

BALTIC ENERGY MARKET INTERCONNECTION PLAN

- 6th progress report -

July 2013 - August 2014

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INTRODUCTION

1. BACKGROUND

Following an agreement of the Member States of the Baltic Sea Region, in October 2008 the President of the European Commission – José Manuel Barroso decided to set up a **High Level Group (HLG) on Baltic interconnections** to be chaired by the European Commission (the Commission). Participating countries of the HLG are: Denmark, Germany, Estonia, Latvia, Lithuania, Poland, Finland, and Sweden. Norway participates in the HLG as an observer.

In June 2009 the HLG delivered the **Baltic Energy Market Interconnection Plan (BEMIP Action Plan)**, which constitutes a comprehensive action plan on energy interconnections and market improvement in the Baltic Sea Region and which provides a set of concrete measures to be taken to achieve the objectives defined in the BEMIP Action Plan. The BEMIP Action Plan was endorsed by eight participating EU Member State Heads of State and the President Barroso on 17 June 2009 (Memorandum of Understanding on the Baltic Energy Market Interconnection Plan).

So far, two amendments to the BEMIP Action Plan have been adopted by the participating countries. In March 2011 the **West Baltic Task Force Action Plan** was incorporated into the BEMIP Action Plan and in March 2013 the **Roadmap for the Implementation of Natural Gas Projects in the Eastern Baltic Sea** area was included.

The Commission has been requested to **monitor progress of implementing the BEMIP Action Plan and to present a progress report to the HLG** once every implementing year. The progress report is to be based on verifiable information provided by the implementing parties and other relevant stakeholders. The progress report may also be presented to the Energy Council after discussions with the HLG.

2. OBJECTIVES

The main objectives of the progress report that covers the period from July 2013 till August 2014 are: (i) to describe the expected and actual status of action and projects in terms of activities and timelines, (ii) to identify issues and difficulties encountered during implementation of projects, and (iii) to identify matters that need to be further discussed within the HLG. The progress report also touches upon relevant changes in the environment of the BEMIP Action Plan. It also points out that further efforts are required to meet the European Council Conclusions of 4 February 2011¹ and to ensure complete implementation of the energy market legislation.

¹ "No EU Member State should remain isolated from the European gas and electricity networks after 2015 or see its energy security jeopardized by lack of the appropriate connections"

I. PROGRESS TO DATE

1. SUMMARY

1.1. Electricity

Connecting the three Baltic States power systems to neighbouring EU Member States synchronous area and to the internal energy market is one of the main priorities of the BEMIP Action Plan. Achievement of this priority requires a full implementation of the internal energy market rules.

In line with the agreed roadmap for the full implementation of the internal energy market rules and the agreement within the BEMIP HLG on a reflection paper on '*Electricity market and operating Baltic electricity grid*', in 2011 the Commission requested negotiating directives from the Council of Ministers for an agreement between the Russian Federation, Republic of Belarus and the European Union on the legal framework to operate the electricity networks of the Baltic Member States in line with the EU legislation, mainly the Third Energy Package (known as **EURURBY agreement**). The Council agreed on the negotiating directives in February 2012. However, in September 2013, the Baltic States informed the Commission about their intention of re-assessing the negotiating directives given to the Commission in view of the outcomes of a feasibility study on interconnection (including synchronisation) variants that was finalised on 30 September 2013. The main finding of the study on interconnection (including synchronisation) was that from a technical point de-synchronisation from the Russian and Belarusian power systems and synchronization with Continental Europe Networks (CEN) was feasible, there were no major obstacles from legal point of view, however synchronization would not be commercially viable as the total costs of de-synchronisation may outweighs the benefits. In view of this development and a need to provide sufficient time for the Baltic States to discuss the outcome of the study, the negotiations on the EURUBY agreement were put on hold in 2014. The Commission awaits a decision of the Baltic States in this aspect and remains fully committed to end their energy isolation.

Furthermore, two important policy developments in the area of electricity infrastructure of relevance for the Baltic Sea region took place in 2013 and 2014. On 14 October 2013 the Commission adopted the **first Union list of PCIs** containing 248 energy infrastructure projects which includes 7 electricity project clusters in the BEMIP region. Furthermore, on 28 May 2014 the Commission adopted a Communication on **European Energy Security Strategy (EESS)** that lists 33 energy infrastructure projects that are critical for Union's energy security (in the short and medium terms), including 5 electricity projects located in the BEMIP region.

In general, priority interconnections identified in the BEMIP Action Plan have been implemented according to the plan. The works on 'Estlink 2' have been completed and a good progress has been reported with regard to 'Skagerrak 4', 'NordBalt' and 'LitPol Link'. The works on wind generation projects in several BEMIP countries have also been progressing well. (For more details, please refer to Chapter 3.3).

1.2. Nuclear

The High Level Task Force on '*Nuclear Power Generation*' (HLTF) was set up in 2010 to further strengthen an involvement of the concerned governments and to promote a successful implementation of the **Visaginas project in Lithuania** as a regional Nuclear Power Plant (NPP) project. In 2010 and 2011 the three Baltic States confirmed their potential interest and engagement of their national energy and electricity companies in the project. The HLTF supported the idea of utilizing existing Union financial instruments and of examining possibilities to introduce new more open and creative financial tools to strengthen viability of Visaginas NPP. The preparation of the project has been slowed down by the negative outcome of a non-binding referendum which took place in Lithuania in October 2012.

The working group set up by the Lithuanian government prepared its proposals regarding a cost-effective supply of electricity and other energy resources by the end of April 2013. Following this proposal and after a joint evaluation performed on 30 September 2013, the potential investors, i.e. 'Lietuvos energija' - UAB (previously UAB 'Visagino atominė elektrinė'), SA Latvenergo, Eesti Energia SIA and Hitachi Ltd. have presented their joint position on Visaginas Nuclear Power Plant project viability stating that the project might become economically viable if several open issues (OI) would be resolved. On 8 November 2013 Prime Ministers of the Baltic States decided to precede with the resolution of energy sector development issues in the format of the Baltic Ministers Council and the Committee of Senior Energy Officials. On 18 December 2013, the Lithuanian Government established a national commission for the resolution of OI, which on 7 March 2014 presented to the project investors its proposals for resolving OI falling under the competence of Lithuania.

On 29 March 2014 the political parties represented in the Seimas of the Republic of Lithuania agreed on the strategic guidelines for the foreign, security and defence policy of the Republic of Lithuania for 2014–2020. In the strategic guidelines, the Lithuanian political parties committed *inter alia* to provide necessary political support and in cooperation with the European Commission and partner states to pursue as early as possible the development of the Visaginas NPP project and a synchronous interconnection with the European Continental Networks. The HLTF will continue to support the dialogue and cooperation between the regional partners.

On 30 July 2014 a memorandum of understanding between the Ministry of Energy of the Republic of Lithuania and Hitachi Ltd. was signed stating the intention to proceed with the establishment of a joint interim project company (i-PCO). Further progress is conditional on an outcome of ongoing negotiations with the regional partners.

In addition to the Visaginas NPP project, the works are to be progressing on the implementation of the **NPP in Poland**. According to the schedule provided by the Polish Ministry of Economy, the Polish government is to decide on a location of the NPP and to conclude a contract for the supply of the NPP technology by the end of 2016. Commissioning of the first NPP is planned for 2030. (For more details, please refer to Chapter 3.4).

1.3. Gas

The BEMIP Action Plan agreed in 2009 was amended in 2011 by including the **Western Baltic** Task Force Action Plan addressing the issue of a rapid depletion of the Danish gas

fields and needs for diversifying routes and sources of supply of Germany, Denmark, Poland and Sweden.

In principle, the implementation of the projects identified within the Western Baltic Sea area – monitored by the West Baltic Task Force – is on a good track. Several positive developments have been reported, mainly in the Axis Germany – Denmark (interconnection in Ellund), Axis Germany – Poland (including, a physical reverse flow on the Yamal pipeline) and Axis Poland – Denmark (including, close to the completion works on the LNG Terminal in Swinoujście). (For more details, please refer to Chapter 3.6.2).

Furthermore, in March 2013, the BEMIP HLG agreed on several critical projects to be implemented in the **Eastern Baltic** Sea area, along with the implementation roadmap. The agreed 'project set' includes new pipelines (i.e. 'GIPL' connecting Poland and Lithuania and 'Balticconnector' connecting Finland and Estonia), upgrade and development of the intra-Baltic gas networks and a Baltic Regional LNG Terminal on the shore of Gulf of Finland. BEMIP HLG has agreed that short and mid-term solutions may be used to ensure security of supply in the region.

Progress on several key projects has been satisfactory. Following intensive discussions between Estonia and Finland, a '*Roadmap on the development of the Balticconnector*' was agreed on 18 June 2014. Furthermore the works on Klaipeda LNG Terminal and Klaipeda-Kiemenai pipeline have been progressing according to the schedule. Regarding GIPL project Energy regulators of Poland, Lithuania, Latvia and Estonia accepted ACER decision on project's cost allocation and the Polish and Lithuanian gas transmission system operators submitted applications for EU support for the project, territorial planning and environmental impact assessment is ongoing. Limited progress, however, has been reported for other critical projects, including interconnections between the Baltic States. Furthermore, discussions on the Regional Baltic LNG terminal still continue. (For more details, please refer to Chapter 3.6).

Moreover, two important policy developments in the area of gas infrastructure of relevance for the BEMIP region took place in 2013 and 2014. On 14 October 2013 the Commission adopted the **first Union list of PCIs** containing 248 energy infrastructure projects which includes 8 gas project clusters in the BEMIP region. Furthermore, on 28 May 2014 the Commission adopted a Communication on **European Energy Security Strategy (EES)** that lists 33 energy infrastructure projects that are critical for Union's energy security (in the short and medium terms), including 7 gas projects located in the BEMIP region.

2. EXTERNAL ENVIRONMENT OF THE BEMIP

The external environment of the BEMIP Action Plan covers the most relevant policy initiatives, programmes, political declarations and events which are developed next to the BEMIP Action Plan and which may have (direct or indirect) impact on the implementation of its action and projects. .

2.1. Energy policy

2.1.1 European Energy Programme for Recovery (EEPR)

Following the outbreak of the 2007 financial and economic crises in the EU, in March 2009 the EU established the European Energy Programme for Recovery (EEPR) to

accelerate and strengthen the process of European economic recovery. **8 energy infrastructure projects located in the BEMIP region were selected** for the Union's financial support under the EEPR programme.

Implementation of the EEPR projects is on a good track as the works for an overwhelming majority of the projects have already been completed.

Regarding **3 electricity projects** selected for the financial assistance:

- '*EstLink2*' – an interconnection of Finland and Estonia (with the Union's contribution of approx. €70M), became available for commercial operations in February 2014 and the Union's assistance project is to be completed by December 2014;
- '*NordBalt1*' – an interconnection of Sweden and Lithuania, (with the Union's contribution of approx. €130M), the works are to be finalised by 2015 and the Union's assistance project is to be completed in 2016;
- '*NordBalt2*' – strengthening of the grid in the Baltic States (with the Union's contribution of approx. €90M), the action is ongoing and the Union's assistance project is to be completed by 2018.

Regarding **5 gas projects** selected for the financial assistance:

- '*Strengthening of the Danish gas network*' (with the Union's contribution of approx. €100M), the works were finalised in the second half of 2013 and the Union's assistance project was completed in 2014;
- '*Strengthening of the Polish gas network*' (with the Union's contribution of approx. €50M), the works have already been finalised and the Union's assistance project is to be completed in 2015;
- '*Swinoujscie LNG terminal*' (with the Union's contribution of approx. €80M), the works are to be finalised and the Union's assistance project is to be completed in 2015;
- '*Reverse flow between Lithuania and Latvia*' (with the Union's contribution of approx. €13M), the works were finalised in the first half of 2013 and the Union's assistance project was completed in 2013;
- '*Reverse flow in Poland*' (with the Union's contribution of approx. €14M), the works have been finalised and the Union's assistance project is to be completed by December 2014.

2.1.2 "Old" Trans European Energy Networks Programme (TEN-E)

The 'old' Trans-European Energy Networks Programme (TEN-E) was established by Commission Decision No 1364/2006 of 6 September 2006 to promote TEN-E networks, interconnections and interoperability. Projects identified in the framework of the TEN-E Programme could benefit from the Union's financial assistance in the form of grants.

Following the adoption of the 'new' TEN-E Programme in April 2013, **the operation of the 'old' Programme is to be ceased**. The last call for proposals under the 'old' TEN-E Programme was published in 2013. **Between 2006 and 2013 (including the 2013 call), 46 proposals from the BEMIP Region (20 gas and 26 electricity) benefited from the financial assistance under the Programme. Financial assistance amounted to in total €47M.**

In 2013 and 2014, 27 BEMIP electricity and gas proposals were carried out under the 'old' TEN-E Programme. The benefiting proposals originated from 6 EU Member States, including Denmark, Germany, Estonia, Latvia, Lithuania and Poland.

