TGS BALTIC
VARUL GRUNTE SUTKIENE

BALTIC ENERGY MARKET NEWS FLASH

WIND / HYDROGEN / BIOGAS, LNG / SOLAR / ENERGY STORAGE

EST

Estonian new government coalition has prioritized renewable energy in its coalition agreement, setting a goal to accelerate the transition to renewable energy. Therefore, the process of developing **important and cross-border energy projects** will shorten by aiming to **complete the procedural steps in 3 years** (incl. completing the environmental impact assessment). Additionally, a new **complex permit** will be introduced for offshore wind parks and the possibility to process the permits parallelly will be guaranteed. Amendments will also be made to the **Planning Act to oblige local authorities to mark suitable areas** for the development of wind and solar parks.

Estonian Parliament amended the Environmental Charges Act and established a **fee for producing electricity from wind energy** paid by the owner of a wind farm or the person entitled to use the wind farm starting from July 2023. The fee will be dependent on the amount of electricity produced by the wind farm in a quarter (MWh) and the arithmetic average exchange price of electricity on the next day's market in the Estonian price area of the corresponding quarter. The fee will be paid to local authorities and residents but also to fisheries impacted. The obligation to pay the fee will apply to **newcomers only**: if the construction activities related to the wind farm or the production of electricity have commenced after the amendments enter into force.

Estonian Maritime Spatial Plan (MSP) is still making headlines – it was **disputed** in court. However, this does not change the validity of the MSP, it is currently still in force. In the meantime, the draft regulation on conditions for evaluating competing **superficies license applications** has now been published.

The development of offshore wind parks is gaining support from a different angle as well – the European Commission has granted a positive decision on the grant application for **EstMilMob**, a military project which would allow both military and civilian use, including developing conditions for the **Port of Paldiski** to become an important partner in developing and servicing the offshore wind parks on the Baltic Sea. The Port will have the capacity to service vessels that are used in the **construction of the wind parks and the transportation of the wind turbine components**. The project is planned to be completed in 2025.

LV

New amendments to the Electricity Market Law introduce a fee for **any electricity producer** for system capacity reservation to prevent unjustified capacity reservation, which is not followed by the installation of electricity generation equipment. Payment will have to be made to the system operator for reserving system capacity for connecting new power generation equipment to the transmission or distribution system if the capacity of the power generation equipment to be connected is larger than 50 kW. The Parliament of Latvia has delegated the Public Services Regulatory Commission to develop the methodology for determining the capacity reservation fee.
These amendments also introduce an **annual discomfort compensation** payment to the municipality in case the wind power plant has been established with a capacity equal to or greater than 1 MW as of 1 January 2023. The amount, procedure and deadlines for payment are to be determined by the Cabinet of Ministers.

LT

Lithuania has adopted the so-called Breakthrough Package. The Breakthrough Package includes the Law on Electricity, the Law on Energy from Renewable Sources, the Law on Environmental Impact Assessment of Planned Economic Activities, the Law on Special Conditions for the Use of Land, and the Law on Territorial Planning. The adopted amendments open opportunities for much more ambitious and more rapid development of green energy, for example, they remove requirements for sanitary protection zones and set criteria of maximum distance to buildings instead; remove the restriction for prosumers to install renewable energy power plants with the capacity of no more than 1 MW; new public, industrial and commercial, residential buildings have to be planned with the intention to install facilities producing electricity from renewable energy sources; in non-urbanized areas, wind and solar power plants can be installed without changing main land use purposes; it is possible to develop hybrid power plants – power plants which use different types of renewable energy and connect them to the network at the same connection point; it is allowed to install more renewable energy capacities than the generation that the transmission network can accept. Also, the amendments detail the procedure and requirements for offshore wind development. It is also worth mentioning that in preparation for the offshore wind tender on 19 July 2022 measurements of wind speed and other parameters of the marine environment in the Baltic Sea have been started.

BIOGAS, LNG

EST

Estonian new government coalition reaffirms its plan to develop the reception capacity of **LNG by autumn 2022**. The construction works for the LNG terminal are in full swing.
The coalition also aims to establish a **support mechanism for the development of a biomethane plant.**

LV

By implementing the Renewable Energy Directive 2018/2001, new amendments have been made to the Energy Law that will come into force as of 1 July 2023 providing certificates of origin of gas obtained from renewable energy resources. Such certificates for producers of biogas, biomethane or synthetic gas from renewable energy resources will be issued by the unified natural gas transmission and storage system operator.

