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Editors: Sławomir Dębski ● Bartosz Wiśniewski ● Rafał Tarnogórski

Anna Maria Dyner ● Sebastian Płóciennik ● Patrycja Sasnal
Justyna Szczudlik ● Jolanta Szymańska ● Marcin Terlikowski ● Tomasz Żornaczuk

Lithuania's Energy Policy

Kinga Raś

Lithuania wants to become independent from Russia and increase the self-sufficiency and the competitiveness of its energy sector. The basis for its transformation and modernisation will be, inter alia, renewable energy sources, of which the role in the energy balance is increasing in line with EU requirements. At the same time, Lithuania intends to introduce innovations that will increase energy efficiency. These activities may stimulate stronger cooperation with Poland, which Lithuania perceives as one of its most important partners.

Lithuania's Energy Strategy. Lithuania's intention is to increase energy security through further diversification of supply sources, and by increasing the role of national capacities in the energy production structure. Energy policy objectives are defined by the National Strategy for Energy Independence, adopted in June. It modifies the assumptions of 2012 and adapts them to the long-term requirements of the European Union.

For Lithuania, synchronising power grids with the European system by 2025 is of strategic importance. This will require expenditure of €1.5 billion, of which 75% is guaranteed by the EU. This aspiration is conditioned by political and economic considerations: at present Lithuania and the other Baltic States are part of a power system controlled by Russia. At the same time, the Lithuanian authorities are interested in reducing electricity prices and in limiting import of electricity by half by 2030 and completely by 2050. In recent years Lithuania has imported up to 95% of final energy consumption, mainly from the other Baltic States and Sweden (11.926 TWh in 2017).

RES as a Pillar of the New Strategy. The Lithuanian strategy assumes that RES will account for 45% of the final energy consumption balance by 2030, and up to 80% by 2050. Lithuania's goals are calculated to change the power generation structure and to ensure the fulfilment of EU obligations to ensure that renewable energy accounts for 32% or more of the energy mix by 2030, and even to significantly exceed it. Until that time, RES in Lithuania is to constitute 70% of electricity production, which in 2050 is to come entirely from these sources. Currently, this indicator is just over 20%.

The Lithuanian government has also given priority to thermo-modernisation of buildings, including public utilities. An ordinance from October guarantees financial support of €1.8 million for this purpose. The key issue will be to increase energy efficiency. Only 3.9 TWh (33%) were achieved from the energy savings assumed for the period 2014 to 2020 at the level of 11.7 TWh. Energy intensity remains a challenge, with Lithuania in 21st place in the EU in this respect (Poland is in 24th place).

Lithuania's Ambitions on the Regional Market. The modified energy policy is to bring Lithuania benefits not only in the Baltic States region, but also in Poland and Finland. Synchronisation guarantees higher profits from energy sales, the more so that its exports, including those to Poland, increased from 2.831 TWh in 2016 to 3.249 TWh in 2017. This will benefit from the planned blockade of energy imports from the nuclear power plant in Belarusian Ostrowiec.

Political decisions show that the Lithuanian authorities also see an opportunity in the development of the regional gas market. In December 2016, the Baltic States signed a declaration on the merger of gas markets, and in August this year a memorandum on this matter was concluded by Latvia, Estonia and Finland. Lithuania's opportunities increase the expansion of interconnections, for example with Latvia. In the near future, a Polish-Lithuanian GIPL pipeline and Baltic-Estonian Baltic Connector are to be established. Therefore, Lithuania intends not only to expand the scope of alternative supply sources, but also to play the role of key gas exporter in the region. According to Lithuania's estimates, the terminal in Klaipeda could allow the country to meet a significant part of the Baltic States' demand for gas, especially as the terminal has not yet reached half of its processing capacity.

Lietuvos energija, the largest energy company on the Lithuanian market, is also adapting to the strategy guidelines. After purchasing Vėjo vatas and Vėjo gūsis this year, it became the second largest producer of wind energy in the Baltic States, with a 9% share in this market. It also plans foreign expansion in the renewable energy industry, and intends to invest in production capacity, mainly in the Baltic States and Poland, by 2020.

Lithuania wants to develop new energy technologies. This is to be achieved in part with the support of the research programme of the Baltic and Nordic countries (Nordic Energy Research). Lietuvos energija has launched an innovation centre, enabling innovative solutions to be tested using its own infrastructure. The company has also invested in the Estonian start-up Fusebox, which develops intelligent systems for managing energy demand.

Conclusions. Lithuania's strategy is an expression of a consistent, though costly, policy of becoming independent of Russia. For Lithuania, this is an essential element of energy security. That is why it is determined to disconnect from the post-Soviet BRELL transmission ring. This is also due to Lithuania's key role in synchronising all Baltic States with European networks. The most important decisions in the energy sector were subordinated to this goal.

At the same time, long-term assumptions were calculated for measurable economic benefits. First, Lithuania wants to be a beneficiary of energy integration in the region, in the electricity and gas sectors. Second, in line with EU requirements, including in the scope of RES regulations, it counts on the development of innovation. In addition, Lithuania's calculations are consistent with changes planned in particular sectors, and the energy sector is to become an important pillar of the national economy.

There is a high probability that the strategy will be implemented in the short term, assuming that Lithuania's current level of determination persists. Lithuania has primarily taken care to implement key projects that have a strong EC mandate and EU financial support. Lithuania received €564.4 million from EU funds for 2014 to 2020. In addition, the government wants to provide financial guarantees for the purchase of the LNG terminal. The finalisation of these activities will provide the required basis for achieving ambitious targets, including RES. The chances of their success are increased by the fact that Lithuania does not focus on single, capital-intensive investments in this dimension, but is planning numerous, smaller projects. However, the implementation of long-term assumptions may hinder the dynamics of changes in the emerging market and the need to invest in basic infrastructure (the Lithuanian network and gas pipeline operator will allocate around €2.1 billion for this purpose by 2027).

Poland will play an important role in the implementation of the Lithuanian plan, because it is a significant element of the whole synchronisation process. Although the possibility of increasing energy imports from Lithuania raises concerns about the profitability of capacity in Poland, it is at the same time a guarantee of supply, especially in the event of an emergency power failure. The emerging regional gas market, including the Lithuania's developing LNG sector, will require Poland to adapt to the new conditions of increasing competition.

Lithuania's planned investments in renewable energy sources in Poland, mainly wind farms, would support the development of the sector, which can strengthen production capacities in Poland and serve to balance the national energy system. This applies particularly to power shortages in the north-eastern regions of the country (especially in summer). Cooperation between Poland and Lithuania, aimed at more stable system operation, would lower the costs of the integration of the higher power variable energy sources.