Energy Policy of the Baltic States

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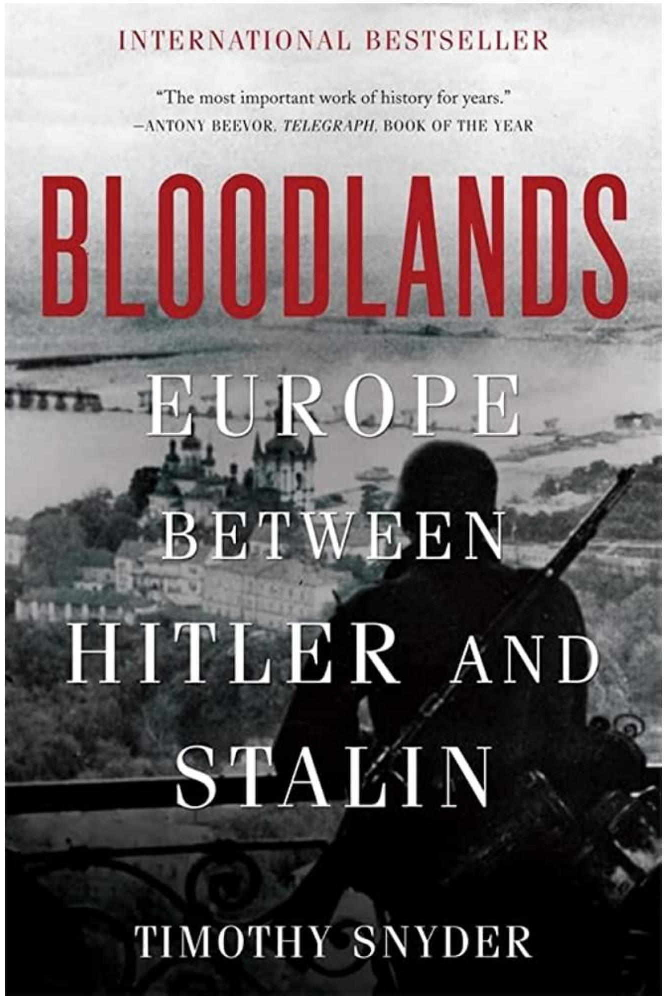
Baltic States

State	% of ethnic Russians			
	1989	2001	2011	2020
Estonia[3]	30.3	28.1	24.8	24.7
Latvia[4]	34.0	-	31.2	24.9
Lithuania[5]	6.31	5.81	5.37	4.5

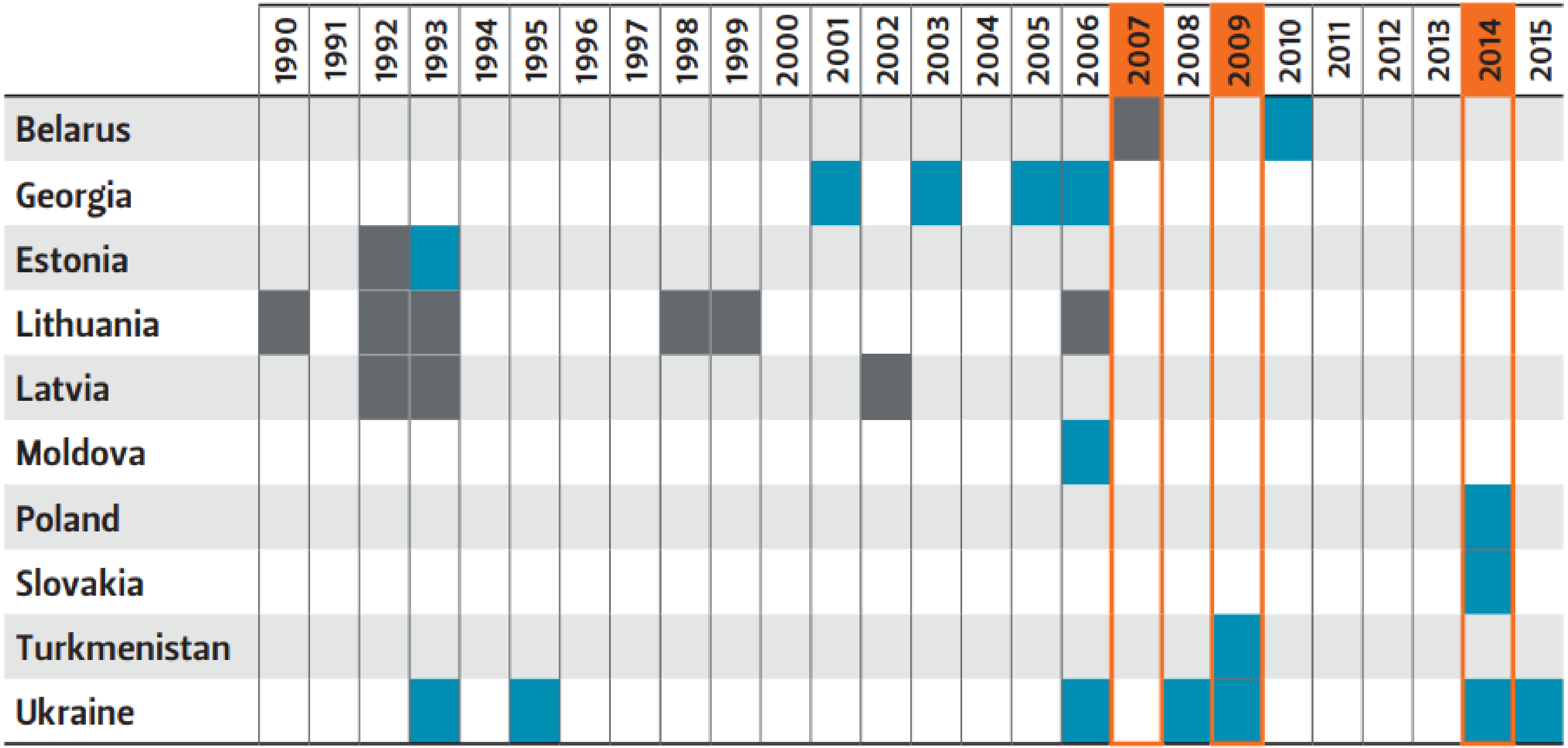
- Strong influence of Russian supplies & infrastructure
- Rapid post-war industrialization, need for fuel imports (O&G)
- Energy self-sufficiency (1990):
  - Estonia – 51 %
  - Latvia – 8 %
  - Lithuania – 25%
- Energy security widely recognized as a part of national security
- Complicated history of relations with Russia
- Former integral part of the USSR, ethnic resettlement
  - Retained a strong spirit of independence and identity regardless
  - Higher living standards compared to the rest of teh USSR
- Heavy Soviet military presence during the CW
- Independence restoration – 1991
- Structural dependence persisted