LT

On 28 June 2022, the amendments to the Law on Natural Gas were adopted. These amendments prohibited the transmission system operator and the distribution system operator from allowing users of these systems to give a right to use the transmission system and the distribution system to supply natural gas to (via) the territory of the Republic of Lithuania directly from the countries that pose a threat to the national security of the Republic of Lithuania and to ensuring the interests of national security. Also, the operator of the LNG terminal was prohibited to distribute and/or use the LNG terminal's capacity or a part of it for the supply of liquefied natural gas from countries that pose a threat to the national security of the Republic of Lithuania and to ensuring the interests of national security. The National Security Strategy establishes that the Russian Federation is the greatest threat to the national security of the Republic of Lithuania. Therefore, it is impossible to import or export Russian natural gas.

New regulations for the use of the LNG terminal were adopted and will enter into force on 5 September 2022. These amendments introduce, among other things, higher financial requirements for LNG terminal capacity utilization applicants seeking to participate in the long-term LNG terminal capacity allocation procedure, changed the deadline for submitting capacity requests and the order of priorities, and describe in more detail the provisions related to the procedure for drawing up schedules for the degassing and arrival period of LNG.

SOLAR

EST

KredEx and EAS are open for applications for a **grant for solar panels for an apartment building**, the application round is open until the grant budget is exhausted.

LV

The main news with regard to solar energy market in Latvia relate to the new amendments to the Electricity Market Law, that introduce a fee for any electricity producer for system capacity reservation to prevent unjustified capacity reservation, which is not followed by the installation of electricity generation equipment (see more above under Wind).

LT

The aforementioned Breakthrough Package also brings certain novelties concerning solar plants. For example, the amendments establish that the installed capacity of solar plants cannot exceed 2 GW; allow solar plants to be built on agricultural land plots; introduce simplified requirements for the construction of solar plants which do not exceed 100 kW of installed capacity.
On 22 July 2022, the National Energy Regulatory Council announced that the total installed capacity of solar power plants exceeded 2 GW. Consequently, network operators cannot allow the connection of new facilities to the network. It must be noted, however, that prosumers do not fall within the mentioned 2 GW quota, thus, this restriction will not implicate solar development concerning prosumers.