7 proposals (out of all 27 proposals) were selected under the last call of the 'old' TEN-E Programme held in 2013 and 20 proposals were selected between 2008 and 2012. The 7 most recently selected proposals include:

- (1) *'Technical and contractual oversight of construction of new a HVDC back-to-back converter station with a 400 kV substation in Alytus – Lithuania'* (€50K),
- (2) *'Environmental Impact Assessment documentation up to environmental decision obtainment for the Gas Interconnection Poland – Lithuania'* (€420K),
- (3) *'Expansion works at the Mallnow metering station to allow physical reverse flow on the Yamal pipeline in the Poland direction'* (€400K),
- (4) *'Kassø-Tjele Monopiles – Denmark'* (€1.1M),
- (5) *'Synchronous condensers in Fraugde and Herslev – Denmark'* (€1.1M).
- (6) *'Öresund - new 400 kV interconnector from Denmark to Sweden'* (€400K), and
- (7) *'Preparation of Syderiai Underground Gas Storage Project Development Plan and of the Environmental Impact Assessment – Lithuania'* (€250K).

For these 7 proposals, 5 financing decisions have been prepared and notified and 2 decisions are pending.

In total, out of 27 proposals (carried out in 2013&2014), 11 proposals have already been completed and final payments are being finalised, 6 proposals are to be completed still by the end of 2014, and 10 proposals will continue beyond 2014.

2.1.3 New legislative package to enhance trans-European energy infrastructure development

Between 2012 and 2013 the Union adopted a comprehensive legislative package to enhance trans-European infrastructure development in the areas of transport, energy and information society.

The legislative package includes five legislative acts: the three sectoral guidelines establishing the sectoral infrastructure policies, the Connecting Europe Facility programme (CEF) providing financial aid to the three sectors, along with the project bond pilot proposal as a forerunner for a set of financial instruments to be elaborated in the coming year.

2.1.3.1 "New" Trans European Energy Networks Guidelines (TEN-E)

On 17 April 2013 the Union adopted Regulation (EU) No 347/2013 laying down guidelines for trans-European energy infrastructure (TEN-E Regulation)² which provides a legal framework for the **"new" TEN-E Programme**.

² OJ L 115/39, 25.4.2013

The TEN-E Regulation identifies **twelve priority corridors and areas of trans-European energy infrastructure**, including:

- (1) four priority electricity corridors (Northern Seas offshore grid, North-South interconnections in Western Europe, North-South interconnections in Central Eastern and South Eastern Europe, Baltic Energy Market Interconnection Plan - BEMIP),
- (2) four priority gas corridors (North-South gas interconnections in Western Europe, North-South gas interconnections in Central Eastern and South Eastern Europe, Southern Gas Corridor, Baltic Energy Market Interconnection Plan - BEMIP),
- (3) one priority oil corridor (Central Eastern Europe), and
- (4) three priority thematic areas (smart grids development, electricity highways and cross-border carbon dioxide network).

Furthermore, drawing from the experience of the 'old' TEN-E Programme, the TEN-E Regulation provides for **four types of measures to ensure the timely development and interoperability of the identified priority corridors and areas**:

- (1) *A new, dynamic way to identify projects of common interest (PCI)*. Under the 'old' TEN-E Programme, the list of PCI was defined in an annex to the Regulation and could be modified only through an ordinary legislative procedure. The new TEN-E Regulation proposes a new approach, i.e. PCIs are to be identified by twelve Regional Groups (one Regional Group per corridor) involving relevant stakeholders, such as national regulators, transmission system operators (TSOs), project promoters, the Member States and the Commission. The pool for projects selection in the field of electricity and gas are the Ten Year Network Development Plans (TYNDP) prepared by the European Networks of Transmission System Operators for gas and for electricity (ENTSO-E and ENTSO-G). The Union list of the chosen PCIs is adopted through a delegated regulation.

The first Union list (under the 'new' TEN-E Programme) containing 248 PCIs, including 7 electricity and 8 gas project clusters in the BEMIP region, was adopted by the Commission through Delegated Regulation (EU) No 1391/2013 of 14 October 2013³.

- (2) *Measures to accelerate a permit granting process*. Lengthy permit granting procedures and public opposition have been identified as the main obstacles to the infrastructure development, especially for overhead electricity lines. To overcome these obstacles, the TEN-E Regulation lays down a mandatory maximum time limit of 3.5 years for permit granting procedures applicable to PCIs and an obligation for the Member States **to designate by 16 November 2013 one single authority coordinating the permit granting process (one-stop-shop)**. Furthermore, Member States are to streamline their environmental authorisation procedures and to apply rules on enhanced transparency (to enhance public acceptance). Information about the one-stop-shops, applicable permit granting procedures, including documents and permits to be obtained by promoters should be included in **a manual of procedures that each Member State should publish by 16 May 2014**.

It needs to be noted that Denmark, Finland, Germany, Latvia, Lithuania and Sweden have already fully complied with their obligations and have established their one-stop-shops and published their manuals. Estonia and Poland have already published their manuals but they have not yet finished the respective procedures for establishing their one-stop-shops and Estonia,

³ OJ L 349, 21.12.2013, p.28

- (3) *Improved regulatory treatment for cross-border projects.* Trans-European energy infrastructures are in most cases regulated assets, while regulatory frameworks are nationally oriented and do not sufficiently take into account cross-border benefits. The TEN-E Regulation proposes a cost-benefit analysis to demonstrate the supra-national benefits and provides for a possibility to allocate costs across borders according to expected benefits. It is also required that National Regulatory Authorities provide regulatory incentives commensurate to the risks incurred by such projects.
- (4) Union's financial support under the CEF regulation (please see chapter 2.1.3.2).

2.1.3.2 Connecting Europe Facility Programme (CEF)

Smart, sustainable and fully interconnected transport, energy and digital networks are a necessary condition for the completion of the European single market. Moreover, investments in key infrastructures with strong EU added value can boost Europe's competitiveness. Such investments in infrastructure are also instrumental in allowing the EU to meet its sustainable growth objectives outlined in the Europe 2020 Strategy and the EU's "20-20-20" objectives in the area of energy policy and climate action. Considerable investment needs have been identified for the three sectors.

The EU wide investment in the energy transmission infrastructure sector needed up to 2020 has been estimated at €200bn. To provide the Union's financial assistance to the most critical projects in the three sectors, and thus to accelerate their development, on 19 October 2011 the Commission proposed to establish the Connecting Europe Facility programme (CEF) with an overall amount of €50bn (including €31,7bn for transport out of which €10 bn is transferred from the Cohesion Fund, €9,1bn for energy and €9,2bn for telecoms). In order to increase the impact of the Union's budgetary resources and in view of the increasing scarcity of public funding, the Commission has also proposed to use in a more systematic way innovative financial instruments to offer an alternative to the traditional grant funding in case of commercially viable projects and to help filling in financing gaps. Building on the experience of financial instruments under the previous financial framework put in place in cooperation with the European Investment Bank (EIB), such as the Loan Guarantee Instrument for trans-European transport networks projects (LGTT), the Commission has proposed to implement certain part of EU interventions within the CEF programme through financial instruments (including Project Bonds).

Following discussions in the European Parliament and the Council, **Regulation (EU) No 1316/2013 establishing the Connecting Europe Facility Programme⁴ was adopted on 11 December 2013 with the total budget for years 2014 – 2020 of €33.24bn, including €5.85bn for the energy sector.**

The Commission will select actions (including works and studies) to be co-financed under the CEF Programme through competitive calls for proposals. The 1st CEF call for proposals⁵ was published on 5 May 2014 and was closed on 19 August 2014. **The**

⁴ OJ L 348/129, 20.12.2013

⁵ http://inea.ec.europa.eu/en/cef/cef_energy/apply_for_funding/cef_energy_call_for_proposals_2014.htm

budget of the 1st call amounted to 750 m€, including *indicatively* 662 m€ for grants for works and 88m€ for grants for studies. Applications for grants received under the 1st CEF call were assessed against eligibility, selection and award criteria in October 2014. At the end of October 2014, the Commission prepared an award decision (in the form of an implementing act) that lists all awarded grants. The decision was subject to a vote in the CEF Coordination Committee on 29 October 2014 and to the scrutiny of the Council and the European Parliament in November 2014. Individual grant agreements are to be concluded from early 2015 by INEA.

It should be stressed that as CEF represents only around 3% of the €200bn EU wide investment needed up to 2020, CEF should be mainly used as a leverage of other funds through using financial instruments and it must also be combined with the efforts of National Regulatory Authorities to finance a substantial part of the infrastructure through network tariffs and of Member States making use of the European Structural and Investment Funds, where relevant.

2.1.4 European Energy Security Strategy

On 28 May 2014 the Commission adopted a Communication on European Energy Security Strategy (EESS)⁶. The Communication results from the Commission's commitment undertaken at the European Council meeting of March 2014 to conduct an in-depth analysis on European energy security and to present a comprehensive plan on how to reduce the Union's energy dependence.

The Communication provides for different short and medium-term measures necessary to address the Union's challenges in the energy sector. The short-term measure recommended by the Communication included 'energy security stress tests' that were carried out between July and October 2014 to identify supply disruptions risks in the upcoming 2014 winter. The tests were conducted on regional and Union level by simulating a disruption of (Russian and Ukrainian) gas supply.

Regarding the long-term measures, the Communication proposes actions that are to address several key challenges, including: completing the internal energy market, diversifying supplier countries and routes, strengthening emergency and solidarity mechanisms, improving coordination of national energy policies and increasing indigenous energy production.

Furthermore, the Communication establishes also an indicative list of **33 energy infrastructure projects that are critical for Union's energy security** (in the short and medium terms). Implementation of these projects is expected to enhance diversification of supply possibilities and solidarity in the most vulnerable parts of Europe.

12 of these projects (including 7 gas and 5 electricity projects) are located in the BEMIP region and include:

- (1) LNG vessel in Klaipeda
- (2) LNG terminal in Poland
- (3) Baltic Regional LNG terminal
- (4) Klaipeda-Kiemena gas pipeline
- (5) PL-LT gas interconnector
- (6) FI-EE gas interconnector
- (7) LV-LT gas interconnector
- (8) Nordbalt 1&2
- (9) LT-PL electricity interconnection

2.1.5 Regulation 994/2010 on security of gas supply

As stipulated in Article 9 of EU Regulation 994/2010, by December 2011 each Member State was required to establish a Risk Assessment taking stock of all threats and hazards that may endanger security of gas supply and to draw up by December 2012 a Preventive Action Plan and Emergency Plan listing tools to remove risks identified in the Risk Assessment and to manage impacts of a disruption.

Estonia, Latvia and Lithuania established their national risk assessments in a coordinated way and drew up a joint risk assessment for the region, through a working group on regional cooperation, which was steered by the Commission. **Estonia, Latvia, Lithuania and Finland provided both Plans.** The Estonian Risk Assessment is currently under revision by the Estonian Competition Authority. Work on a joint Preventive Action Plan started within the working group on regional cooperation with a limited pace, and a joint Emergency Plan is also planned for 2014 the earliest.

As regards physical reverse flows as stipulated in Regulation 994/2010, the interconnection between Lithuania and Latvia is already reversible and its extension works completed. The interconnection point between Estonia and Latvia is not reversible and Latvijas Gaze requested an exemption as long as an LNG terminal in Estonia or Finland is not built.

As many countries in the region still depend on one single gas source (Baltic States, Finland and Sweden) it is important to examine and encourage the necessary infrastructure developments the third party access to the existing gas infrastructure on the regulated and non-discriminatory basis, which would enhance security of gas supply in the region, contributing to meet N-1 on national or at regional level, and end the isolation of some Member States.

2.2. External aspects

• EU-Russia Energy Dialogue

In 2013, the EU-Russia Energy Dialogue continued with cooperation activities including with numerous meetings, seminars and conferences as well as regular high-level meetings between coordinators.

The dialogue on open issues related to the implementation of EU internal market rules (pipelines, unbundling, new EU supply routes) continued, also during ad hoc discussions of Delegated Coordinators of the Energy Dialogue on issues of mutual interest.

The EU-Russia Energy Dialogue was established as a key instrument to achieve better mutual understanding and realise common objectives in the field of energy. In this context, a signature of the non-legally binding "Roadmap EU-Russia Energy Cooperation 2050" in March 2013 became an important milestone. The instruments of the EU-Russia Energy Dialogue are the Thematic Groups and work-streams established to address specific issues, the EU-Russia Gas Advisory Council and the Permanent Partnership Council.

3. WORK COMPLETED [VS. PLANNED] AND NEXT STEPS

3.1. Electricity market integration

The roadmap towards an integrated power market between the Baltic Member States and the Nordic Countries consists of a stepwise process accompanying the progressive development of the power market in the Baltic area up to its full integration with the Nordic Power market.