Baltic States

- Oil and gas supply curtailments (1992, 1993, ...)
- Strategic considerations as a feature in the Baltics´ energy policies – state stakes in key facilities – e.g. Klaipedos Nafta (LIT)
- Energy security was hinged on infrastructural development
- Implementation of the Internal Energy Market rules as crucial but not sufficient condition
- Gazprom as the most impacted entity (similar to other CEE countries)
  - Its behavior (pricing strategy, infrastructural situation) contributed to security concerns
- Strong growth of renewables
  - High potential especially in wind power
- Persisting heavy dependence on fossil fuels (esp. EST) means a lot of work to do given the EU´s decarbonization goals
  - EST initially resisted (along with CZE, HU, and PL) the 2050 goal in 2019

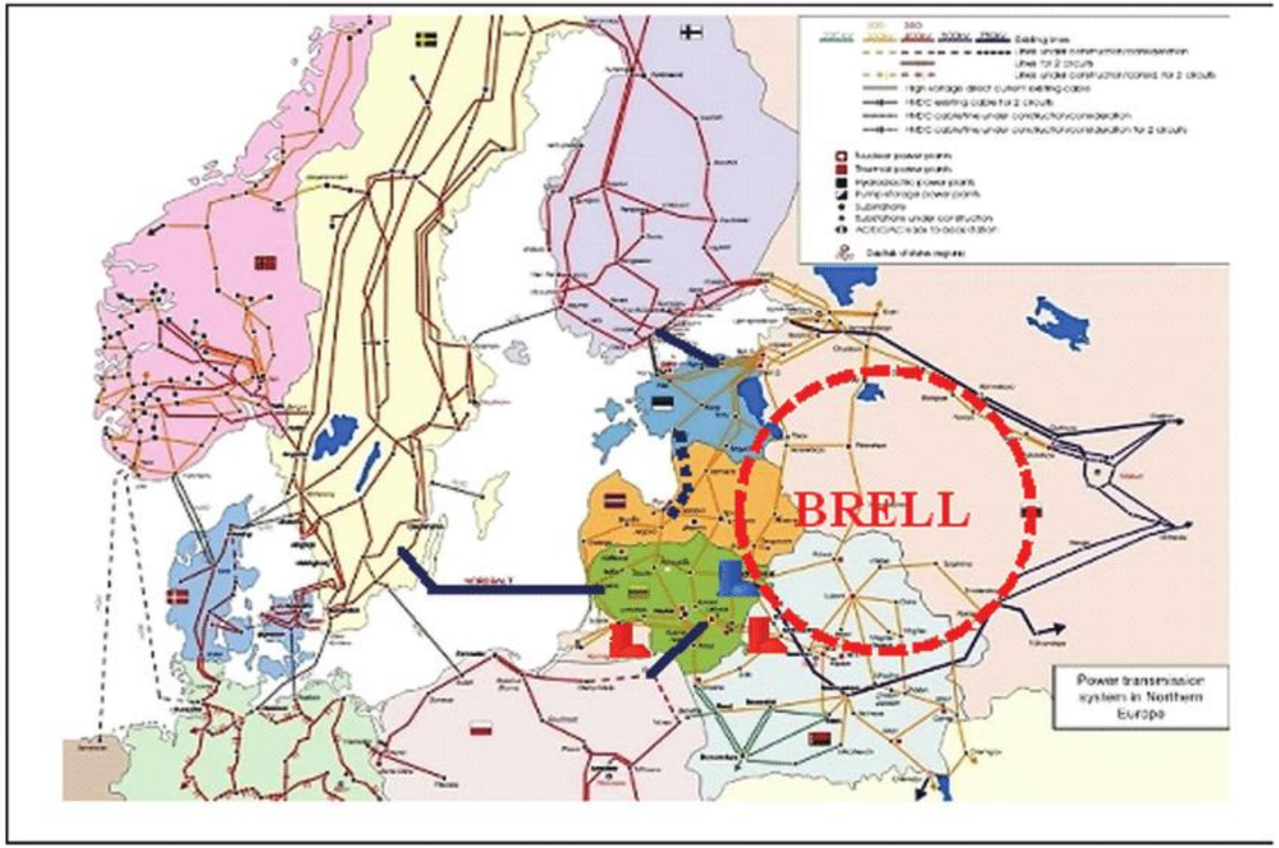
FIGURE 2 — KNOWN OR PROBABLE POLITICALLY DRIVEN ENERGY SUPPLY OR PRICE MANIPULATIONS BY RUSSIA (1990–2015)



