

**AGREEMENT
BETWEEN
THE GOVERNMENT OF THE REPUBLIC OF AUSTRIA
AND
THE GOVERNMENT OF THE RUSSIAN FEDERATION
ON COOPERATION IN THE CONSTRUCTION AND OPERATION OF THE
NATURAL GAS PIPELINE ON THE TERRITORY OF THE REPUBLIC OF
AUSTRIA**

The Government of the Republic of Austria and the Government of the Russian Federation, hereinafter referred to as the Parties;

in an effort to further promote the mutually beneficial cooperation in ensuring reliable natural gas supply from the Russian Federation to the Republic of Austria, as well as natural gas transit through other countries;

with an intent to increase energy security of the Russian Federation and the Republic of Austria, as well as other European countries by diversifying the routes of natural gas supply to European markets;

in support of the establishment of a new gas system for the natural gas transit and supply to Europe;

with a view to creating conditions for the planning, construction and operation of the above mentioned pipeline system in accordance with the national legislation of the Parties and international treaties entered into by the Russian Federation and the Republic of Austria;

in consideration of the Agreement on the Promotion and Mutual Protection of Capital Investments entered into by the Republic of Austria and the Union of Soviet Socialist Republics on 8 February 1990 and the Convention between the Government of the Republic of Austria and the Government of the Russian Federation for the avoidance of double taxation with respect to taxes on income and on capital signed on 13 April 2000;

have hereby agreed as follows:

Article 1

The terms used in this Agreement shall have the following meaning:

"South Stream Natural Gas Pipeline System" means a new natural gas pipeline system for the transit and supply of gas from the Russian Federation via the Black Sea, the territory of the Republic of Austria and the territories of other countries;

"Natural Gas Pipeline" means the section of the South Stream Natural Gas Pipeline System on the territory of the Republic of Austria;

"Project" means the planning, construction and operation of the Natural Gas Pipeline;

"Founders" means Open Joint Stock Company "Gazprom", registered in the Russian Federation and OMV Gas & Power GmbH, registered in the Republic of Austria, hereinafter individually referred to as the "Russian Founder" and the "Austrian Founder" respectively;

"Company" means a company set up by the Founders for the planning, financing, construction and operation of the Natural Gas Pipeline which is the owner of the Natural Gas Pipeline;

"Contracts" means contracts concluded with the aim to implement the Project in accordance with the national legislation of the Parties;

"International Treaties" means international treaties entered into by the Russian Federation and the Republic of Austria.

Article 2

The Parties shall support the Founders and the Company in the implementation of the Project, including facilitation of the procedures necessary for its operation and for the issuance of required permissions.

For the purpose of the implementation of the Project the Parties shall, in accordance with their national legislation, apply those regulations that ensure the most favourable conditions on a non-discriminatory basis.

This provision does not apply with regard to benefits provided for by any Convention for the avoidance of double taxation other than the one concluded between the Parties.

Article 3

The Parties shall undertake appropriate efforts to obtain the status of a Trans-European Energy Network Project for the South Stream Natural Gas Pipeline System.

Article 4

For the purpose of the implementation of the Project the Austrian Party shall use its best endeavours to ensure in accordance with its legislation:

- a) that the Company obtains permits, land rights and other proprietary rights required for the construction and operation of the Natural Gas Pipeline;
- b) the unimpeded gas transmission across the territory of the Republic of Austria via the Natural Gas Pipeline and the South Stream Natural Gas Pipeline System in accordance with international obligations.

The Russian Party shall use its best endeavours to secure in accordance with its legislation reliable deliveries of gas from the Russian Federation to the Republic of Austria via the Natural Gas Pipeline through the conclusion of long-term contracts for the transmission of natural gas between the company and the Russian founder or a legal entity designated by the Russian founder.

The Founders or affiliates designated by them shall enter into a separate long term gas sales and purchase agreement for 2 bcm per year on market conditions. The gas volumes shall be delivered to the Austrian Founder or its affiliates at the agreed exit points.

Article 5

The Company shall be the operator of the Natural Gas Pipeline. Setting the tariffs for natural gas transmission via the Natural Gas Pipeline is within the competence of the Company in accordance with the procedures and principles of tariff setting in the Republic of Austria.

The Company shall have the right to market the full capacity of the Natural Gas Pipeline.

Exemption from the rules on third party access to the capacity of the pipeline, tariff regulation, unbundling of transmission systems operators and pipeline ownership will, if required, be provided with regard to the Natural Gas Pipeline in accordance with the Austrian legislation upon request of the Company or Founders in order to ensure the economic viability of the Project by means of entering into the long-term gas transportation contract between the Russian Founder (or a company designated by the Russian Founder) and the Company.

The Austrian Party welcomes the request by the Company or the Founders for the aforementioned exemptions and renders corresponding assistance.

Article 6

The Parties shall entrust relevant state authorities with ensuring, in accordance with national legislation, the most simplified or the most accelerated procedure for crossing the state borders of the Parties for the specialists, materials, construction and assembly machinery and equipment required to perform operations for the Project implementation.