Project	Short description of the Project	Target timescales	Status report	Responsible body
Step 1. Take preliminary political and business decisions on market integration	<p><i>Political</i></p> <ul style="list-style-type: none"> • Baltic Prime Ministers decision to start the Baltic electricity market integration on the basis of the indications forwarded by the HLG • Estonian and Lithuanian governments abolish the regulated tariffs for eligible customers at wholesale market (at least 35% of electricity consumption in each of the Baltic countries). <p><i>Business</i></p> <ul style="list-style-type: none"> • Decision by Nord Pool Spot to start NPS Baltic preparation for opening of Estlink price area • Decision by Estlink Shareholders to change Capacity Purchase Agreement and Shareholders Agreement for implicit auction by Day 1. In case the owners of Estlink1 cannot agree on opening, regulators will decide about changes in Estlink1 derogation. 	Summer/ Autumn 2009	The actions indicated in this step are accomplished	Prime Ministers; Three Baltic States' Governments; Nord Pool Spot; Estlink shareholders; Finnish and Estonian NRAs.

Project	Short description of the Project	Target timescales	Status report	Responsible body
<p>Step 2. What must be completed by Day 1: fulfilment of market opening requirements</p>	<ul style="list-style-type: none"> • Regulated tariffs have been removed for eligible customers; • Subsidized renewable energy can enter the market without losing subsidies; • Separation of TSO activities/roles; • Basic transparency rules (Nord Pool Spot rules); • Congestion management method between Estonia-Latvia-Lithuania and a common position towards Russian and Belarus TSO's; • Common ITC treatment of the perimeter countries for Estonia, Latvia, Lithuania and Finland; • Removal of cross-border restrictions, such as license and tariff in three Baltic States; • Introduction by Nord Pool Spot of price area Estlink. 	<p>Q1 2010</p>	<p>The Lithuanian and Latvian TSOs unbundling is fulfilled. Estonia and Lithuania have finalised certification procedure. Joining the NordPool spot is done for Estonia, Latvia and Lithuania and in these respect Transparency rules are respected. Issues of subsidized energy to enter the market remained to be solved.</p> <p>Latvia is going to remove the regulated tariffs by January 2015.</p> <p>All eligible customers in Lithuania can buy electricity for market based price. Household customers can buy electricity for market based or regulated prices at their own choice.</p> <p>Work on congestion management method between Estonia-Latvia-Lithuania and a common position towards Russian and Belarus TSO's is ongoing.</p> <p>TSOs have been asked to carry out a study on Baltic Electricity Transmission Capacities to find workable solutions on capacity management by the end of 2014.</p>	<p>Three Baltic States' and Finnish NRAs and TSOs; Nord Pool Spot; Governments.</p>

Project	Short description of the Project	Target timescales	Status report	Responsible body
Step 3. How to continue the process: market functioning fine tuning	<ul style="list-style-type: none"> • Baltic common day ahead market (based on Nord Pool Spot trading platform); • Stepwise introduction of Intra-day market; • Market based congestion management, implicit auction between Baltic countries managed by NPS; • Estonia, Latvia, Lithuania and Finland have a common position and trading principles towards non EEA third countries; • Transparency according to the ERGEG's North European Electricity Regional Initiative; • Common reserves and balancing power market; • Harmonized imbalance settlement and imbalance pricing; • Common market monitoring and surveillance rules; • Development of financial markets (OTC). 	2011-2013	<p>Nord pool Spot day-ahead and intraday market is implemented in the Baltics. As regards capacity allocation, the countries implemented implicit auction. PTR-limited auctions on EE-LV border are implemented to provide market participants some long term price predictability.</p> <p>TSOs have been asked to carry out a study on Baltic Electricity Transmission Capacities to find workable solutions on regulating electricity trade with non EEA third countries by the end of 2014.</p>	Governments; NRAs; TSOs; Nord Pool Spot
Step 4. Actions to finalize the market: Fully functioning market integrated	<ul style="list-style-type: none"> • Full opening of the retail market; • Common power exchange for physical trade in Nordic and Baltic area; • Market place for financial products; • Network tariff harmonization for generators. 	2013-2015	Market functioning fine-tuning.	Governments; NRAs; TSOs.

Step 1 of the electricity roadmap has been implemented.

Bulk of the actions concerning **Step 2** is implemented. The fact that the Baltic electricity systems are synchronously interconnected with the power systems of the Republic of Belarus and Russian Federation and operated on the basis of the BRELL agreement, constitute an obstacle for progressing with other tasks as congestion management, balancing and intra-day market developments. There is currently no common understanding of net transmission capacity calculation and allocation methods between the Baltic TSOs, Belarus and Russia. Baltic TSOs signed agreements regarding capacity calculation and allocation on 15 March 2013. The common Baltic regional approach for capacity calculation and allocation was the main precondition of the Baltic-Nordic market integration. The rules foresee capacity allocation implicitly via Nord Pool Spot power exchange.

Negotiations with Russia and Belarus, based on the negotiating directive adopted by the Council of Ministers in February 2012, addressed all major issues with third countries. The issue of common reserves and balancing requires further discussions with the Russian Federation and Belarus. Following the outcome of the study on interconnection variants that ended in September 2013, the EURUBY negotiations were put on hold until the Baltic States have finalised their assessment of the situation and agreed on a way forward.

Implementation of **Step 3** actions is in progress. Transposition of the Third package - addressing issues such as unbundling of TSOs, their tasks and obligations, transparency requirements, etc. has been completed. Electricity markets of all Baltic States are highly concentrated, with only limited number of traders operating actively. Since the Nord Pool Spot power exchange in Tallinn started in April 2010, Estonia is relatively well integrated into the Nordic power market via Nord Pool Spot. On 18 June 2012 Nordic power exchange Nord Pool Spot has launched its bidding area Elspot in Lithuania. Latvia operator AS "Augstsprieguma tīkls" (AST) and Nord Pool Spot signed on 4 April, an agreement making Nord Pool Spot the market operator of the new Latvian bidding area. The Latvian Elspot bidding area was launched on 3 June 2013. The new day-ahead Elspot bidding area has been connected to the Estonian and Lithuanian bidding areas, and also to Russia via the Latvian-Russian import and export areas. Since 3 June 2013 implicit auctions has been implemented on all the Baltic internal borders. In June 2013 a number of increases of spot prices took place. The cause of hikes still is under investigation carried out by Nord Pool Spot and by national regulatory authorities. Transmission system operators of Estonia and Latvia have started PTR-limited capacity auctions for the hedging of the risk of price differences, for the part of transmission capacity on the Estonian-Latvian border.

Lithuania stressed the necessity to maintain current capacity allocation mechanism as it could bring major benefits to market's players. According to Lithuanian view, implementation of explicit transmission capacity auctions on the Estonian-Latvian border would create unequal conditions for market's players and harm competition in Baltic electricity market.

Nord Pool Spot intra-day market is operating in Estonia since 2010 and in Lithuania and Latvia since 10 December 2013. Discussions on the further electricity financial market

development are on-going. The Nasdaq OMX work, however, is suspended. Baltic TSOs are also discussing the concept of balancing block.

As regards **Step 4**, Latvia and Lithuania applies regulated prices to household consumers. Latvia, however, plans cancellation of the regulated prices to household consumers from 1 January 2015. NordPoolSpot applies as common power exchange.

3.2. Negotiations on technical operation of the Baltic electricity networks

For historical reasons, the networks of Estonia, Latvia and Lithuania are synchronously interconnected with the power systems of the Republic of Belarus and Russian Federation and are operated on the basis of the transmission system operators' agreement (so called BRELL ring agreement). The current operation of the Baltic Member States' networks on the basis of the BRELL agreement jeopardises the full implementation of the EU internal market legislation of the Third Energy Package on their territories.

There is currently no common understanding of net transmission capacity calculation and allocation methods among the TSOs of the Baltic Member States and from Belarus and Russia. Available capacity is also restricted by the rules applicable to emergency power reserves. Moreover, the existing transit arrangement for electricity that is delivered to/from Kaliningrad puts balancing responsibility only on the Baltic TSOs.

On 28 February 2012, the Commission was authorised by the Council of the European Union to negotiate an agreement between the Russian Federation, the Republic of Belarus and the European Union on the legal framework for electricity system operation and electricity market interfaces between the electricity networks of Estonia, Latvia and Lithuania, the Russian Federation and the Republic of Belarus whilst they operate in the synchronous mode.

Since February 2012, numerous negotiation meetings took place and the issues discussed in the course of the negotiations included inter alia coordinated planning, capacity calculation and allocation, definition of balance areas and related processes.

In September 2013, the Baltic States informed the Commission about their intention of re-assessing the 2012 negotiating directives given to the Commission, in view of the outcomes of the feasibility study on interconnection variants which was finalised on 30 September 2013. The main finding of the study on interconnection (including de-synchronisation) was that from a technical point of view many solutions for synchronisation of the Baltic States power systems with neighbouring EU Member States synchronous area are feasible, but the process would be expensive. The total costs of synchronisation may outweigh the economic benefits. De-synchronisation from the Russian and Belarusian power systems was also assessed in the interconnection variants study. In view of this development and a need to provide sufficient time for the Baltic States to discuss the outcome of the study, the negotiations on the EURUBY agreement were put on hold until the Baltic States have finalized their assessment of the situation and agreed on a way forward.

The Commission awaits a decision of the Baltic States and remains fully committed to end energy isolation of the Baltic States.

3.3. **BEMIP Action Plan electricity projects – progress report**

Two important policy developments in the area of energy infrastructure of relevance for the BEMIP region took place in 2013 and 2014.

On 14 October 2013 the Commission adopted (through a delegated regulation⁷) the **first Union list of PCIs** containing 248 energy infrastructure projects which includes 7 electricity and 8 gas project clusters in the BEMIP region. Electricity projects include:

No	Definition
4.1	PCI Denmark – Germany interconnection between Ishøj/Bjæverskov (DK) and Bentwisch/Güstrow (DE) via offshore windparks Kriegers Flak (DK) and Baltic 2 (DE) [currently known as Kriegers Flak Combined Grid Solution]
4.2	Cluster Estonia – Latvia between Kilingi-Nõmme and Riga [currently known as 3 rd interconnection] including the following PCIs: 4.2.1. Interconnection between Kilingi-Nõmme (EE) and Riga CHP2 substation (LV) 4.2.2. Internal line between Harku and Sindi (EE)
4.3	PCI Estonia/Latvia/Lithuania synchronous interconnection with the Continental European networks
4.4	Cluster Latvia – Sweden capacity increase [currently known as the NordBalt project] including the following PCIs: 4.4.1. Internal line between Ventspils, Tume and Imanta (LV) 4.4.2. Internal line between Ekhyddan and Nybro/Hemsjö (SE)
4.5	Cluster Lithuania – Poland between Alytus (LT) and Elk (PL) including the following PCIs: 4.5.1. LT part of interconnection between Alytus (LT) and LT/PL border 4.5.2. Internal line between Stanisławów and Olsztyn Mątki (PL) 4.5.3. Internal line between Kozienice and Siedlce Ujrzanów (PL) 4.5.4. Internal line between Płock and Olsztyn Mątki (PL)
4.6	PCI hydro-pumped storage in Estonia — Muuga
4.7	PCI capacity increase of hydro-pumped storage in Lithuania — Kruonis

Furthermore, on 28 May 2014 the Commission adopted a Communication on **European Energy Security Strategy (EESS)**⁸ that lists 33 energy infrastructure projects that are critical for Union's energy security (in the short and medium terms). 12 of these projects (including 7 gas and 5 electricity projects) are located in the BEMIP region. Electricity projects include:

- (1) Nordbalt 1&2
- (2) LT-PL electricity interconnection
- (3) Electricity internal lines in LV and SE
- (4) EE-LV electricity interconnection
- (5) Synchronization of EE, LV, LT with the Continental European Networks

Taking into account the fact that majority of the projects listed in the first Union list and in the EESS Strategy are mentioned in the BEMIP Action Plan and the fact that the proper implementation of these projects is critical to enhancing possibilities for diversification of sources, routes and counterparts and for ending energy isolation of the Baltic Region, **this report provides information about the progress achieved in implementing PCIs and EESS projects located in the BEMIP Region.**

⁷ Delegated Regulation (EU) No 1391/2013; OJ L 349, 21.12.2013, p.28

⁸ http://ec.europa.eu/energy/doc/20140528_energy_security_communication.pdf

Several positive developments with regard to the electricity projects in the Eastern region of the Baltic Sea have been reported. First of all, the construction works on Estlink 2 (connecting Estonia and Finland) have been completed. Good progress of the works has been reported for: 'Skagerrak4' (connecting Norway and Denmark) that is to come into operation in Q1 of 2015, and 'NordBalt' (connecting Sweden and Lithuania) as well as for 'LitPol Link' (connecting Lithuania and Poland) both scheduled for commissioning by December 2015.

