

# BALTIC ENERGY MARKET NEWS FLASH

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

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Dear reader,

We are glad to present you with a new Baltic Energy Market News Flash, summarising the latest developments in the energy sector in the Baltics. For convenience, we have arranged the information by country and energy field – feel free to skip to the part that interests you and read selectively.

As always, there are plenty of interesting new developments. In Estonia, the Parliament adopted an omnibus bill on renewable energy which regulates, amongst others, matters such as grid connection, construction, and planning. Implementation of this law on so-called ‘phantom connections’ opens up new grid capacities but has also generated many questions and disputes. In addition, Estonia and Lithuania are accelerating the development of wind parks with new procedural measures. While the creation of Estonia’s gas infrastructure has started with the acquisition of an LNG hauling quay in Paldiski by the state, the Skulte LNG terminal project in Latvia is facing difficulties. Moreover, the increase in solar technologies brings about the need to develop and use energy storage devices. Reforms in the EU’s electricity market design foresee revisions to several pieces of EU legislation.

We hope our News Flash will give you useful insights into the energy developments in the Baltics.



### EST

Concerning offshore wind farms, the Government will make a proposal on new reverse auctions no later than by 1 October 2023.

The government has introduced numerous new measures to speed up and simplify the development of wind parks:

- The proceedings for plans of onshore wind parks may be completed already after the park's location is chosen and if there are no obstacles to further planning and development.
- In case of multiple applications for a national offshore wind park plan, an auction will be held by the Consumer Protection and Technical Regulatory Authority (CPTRA). The auction winner will have the exclusive right to handle spatial planning procedures and apply for a superficies license within 5 years of the plan's establishment.
- The initial bidding price for the superficies license application will be 15,000 euros per sq. km.
- Local government designated plans of onshore wind parks may alter the previously adopted comprehensive plan for the same municipality.
- The superficies license for an offshore wind park must cover a minimum area of 75 sq. km to efficiently use the marine space as a public area.
- The Income Tax Act will provide an explicit income tax exemption from the sale of renewable energy-generated electricity up to 15 kW, including that from wind turbines.







### LV

Although as of 1 January 2023, the new Ministry of Climate and Energy has taken over the functions of the Ministry of Economics, there are a lot of regulations falling within its responsibility still pending, namely, there have been no moves with regard to amounts and further details of discomfort payment to municipality, no drafts have been issued either with regard to further details and amounts of financial guarantees with regard to qualifying as an object of national interests according to Facilitated Procedure Law, as well as with regard to guidelines of facilitated environmental impact assessment according to the same law. No further drafts of governmental regulations have been developed regarding the development of offshore wind either. The deadline for the payment of the grid bond for connection to the grid has now elapsed – projects which did not manage to cover the grid bond by 31 March this year have now lost the right to connect. New technical terms for these can be issued no sooner than after 6 months if the connection capacity is still available. More detailed information on the planned connection is now available at TSO: <https://www.ast.lv/lv/content/pieslegumi-parvades-sistemai>

### LT

On 1 February 2023, the National Energy Regulatory Council published a draft methodology for the determination of the highest transaction price. The methodology regulates how the highest transaction price that can be requested by the tenderers in the tender for an offshore wind park with available state support for the electricity generated in the offshore wind park is calculated. When determining the highest transaction price, the Lithuanian NRA considers the following criteria: (i) the average annual amount of electricity production, (ii) the average variable and fixed operating costs; (iii) the average relative investments in power plant installation and connection to the grid, (iv) the period of application of the support, (v) discount rate, (vi) the useful life of the power plant.

On 15 March 2023, the Government adopted a resolution regarding another offshore wind park in Lithuania. The resolution details the planned location of this new offshore wind park, and its intended installed and permitted generating capacities.

On 29 March 2023, the National Energy Regulatory Council adopted the description of the procedure for organising tenders and issuing permits to use parts of the maritime area for the development and operation of power plants using renewable energy resources. The description covers both planned tenders: the tender to build an offshore wind park with available state support and the tender to build an offshore wind park without the state's support.

On 30 March 2023, the National Energy Regulatory Council announced the commencement of Lithuania's first offshore wind tender. Submission of the documents for the tender began on 31 March 2023 and should continue until 29 May 2023.