Article 7

For the purpose of enhancing the economic viability of the Project, the Austrian Party shall provide the Company in accordance with the national legislation with the most favourable customs and taxation regime considering inter alia:

exemption from value added tax on import of the equipment and spare parts required for performing the work related to the construction and operation of the Natural Gas Pipeline, given that they are re-exported;
the most possible acceleration of refunding procedures for the value added tax paid for the materials, services and work required for the construction and operation of the Natural Gas Pipeline.

Article 8

Taxation of the Company, Founders and contractors involved in the Project shall be implemented in accordance with the law of the Party's state on the territory of which this business is being conducted.

Taxation of the Company, the Founders and contractors involved in the Project will be based on the principles of non-discrimination, fairness and transparency. With respect to taxation, the Austrian Party shall grant the Company, Founders and contractors involved in the Project the most favourable tax treatment in accordance with the law in the Republic of Austria.

The Republic of Austria shall not initiate any specific legislation, which would negatively affect the Project or the Natural Gas Pipeline during the payback period of the Project.

In case if the changes in the legislation of the Republic of Austria result in increase of tax burden for the Project, including the Company, the Austrian Party shall immediately notify the Russian Party in writing through the diplomatic channel about these changes with a view to minimizing these effects to the extent possible according to this legislation.

For the purposes of this Article "increase of tax burden for the Project" means the imposition (establishment) of new taxes, charges and duties and/or other similar payments and/or increase in tax rates and in the amount of charges and duties and/or other similar payments.

This Article shall only apply to the taxation of activities related to the implementation of the Project.

Article 9

The entities authorized to implement this Agreement are the following:
for the Russian Party - the Ministry of Energy of the Russian Federation;

for the Austrian Party - the Federal Ministry of Economy, Family and Youth of the Republic of Austria.

In the event of a change of the implementing entities, the Parties shall promptly inform each other in writing via diplomatic channels of this change.

Article 10

Any disputes between the Parties with regard to the interpretation and/or application of this Agreement shall be settled through good faith negotiations and consultations between the implementing entities of the Parties in the first place. Any disputes which cannot be settled through good faith negotiations and consultations between the implementing entities of the Parties shall be settled through good faith negotiations and consultations between the Parties.

If a dispute cannot be settled through good faith negotiations and consultations between the Parties within six months from the date of either Party's written request to hold such negotiations and consultations, then either Party shall have the right to submit the dispute for consideration by an arbitration tribunal, unless otherwise agreed by the Parties on the way to resolving the dispute.

The arbitration tribunal shall be constituted for each individual case. Each Party shall appoint one member of the arbitration tribunal. Those two members of the arbitration tribunal shall then jointly select a national of a third state to be the Chairman of the arbitration tribunal. The first two members of the arbitration tribunal shall be appointed within two months, and the Chairman of the arbitration tribunal shall be appointed within three months from the date of either Party's notification of its intent to submit the dispute for consideration by an arbitration tribunal.

In case the terms specified in paragraph 3 of this Article are not observed, either Party shall have the right to appeal to the President of the International Court of Justice with the request to make respective appointments, unless agreed otherwise.

The arbitration tribunal shall reach its decision by a majority of votes. Such decision shall be taken on the basis of international law and shall be final and binding upon the Parties. The Parties shall equally share the costs related to the activities of the arbitration tribunal and of the Chairman of the arbitration tribunal. The arbitration tribunal shall determine its own rules of procedure for all other issues.

This Article shall not apply to disputes concerning matters of taxation, which are covered by the provisions of the Convention between the Government of the Republic of Austria and the Government of the Russian Federation for the avoidance of double taxation with respect to taxes on income and on capital signed on 13 April 2000.

Article 11

This Agreement shall not affect the rights and obligations arising from other International Treaties.

This Agreement shall not affect the obligations of either Party arising from membership to a regional economic integration organization. The invocation of this provision is without prejudice to the question of responsibility for any damages caused by an act or omission based on such an invocation. The responsibility for the damage shall not exceed the amount of the direct investments in the Project that has not been returned through its utilization.

Article 12

The Parties shall not be liable for the obligations of the Company and Founders arising from their participation in the Project.

Article 13

This Agreement shall enter into force on the first day of the month following the receipt by the Parties through diplomatic channels of the last written notification of the completion by the Parties of their respective internal procedures required for its entry into force and shall remain in force for 30 years.

After expiration of the period indicated in paragraph 1 of this Article, the present Agreement shall be automatically extended for subsequent 5-year periods unless one of the Parties notifies the other Party of its intention to terminate the Agreement no later than 9 months before expiration of the relevant period. Such written notification shall be forwarded through diplomatic channels.

The termination of this Agreement shall not affect the rights and obligations of the Founders, their respective successors and the Company provided for by the Contracts concluded by them during the validity of this Agreement.

This Agreement may be amended by written consent of the Parties.

Done in the city of Vienna on 24th April 2010 in two originals each in the German, Russian, and English language, all texts being equally authentic. In case of differences of interpretation the English version shall prevail.

**For the Government of the
Republic of Austria**

Reinhold Mitterlehner m.p.

**For the Government of the
Russian Federation**

Sergei Shmatko m.p.