Instances involving crude oil are shaded gray; those involving natural gas are shaded blue.
Interruptions that caused systemic effects on oil or gas supplies in Europe occured during the years highlighted in orange.

Baltic States

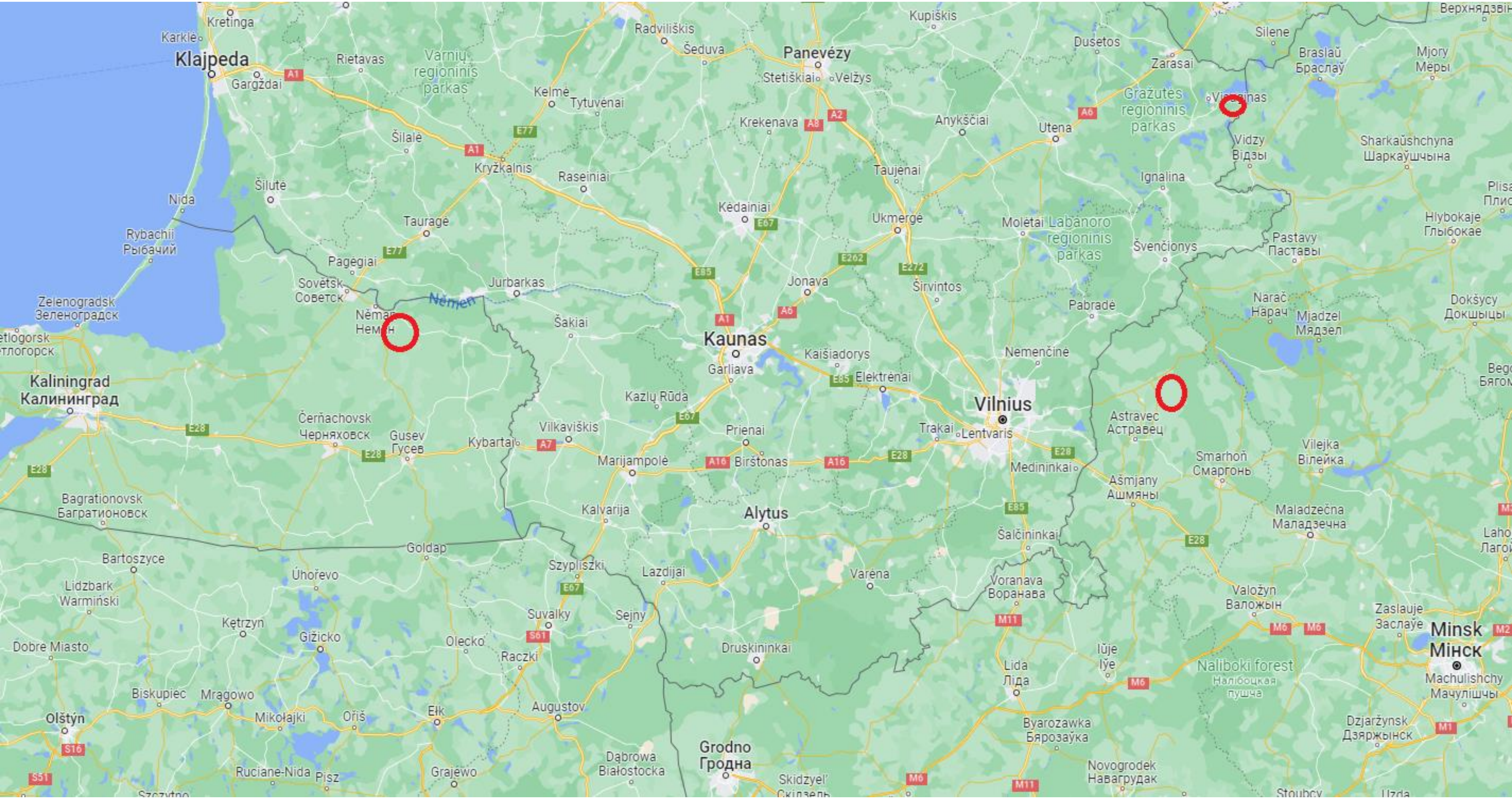
- Complicated relations with Russia
  - -former parts of the Soviet Union
  - -fears of revisionism
  - -EU and NATO membership as game changers
- Nord Stream as an issue
- Energy policy securitized
  - -energy transition as a secondary issue
- Energy island
  - -power grid synchronized with Russia (BRELL)
  - -2025 European grid synchronization
  - -EstLink, EstLink 2, LiPol, NordBalt power lines
  - - Astravets NPP as an incentive to speed up the process