3.3.1. Interconnection projects progress reports

	Project	Short description of the Project	Target timescales	Responsible body	Status
I1	Krajnik (PL) - Vierraden (DE)	Conversion of existing 220 kV double circuit line between Krajnik (PL) – Vierraden (DE) into a 400 kV line together with phase shifting transformers (PST) installation on 400 kV lines: Krajnik (PL) - Vierraden (DE) and Mikulowa (PL) - Hagenwerder (DE) PCI#3.15	Before 2013	50HzT (DE) & PSE Operator (PL)	<ul style="list-style-type: none"> - Public permit for the first construction stage of the German part was received in May 2012. - Preparation of technical construction solution including technical equipment and PST parameters was completed in 2010. Preparation of tendering documentation was done in 2012/13. - A Memorandum of Understanding (MoU) for the upgrade of Krajnik – Vierraden line and the installation of PST has been signed by 50Hertz and PSE. MoU is introducing changes of dates in tendering and construction phase. The change of dates is a result of detailed analysis conducted in a preparatory phase concerning identification of vendors, production capacities/duration, as well as complexity of the delivery and installation. - An agreement on PST including the operation of a virtual PST and the construction and coordinated operation of PST was signed by 50Hertz and PSE in February 2014. The contractor for installation of PST was chosen. According to the agreement between PSE and 50 Hertz the PSTs are constructed in Mikulowa substation (Polish side) and Vierraden substation (German side).

	Project	Short description of the Project	Target timescales	Responsible body	Status
I2	Baczyna/ Plewiska (PL) - Eisenhüttenstadt (DE)	3 rd interconnection (400 kV) between Poland and Germany PCI#3.14	After 2015	50 HzT (DE) & PSE-Operator (PL)	<ul style="list-style-type: none"> - The application for the process of the spatial planning procedure in Germany was concluded in spring of 2013. - Feasibility study was completed (for the line construction and substation in the string: Polish border-Gubin-Zielona Góra-Plewiska II-Plewiska and in the string: Mikułowa- Świebodzice-Ząbkowice-Dobrzeń) by 1Q of 2013. - Environmental report was completed (for the line construction and substation in the string: Polish border-Gubin-Zielona Góra-Plewiska II-Plewiska and in the string: Mikułowa- Świebodzice-Ząbkowice-Dobrzeń) by 1Q of 2014. - Based on a proposal made by PSE to concentrate first on internal reinforcements of the Polish grid, PSE and 50Hertz are currently discussing a possible postponement of the construction of the third interconnection line between Poland and Germany beyond 2025.

	Project	Short description of the Project	Target timescales	Responsible body	Status
I3	LitPolLink: Elk (PL) Alytus (LT)	<p>a) Construction of interconnection line Alytus - Lithuanian border with the Republic of Poland (double circuit 400kV overhead line, 2x500MW BtB converter station, 400kV substation, reconstruction of 330kV Alytus substation);</p> <p>- PCI#4.5.1</p> <p>b) Construction of interconnection line Elk - Polish border with the Republic of Lithuania (double circuit 400kV overhead line, 400kV Elk substation).</p>	2015 (500MW)	<p>PSE S.A. (PL)</p> <p>LITGRID AB (LT)</p> <p>LitPol Link Sp. z o.o.</p>	<p><u>Lithuanian side:</u></p> <ul style="list-style-type: none"> - Design and construction contract for a <u>converter station</u> with 400 kV switchyard was signed in February 2013. - Technical design works are completed. Construction works are in progress. -Design for 400kV <u>overhead line</u> construction is completed and construction permit was obtained in May 2013. -Contracts for the construction works of 400kV overhead line Alytus-State Border were signed in September and November 2013. - Construction works are in progress. <p>The NRAs from the net-benefiting countries have been working on an agreement regarding the cross-border cost allocation for the project. Efforts to reach the agreement necessary to submit the proposal for CEF co-financing under the 1st call were not successful. The work will continue in the second part of 2014 to ensure that the agreement of the NRAs is ready before the 2nd CEF call.</p> <p>- COMMISSIONING – December 2015.</p> <p><u>Polish side:</u></p> <ul style="list-style-type: none"> - EIA decision for Elk <u>substation</u> was obtained in Apr 2013. - Construction permit for Elk substation was obtained in September 2013. Construction works are in progress. - Contract for the construction works of 400 kV <u>overhead line</u> was signed in June 2013. -Final EIA decision for 400kV overhead line was issued in December 2013. - Construction works are in progress. <p>- COMMISSIONING – December 2015.</p>

	Project	Short description of the Project	Target timescales	Responsible body	Status
I4	LT grid reinforcement (for LitPol)	Alytus-Kruonis	2015	LITGRID AB	<ul style="list-style-type: none"> - Preparation of territory planning documents was delayed due to changes in applicable legislation and extended procedure of Environmental Impact Assessment (additional public discussions). EIA was completed in July 2013. 80% of servitudes are established and remaining ones are expected to be established by October 2014. - Technical design works are to be completed by October 2014. - Tenders for the supply of equipment and contracted works are scheduled for October 2014. - Commissioning and start of operation are scheduled for March 2017.
		Visaginas – Kruonis	2020	LITGRID AB	<ul style="list-style-type: none"> - No activities have been yet started. - Project is conditional on the construction of Visaginas NPP. - Possible commissioning in 2020.
I5	LT grid reinforcement (for NordBalt)	Klaipeda – Telsiai	2014	LITGRID AB	<ul style="list-style-type: none"> - Construction works are on-going. - COMMISSIONING – August 2014.
		Musa - Panevezys	2018	LITGRID AB	<ul style="list-style-type: none"> - No activities have been yet undertaken. - Project is conditional on the construction of Visaginas NPP. - Possible commissioning 2023.
I6	LV grid reinforcement (Kurzeme ring for NordBalt), including PCI#4.4.1	<p>Reinforcement of Kurzeme Ring connection point Riga in the central part of Latvia (construction of RigaCHP1-Imanta 330kV cable line)</p> <p>Construction of new 330kV transmission lines in the Western part of Latvia: Grobina-Ventspils, and Ventspils-Tume-Imanta</p> <p>The section Ventspils-Tume-Imanta that is necessary to close 330 kV AC transit OHL from Grobina to Imanta (Riga) with a length of 210 km and a capacity of 940 MVA (onshore) has been identified as PCI#4.4.1.</p>	2019	Augstspriegumataikl	<ul style="list-style-type: none"> - The work on the reinforcement of the connection point Riga and line Grobina –Ventspils (2nd stage of Kurzeme Ring) has been completed. -Issues in the EIA procedure have caused delays in completing the EIA procedure for Ventspils-Tume-Imanta section (3rd stage of Kurzeme Ring). The final acceptance of EIA is expected by the end of 2014. Commissioning is scheduled for December 2019.

	Project	Short description of the Project	Target timescales	Responsible body	Status
I7	Polish grid reinforcement Elk-Alytus, including: PCI#4.5.2 PCI#4.5.3 PCI#4.5.4	Internal PL transmission grid reinforcements (2010-2015) to make possible power import capacity of 600MW from Lithuania to Poland. Additional PL transmission grid reinforcements (2016-2020) to make possible power transfer capacity of 1000MW.	2015 2020	PSE SA (PL)	- Project on schedule. - Agreements with contractors for design and construction signed. - Design work and territory planning activity advancing. - EIA reports finished. - Environmental decision mostly obtained. - Tasks are under construction.
I8	Polish grid reinforcement Czeczot or Skawina (PL) - Varin (SK)	New 400kV interconnection between Poland and Slovakia with reinforcement of Polish internal grid.	after 2018	SEPS (SK) and PSE-Operator (PL)	- Project implementation is suspended. - Both promoters are still to decide on a final date of prefeasibility studies of the interconnector corridor.
I9	Polish grid reinforcement Rzeszow (PL)- Khmelnitskaya (UA)	Modernisation and resumption of existing 750 kV interconnection between Poland and Ukraine.	2017	PSE SA (PL) & NPC Ukrenergo (UA)	Due to the current situation in Ukraine accurate milestones of the project could not be agreed between the Polish and the Ukrainian sides. In June 2014, the Ukrainian side informed about the new strategic directions of the Ukrainian Energy Policy that aim at a <i>full integration</i> (including at a <i>synchronous</i> operation) with Continental Europe. Therefore the Memorandum of Understanding that was prepared for <i>asynchronous</i> operation in May 2012 will not be signed. The next steps in the project will depend on the results of the Feasibility Study on Synchronous Interconnection of Ukrainian and Moldovan Power Systems to ENTSO-E Continental European Power System. The agreements on launching the Feasibility Study are currently being negotiated between the parties.

	Project	Short description of the Project	Target timescales	Responsible body	Status
I11	Estonia–Latvia third interconnector, including PCI#4.2.1 PCI#4.2.2	3 rd interconnection between Estonia and Latvia, including - interconnection between Kilingi-Nõmme (EE) and Riga CHP2 substation (LV) of 211 km and of 330 kV AC OHL with a capacity of 1143 MVA, constructed mostly on the existing transmission line routes, and - internal line between Harku and Sindi (EE), a new double circuit AC OHL with 2 different voltages 330 kV and 110 kV, with a capacity of 1143 MVA/240 MVA and a length of 140 km.	2020	Augstsprieguma tīkls Elering	-In <u>Latvia</u> , the EIA and RoW processes for possible routes are to be finalised by the end of 2015. Procurement for 330 kV transmission line is scheduled for 2016-2018 and commissioning is planned for December 2020. -In <u>Estonia</u> , the EIA and RoW processes for both sections (i.e. Kilingi-Nomme-Riga, and Harku-Sindi) are to be finalised by mid-2015. Procurement for transmission line for Harku-Sindi section is scheduled for 2016 and commissioning is planned for December 2020. Procurement for transmission line Kilingi-Nomme-Riga CHP2 is scheduled for 2017 and commissioning is planned for December 2020.
I12	Estlink2	2 nd HVDC interconnection with undersea cable of 650 MW capacity between Estonia (Püssi) and Finland (Anttila SS)	2014	Fingrid Elering	Project is COMPLETED. Trial operation was finished by February 2014. End of burn-in period was finished in August 2014. Punch-list elimination is ongoing.
I13	NordBalt	HVDC submarine cable of 700MW capacity between Nybro (SE) and Klaipeda (LT).	2015	Svenska Kraftnat (SE) Litgrid (LT)	- Permit for the construction of the converter (<u>Lithuania</u>) was acquired in January 2013. - Permits for the construction of the cable (including acquisition of land owners' agreements for cable route (<u>Lithuania</u>)) were acquired in May 2013. - The land lot for the converter station on the <u>Swedish side</u> has been acquisitioned. All owner's agreements for the cable route are in place. - Consultation with land owners for the construction of the converter (<u>Sweden</u>) has been completed. - All permits (incl. water operation) are in place. - Construction works of the converter stations started in March 2014 and are ongoing both in Nybro and Klaipeda. - Land (both in Sweden and Lithuania) and sea cable installation has started and is ongoing. - Converters and the cable are to be installed in September 2015. - COMMISSIONING and operation of NordBalt scheduled for December 2015.

	Project		Target timescales	Responsible body	Status
	Project	Short description of the Project			
I14	Kriegers Flak combined solution PCI#4.1	Regionally combined solution to connect 1600 MW offshore wind power in the Baltic Sea to Germany, Sweden and Denmark, as well as to provide additional transmission capacity between these countries	2018	Energinet.dk (DK), 50HzT (DE)	<p>Implementation phase of the project started with signing an amendment of a common Cooperation Agreement in January 2013. Contract on the HVDC VSC Solution (e.g. platform, converters and cables) was to be awarded by the end of 2013. However, in Q1 of 2014, the promoters decided that bids for the favorite solution were too expensive due to the main cost driver HVDC offshore platform. The promoters are currently preparing a new business case for a cheaper alternative moving the HVDC converter onshore.</p> <p>Main activities planned for the end of 2014/ beginning 2015:</p> <ul style="list-style-type: none"> - Continuation of the negotiations with EnBW regarding the platform extension of the German OSS Baltic 2 as part of KF CGS; - EU tendering procedures and negotiation for the main components e.g. HVDC B2B converter station.
I15	FennoSkan II	HVDC submarine/overhead link between Finnböle (SE) and Rauma (FI)	12/2011	Svenska Kraftnät (SE), Fingrid (FI)	Completed - start of commercial operation Dec 2011
I16	Great Belt (Storebælt)	HVDC submarine link between West and East Denmark.	08/2010	Energinet.dk (DK)	Project is COMPLETED. Started commercial operations in August 2010
I17	Skagerrak IV	HVDC submarine link between Norway and Denmark.	2014	Energinet.dk, Statnett (common project organization)	The Skagerrak4 project is on-schedule. Testing of the installed underground and submarine cable between Tjele in Denmark and Kristiansand in Norway was completed in May 2014. Installation of the converters was completed in August 2014 and testing of the interconnector is now on-going with expected completion in December 2014 when Skagerrak4 will enter into commercial operation.

