



Development of gas interconnectors: Lithuanian Experience

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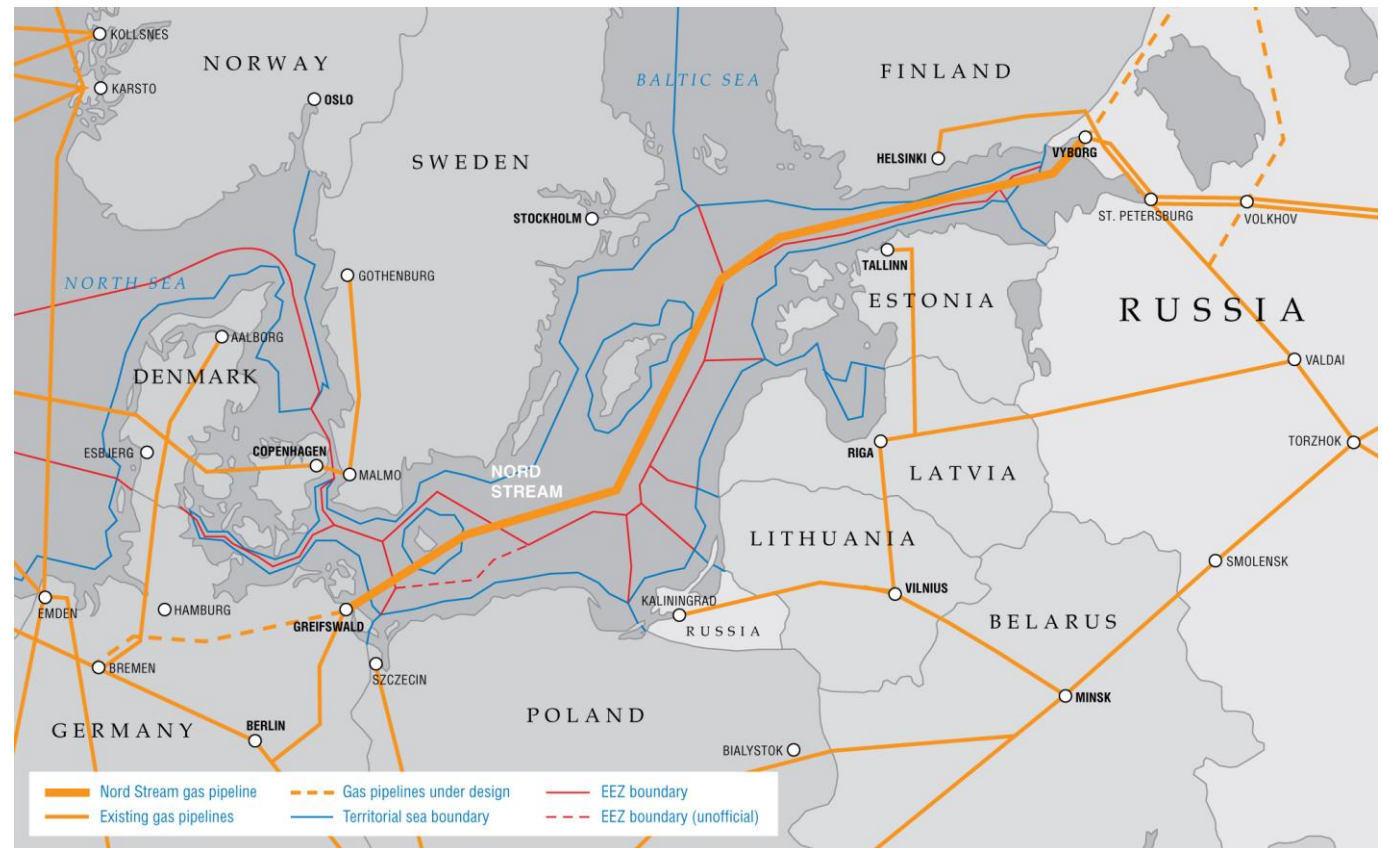
Structure of the presentation

- Preconditions for the progress
- Current focus on gas infrastructure
- Upcoming challenges;
- Conclusions



The preconditions

- One supplier
- Designed gas flow was East - West
- Limited interconnections in the Baltic region
- Long term supply contracts
- Bundled ownership of supply, transmission, and distribution



Intraconnectors - development of internal transmission grid (1)

Transmission system was in need for:

- Redundancy
- Reliability
- Expansion



Intraconnectors - development of internal transmission grid (2)

Infrastructure development projects:

- Klaipėda - Šakiai
- Klaipėda-Kiemėnai
- Jauniūnų GCS;
- Kiemėnai GMS;