HYDROGEN

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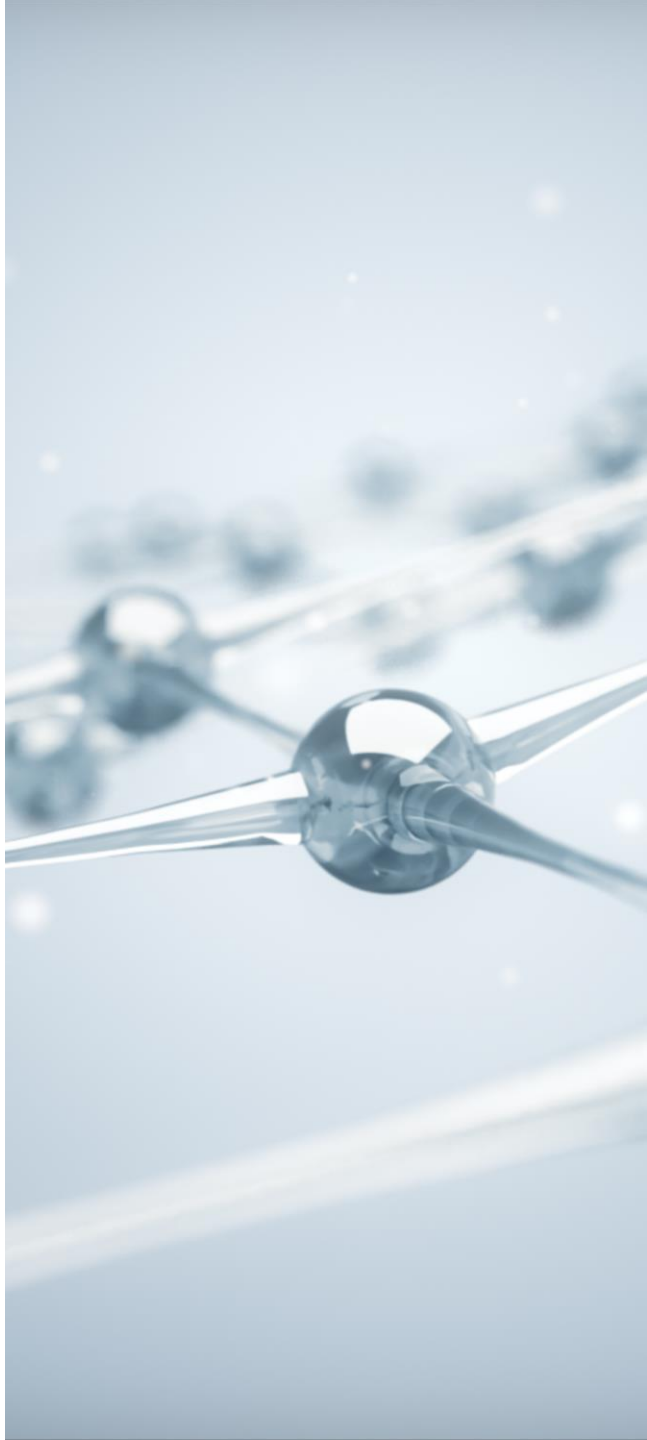
The development of **Estonian Hydrogen Valley (Vesinikuorg)** is in full process! The management team consists of Port of Tallinn, Tallinn Airport, Alexela, Eesti Energia, Terminal Oil, University of Tartu, Town of Tartu, Town of Pärnu, and Saaremaa. It will be **the first hydrogen valley in the world that covers the entire country**. In addition to the management team, Hydrogen Valley has also several members in their Support Group; however, additional organisations are invited to participate!



ENERGY STORAGE

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New rules adopted in March 2022 **on flexibility services** stimulate the development of storage mechanisms. Energy storage mechanisms are seen as a necessary part of the transition to a completely CO2-free electricity sector. The new rules set numerous rules to enforce this goal. For example, network operators are required to purchase flexibility services, including energy storage units, from the market via a tender. Also, network operators are obliged to adopt a 10-year network development plan every 2 years, which shall be designed to facilitate the development of energy storage units (obligatory consulting). However, it will take time before the storage and system services market develops.
Elektrilevi is already preparing **procurement for electricity storage** in which they are looking for the best option to **store energy produced in Hiiumaa**. This would create free connection capacity to the network for micro-producers. The procurement will be announced in **September** as Elektrilevi is currently working on the procurement conditions.

LV

Electricity Market Law introduces now the definition of storage, as well as provides that the persons or legal entities using the storage to transfer electricity into the system are considered electricity producers. No further regulation is developed yet in this regard.
The Latvian transmission system operator has started to procure electricity storage (battery system) equipment this summer to ensure the necessary amount of balancing power reserves with a total capacity of 80 MW/160 MWh until 2025.

LT

The aforementioned Breakthrough Package also details the energy storage capacity regulations and, among other things, establishes that the development of energy storage facilities and production of electricity from these facilities is now a licensed activity and laid down the procedure of connecting such facilities to the network.
It must also be mentioned that in late June, Lithuania received its first shipment of energy cells for the electricity storage system project and started its installation works on 29 June 2022. The energy storage system will provide Lithuania with an instantaneous isolated operation electricity reserve until the synchronisation with the continental European networks, whereas after the synchronisation, it will be used for the integration of energy produced from renewable sources.

