flow rate, temperature, water content, pressure, etc.) and define best available well sites according to underground and above ground conditions.

The Municipality of Kecskemét City – GEOEKS D.O.O.

Date: January 24, 2014

Subject:

Hydrogeological and water base modelling services with respect to the IEE-MLEI award includes the following:

Geological and geophysical exploration of the site, following stratigraphic and structural mapping of reservoirs, the data base describing the structural and stratigraphic

parameters shall be compiled by the interpretation and integration of data, on the basis of which a theoretical conceptual model of a geological unit can be created.

The numeric model based on the theoretical model shall contain the key hydraulic parameters of the formations. The numeric model facilitates the simulation of water flow in the reservoir, as well as the effect of reinjection on the natural flow pattern. The evaluation of the short and long term effects of planned processes shall be carried out, estimating the habitual pattern of the reservoir during production and reinjection by outlining various scenarios. The effect of reinjection on heat transport shall also be assessed since the reinjection and production wells shall be situated in a way to maximize the effect of increased pressure in the layer but minimize the cooling effect of the reinjection in order to ensure maintainability.

Termostar Kft. - Kecskeméti Termálrendszer Kft.

Date: April 29, 2014

Subject:

Declaration of intent – With respect to the mandatory public service provision in Kecskemét under the relevant legal regulations, Kecskeméti Termostar Kft. providing district heating services states that the company intends to conclude an agreement with Kecskeméti Termálrendszer Kft. on purchasing geothermal energy originating from the development implemented under the EGT financing mechanism „Development of geothermal based district heating systems – the replacement of the up and running fossil fuel based district heating services” award.

EU-FIRE Kft. - P & L Kft.

Date: July 1, 2014

Subject:

The Principal orders and the Contractor undertakes the execution of the procurement procedure with respect to the EPCM and the construction agreement.

Kecskeméti Termálrendszer Kft. – Mannvit Kft.

Date: September 7, 2014

Subject:

Comprehensive EPCM services:

- Preparation
- Design
 - o Designing the well, work area of the drilling, geological plan for drilling
 - o designing the geothermal system

- Technical activity
 - o technical supervision during drilling and construction, as well as acquisition activity

EU-FIRE Kft. – Mannvit Kft.

Date: October 17, 2014

Subject:

EU-FIRE Ltd and Mannvit Kft. agree that for the acquisition of participation in Kecskeméti Termálrendszer Kft. by the investor and the implementation of the project, they shall cooperate closely by taking into account their mutual business interests and the principles of cooperation, according to the key provisions of this agreement and the relevant other documents.

EU-FIRE Kft. – LILLY MEDIA Kft.

Date: February 5, 2016

Subject:

EU-FIRE Kft. and the INVESTOR agree that for the acquisition of majority ownership of the INVESTOR in Kecskeméti Termálrendszer Kft. and the implementation of the project, they shall cooperate closely by taking into account their mutual business interests and the principles of cooperation, according to the key provisions of this Agreement and the relevant other documents.

Kecskeméti Termálrendszer Kft. - EB HUNGARY INVEST Kft.

Date: 2016.03.17

Subject:

The Principal orders and the Contractor undertakes the execution of the comprehensive completion of the execution works set forth, outlined and defined in Annex 1 to this Agreement (hereinafter the „Contractor’s Duties”) according to the detailed technical content set forth in this Agreement and the annexes hereto, the design documentation handed over, as well as in 1st grade quality under technical standards MSZ and MSZ-EN and in accordance with the other relevant legal regulations and binding provisions, ensuring quality adequate for the intended purpose.