	Project	Short description of the Project	Target timescales	Responsible body	Status
I18	South-West link (SE-SE)	Interconnectors between Barkeryd (SE) and Hurva (SE)	North/South 2015	Svenska Kraftnät (SE)	<p><u>North part</u></p> <ul style="list-style-type: none"> - Detailed planning and purchase completed; Concession received from the Energy Market Inspectorate; site construction works have started and are close to the completion. - Start of transmission tests - September 2014. - COMMISSIONING: December 2014. <p><u>South part</u></p> <ul style="list-style-type: none"> - Comprehensive planning completed; concession received from the Energy Market Inspectorate; detailed planning and purchase completed; site construction works have been completed. - Start of transmission tests – November 2014. - COMMISSIONING: 1Q 2015.
I19	Internal line between Ekhyddan and Nybro/Hemsjö (SE) PCI#4.4.2	New 400 kV AC single circuit OHL of 70 km between Ekhyddan and Nybro and a new 400 kV AC single circuit OHL of 85 km between Nybro and Hemsjö and with a total capacity of 3000 MVA (onshore).	2021	Svenska Kraftnät (SE)	<p><u>North part:</u></p> <ul style="list-style-type: none"> - Comprehensive planning completed, application for concession send to Energy Market Inspectorate – end of 2015. - Concession received from the Energy Market Inspectorate – early 2018. - Detail planning and purchase completed – end of 2018. - Start of site and OHL activities – 2019. - Hand over – Dec 2021. <p><u>South part:</u></p> <ul style="list-style-type: none"> - Comprehensive planning completed, application for concession send to Energy Market Inspectorate – end of 2015. - Concession received from the Energy Market Inspectorate – early 2018. - Detail planning and purchase completed – end of 2018. - Start of site and OHL activities – 2019. - Hand over – June 2021.

	Project	Short description of the Project	Target timescales	Responsible body	Status
I20	PCI Estonia / Latvia / Lithuania synchronous interconnection with the Continental European networks PCI#4.3	<p>The Lithuania – Latvia – Estonia power system and market integration: Synchronous interconnection of Lithuania, Latvia and Estonia with the Continental European networks project is aimed at infrastructure development for deeper market integration and synchronous interconnection of the power systems of the Baltic States with the Continental European networks.</p> <p>Based on the results of the Feasibility Study “Interconnection Variants for the Integration of the Baltic States to the EU Internal Electricity Market” and following the decisions of the Committee of Senior Officials on Energy of the Baltic Council of Ministers, the Lithuanian, Latvian and Estonian TSOs have jointly agreed to perform Study “Identification of Technical Requirements and Costs for Integration of Large Scale Generating Unit into the Baltic States’ Power System Operating Synchronously with the Continental Europe Networks” to identify the additional local technical measures and respective costs of the integration of the specific large scale unit.</p>	N/A	N/A	<u>See chapter 3.2</u>

3.3.2. Generation projects progress report

Project	Short description of the Project	Target timescales	Responsible body	Status
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	Project	Short description of the Project	Target timescales	Responsible body	Status
G1	Oil-shale CFB-s in Estonia	Up to 600 MW new CFB units on oil-shale	2016		Auvere power plant is an oil shale fired CFB (circulating fluidized bed) thermal power plant which can combust up to 50% of biofuels. The power plant consists of one separate 300 MWe energy production entity whereas the power plant layout has been designed so that the owner (Eesti Energia Narva Elektri jaamad AS) has further availability to construct an additional 300 MWe energy production entity. The main contractor (Alstom) is finalizing civil engineering and erection works. The synchronization of the energy block is planned in the 4th quarter of 2014 and net available capacity of the unit is 270 MW.

	Project	Short description of the Project	Target timescales	Responsible body	Status
G3	Visaginas NPP	New nuclear power plant in Visaginas	2020/2022	UAB "Visagino atominė elektrinė"	<ul style="list-style-type: none"> - Exclusivity arrangement with Strategic Investor – Hitachi started. - Concession agreement (to be signed by the Lithuanian Government, Hitachi and the Project Company) was approved by the Lithuanian Parliament in June 2012. - The European Commission, in accordance with Article 41 of the EURATOM Treaty issued its positive opinion on the Visaginas Nuclear Power Plant Project on 8 June 2012. - Review of and amendments to necessary legislation regulating nuclear energy has been made by the LT Parliament and the Government. - Governmental Working Group (GWG) was established to evaluate Visaginas NPP project and the National Energy Independence Strategy. GWG concluded its work in April 2013. - In September 2013, the potential investors presented their joint position on Visaginas Nuclear Power Plant project viability stating that the project might become economically viable if several open issues (OI) would be resolved. On 18 December 2013, the Lithuanian Government established a Commission for the resolution of questions in the field of energy production, synchronization and market performance. The Commission has prepared (with the involvement of 15 different institutions) the proposals for resolving the OI falling under the competence of Lithuania and on 7 March 2014 provided its proposals to the project investors. On 4 March 2014 Lithuanian State Nuclear Power Safety Inspectorate (VATESI) issued its positive opinion with regard to the coordination of the Visaginas NPP Site Evaluation Report. On 29 March 2014 the political parties represented in the Seimas of the Republic of Lithuania agreed on the strategic guidelines for the foreign, security and defence policy of the Republic of Lithuania for 2014–2020. Lithuanian political parties committed <i>inter alia</i> to provide necessary political support and to pursue the development of Visaginas NPP project and synchronous interconnection with European Continental Networks. On 30 July 2014 a memorandum of understanding between the Ministry of Energy and Hitachi Ltd. was signed stating the intention to proceed with the establishment of a joint interim project company organization (iPCO). Further progress is conditional on an outcome of ongoing negotiations with the regional partners. It is expected that regional partners might be prepared for the establishment of i-PCO by the end of 2014.

	Project	Short description of the Project	Target timescales	Responsible body	Status
G4	Nuclear development in PL	Nuclear energy development in Poland, based on Energy Policy of Poland until 2030	2030 – 1 st NPP unit 2035 – 2 nd NPP unit	Ministry of Economy	The development of the NPP is to be carried out according to the following timetable: 1.2014 – 12.2016: determination of the location and conclusion of a contract for the supply of the technology for the NPP. 1.2017-12.2018: engineering and construction design. 1.2019-12.2024: building permit and launch of the construction works of the 1 st NPP unit. 1.2025-1.2030: construction of the 1 st NPP unit completed. Launch of the construction of the 2 nd NPP unit. 2035: construction of the 2 nd NPP unit completed.
G5	PCI hydro-pumped storage in Estonia - Muuga PCI#4.6	Muuga HPSPP uses seawater and has an installed capacity of 500 MW. Maximum volumetric flow rate by generation and in the pumping mode is 120 m ³ /s. Normal static head is 500 m. Lower reservoir is on the level -500 m in Muuga granite massif. Energy rating of storage is 12 hours. The excavated granite will be used for road construction.	2024/ 2025	Marble Invest OÜ Andre Lindvest and Vooluenergia OÜ	The process is behind the preliminary schedule approximately 2 years by now, mainly because of the extension of the detail planning and SEIA process. Studies (incl hydrogeological, marine, geological, drilling etc) & construction permit phase (incl EIA): 2015-2017 Cave mining, parts I & II: 2017-2023 Plant equipment: 2021-2023 Plant installation: 2022-2024 Commissioning: 2024/2025
G6	PCI capacity increase of hydro-pumped storage in Lithuania - Kruonis PCI#4.7	Hydro-pumped storage in Kruonis with an installed capacity of 900 MW (4 units of 225 MW). Existing units have 74% of cycle efficiency in maximum power output and can operate in the range of 160–225 MW in generation mode but have no flexibility in pump mode. New 225 MW variable speed (asynchronous) unit is planned to be installed. The new unit will have pump mode ranging from 110 to 225 MW and the cycle efficiency of up to 78%.	2019	Lietuvos energija, UAB	All preparatory work (incl. procurement documents, technical specifications of works and equipment) has already been done. However construction works have not started yet. Final investment decision is expected after ' <i>power trading opportunities</i> ' increase in the region when NordBalt and Litpol Link interconnections are built.

3.3.3. Wind development progress report

	Project	Short description of the Project	Target timescales	Responsible body	Status
W2	Finnish wind development	2500 MW of wind power, most of which will be located along the western coast of Finland	2020		<ul style="list-style-type: none"> - In the end of 2013 there were 211 wind turbines in Finland with the total capacity of 448 MW. - By the end of May 2013 there were (at various preparatory stages) over 10 000MW wind power projects planned in Finland of which about 2 200 MW were offshore projects. - The target for 2020 is 6 TWh and it corresponds to approx. 2500 MW of wind power, most of which will be located along the western coast of Finland.
W3	Estonian wind development	Fastest growth is expected in wind power generation, electricity sector development plan foresees up to 900 MW of wind power by 2018	2020		<ul style="list-style-type: none"> - Installed capacity of wind power is 285.9 MW. - Increase of maximum 20 MW of additional installed capacity is expected in 2014. - Largest units: Paldiski 45 MW and Narva 39 MW.
W4	Latvian wind development	By 2020, 500 MW of wind generation can be connected to the grid	2020		<ul style="list-style-type: none"> - Installed capacity of wind power is 62MW. - 20.7MW is connected to the transmission network, 41.3MW connected to the distribution network. - The Latvian TSO (AST) has issued technical requirement for wind generation connection to the transmission network for 498.2MW. Expected wind generation connection to the transmission network till 2020 is 500MW.
W5	Lithuanian wind development	The target for 2020 to have 500 MW of installed wind power generation..	2020		<ul style="list-style-type: none"> - 222 MW of installed wind power is in operation and connected to transmission grid-110 kV. - 60 MW of installed wind power is in operation and connected to distribution network below 110 kV. <p>By 2016:</p> <ul style="list-style-type: none"> - 432 MW of installed wind power will be connected to transmission network. - Approx. 70 MW of installed wind power will be connected to distribution network. <p>2020 target of 500 MW of installed wind power generation is likely to be achieved before 2020.</p>

	Project	Short description of the Project	Target timescales	Responsible body	Status
W6	Polish wind development	High scale development of wind farms are presumed in Western and Eastern Pomerania (coastal regions), Mazury (lake land) and Wielkopolska (central west PL). Significant measures are planned as PL is obliged to reach 15% share of RES by 2020.	2020		<p>In 2013 the capacity growth of wind farms in Poland amounted to 893 MW. With the total installed capacity of 3 389 MW by the end of 2013, wind farms generated 5.822 TWh, 3.58% of all electricity produced in Poland.</p> <p>The National Renewable Energy Action Plan predicts that wind power will reach 6 550 MW by 2020, including 500 MW offshore and 550 MW in small installations. Poland is set to continue its wind power development with an average annual growth of 500 MW in line with the government's commitment of reaching 6 550 MW by 2020.</p>
W7	Wind development plans in Germany	Onshore wind power generation is expected to reach up to 50000 MW in 2020. In addition, Germany aims to have a capacity of 15000 MW offshore wind power installed by 2030 (combined North and Baltic Sea)	2020/2030		<p>By the end of 2013, about 33.7 GW wind power had been installed. Out of these, about 385 MW are offshore.</p> <p>By the end of 2013, about 23,645 onshore wind turbines were operational (source: Bundesverband Windenergie).</p> <p>In addition, 145 offshore wind turbines in deep water were operational on 30 June 2014 (source: offshore-windenergie.net).</p>

3.4. Nuclear

The High Level Task Force on 'Nuclear Power Generation' (HLTF) was set up in 2010 to further strengthen the involvement of the concerned governments and to promote the successful implementation of the **Visaginas project in Lithuania** as a regional Nuclear Power Plant (NPP) project, by coordinating their close cooperation, exchanging relevant information, discussing outstanding issues and adopting necessary measures. Furthermore, the HLTF examines ways of contributing to the financing of the project including through co-financing from international financial institutions and the Union's financial instruments.

In October 2011 the Investment Project for Visaginas NPP was officially notified to the Commission by the main investor - VAE. On 8 June 2012 following Articles 41 to 44 of the EURATOM Treaty⁹, the Commission issued its opinion. The review of the notification has been carried out by an internal Commission working group and through discussions between the Commission and the investor, the National Regulator VATESI and the Lithuanian government. The Commission took the view that the Visaginas NPP fulfils the objectives of the EURATOM Treaty and contributes to the security of energy supply in the Baltic Region and to the full integration of the Baltic States into the internal European energy market.

An advisory (consultative) referendum on the project took place on 14 October 2012, with a majority of votes against the project. The Lithuanian government set up a working group to elaborate proposals regarding a cost-effective supply of electricity and other energy resources. The working group concluded (by April 2013) that continuation and implementation of the project would require sharing related expenses, responsibilities and risks between the regional partners. Furthermore, a solid financing structure of the project, the increase of public awareness related to costs and benefits, and modern and practically tested nuclear technology were identified as indispensable. Furthermore, the Baltic Prime Ministers agreed at their informal meeting of 30 May 2013 held in Jūrmala that before further decisions on Visaginas NPP project are taken the economic viability of the project should be addressed jointly by all potential investors, taking into account working group's conditions on the continuation of the project.