Nuclear Power and related Issues

- The conundrum of Astravets NPP (BEL), Visaginas NPP (LIT), and Neman NPP (RUS)
- Astravets as a safety issue for Lithuania
  - Allegations of safety violations during the construction
  - The NPP is located close to LIT borders (26 km) and the capital city
  - Built by Atomstroyexport (RUS)
  - The only of the three projects, which was built and put into operation (2020)
- Neman NPP as a prop to undermine Visaginas NPP?
  - Meant as a source for exports to the Baltic region
  - The same could be said about the Astravets NPP
  - The potential capacity concentration in the region did not make sense
  - The project at the Ignalina NPP (closed as a part of the EU accession process) site was abandoned after referendum in 2012

The closure of the original Ignalina NPP was the cause of rapid gas demand increase


Klajpeda
Karklė
Kretinga
Gargždai
Rietavas
Varnių regioninis parkas
Radviliškis
Šeduva
Panevėzy
Stetiškiai
Velžys
Kupiškis
Dusetos
Zarasai
Silene
Braslaŭ
Браслаў
Mjory
Мёры
Верхнядзвін
Kelmė
Tytuvėnai
Šilalė
Kryžkalnis
Raseiniai
Krekenava
Anykščiai
Utena
Gražutės regioninis parkas
Vidzy
Відзы
Sharkaŭshchyna
Шаркаўшчына
Ignalina
Taujėnai
Šilutė
Nida
Tauragė
Kėdainiai
Ukmergė
Molėtai
Labanoro regioninis parkas
Švenčionys
Pastavy
Паставы
Hlybokaje
Глыбокае
Rybachii
Рыбачий
Pagėgiai
Sovetsk
Советск
Jurbarkas
Nėmen
Jonava
Širvintos
Pabradė
Narač
Нарач
Mjadzel
Мядзел
Dokšycy
Докшыцы
Zelenogradsk
Зеленоградск
Němaн
Неман
Šakiai
Kaunas
Garliava
Kaišiadorys
Elektrėnai
Nemenčinė
Kaliningrad
Калининград
Kazlų Rūda
Vilnius
Astravec
Астравец
Čerňachovsk
Черняховск
Gusev
Гусев
Kybartai
Vilkaviškis
Prienai
Trakai
Lentvaris
Marijampolė
Birštonas
Medininkai
Smarhoń
Смаргонь
Vilejka
Вілейка
Ašmjany
Ашмяны
Bagrationovsk
Багратионовск
Kalvarija
Alytus
Maladzečna
Маладзечна
Šalčininkai
Goldap
Bartoszyce
Szypliszki
Lazdijai
Varėna
Voranava
Воранава
Úhořevo
Lidzbark Warmiński
Valožyn
Валожын
Zaslaŭje
Заслаўе
Minsk
Мінск
Suvalky
Sejny
Kętrzyn
Gižicko
Olecko
Raczki
Dobre Miasto
Druskininkai
Lida
Ліда
Iŭje
Іўе
Naliboki forest
Machulishchy
Мачулішчы
Biskupiec
Mrągowo
Mikołajki
Ořiš
Ełk
Augustov
Olštýn
Byarozawka
Бярозаўка
Dzjaržynsk
Дзяржынск
Dąbrowa Białostocka
Grodno
Гродна
Novogrodek
Наваградак
Ruciane-Nida
Pisz
Grajewo
Skidzyel'
A1
A2
A6
A7
A8
A16
E28
E67
E77
E85
E262
E272
M6
M11
S16
S51
S61