# HYDROGEN

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### EST

The Environmental Investment Centre has opened a call for proposals for the development of pilot projects for the introduction of green hydrogen in the transport sector and as a feedstock for the chemical industry.

With the definition of end-use of hydrogen added to the Liquid Fuel Act, the regulation will introduce and define the use of hydrogen. As hydrogen will also be considered in the calculation of the transport target, an increase in investments to hydrogen solutions is expected.





### EST

In March 2023, the state (through the Estonian Reserves Center) acquired the liquefied natural gas (LNG) hauling quay in Paldiski along with the associated infrastructure and port property. According to the Estonian Reserves Center, the quay will be acquired with the aim of creating, together with the owner of gas infrastructure Elering, an independent gas supply solution for Estonia. However, the gas infrastructure passes through a property that remained in the hands of Alexela and Infortar, who have not granted a personal right of use to Elering. This means that Elering is interested in compulsory possession order for the gas pipeline.

Eesti Gaas will be the first to order gas from the Finnish LNG floating terminal. The first real gas supply is expected earliest in April.

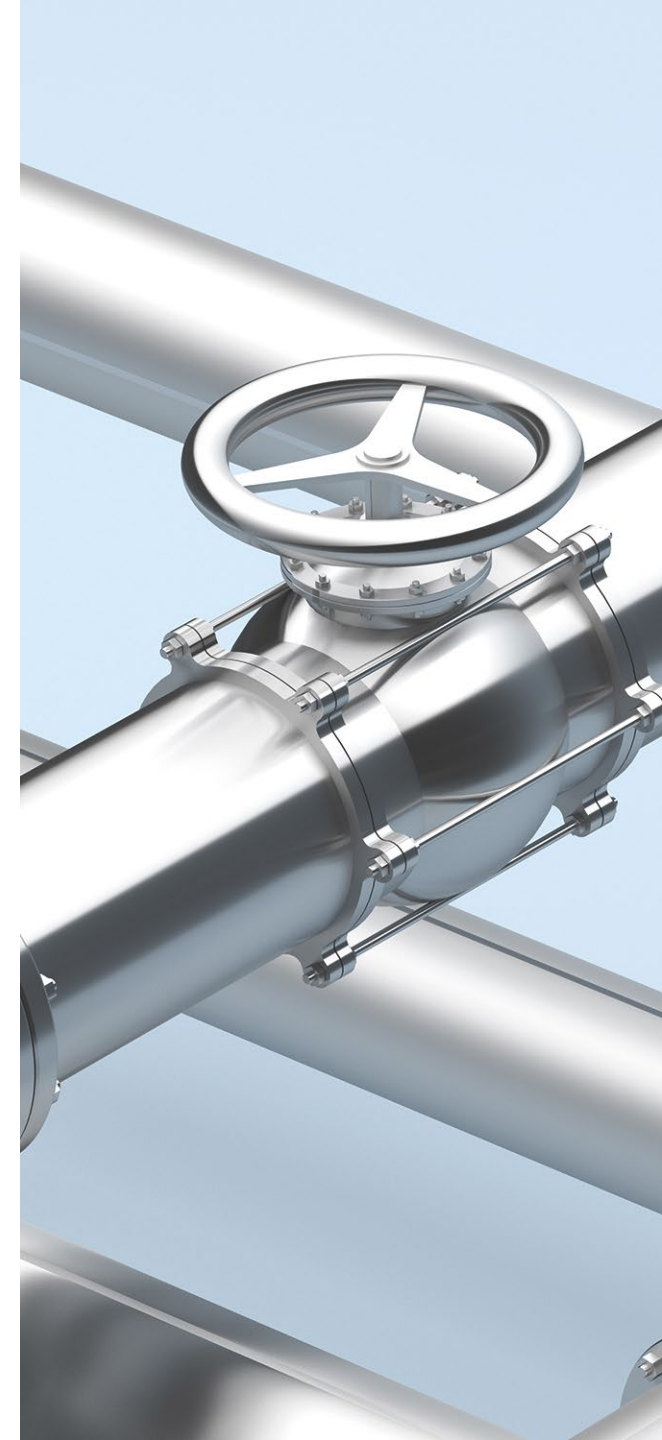
The Ministry of Economic Affairs and Communications is planning to introduce an additional tax on gas, namely the gas reserve payment. The amount of the proposed tax would be 0.4 euros + VAT per one MW/hour. The obligation to pay the reserve tax will arise when consuming the gas and it will be paid to the Estonian Reserves Center by the network operator. As a result, the rate of the additional gas tax will have a direct impact on the final consumer.