Following these conclusions and after a joint evaluation performed on 30 September 2013, the potential investors, i.e. 'Lietuvos energija' - UAB (previously UAB 'Visagino atominė elektrinė'), Latvenergo AS, Eesti Energia SIA and Hitachi Ltd. have presented their joint position on Visaginas Nuclear Power Plant project viability stating that the project might become economically viable if several open issues (OI) would be resolved. Furthermore, in September 2013 Hitachi Ltd. with a support of the Japanese Government and Japanese export credit agencies: Japan Bank for International Cooperation (JBIC) and Nippon Export and Investment Insurance (NEXI) submitted proposals to improve financial conditions for the project.

On 8 November 2013 Prime Ministers of the Baltic States decided to precede with the resolution of energy sector development issues in the format of the Baltic Ministers Council and the Committee of Senior Energy Officials. Discussions on

⁹ These articles state that any new investment related to nuclear activities – above a certain threshold – has to be communicated to the Commission, which transmits its opinion on the project to the Member State concerned in the form of a legally non-binding point of view.

intergovernmental issues are on-going and so far 4 meetings of the Committee have been held.

On 18 December 2013, the Lithuanian Government established a Commission for the resolution of questions in the field of energy production, synchronization and market performance. The Commission has prepared (with the involvement of 15 different institutions) the proposals for resolving the OI falling under the competence of Lithuania and on 7 March 2014 provided its proposals to the project investors.

On 4 March 2014 Lithuanian State Nuclear Power Safety Inspectorate (VATESI) issued its positive opinion with regard to the coordination of the Visaginas NPP Site Evaluation Report thus finishing one of the major steps in the NPP authorization process.

On 29 March 2014 the political parties represented in the Seimas of the Republic of Lithuania agreed on the strategic guidelines for the foreign, security and defence policy of the Republic of Lithuania for 2014–2020. Lithuanian political parties committed *inter alia* to provide necessary political support and to pursue in cooperation with the European Commission and partner states as early as possible the development of Visaginas NPP project and synchronous interconnection with European Continental Networks.

On 30 July 2014 a memorandum of understanding between the Ministry of Energy and Hitachi Ltd. was signed stating the intention to proceed with the establishment of a joint interim project company (i-PCO). The main objective of the company would be to represent the investors' interests in discussion with the Lithuanian Government on OI and to implement other preparatory activities. Further progress is conditional on an outcome of ongoing negotiations with the regional partners. It is expected that regional partners might be prepared for the establishment of i-PCO by the end of 2014.

In addition to the Visaginas NPP project, the works are said to be progressing on the implementation of the **NPP in Poland**. According to the schedule provided by the Ministry of Economy, by the end of 2016 the Polish government is to decide on a location of the NPP and to conclude a contract for the supply of the NPP technology. Commissioning of the first NPP in Poland is planned for 2030.

3.5. Gas - market issues

All Member States of the BEMIP region have notified to the Commission a full transposition of the Third Energy Package provisions in the area of gas. The Commission continues to offer to the EU Member States assistance in implementing the package and has issued interpretative notes regarding certain provisions of the package.

As a result of the Lithuania's choice of the ownership unbundling model in its Gas Law, negotiations with the shareholders of the current gas transmission system operator AB "Lietuvos Dujos" started in 2011. Following several rounds of negotiations an agreement was reached to acquire Gazprom's shares of Lithuania's transmission and distribution systems operators..

On 31 May 2012, AB Lietuvos Dujos (LD) in compliance with the requirements of the legal acts of the Republic of Lithuania submitted to the National Control Commission for Prices and Energy the description of the selected methods for the unbundling of the LD's gas transmission activity and control and gas distribution activity together with the unbundling action plans, providing for the legal, functional and organizational

unbundling of the LD's natural gas transmission activity by 31 July 2013 and for the implementation of the unbundling of control of the transmission activity as well as the legal, functional, and organizational unbundling of the LD's natural gas distribution activity by 31 October 2014.

According to the Lithuanian unbundling plan, from 1 August 2013 AB Amber Grid operates as the legally and functionally unbundled operator of Lithuania's natural gas transmission system.

The implementation of the ownership unbundling was facilitated when by June 2014 both E.ON and Gazprom sold their shares in Lietuvos Dujos and Amber Grid to Lietuvos Energija.

Furthermore, necessary steps have been taken in Lithuania – including adaptation of the LNG Terminal Law on the basis of discussions with the European Commission, preparatory works and contracting of gas – to ensure the launch of the Klaipeda LNG Terminal by December 2014.

On August 2014 Natural gas supplier and trader UAB LITGAS, part of Lietuvos Energija energy company group, signed a LNG supply contract with Norwegian company Statoil ASA which offered the most favourable conditions. This contract will help to ensure continuous operation of the terminal and will establish a new natural gas pricing policy linked to the natural gas price movements on the international markets. The contract also covers possibilities of LNG reloading – a new commercial activity in the Baltic Sea region. LITGAS has also entered into 12 non-binding Master Sale and Purchase agreements with global LNG suppliers whose aggregate supply accounts for more than half of total global LNG supply. These agreements will enable LITGAS to buy LNG in the global spot market more quickly and efficiently. This will allow the users of the Klaipeda LNG terminal to decide from different LNG supply options – to contract LNG cargo directly from LNG suppliers and book the available capacities or to contract LITGAS as the intermediary.

In Estonia, the Gas Act adopted by the Government in 2012 proposed the ownership unbundling model as the only unbundling variant to be implemented by end 2014.

In Latvia the full natural gas market liberalization is planned for 2017 unless one of the following circumstances occur before: the Latvian natural gas system is directly connected to the interconnected system of any Member State other than Estonia, Lithuania and Finland; the share of a main supplier in the overall consumption of the natural gas of Latvia is less than 75%. The government is currently evaluating the most appropriate ownership unbundling model.

3.6. BEMIP Action Plan gas projects – progress report

As the BEMIP HLG agreed in September 2009, the work on gas is focused on the following main **objectives**:

- (1) identify the most cost-effective infrastructure necessary to diversify gas supplies in Finland and the three Baltic States, to end energy isolation and, consequently, to remove derogations in the Eastern Baltic Sea region;
- (2) launch a taskforce to identify the Baltic Regional LNG terminal in the Eastern Baltic Sea region;

- (3) find ways to additional gas sources to compensate for depletion of Danish fields and diversify sources and routes for Poland, Germany, Denmark and Sweden

Two amendments to the BEMIP Action Plan were agreed in 2011 and 2013. In 2011 the BEMIP Member States agreed on incorporating to the Action Plan, the **West Baltic Task Force** which includes critical gas infrastructure projects in the Western part of the BEMIP region. In 2013, the Member States agreed on including in the Action Plan a **roadmap for the implementation of natural gas projects in the Eastern Baltic Sea area**. (For more information on the two amendments to the Action Plan please see chapters 3.6.1 and 3.6.2).

Furthermore, in 2013 and 2014 two important policy developments in the area of energy infrastructure of relevance for the BEMIP region took place. On 14 October 2013 the Commission adopted (through a delegated regulation¹⁰) the **first Union list of PCIs** containing 248 energy infrastructure projects which includes 7 electricity and 8 gas project clusters in the BEMIP region. Gas projects include:

No	Definition
8.1.	Cluster LNG supply in the Eastern Baltic Sea Region, including the following PCIs: 8.1.1. Interconnector between Estonia and Finland “Balticconnector”, and 8.1.2. One of the following LNG terminals: 8.1.2.1. Finngulf LNG 8.1.2.2. Paldiski LNG 8.1.2.3. Tallinn LNG 8.1.2.4. Latvian LNG
8.2.	Cluster infrastructure upgrade in the Eastern Baltic Sea region, including the following PCIs: 8.2.1. Enhancement of Latvia-Lithuania interconnection 8.2.2. Enhancement of Estonia-Latvia interconnection 8.2.3. Capacity enhancement of Klaipeda-Kiemena pipeline in Lithuania 8.2.4. Modernization and expansion of Incukalns Underground Gas Storage
8.3	PCI Poland–Denmark interconnection “Baltic Pipe”
8.4	PCI Capacity expansion on DK-DE border
8.5	PCI Poland-Lithuania interconnection [currently known as “GIPL”]
8.6	PCI Gothenburg LNG terminal in Sweden
8.7	PCI Capacity extension of Świnoujście LNG terminal in Poland
8.8	PCI Upgrade of entry points Lwówek and Włocławek of Yamal-Europe pipeline in Poland

Moreover, on 28 May 2014 the Commission adopted a Communication on **European Energy Security Strategy (EESS)**¹¹ that lists 33 energy infrastructure projects that are critical for Union's energy security (in the short and medium terms). 12 of these projects (including 7 gas and 5 electricity projects) are located in the BEMIP region. Gas projects include:

- (1) LNG vessel in Klaipeda
- (2) LNG terminal in Poland
- (3) Baltic Regional LNG terminal
- (4) Klaipeda-Kiemena gas pipeline
- (5) PL-LT gas interconnector
- (6) FI-EE gas interconnector
- (7) LV-LT gas interconnector

¹⁰ Delegated Regulation (EU) No 1391/2013; OJ L 349, 21.12.2013, p.28

¹¹ http://ec.europa.eu/energy/doc/20140528_energy_security_communication.pdf

Taking into account the fact that majority of the projects listed in the first Union list and in the EESS Strategy are mentioned in the BEMIP Action Plan and the fact that the proper implementation of these projects is critical to enhancing possibilities for diversification of sources, routes and counterparts and for ending energy isolation of the Baltic Region, **this report provides also information about the progress achieved in implementing PCIs and EESS projects located in the BEMIP Region.**

3.6.1 Eastern Baltic Sea area

In March 2013 the BEMIP HLG agreed on incorporating into the BEMIP Action Plan the **Roadmap for the Implementation of Natural Gas Projects in the Eastern Baltic Sea area.**

The Polish–Lithuanian gas interconnection (GIPL), Balticconnector between Estonia and Finland, the Baltic Regional LNG terminal, gas storage and intra-Baltic interconnectors were identified in the Roadmap as the most important infrastructure projects in the Eastern region of the Baltic Sea. The importance of these gas projects was confirmed by the Union by including them in the first Union list of PCIs (October 2013) and in the EESS Strategy (May 2014). **According to the Roadmap, the entire package should be completed by 2019.** Following the inclusion of the Roadmap in the BEMIP Action Plan, the Progress Report provides updated information about its implementation status.

Tasks	Short description of the tasks	Target timescale	Status 2014
Step 1. Take necessary decisions on implementation	<p><i>Political</i></p> <ul style="list-style-type: none"> Concerned (Prime) Ministers formal agreement/decision to start implementation of the Package of natural gas projects (including their timescale and sequence) in line with the decision of the BEMIP High Level Group Bilateral agreements of the concerned governments to implement the projects (PL-LT; LT-LV; LV-EE; EE-FI). Adoption of regional Project of Common Interest (PCI) list <p>Responsible body: Member States' Governments, EC</p>	<p>April 2013</p> <p>April 2013</p> <p>June/Sept 2013</p>	<p>The first Union list of PCIs containing 248 energy infrastructure projects was adopted on 14 October 2013</p>
Step 2 Commercial decisions package	<p><i>Commercial</i></p> <ul style="list-style-type: none"> Concerned project promoters /TSOs to (re)start project preparatory works (project planning, etc.), reflecting the technical and financial aspects of implementation of the projects Confirmation of timescale and sequence of the implementation <p>Responsible body: Project promoters/ TSOs; Governments , Concerned Regulators</p>	<p>by December 2013</p>	<p>For details, please see the table below.</p>
Step 3. Clarifying related regulatory issues	<ul style="list-style-type: none"> Regional regulators to define regulatory/tariff/etc. issues and problems related to implementation of the projects Defined issues to be discussed with stakeholders (regulators, project promoters/TSOs, governments) Within the issues discussed, special attention to be paid to the cost-benefit analysis and possible cost sharing Solutions, options and scenarios for cost allocation and incentives to be elaborated Member States' Governments to consider and agree/decide on the options and scenarios <p>Responsible body: Concerned Regulators; Project promoters/ TSOs; Governments</p>	<p>by December 2013</p>	

Tasks	Short description of the tasks	Target timescale	Status 2014
Step 4. Detailed project development	<ul style="list-style-type: none"> Member States and project promoters/TSOs to promote and support projects and project implementation Applications of the project promoters for support of EU/EIB/EBRD funds should be supported by all Member States' governments Technical and commercial feasibility studies Permitting procedures Other regulatory approval processes Final Investment Decisions to be taken <p>Responsible body: Concerned Regulators; Project promoters/ TSOs; Governments</p>	from July 2013 onwards	
Step 5. Stepwise implementation of the projects	<ul style="list-style-type: none"> Project promoters to start project implementation according to the agreed timescales and sequencing (subject to decisions taken) <ul style="list-style-type: none"> Eastern-Baltic LNG terminal BalticConnector Gas storage Intra-Baltic network developments Poland-Lithuania interconnector <p>Responsible body: Project promoters/ TSOs;</p>	from 2015 onwards until 2019	For details, please see the table below.