- https://www.entsog.eu/sites/default/files/2023-01/ENTSOG_GIE_SYSDEV_2021-2022_1600x1200_FULL_240_clean.pdf

- https://ec.europa.eu/energy/infrastructure/transparency_platform/map-viewer/main.html

Baltic States

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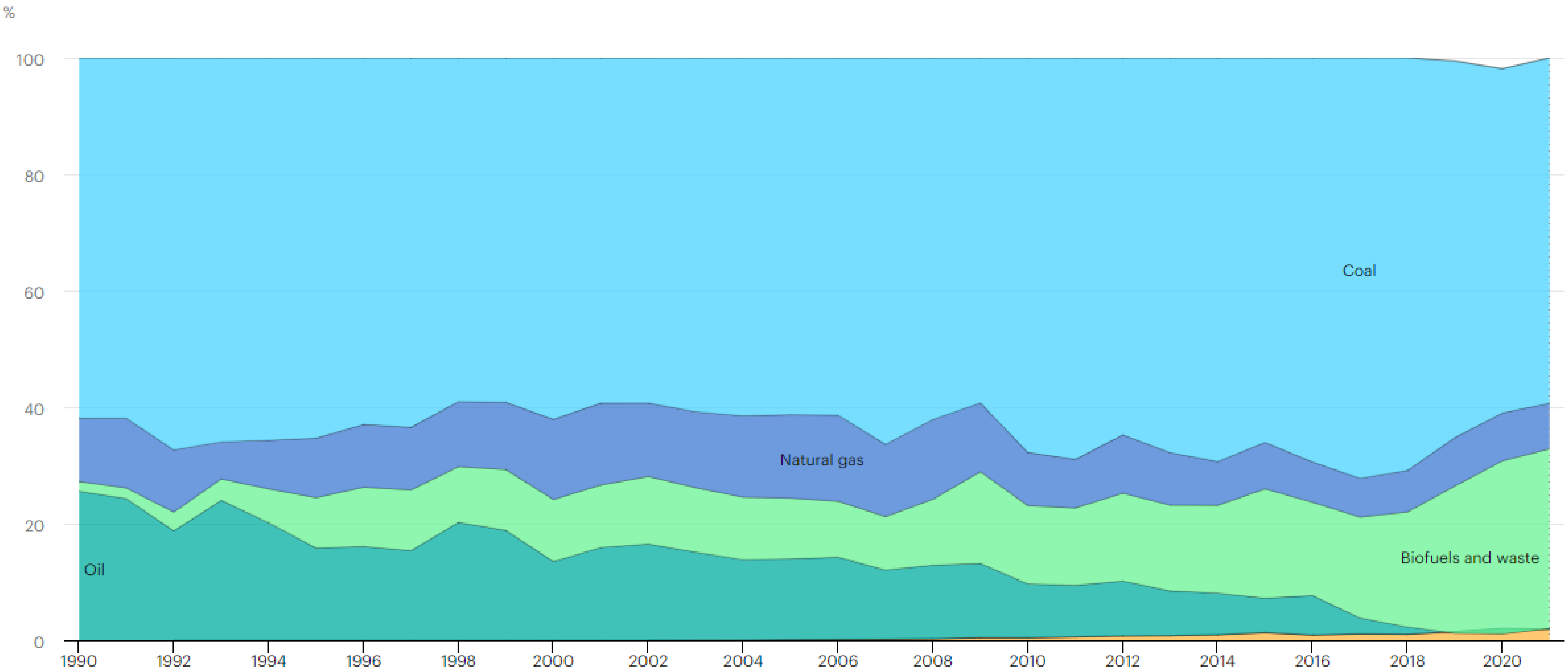
Baltic States

– BEMIP – Baltic Energy Market Interconnection Plan
  - Denmark, Germany, Poland, Finland, Sweden, Lithuania, Latvia, Estonia
  - Under the auspices of the European Commission
– Electricity: Estlink (EST, FIN), Nordbalt (LIT, SWE), LitPol Link (LIT, POL)
– Gas: GIPL (2022), Balticconector (2020), intra-Baltic infrastructure

Estonia

- Large share of TPES > ½ of electricity constituted by domestically produced shale oil and peat – increases energy security but also emission intensity
- Gas demand ca. 0,5 bcm/y with projection of a rather limited increase
  - industry, heating – 100% imported
  - from LIT (LNG), LAT (Inčukalns storage facility)
- Experience of cut(s) (1990s) and price hikes 2005-2007 (due to EU& NATO accession?)
- Gas network connected to Russia LAT and, recently, Finland
  - interconnectors are still missing
  - ‘Balticconnector’ with Finland – as of 1/2020 – ended Finnish isolation
  - successive interconnectors to connect the Baltics with Poland/Europe (see further)