MANAGING ELECTRICITY PRICE CRISES

BALTIC ENERGY MARKET NEWS FLASH

EST

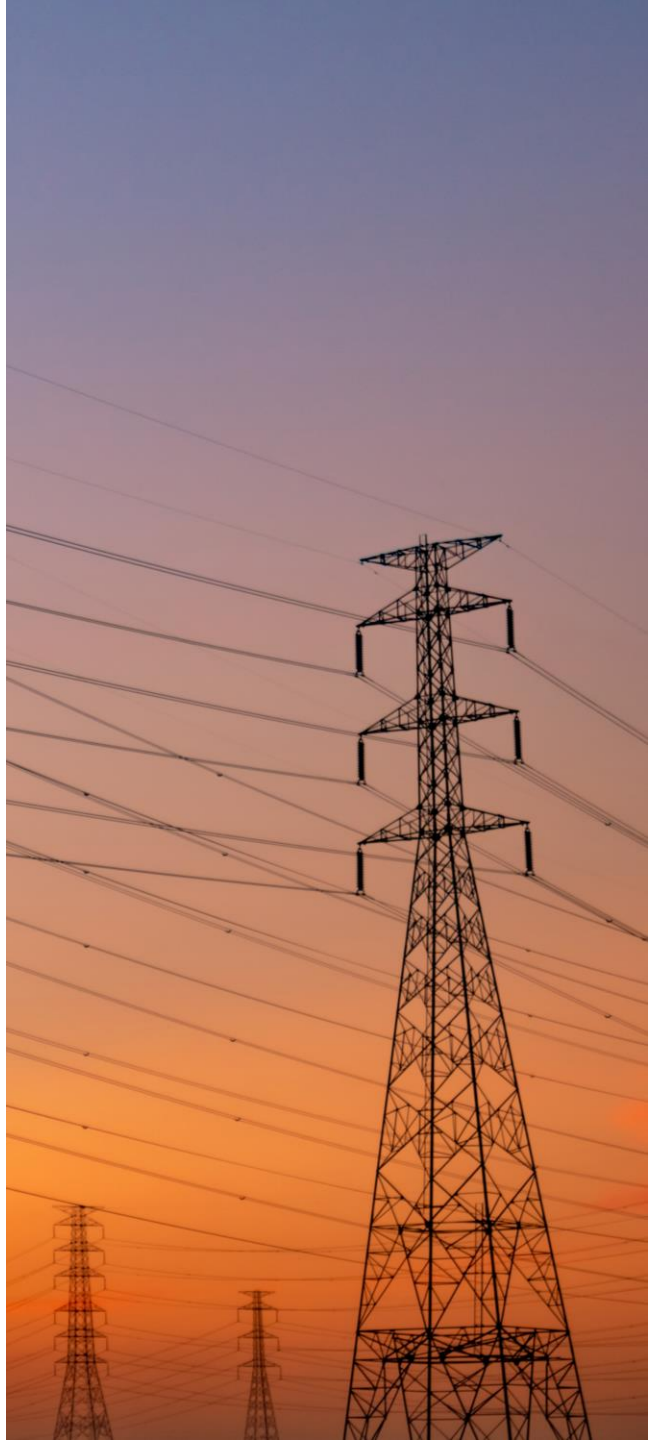
As a measure to respond to skyrocketing electricity prices, the government has just approved a draft law that establishes selling electricity as a universal service. According to the draft law, the state company Eesti Energia would be obligated to sell electricity to home and small consumers but also to all resellers at a fixed price set in coordination with the Estonian Competition Authority. The Competition Authority is also analysing the reasons for such high electricity prices. The results should be published in mid-September.

LV

In light of the energy price crisis to support business, the Latvian government has prepared and submitted a number of support measures to the legislator for consideration. Inter alia State budget funding of €50 million is earmarked to support energy-intensive manufacturers to compensate for increases in energy costs for the period from 1 February 2022 to 31 December 2022. Also, from 1 October to 30 April 2023, it is intended that businesses will be fully compensated for the electricity system service charges, i.e. the distribution and transmission tariff costs of all system operators, incl. VAT. End-users of electricity shall be subject to a full reduction of the mandatory procurement and capacity component charges, incl. VAT, for the period from 1 September 2022 to 31 December 2022.These support measures are expected to come into effect in the nearest future.