Roadmap for the Implementation of Natural Gas Projects in the Eastern Baltic Sea area provides for the implementation of several critical energy infrastructure projects, including interconnectors, gas storages and LNG terminals.

Several positive developments in this area have been reported, including (i) the well progressing work on the Klaipeda-Kiemenai pipeline, (ii) an upgrade of the capacity of the entry point in Wloclawek on the Yamal-Europe pipeline and (iii) the agreement (reached on 18 June 2014) between Estonia and Finland on the *'Roadmap for the development of the Balticconnector'*.

Furthermore, the LNG terminal in Klaipeda is to become operational as of December 2014/January 2015. The Klaipeda terminal is of particular importance as it will be the first LNG terminal in the eastern part of the Baltic Sea region allowing for diversification of gas sources for all three Baltic States.

However, it should also be noted that no agreement on the location of the Baltic Regional LNG terminal has been found. Although the Baltic LNG study¹ reduced the number of viable options by identifying the Gulf of Finland as an ideal location, Finland and Estonia have not yet succeeded in finding a compromise.

Furthermore, the Lithuanian and Polish gas transmission system operators continued the preparatory works for the implementation of the Gas Interconnection Poland - Lithuania (GIPL) project. In August 2014, joint applications were submitted to the Commission for co-financing under the Connecting Europe Facility (CEF). It is expected that due to the received grants for studies and works the work on the GIPL pipeline will proceed according to the schedule and that the works will be completed by 2019 at the latest.

	Project	Short description of the project	Target timescale	Responsible body	Status
IG1	GIPL PCI#8.5	New onshore pipeline with a total length of 534 km (177 km in the territory of LT and 357 km in the territory of PL) and with a daily capacity increased in stages: Stage I – 6.6 and Stage II – 11.2 MCM/day. The power of the compressor station will be of: Stage I – 9.3 MW and Stage II – 24.4 MW.	2019	GazSystem AB Amber Grid	<p><u>Lithuanian section</u> (Jauniunai – LT/PL border):</p> <ul style="list-style-type: none"> - Pre-investment works for the gas pipeline: 05.2013-09.2016. - EIA: 05.2013-12.2014. - Construction: 05.2016-06.2019. <p>At the beginning of 2014, possible locations of the route were inspected and different options of the interconnection point at the LT/PL border were assessed. An EIA programme was developed and published, and the EIA report is being prepared.</p> <p><u>Polish section</u> (Rembelszczyzna – PL/LT border):</p> <ul style="list-style-type: none"> - Pre-investment works for the gas pipeline: 2014-2017. - Construction works: 2016-2019.
IG2	Balticconnector PCI#8.1.1	New bidirectional offshore pipeline (Inkoo-Paldiski, DN500, 80 bar) of 80 km, plus 50 km onshore pipeline in EE (Kiili-Paldiski pipeline, DN 700, 55 bar) and 20 km onshore pipeline in FI (Siuntio-Inkoo pipeline, DN500, 80 bar) including metering and compressor stations at both ends with a daily nominal capacity of 7.2 MCM/day. Capacity can be increased to 11 MCM/day if network capacity in EE and Fi is increased. The power of each compressor station is about 10 MW. Estimated share of offshore pipeline is expected to be 50 km as a part of Finnish transmission system and 30 km as a part of Estonian transmission system.	2020	Gasum Oy VS EG Võrguteenus	In June 2014, project promoters and the EE and FI Ministries agreed on the 'Roadmap on the development of the Balticconnector'. (Commissioning 2020).
IG3	Latvia - Lithuania Interconnection PCI# 8.2.1	Construction of new parallel pipeline from Daugmale to Iecava (LV) with a length of 40 km and a daily capacity of 12 MCM/day (onshore) and upgrade of gas metering station in Kiemenai GM station (LT).	2020?	Latvijas Gaze AB Amber Grid	No significant developments have taken place in the recent year. The project is still at a pre-feasibility stage. Commissioning is tentatively scheduled for 2020.

IG4	Estonia-Latvia Interconnection PCI# 8.2.2	Upgrade of onshore pipeline to a daily capacity of 10 MCM/day. The power of the compressor station(s) is of 35 MW.	2018	Latvijas Gaze Eesti Gas	The project directly depends on the implementation of the Balticconnector and on the location of the Baltic Regional LNG Terminal. No significant developments have taken place in the recent year. The project is still at a pre-feasibility stage. The following planning applies: Front End Engineering Design study – 2016. FID – 2017. Construction – 2017-2018. Commissioning – 2018.
IG5	Capacity enhancement of Klaipeda-Kiemenai pipeline in Lithuania PCI# 8.2.3	Upgrade of onshore pipeline with a daily capacity of 4.27 (capacity enhanced by – 6.73) MCM/day on a distance of 110 km.	2015	AB Amber Grid	- Procedures of Cross-Border Cost Allocation (September 2013–April 2014). - EIA, territorial planning and design (September 2013–July 2014). - Permission for construction (June 2014–July 2014). - Tendering for purchasing of pipes / Contract for the purchase of pipes (March–July, 2014). - Tendering for construction works / Contract for the construction works (March–July, 2014). - Supply of pipes (October 2014–March 2015). - Construction works (July 2014–December 2015). - COMMISSIONING (December 2015).
IG6	PCI Upgrade of entry points Lwówek and Wloclawek of Yamal-Europe pipeline in Poland PCI#8.8	Upgrade of the capacity of the entry points in Lwówek and Wloclawek on the Yamal-Europe pipeline (onshore, length NA) from 6.46MCM/day up to 9.8 MCM/day (Lwówek) and from 8.38 MCM/day up to 25.2 MCM/day (Wloclawek). Therefore, the total daily capacity will be of 35 MCM/day.	2015	GazSystem	<u>Wloclawek point:</u> Project development is currently in progress, works follow the assumed schedule. Progress achieved: - Agreement for the connection signed between EuRoPol Gaz and GazSystem. - The building permit was obtained on 25 March 2014. - COMMISSIONING (December 2014). <u>Lwówek point:</u> Project development is not currently in progress. An agreement for the connection is still to be signed between EuRoPol Gaz and GazSystem.

	Project	Short description of the project	Target timescale	Responsible body	Status
L1	LNG terminal in Finland PCI#8.1.2.1	New LNG terminal in Inkoo with an annual send-out capacity of 8 BCM/year at full utilisation rate. Development in stages: first part includes conventional on-shore storage tank of 165.000 m ³ storage capacity (working volume 150.000 m ³), connection to Finnish and Estonian (via Balticconnector) transmission pipelines, process equipment for pipeline send-out, reloading facility for bunker use and truck loading. Second stage includes enlargement of storage capacity to total of 330.000 m ³ (working volume 300.000 m ³). Possible to enlarge to 495.000 m ³ storage capacity. The maximum ship size is about 150.000 m ³ . The pipeline connecting the LNG terminal to the Finnish gas transmission grid from Inkoo is of a length of about 20 km and with a daily capacity 19.2 MCM/day (includes 7.2 MCM/day to EE via Balticconnector). Connecting pipelines, metering and compressor stations are included as a part of Balticconnector project.	N/A	Gasum Oy	Discussions between the Estonian and Finnish authorities and promoters on a single location of the terminal and its technical and operational aspects are being continued. No agreement has been yet found.
L2	LNG terminal in Paldiski PCI#8.1.2.2	New onshore LNG terminal near Paldiski (including a reloading facility for bunkering or small scale distribution) with an annual send-out capacity of 2.5 BCM/year. The LNG storage capacity is of about 180.000 – 320.000 CM LNG and the maximum ship size of 165.000 CM LNG (or any standard LNG tanker capable to pass through the Danish Straits).	N/A	Alexela	
L3	LNG terminal in Tallinn PCI# 8.1.2.3	New conventional onshore LNG terminal near Tallinn, at Muuga harbour (including reloading facilities: ships, barges, bio-methane and/or methane rich gas receiving, network injection facility trucks), with an annual send-out capacity of 4 - with further	N/A	N/A	A small scale LNG facility is to be developed by 2016.

		potential up to 8 BCM/year. The LNG storage capacity is of up to 320.000 CM LNG and the maximum ship size is of 280 m (LOA).			
L4	LNG terminal in Latvia PCI# 8.1.2.4	8.1.2.4.: New onshore LNG terminal (SCV, fuel gas evaporator) in Riga, with an annual send-out capacity of 5 BCM/year and a LNG storage capacity of 1 x 180.000 CM LNG). The maximum ship size is of 177.000 CM.	N/A	N/A	Project suspended, pending discussions between the Estonian and Finnish authorities and promoters.
L5	Klaipeda LNG terminal	National LNG terminal -Floating Storage and Regasification Unit (FSRU)	2015	Klaipedos Nafta	The terminal has entered commissioning phase and is to become operational by December 2014. In April 2014 Terminal Rules for Use have been approved by the national regulator ensuring an unrestricted Third Party Access to terminal's capacities to all potential users, including Latvian and Estonian consumers and gas traders without any upfront investments. Furthermore, in August 2014, the Lithuanian government informed that Litgas had signed a five-year contract with Norway's Statoil to import 540 million m ³ /year of gas as LNG through the Klaipeda LNG facility.

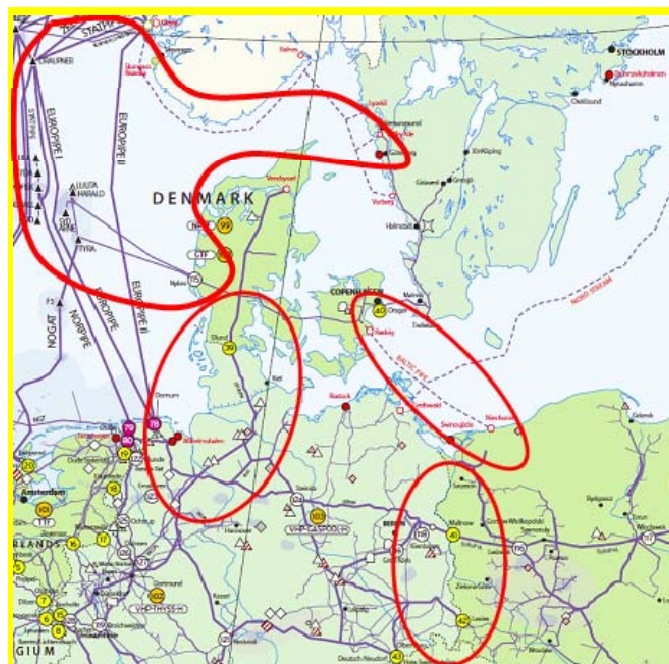
	Project	Short description of the project	Target timescale	Responsible body	Status
S1	Modernization and expansion of Incukalna Underground Gas Storage PCI#8.2.4	Upgrade and extension of an aquifer storage facility with the following technical characteristics: Current withdraw capacity - up to 28-30 MCM/day, after modernization expected 34-35 MCM/day. Injection capacity - 17 MCM/day. Cycling rate - 1 time/year (seasonal storage).	Stage 1&2 – 2018	Latvijas Gaze	Conditional FID for stages 1&2, i.e. modernisation of wells and modernisation of Collection Point 2. Modernization of wells: 2014– 2018. Modernization of CP- 2: 2014-2018. Installation and renovation of gas compression units: 2014-2018. Reconstruction of exhaust pipes: 2016-2018.
S2	Gas storage in Latvia	New storage in Latvia – Dobeles UGS (6 bcm active gas) (feasibility study 2009-2010)	?	Ministry of Economy of Latvia	The results of an EU-financed study showed that Dobeles Underground gas storage has a potential to become the largest gas storage in the EU. According to the study, the

					<p>capacity of Dobeles UGS could potentially reach 20 bcm (including 10 bcm buffer gas), however, according to a more realistic estimation, the capacity could amount to 10 bcm (including 5 bcm of buffer gas).</p> <p>The total investments required for the development of Dobeles UGS would amount to approximately 1.3 billion EUR.</p> <p>At this stage there is no potential project developer and strategic investor due to the fact, that the project is not economically viable. It would primarily be intended for energy security.</p>
S3	Gas storage in Lithuania	New strategic storage in Lithuania – Syderiai (0.5 bcm)	2020/2021	Ministry of Energy of Lithuania	<p>Geological modelling and numerical reservoir simulation of Syderiai geological structure which provide detailed information about the suitability of the structure for constructing UGS were completed in March 2014. The results have already been presented to the Ministry of Energy (project promoter) which consequently has requested CBA analysis of the project. The CBA analysis is to be prepared till 1 September 2014 and is to be presented to both the project promoter and the Government of Lithuania that will take decision on the future prospects of the project implementation. Providing a positive decision on the future implementation of the project, it could be completed till 2020-2021.</p>

3.6.2 Western Baltic Sea area

A West-Baltic Taskforce (WBTF) has been set up to handle the issues concerning the diversification and security of supply in the Western Baltic Sea area.