Total energy supply (TES) by source, Estonia 1990-2021



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Estonia

- Aims at bulding LNG terminal(s)
  - -small-scale
  - -Muuga (Tallin), **Paldiski (in progress)**
  - -up to 2,5 bcma (est.)
- Unclear economic rational due to the existing LNG terminal in LIT and small EST demand
  - -investment attractivity rather low
  - -possible change if LIT exports more gas southwards (GIPL)
  - -building interconnectors as a crucial precondition in any case
  - -new impetus given by the Russian aggression

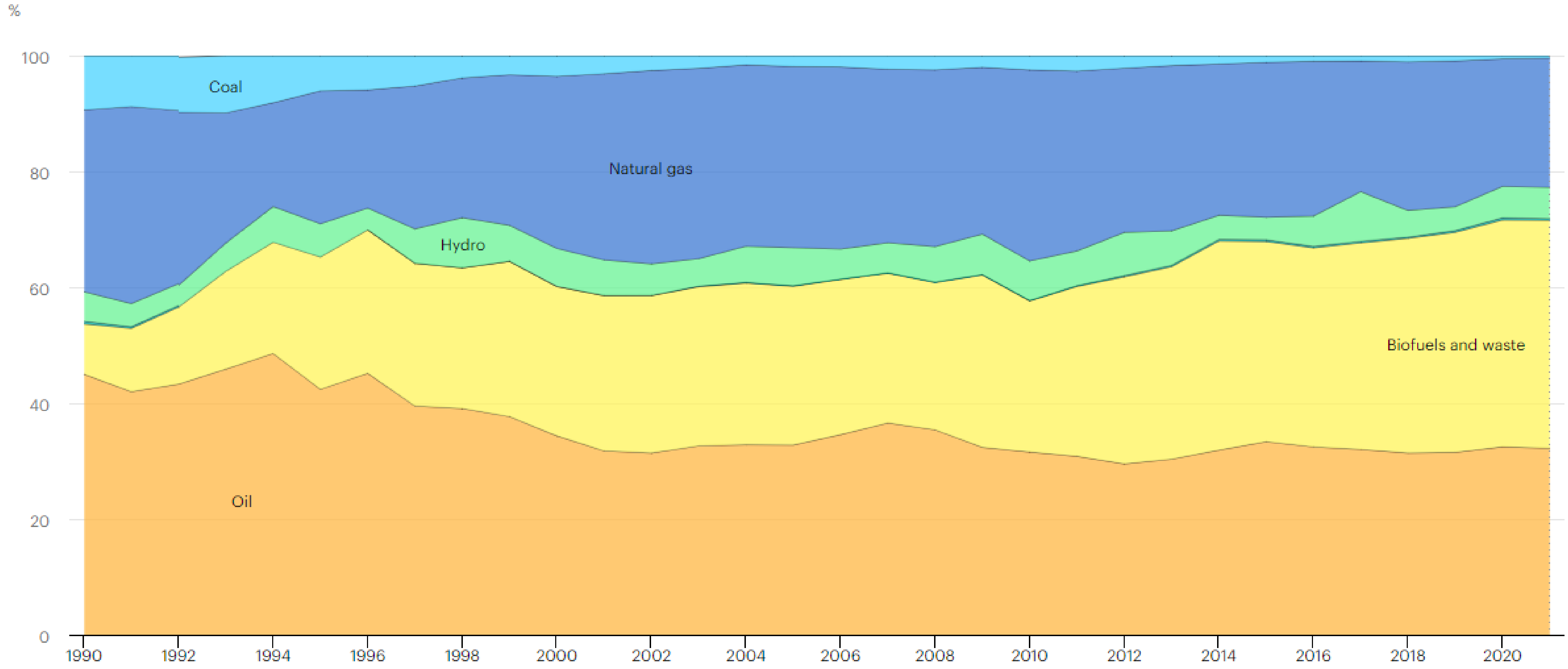
Estonia - Gas Market

- Gazprom sold its minority share in the country´s largest supplier Eesti Gaas in 2016
- Gas market dominated by Eesti Gaas
- Sources of import: LIT LNG Klaipeda, LAT underground storage Incukalns
- Connected to FIN
  - LNG imports growing
  - Joint effort in terms of market regulation among the Baltics
  - ongoing works on EST-LAT interconnection
- Inkoo (FIN) LNG terminal innaugurated in 3/2023 (4 bcma)