### LV

Difficulties surround the LNG terminal project in Skulte – the government has rejected the project cooperation conditions proposed by Skulte LNG Terminal and the strategic investor; environmental protection organisations have applied to the Constitutional Court challenging the granting of the status of an object of national interest to Skulte LNG terminal; and the government has asked the responsible ministry to start work on the development of possible conditions for joint use of the Paldiski terminal in Estonia.

### LT

On 27 January 2023, the National Energy Regulatory Council adopted a new version of the description of the procedure for the administration of the funds allocated to the LNG terminal, its infrastructure, constant operating costs and appointed supplier.





# SOLAR

## BALTIC ENERGY MARKET NEWS FLASH

### EST

As the number of solar energy producers in Estonia has become remarkably high in the recent years, and so has the total capacity of solar electricity, it is expected that during summer 2023 the electricity prices will be very low or even negative. According to the network operator Elektrilevi, small producers selling electricity to the grid should think about purchasing storage devices.

As there are more and more types of storage devices emerging in the market, the prices of the devices are also expected to drop. Therefore, micro-producers can store solar energy and use it in the occasion where prices are high or when there is not enough solar energy.

The Income Tax Act will be amended so that it will provide an explicit income tax exemption from the sale of electricity produced from renewable energy resources with a net capacity of up to 15 kW. The exemption includes solar panels.

### LV

The deadline of the payment of grid bond for connection to the grid has now elapsed – projects which did not manage to cover the grid bond by 31st of March this year have now lost the right to connect. New technical terms for these can be issued no sooner than after 6 months if the connection capacity is still available. More detailed information on the planned connection our now available at TSO: <https://www.ast.lv/lv/content/pieslegumi-parvades-sistamai>

### LT

In early March 2023, the National Energy Regulatory Council approved new descriptions of the procedures for using electricity transmission and distribution networks. The new description of the procedure for using the electricity transmission network, among other things, establishes the main stages of connection to the transmission network, the procedure for reservation of the network's bandwidth, conditions under which the electricity generation can be restricted, and the 300% principle – that 100% of solar, wind and energy storage capacity can be connected to the same network. The new description of the procedure for using the electricity distribution network, among other things, establishes a simplified connection process when a letter of intent is not necessary, the procedure for reservation of the network's bandwidth, conditions under which the electricity generation can be restricted.







# ENERGY STORAGE

## BALTIC ENERGY MARKET NEWS FLASH

### EST

The Environmental Investment Centre has opened a call for proposals for the development of pilot projects for energy storage equipment.

As the number of solar energy producers in Estonia has become remarkably high in the recent years, and so has the total capacity of solar electricity, it is expected that during summer 2023 the electricity prices will be very low or even negative. According to the network operator Elektrilevi, small producers selling electricity to the grid should think about purchasing storage devices. As there are more and more types of storage devices emerging in the market, the prices of the devices are also expected to drop. Therefore, micro-producers can store solar energy and use it in the occasion where prices are high or when there is not enough solar energy.

### LT

In January 2023, initial testing of Lithuania's 200 MW electricity storage system was completed.







# REFORMS COMING UP

## BALTIC ENERGY MARKET NEWS FLASH

### EST

In March 2023, the Ministry of Economic Affairs and Communications introduced a new renewable energy reverse auction. Participants can have a new renewable electricity production facility or add a new electrical installation to an existing facility. A new condition requires at least half of the offered renewable energy to be produced in the 1st and 4th quarters (winter months). Additionally, all participants must provide a deposit.

The Earth's Crust Act will expressly allow the construction of renewable energy facilities on mineral deposits in case there is approval received from the Ministry of Environment or the authority delegated by it (in practice, the authority being the Land Board). The new regulation will also specify additional conditions regarding the construction, for example the date by which the installations must be removed.