LT

In response to the increased energy prices in Lithuania, the Minister of Energy of the Republic of Lithuania Dainius Kreivys applied to the National Energy Regulatory Council with a request to investigate whether the price calculation algorithm used by Nord Pool energy exchange is contributing to the increased energy prices. Also, the Prime Minister of the Republic of Lithuania Ingrida Šimonyte revealed that it is intended to allocate approximately BEUR 0.5–1 in the next year's budget to compensate for the increased electricity and gas prices. Furthermore, on 30 August 2022, the European Commission approved the MEUR 90 Lithuanian state aid scheme to help companies reduce fossil fuel consumption and foster the use of renewables in the context of Russia's invasion of Ukraine. The aid will take the form of direct grants covering part of the additional costs linked to severe increases in natural gas and electricity prices. Earlier this year (on 30 May 2022), the Government of the Republic of Lithuania adopted a resolution under which household consumers of electricity are compensated up to 9 ct/kWh until the end of this year.



REFORMS COMING UP

EST

The government has just approved a draft law for a major **Estonian electricity market reform** that establishes selling electricity as a universal service (see also above).

As the Estonian government coalition has set a goal to accelerate the transition to renewable energy, they are planning to organise at least 2 reverse auctions in 2023 to increase the share of renewable energy and to set up an additional reverse auction plan for 2024–2025 in the volume of at least 1 TWh.

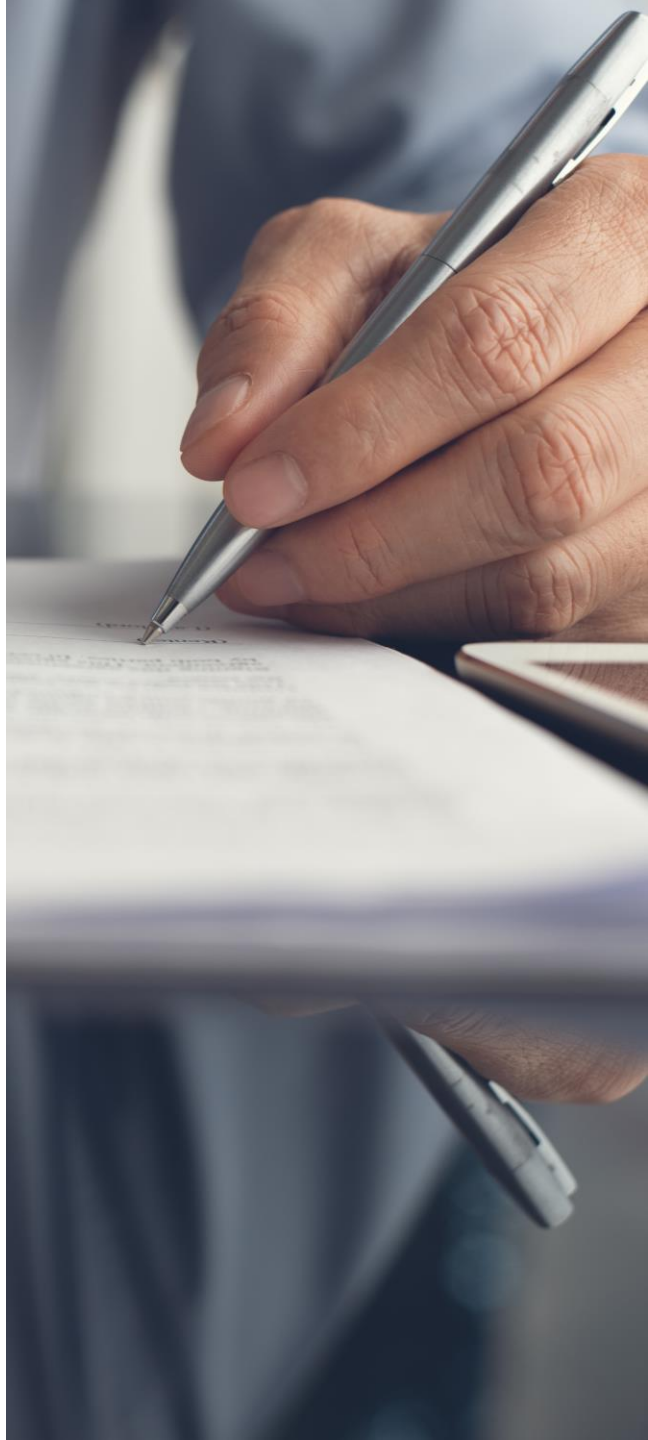
LV

Law initiatives aimed at establishing **preferential procedures for the development of wind power plants** have not been passed yet – both the Law on Facilitated Procedures for the Construction of Wind Power Plants to Promote Energy Security and Independence and the draft law amending the Law on EIA cancelling the requirement to do the full scope EIA for the construction of wind power plants have not received the final approvals of the Parliament. Meanwhile, amendments to the Protection Zones Law have been submitted to the Parliament proposing to cancel the requirement to establish protection zones around wind power plants.