Latvia

- Nat. gas concumption ar 1,2 bcma (imported) – heat and electricity (declining)
- Incukalns gas storage – crucial for the region (LIT Syderiai storage project put on hold) – capacity of ca 2,5 bcm
- Skulte LNG (2024?)
- Latvijas Gaze dominates the sector - 34% owned by Gazprom, 16% by Itera Latvia (subsidiary of Rosneft)
- Principial opposition to the Nord Stream project

Total energy supply (TES) by source, Latvia 1990-2021



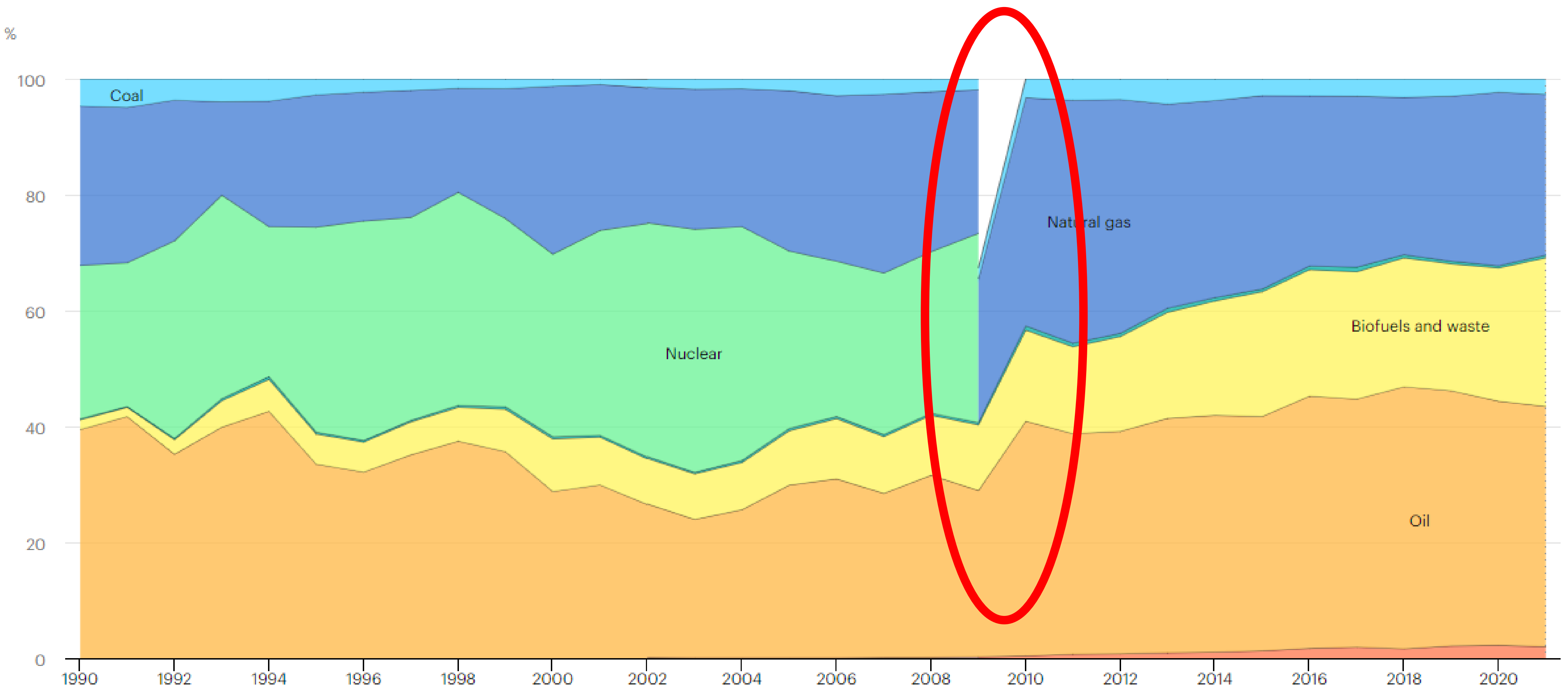
Latvia

- Gas prices reflected the accession to EU & NATO (similarly to EST & LIT) – or just a coincidence?
- Highest involvement of Russian companies among the Baltics
- Russian stakeholders actively lobbied to postpone the market liberalization