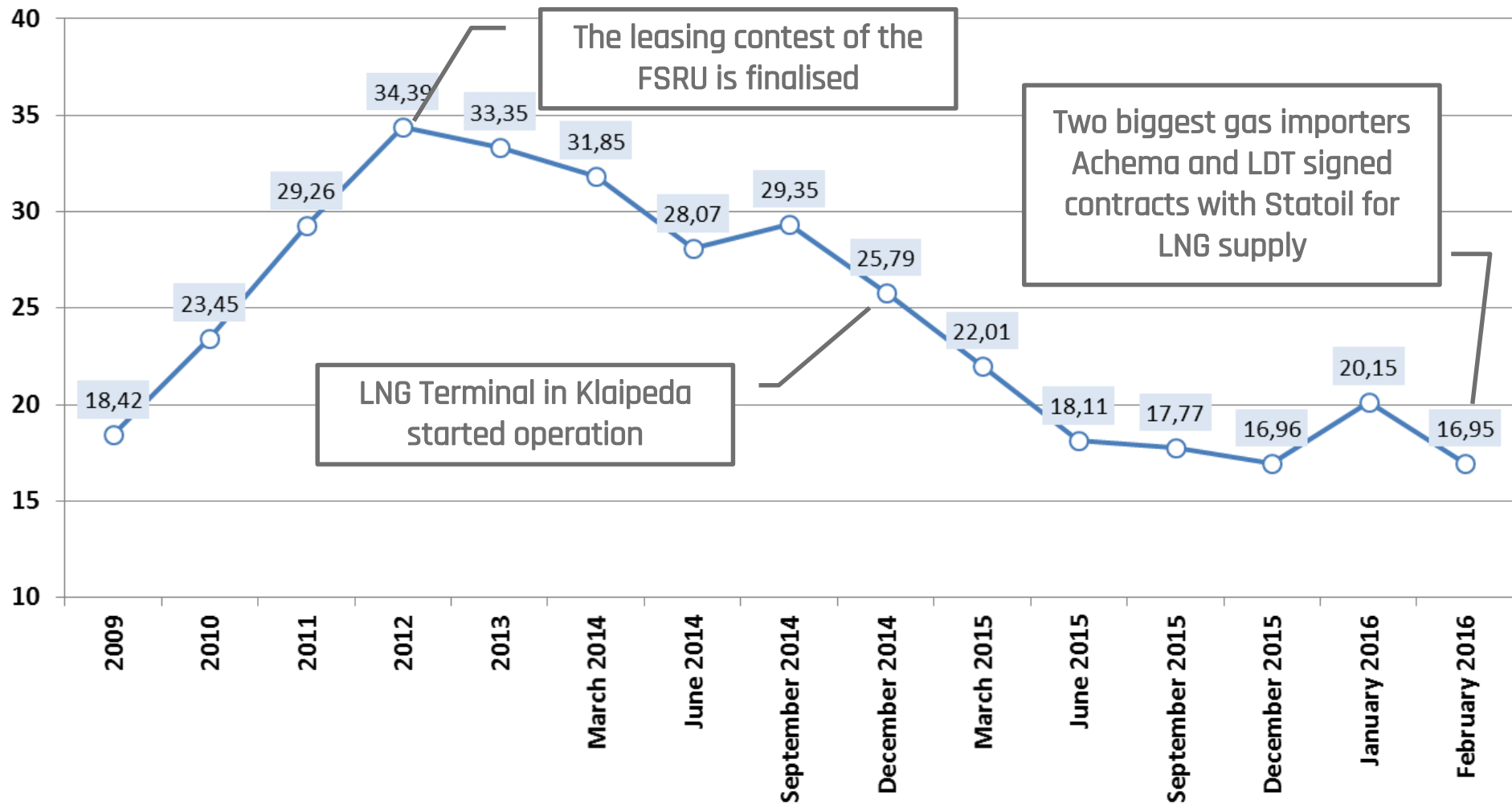
Diversifying the supply



Klaipėda LNG terminal:

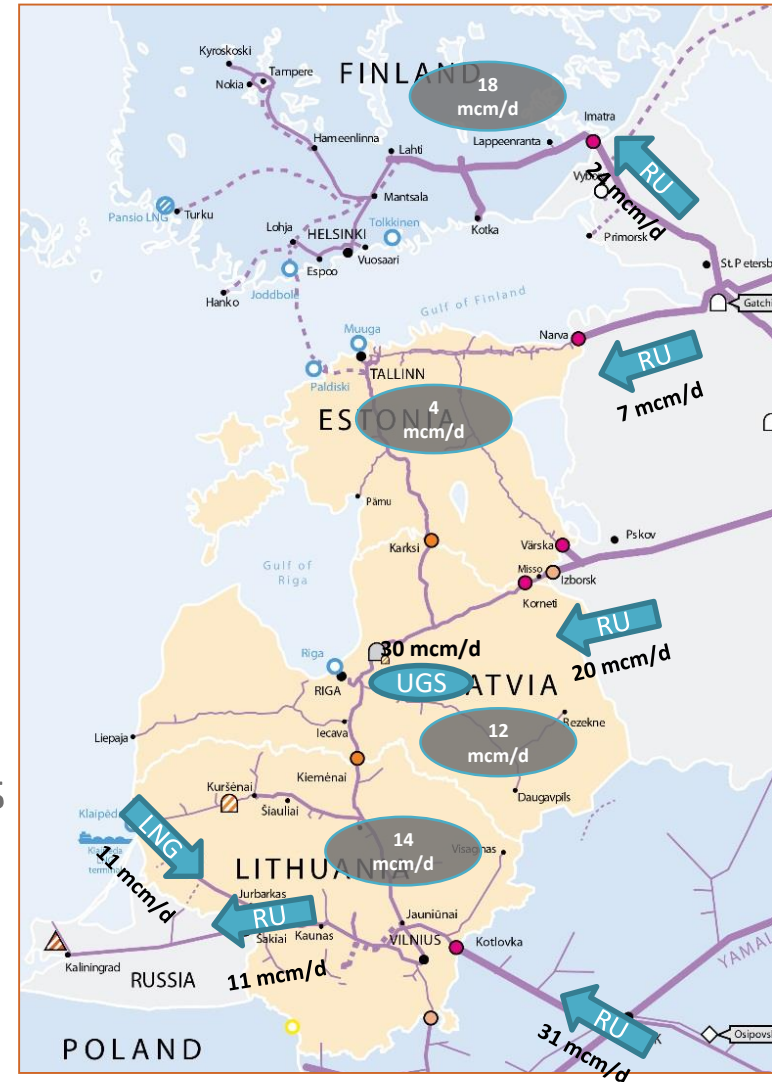
- Security of supply and energy independence
- LNG storage
- Independent delivery
- Third Party Access for LNG terminal users
- Alternative entry point into gas market

Klaipeda LNG Terminal - Impact on Prices



System of (un)connected vessels

- Network & Storage Access Rules in the entire gas market of the region according to the legal and regulatory frame
- Single market player in Latvia at least until 2017
- Different accounting rules
- Different quality requirements
- Different gas supply licencing framework
- Lack of common virtual trading hub and a gas exchange



System of (un)connected vessels (2)

Gas pipeline interconnection Finland - Estonia (BalticConnector) 2019?

Capacity enhancement of gas interconnector Estonia - Latvia (creation of reverse capacities from Estonia) 2019?

Modernisation and reconstruction of Inčukalnis USF 2025?

Capacity enhancement of gas interconnection Latvia - Lithuania 2021?

Capacity enhancement in gas pipeline Klaipėda - Kiemėnai 2015

Gas interconnection Poland - Lithuania (GIPL) 2019



GIPL - Factsheet

Infrastructure:

- 534 km of 700 mm pipeline: 357 km on PL side and 177 km on LT side
- Investments into Compressor Stations in PL

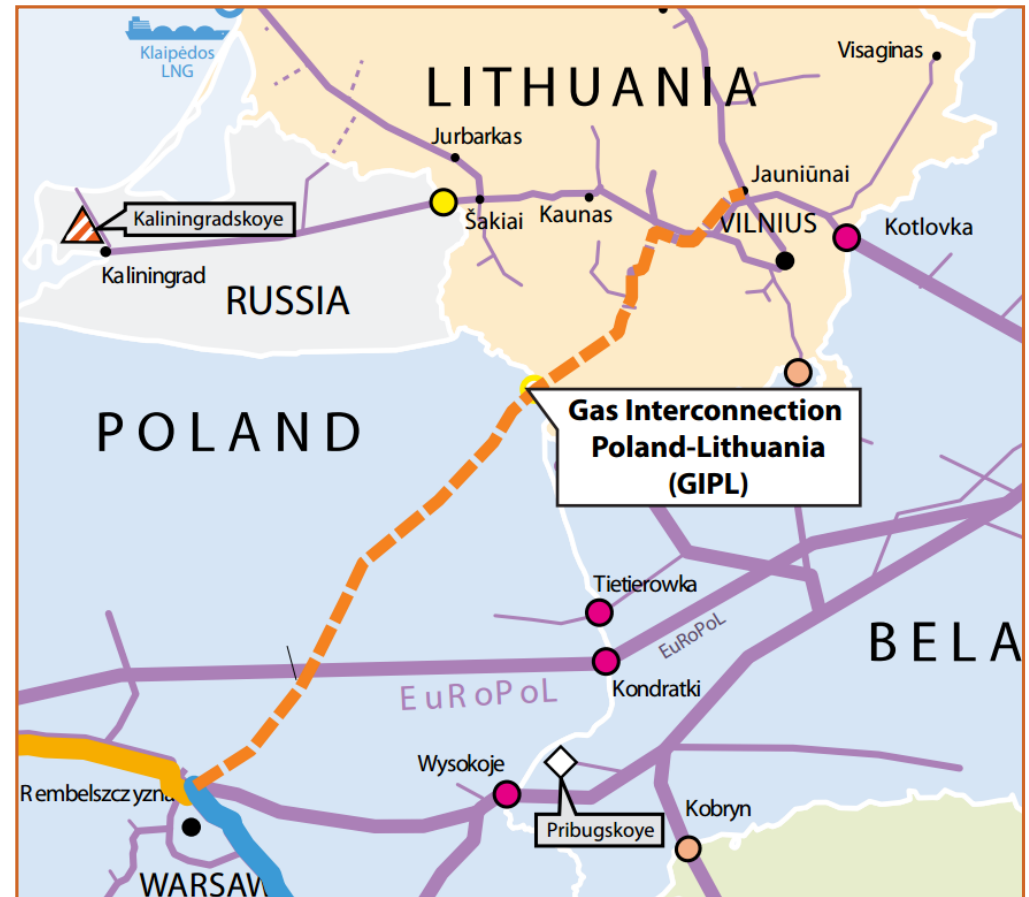
Bidirectional Capacities:

- 2.4 bcm/y from PL to LT
- 1.7 bcm/y from LT to PL

Expected CAPEX - 558 mEUR (422 mEUR on PL side; 136 mEUR on LT side)

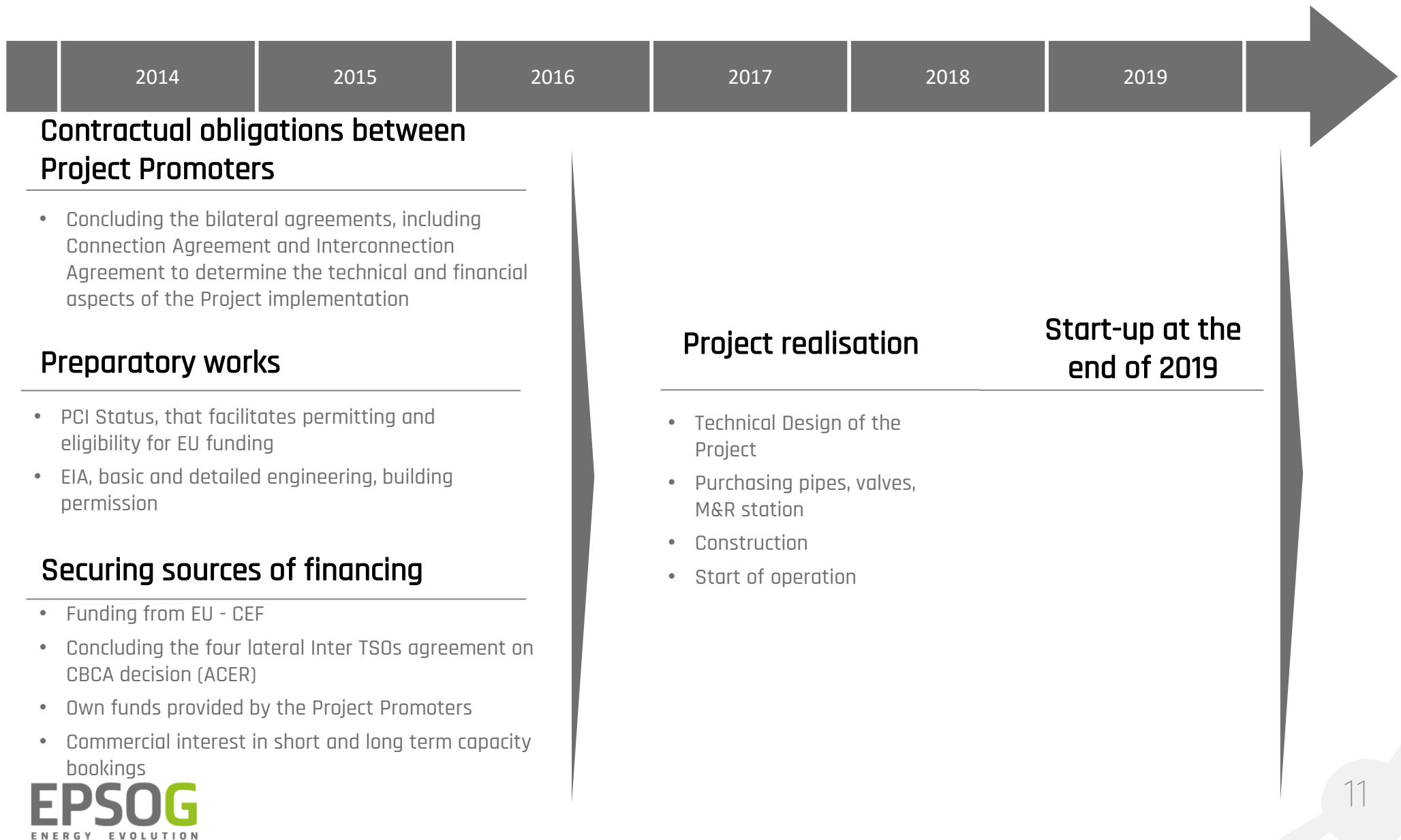
External financing:

- More than 300 mEUR in total -
- Part of investment in PL covered by cross-border cost allocation (CBCA) payments from Baltic States
- Commissioning year - 2019



Co-financed by the European Union
Connecting Europe Facility

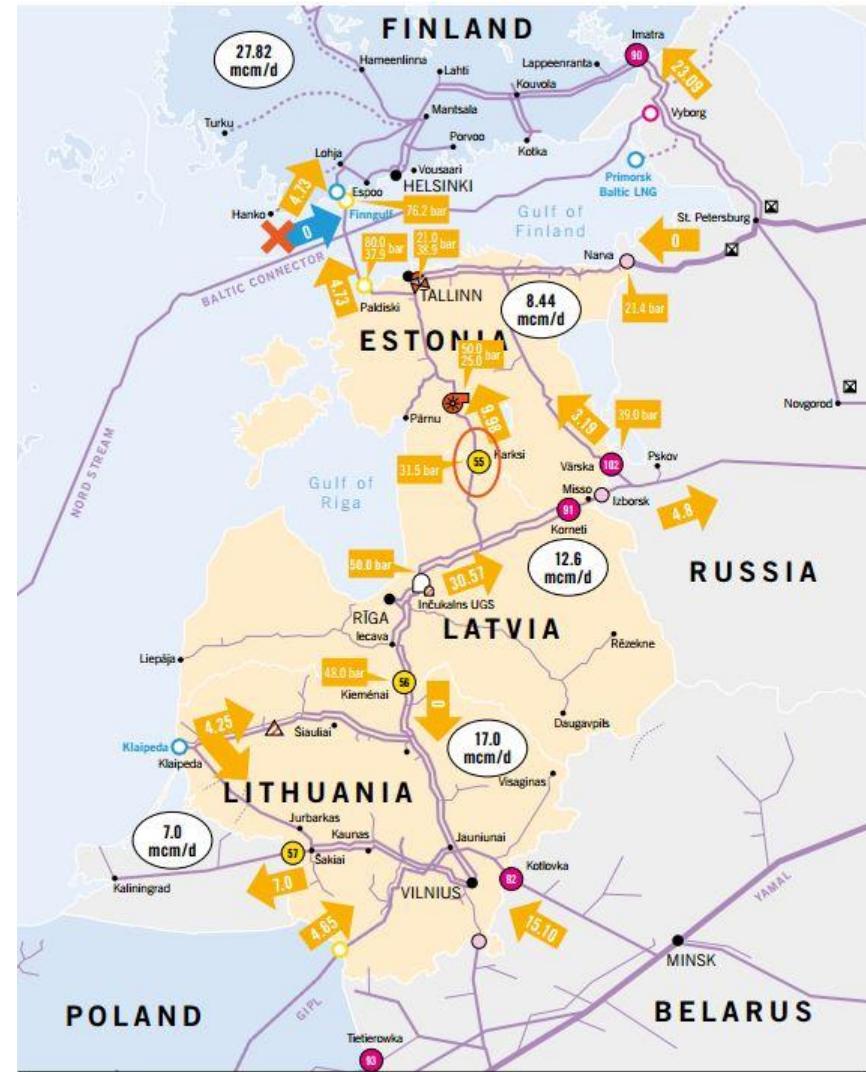
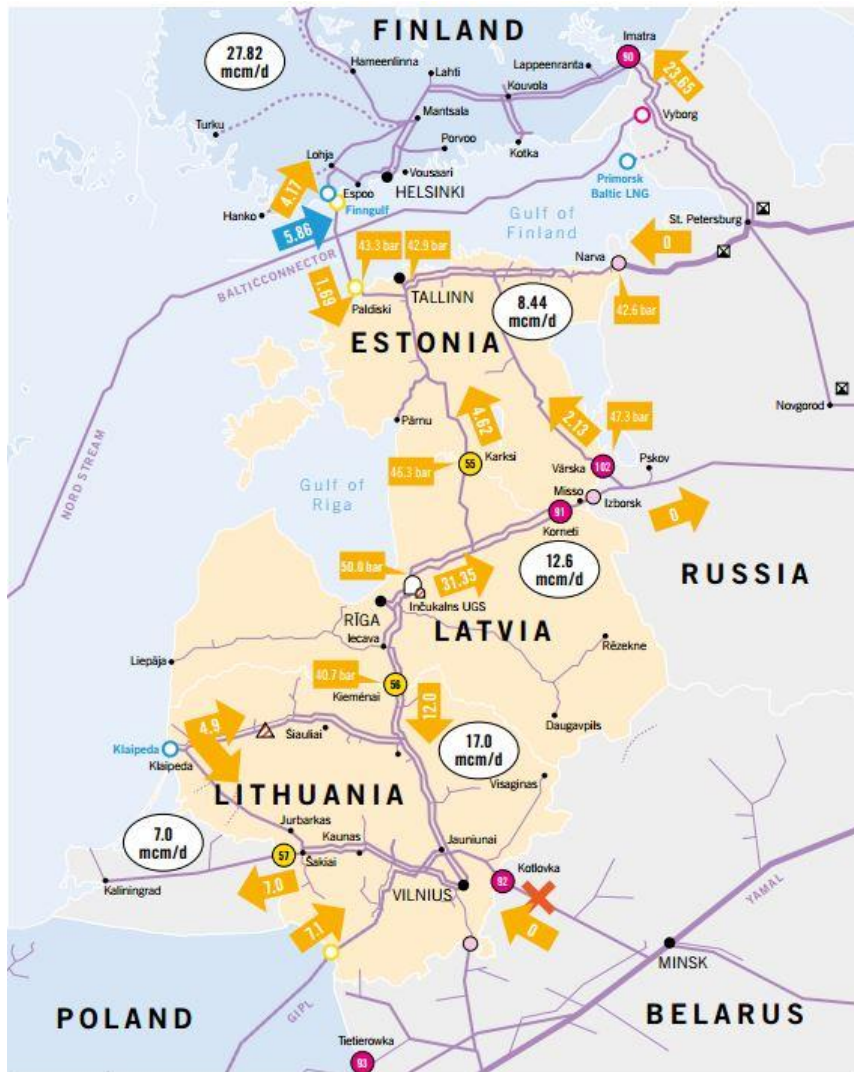
GIPL - steps needed to be undertaken