New draft amendments are again proposed by the Ministry of Economics to the applicable regulations concerning **offshore wind development** also specifying the tender evaluation criteria. No decisions by the Cabinet of Ministers have been taken yet with this regard, as well as concerning the Eolus application on determining the area in the sea. A new application submitted by TotalEnergies Renewables S.A.S and Van Oord Offshore Wind B.V. determining the wind park "Rietumi" area in the sea was submitted for approval.

LT

The most significant recent reforms have been made by adopting the Breakthrough Package. However, because of the novelties introduced (such as hybrid power plants and the possibility to install more renewable energy capacities than the transmission network can accept), additional legislative actions and assessments will have to be carried out by the Ministry of Energy, the regulator, and the transmission system operator to make it all smoothly work in practice. It must be also noted that not all legislation, necessary for the upcoming offshore wind tender, is yet prepared or adopted. Currently, the Ministry of Energy has proposed a Draft Resolution on the requirements for offshore tender participants and the reimbursement of research expenses. The tender participant, its shareholders and UBOs will have to meet European and Transatlantic integration criteria; participants will have to demonstrate financial capacity and experience in offshore wind farm development. Also, all participants entering the tender will have to undertake commitments related to greenhouse gas emissions, investments into environmental protection, support for local communities and involvement of small and medium-sized enterprises in project development. The Resolution will be adopted by the Government in September 2022. All other offshore wind related regulations must be adopted before the announcement of the first offshore wind tender on 1 September 2023.



WHAT'S COMING FROM EUROPE

REPowerEU strategy in full process: number of actions are taken to save energy and diversify the energy suppliers and to produce clean energy, including the following:

- The European Commission **amended the Temporary Crisis Framework**. The new amendment, in coordination with REPowerEU, enables the Member States to:
    - Provide aid **to accelerate the rollout of renewable energy**, storage, and renewable heat. This applies to the generation of electricity from solar, wind, and geothermal power; electricity or thermal energy storage; the production of renewable heat and renewable hydrogen; and the production of biogas and biomethane from waste and residues.
    - Provide aid for **the decarbonization of industrial production processes through electrification** and the **use of renewable and electricity-based hydrogen** and for **energy efficiency measures**.
    - The aid must be granted **by 30 June 2023**.
- The European Commission has approved public support of up to €5.4 billion for **"IPCEI Hy2Tech"**, a project to research and deploy the hydrogen technology value chain, which was jointly prepared by 15 Member States, including Estonia. It was the **first ever** Important Project of Common European Interest (IPCEI) in the hydrogen sector.
- The European Commission has proposed a gas demand reduction plan **"Save Gas for Winter"** (Council Regulation on coordinated demand reduction measure for gas) intending to reduce gas demand by 15% between 1 August 2022 and 31 Mach 2023 to safeguard the EU security of gas supply. The proposed regulation would allow the Commission to impose a mandatory gas demand reduction on all Member States ("Union Alert"), after consulting with them.
- The European Parliament and the Council have adopted Regulation 2022/1032[1], which obligates the **Member States to secure gas supply** as well as diversify the suppliers. The Member States should ensure that the underground gas storage facilities are filled to at least 90% of their capacity by 1 November of each year. However, for the current year, the filling target is 80%.

The European Parliament voted to keep **natural gas and nuclear energy in its taxonomy of sustainable sources of energy**. However, certain time limits and emission requirements apply, and the EU is still required to become climate neutral by 2050 and uphold its obligation to reduce greenhouse gas emissions.

[1]Regulation (EU) 2022/1032 of the European Parliament and of the Council of 29 June 2022 amending Regulations (EU) 2017/1938 and (EC) No 715/2009 with regard to gas storage (Text with EEA relevance) – OJ L 173, 30.6.2022, p. 17–33.

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