The Electricity Market Act addresses phantom grid connections by introducing contractual obligations for production-oriented connection agreements. Producers seeking grid access for installations exceeding 15 kW must provide a deposit of EUR 38,000 per MWa. Exemptions include producers who have paid 70% of the connection charge and those constructing installations on apartment buildings. This deposit is expected to deter speculative interest in grid access. It motivates developers to apply only when confident in project feasibility. Additionally, a yearly fee of EUR 38,000 per MWa applies if electricity production does not commence within 1-3 years after grid connection (depending on technology). Changing the production technology after application for grid connection is prohibited.

Information about the connection applications of manufacturers, as well as existing grid capacities by area, will be disclosed by the network operator on their website to make the overall process significantly more transparent.

### LV

The Parliament is reviewing implementation of electricity price cap of 0,180 EUR/kWh to be imposed from 1 December 2022 until 30 June 2023. The maximum amount of market revenue will be applied to the monthly price of the Latvian trading area Nord Pool. These restrictions shall be applicable to all electricity producers with the exception of producers who produce electricity from biomethane or natural gas. The draft law also provides for prohibition to trade electricity with Russia and Belarus.





# WHAT'S COMING FROM EUROPE

## BALTIC ENERGY MARKET NEWS FLASH

On 14 March 2023, the European Commission proposed to reform the EU's electricity market design to accelerate a surge in renewables and the phase-out of gas, make consumer bills less dependent on volatile fossil fuel prices, better protect consumers from future price spikes and potential market manipulation, and make the EU's industry clean and more competitive. The proposed reform foresees revisions to several pieces of EU legislation – notably the Electricity Regulation, the Electricity Directive, and the REMIT Regulation. It introduces measures that incentivise longer-term contracts with non-fossil power production and bring more clean flexible solutions into the system to compete with gas, such as demand response and storage.

On 28 March 2023, the European Council reached an agreement on the hydrogen and gas markets decarbonisation package, which consists of a proposal for a regulation and for a directive that set common internal market rules for renewable and natural gases and hydrogen. The proposals aim at creating a regulatory framework for dedicated hydrogen infrastructure and markets and integrated network planning. They also set rules for consumer protection and strengthen the security of supply.





# CONTACTS

## BALTIC ENERGY MARKET NEWS FLASH



### AGNESE HARTPENGA

PARTNER  
CO-HEAD OF ENERGY PRACTICE  
GROUP

RIGA, LATVIA

**E** [agnese.hartpenga@tgsbaltic.com](mailto:agnese.hartpenga@tgsbaltic.com)

**T** +371 2913 5993



### PAULIUS ZAPOLSKIS

PARTNER  
HEAD OF ENERGY INDUSTRY  
GROUP

VILNIUS, LITHUANIA

**E** [paulius.zapolskis@tgsbaltic.com](mailto:paulius.zapolskis@tgsbaltic.com)

**T** +370 5 251 4444



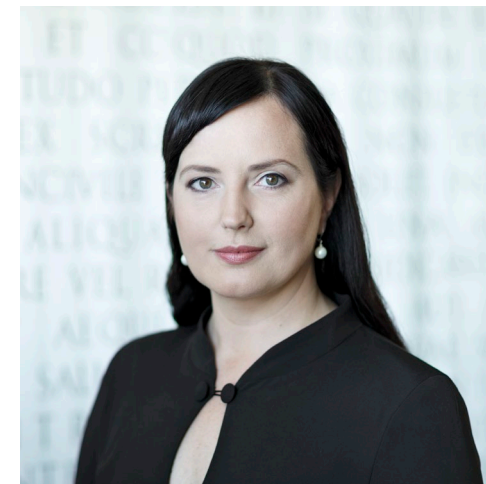
### TRIINU JÄRVISTE

ASSOCIATE PARTNER  
CO-HEAD OF ENERGY PRACTICE  
GROUP

TALLINN, ESTONIA

**E** [triinu.jarviste@tgsbaltic.com](mailto:triinu.jarviste@tgsbaltic.com)

**T** +372 5663 7458



### TRIIN KAUROV

PARTNER  
CO-HEAD OF ENERGY PRACTICE  
GROUP

TARTU, ESTONIA

**E** [triin.kaurov@tgsbaltic.com](mailto:triin.kaurov@tgsbaltic.com)

**T** +372 527 9501