GIPL - bilateral importance?

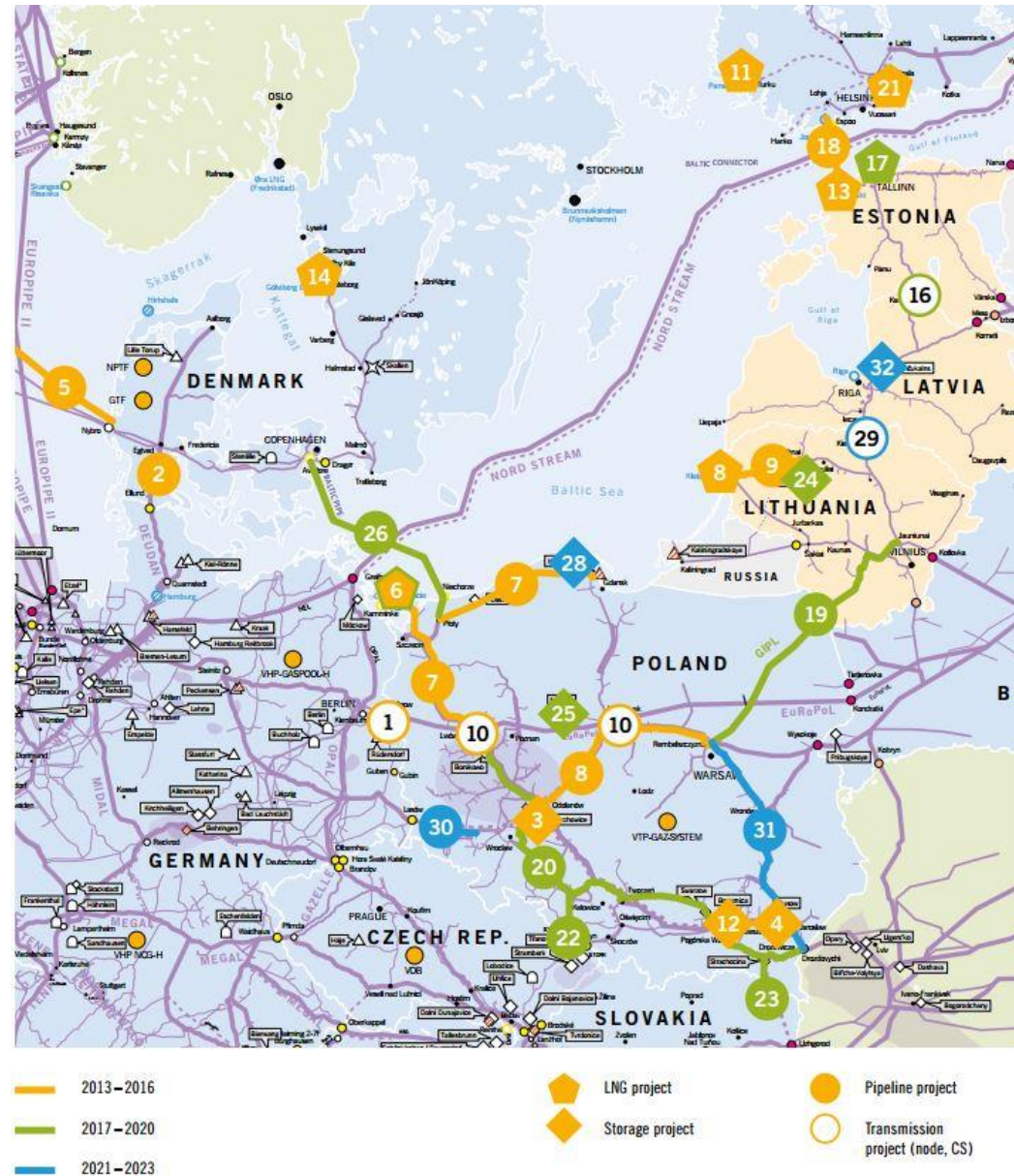


Security of supply with GIPL

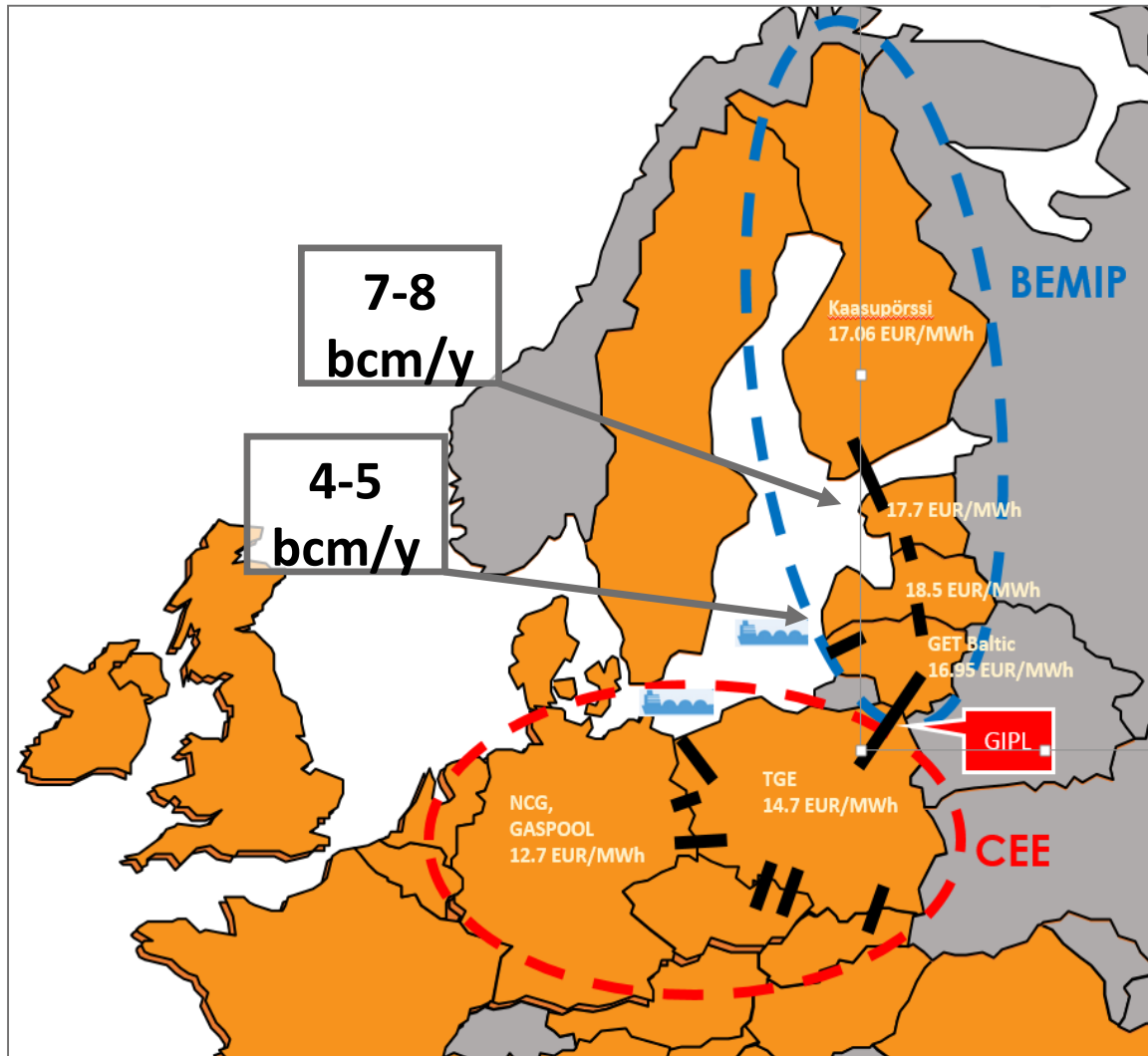


Transition from regional market to energy union

- Part of backbone of Energy Union
- Interconnection with region (East Baltic) rather than countries
- A major pre-condition for the development of the most of other PCI in East Baltic region

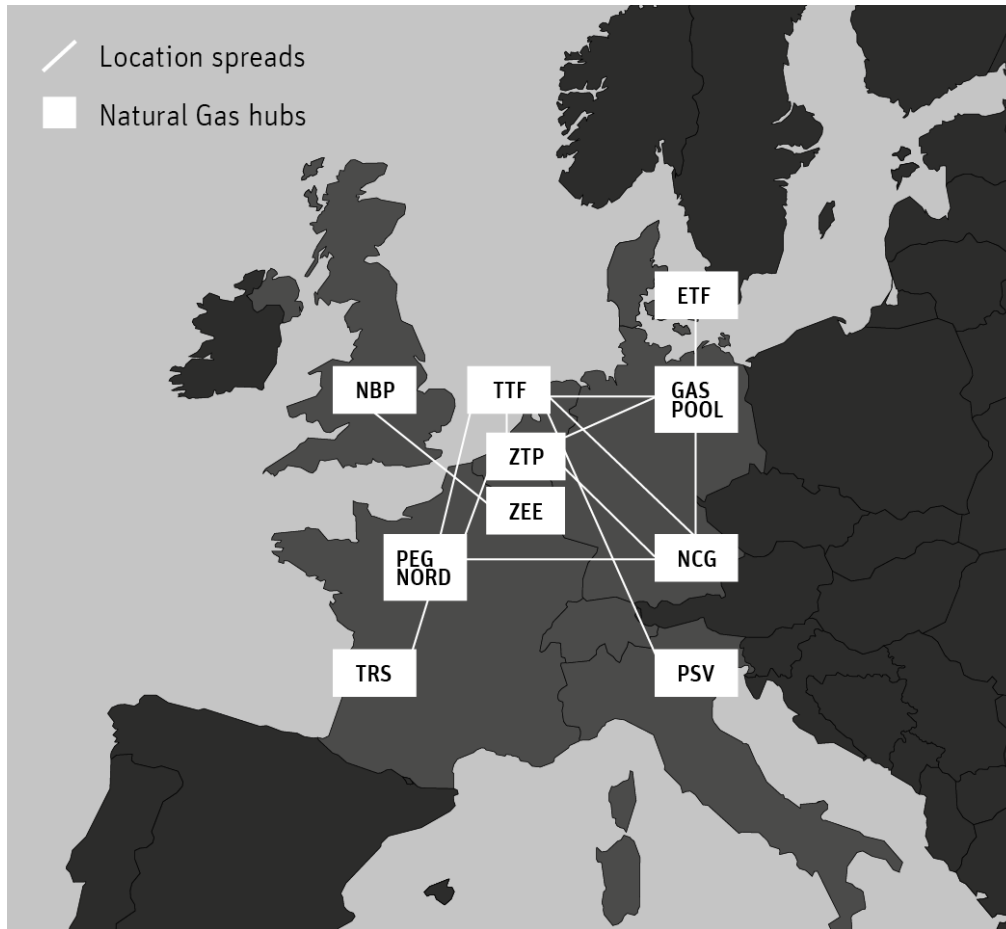


Transition from regional market to energy union (2)



- Interconnection between Baltic and EU gas markets
- A major pre-condition for the development of the most of other PCIs in East Baltic region
- Price convergence
- Klaipeda LNG terminal and GIPL significantly increase importance of the transmission network of Lithuania in the BEMIP region

Transition from regional market to energy union (3)



Advantages waiting ahead:

- Transparent and non-discriminatory trading rules
- Harmonised and standardised trading and settlement processes
- Cross-margining benefits from the common clearing house
- Developed market products
- Trading volumes - 110 TWh

Conclusions

- Energy independence has increased
- Baltic states' common policy is somewhat illusive
- Common regional gas market – step towards Energy union
- GIPL – great opportunity and a precondition