Lithuania

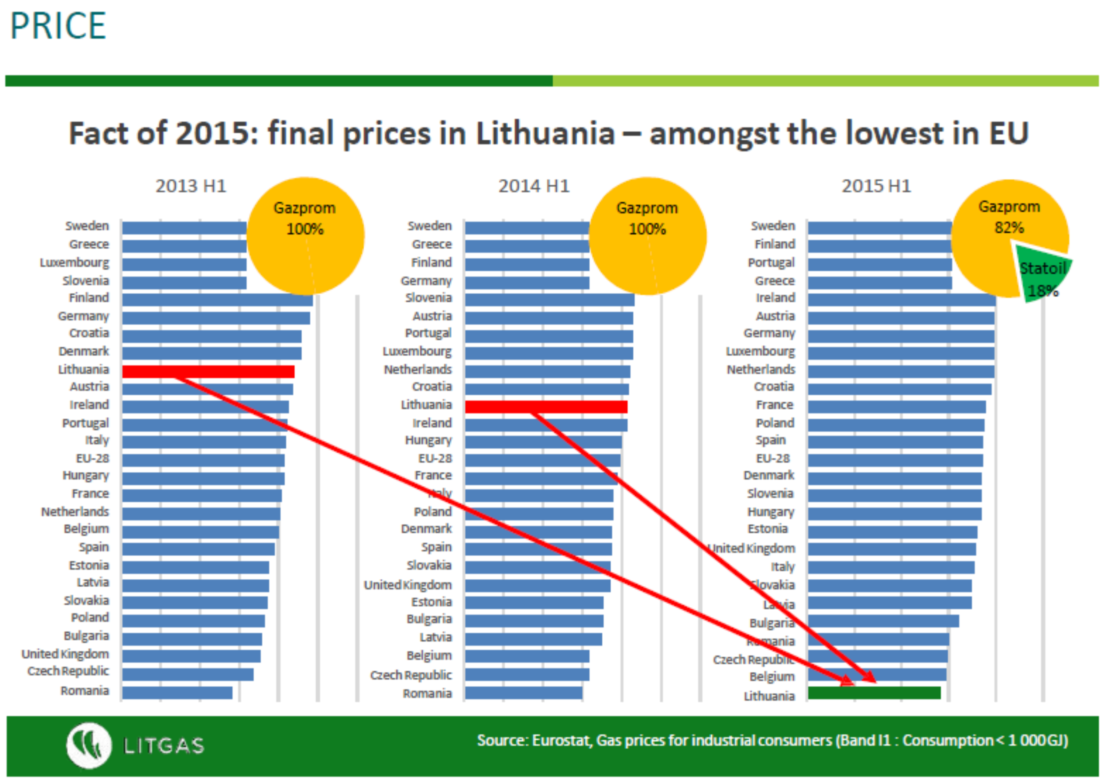
- 2,2 bcma
- Increase after the Ignalina NPP phase out (2009)
  - from net exporter to importer
  - Russia became the de facto main supplier of electricity (over 60%)
  - another spur for bulding the LNG terminal
- Astravets NPP (BEL) as a thorny issue
- Kaliningrad NPP (RUS) (Neman) - to undermine the Visaginas NPP (LIT) project
- Ambitions to become regional gas hub
- Gazprom withdrew in 2014

Total energy supply (TES) by source, Lithuania 1990-2021



Lithuania

- Strong Russian lobbying activities against the liberalization
  - accusations of unfair treatment of Gazprom´s assets
  - Gas price increase by 15%
- Situation changed after the and innauguration of the LNG terminal
- Russian electricity supplies dropped to 30% of LIT needs
  - needs covered by natural gas power (LNG)



FSRU Klaipeda (Lithuania) – ‘Independence’

- Owner – Klaipedos Nafta (state-controlled)
- Capacity: 4bcm/y
- Innaugurated 2014
- Deliveries from Statoil surpassed Russia
  - on ca. 3,7 bcm
  - ca. 80% of the Baltics
- 10-year contract with Equinor (Statoil) - until 2024
- “No Russian LNG” as an unofficial state policy
- The biggest gas consumer, fertilizer manufacturer Archema, imports own small cargoes, likely also from Novatek (RUS) - impact of the current crisis?

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GIPL

- Gas Interconnector Poland-Lithuania
- Part of BEMIP – Baltic Energy Market Interconnection Plan
- Connecting the Baltic ‘island’ with CEE (PL)
- In operation since 5/2022

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Securitization?

- Nord Stream – the Baltics were against the project from the outset
  - 1st string innaugurated in 2011
- Poland lead the ‘coalition’ against the Nord Stream II
  - in reality, ‘the coalition’ consisted of PL, UA, the Baltics
  - PL and the Baltics as long-term opponents of the NS I+II projects

- NS I
  - agreement signed 9/2005
  - pipelaying started1/2010
  - innaugurated 11/2011
- NS II
  - agreement signed 9/2015
  - pipelaying started 9/2018
  - finished 9/2021
  - destroyed 9/2022

Securitization?

- Successful Polish legal challenge against Gazprom´s use of the OPAL pipeline
  - 6/2009 – limitation on pipeline use (50% of the OPAL pipeline only)
  - 10/2016 – limitation lifted
  - fall 2019 – Polish legal challenge – success, limitation imposed
  - clash of principles market vs. solidarity
- ECJ final decision in 7/2021 – solidarity prtinciple upheld (!)
- The Baltics were content with the decision

Thank you for your attention

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