The main objective of the WBTF is to enhance security of supply in the West-Baltic area and to compensate for the depletion of Danish gas fields through different measures, including: (i) infrastructure development (and its impact on regulatory requirements) and (ii) diversification of routes and sources of supply, taking account developments in Norway. Furthermore, the Task Force was to assess markets, their functioning and regulatory barriers for an existing infrastructure (including contract clauses) and needs for regulatory development.



The WBTF Action Plan was agreed by all parties in March 2011.

The work within the WBTF has concentrated on the following four priority axis:

- Axis Germany - Denmark: The combination of the realisation of the integrated open season in the Netherlands and Germany, including investments on the German side of the German/Danish border together with the planned grid extension in Denmark will form this interconnection at the border point Ellund.
- Axis Germany - Poland: This solution comprises the physical and contractual reversing of the existing Yamal pipeline and the enhancement of interconnection capacity between Germany and Poland.
- Axis Norway - Denmark and/or Sweden: Capacity between Norwegian gas sources and Denmark via the existing entry point in Nybro can be realized by means of the extension of the Norwegian offshore grid and its connection with and the usage of the existing Danish offshore and onshore infrastructure. As an option, this may be supported by the additional connection between the Norwegian offshore system and the existing Swedish onshore system.
- Axis Poland - Denmark: This interconnection can be realized by means of the Baltic Pipe and has to be seen in the context of the LNG-Terminal in Świnoujście

in the vicinity of the southern endpoint of the Baltic Pipe, and realisation of the axis Germany-Poland.

Several projects covered by the WBTF initiative, such as interconnection Germany and Denmark, BalticPipe and LNG terminal in Swinoujscie, were included in the first Union list of PCIs (October 2013).

Implementation of the specific actions identified in the Axis has been progressing at a various pace.

Positive developments are to be noted in the Axis Germany – Denmark with a good progress of the enhancement works on the interconnection in Ellund.

Positive development also needs to be noted in the Axis Germany – Poland where the physical reverse flow in Mallnow on the Yamal pipeline become operational as of 1 April 2014. No progress, however, have been reported regarding the third considered interconnection between Germany and Poland.

Regarding the Axis Poland – Denmark, the construction works of the LNG terminal in Swinoujscie are said to be close to the completion (Q1/2015) and the terminal has been reported to become operational as of mid-2015. No developments have been reported for the BalticPipe (to connect Poland with Denmark) and the project remains at the pre-feasibility stage.

Regarding, Axis Norway - Denmark and/or Sweden, it has been reported that currently no works on the possible connection are ongoing.

WBTF progress report – Status

Objective	Activity – Responsibilities	Status August 2014	Target dates
<i>I. Interconnection between Germany and Denmark Including PCI#8.4</i>	<p>1.a. German regulator Bundesnetzagentur (BNetzA) and Gasunie Deutschland (GuD) are to enter into the final phase of their dialogue on the subject of the integrated open season in order to provide for the desired new transport capacities at the cross border interconnection point in Ellund.</p> <p>Bundesnetzagentur and Gasunie Deutschland are responsible for this action.</p>	<p>The investment on the Danish side has been operational since 2013.. GUD is investing the enhancement of the capacity on the German side. From October 2014, the current capacity of 310.000 m³/hour will be made available. As of the end 2015/early 2016 the capacity will be increased to 450.000 m³/hour.</p> <p>Regarding the implementation of PCI#8.4:</p> <ul style="list-style-type: none"> - as of 15 January 2014 the permitting process for the pipeline section Fockbek-Ellund was finished and preparations for the construction works could start. The works could be finalised by December 2014; - for the pipeline section CS Quarnstedt construction preparation was started in 2013 and the construction works are to start in mid-2014. <p>The works could be finalised by Q1/Q2 2016.</p>	2013, 2014, 2015
<i>II. Interconnection between Germany and Poland</i>	<p>2.a. Yamal Pipeline Operators will cooperate on introduction of virtual reverse flow in 2011.</p> <p>GAZ SYSTEM and Gascade are responsible for this action.</p>	The Network Code (NC) on the Polish section of the Yamal-Europe Pipeline was approved by the Poland's Energy Regulatory Authority on 31 August 2011. Virtual reverse flow was introduced on 1 November 2011.	2011
	<p>2.b. GAZ-SYSTEM, Gascade Transport and EUROPOLGAZ should make all arrangements in order to introduce physical reverse flow on the Yamal-Europe-pipeline in 2013, in line with the provisions of Regulation on security of gas supply. GAZ SYSTEM, Gascade, EUROPOLGAZ are responsible for this action.</p>	The physical reverse flow in Mallnow was made operational as of April 2014.	2014
	<p>2.c. The commercial parties involved in the construction of new interconnectors should clarify the legal and permitting barriers in Germany and Poland in more detail. Commercial parties involved in the interconnectors project are responsible are responsible for this action.</p>	GAZ-SYSTEM completed the investments necessary to upgrade the capacity at the PL-DE interconnection point in Lasow. Additional Capacity Allocation Procedure was conducted in mid-2011. The allocation of the additional volumes of gas have been available from January 2012. Since 2012, GAZ-SYSTEM has cooperated with Ontras on the offer of bundled capacity at the Lasow IP, as part of early implementation of Capacity Allocation Mechanism Network Code.	2011/2012

	2.d. The market interest for the project between Germany and Poland should be evaluated. Commercial parties and TSO's involved in the projects are responsible for this action.	Project parties are engaged in dialogue on the possible evaluation of market interest for additional interconnection capacity between Poland and Germany.	2011/2014
<i>III. Interconnection from Norway to Denmark and/or Sweden, including Gothenburg LNG terminal in Sweden PCI#8.6</i>	3.a. Gassco will continue to analyse a connection to Denmark in the ongoing Gas Infrastructure Reinforcement (GIR) project. Study results will be presented to the sponsor group in spring 2011. The sponsor group will decide whether to pursue the project further. Gassco is responsible for this action	In May 2011 Gassco finished the feasibility study, which showed that a connection to the Dutch/Danish systems would be costly and would not provide significant new export capacity for the Norwegian producers. Gassco plans no further activities, but other players may propose a mature business case if such can be identified. Maersk Oil and Gas has investigated a potential project and proposed this project as a PCI. The project did not become part of the 1 st PCI list. . Currently there are no works on a specific Danish-Norwegian project. However, in spring 2014, Poland started a dialogue on a possible Norwegian-Polish connection. Statpipe – Harald could deliver 3 bcm/y.	Report: Spring 2011
	3.b. Energinet.dk will participate in these analyses and will ensure dialogue between all the potential stakeholders in a Norwegian/Danish interconnection. Energinet.dk is responsible for this action.	Energinet.dk is still engaged in the dialogue between all stakeholders	2011
	3.c. The Danish Energy Regulatory Authority (DERA), together with the Danish Energy Agency (DEA) should conduct analysis of the offshore pipeline tariffs and analyse access rules and provide analyses of all parts of the Danish offshore system. The DERA and DEA are responsible for this action.	DERA has specified tariffs in its decision. DONG Energy has hereafter appealed the decision to the court where the case is pending now. The DERA decision is available in Danish at: http://energitilsynet.dk/gas/afgoerelser/tilsynsafoerelser/2014/pris-for-transport-af-naturgas-fra-gasfelt-i-nordsoeen/ In addition, - DEA, together with the upstream business sector has started a study on how to maximise the recovery of oil and gas from the North Sea. More information can be read in Danish at: http://www.ens.dk/info/nyheder/nyhedsarkiv/regeringen-indleder-arbejdet-olie-gasstrategi - Energinet.dk has conducted its 1 st Offshore Forum with the offshore sector. The focus was on off-/onshore infrastructure cost optimisation. The slides and material from the Offshore Forum are available in English at: http://www.energinet.dk/EN/OM-	2011-6/2014

		OS/Konferencer/Sider/Off-shore-forum.aspx	
	3.d. Operators of offshore infrastructure should be encouraged to analyse the potential impacts of increased volumes on future tariffs through their assets and share these analyses with the potential investors at the relevant point in time. The owners of this infrastructure (Dong Energy, Shell and Mærsk) are responsible for this action.	The operators of offshore infrastructure await the publication of the DERA analysis of offshore tariffs before any further action.	2011
	3.e. Baltic Gas will analyse the specific needs for transparency on conditions and tariffs for using existing infrastructure. Baltic Gas is responsible for this action.	Baltic Gas postponed the work until the tariff work described above is concluded.	2011-6/2012
	3.f. A regional TYNDP should focus on the need for connecting Norwegian Gas sources with the region (Denmark, Sweden, Poland) and implications for regional security of supply. The conclusion should be discussed between TSOs, regulators and stakeholders ENTSOG, Baltic Gas and ACER are responsible for this action.	The first two editions of the BEMIP GRIP that were published in 2012 and 2014, assessed in depth the possibilities of connecting Norwegian gas sources with countries in the West Baltic region and thus enhancing its security of supply. In the BEMIP GRIP 201-2021 a SWOT analysis outlined different investment options in the region. A connection to Norway is one of them and still relevant to enhance security of supply. The BEMIP GRIP 2014-2023 also tackled the above mentioned issues providing an analysis of barriers towards regional market integration.	2012/2014
	3.g. The business case for a connection via eastern Norway to Sweden is currently being analysed by Norwegian and Swedish gas consumers and Swedish TSOs. The willingness to invest should be clarified. Norwegian and Swedish gas consumers and Swedish TSOs are responsible for this action.	After the suspension of Skanled in 2009, alternatives to secure supply and to allow market development have been evaluated, among them a revised reduced version of Skanled with a scope within the original Skanled scope. Despite approval by the responsible authority, i.e. the Energy Market Inspectorate in mid-2010, the government (2011-12-01) decided not to grant the concession necessary to realise the project. Stakeholders are evaluating consequences of this decision.	mid-2011
<i>IV. Interconnection between Denmark and Poland - Including - Baltic Pipe PCI#8.3</i>	4.a. The gas demand and the outlook of the level of security of supply in Denmark and Sweden with regard to the possible supply from LNG terminal in Świnoujście in combination with Baltic Pipe should be assessed by competent authorities in the framework of the new SoS Regulation (risk assessment, action plans), and the development in the axis Germany-Poland. The "Competent authorities" as pointed out in the new SoS Regulation are responsible for this action.	The process is still on-going. Regarding the implementation of the LNG terminal in Świnoujście, the terminal is to be handed-over for tests in Q1 of 2015 and to become operational in mid-2015.	12/2012

- <i>Swinoujście LNG terminal in PL</i> PCI#8.7	4.b. The issue appropriate allocation of tariffs when transporting gas through a series of systems could be addressed by ACER and ENTSOG in the work with Framework Guidelines for Tariff Harmonisation and the subsequent network codes. The National competent authorities, ACER and ENTSOG are responsible for this action.	ENTSOG is currently in the process of drafting the network code on tariffs. The code is expected to be delivered to the European Commission and ACER by the end of 2014.	2014/onwards
	4.c. When implementing the third package provision on tariffing the issue of risk sharing between TSOs and shippers in the light of long-term infrastructure investments and short-/medium-term capacity bookings could be analysed by ACER and ENTSOG, likewise the European Commission could pay attention to this aspect in the work with the Energy Infrastructure package. ACER, ENTSOG, European Commission are responsible for this action.	The issue of tariffs is analysed within the Tariff Network Code developed currently by ENTSOG. More concrete measures such as cost allocation are tackled within the new TEN-E Regulation where the CBA procedure and NRAs decisions on CBCA are set out.	
	4.d The commercial parties should re-investigate the market potential of Baltic pipe. If no strong commercial interest confirmed, its contribution to the regional security of supplies and market integration should be fully assessed by the European Commission. The results should be discussed by competent authorities with the aim to see which further measures are needed. The potential role of the Energy Infrastructure Package in this respect is noted. The commercial parties are responsible for this action.	GAZ-SYSTEM is analysing the dynamic changes on the natural gas market in Baltic and CEE region, taking into account gradual liberalisation and integration of national markets, which are to bring about more competition. Hence, the need for diversification of supply in the above regions is still strong – where no SGC supplies to CEE is envisaged, LNG and North direction should be explored. Thus Baltic Pipe in connection with Danish System Development (if necessary) and connection to NCS might address the diversification needs of BEMIP and CEE Regions and new demand potential which is being created on Ukrainian market. . Regarding the implementation of PCI#8.3 , no significant developments have taken place. The project implementation is still at the pre-feasibility stage. Commissioning is scheduled for 2020-2023.	2014

II. UPDATES TO THE ACTION PLAN

So far, two important amendments to the BEMIP Action Plan were agreed by the BEMIP High Level Group. The first amendment was made in March 2011 by incorporating the West Baltic Task Force Action Plan (for more information please see Chapter 3.6.2). The second amendment was agreed in March 2013 when the Participating Member States included a roadmap for the implementation of natural gas projects in the Eastern Baltic Sea area (for more information please see Chapter 3.6.1). Progress in the implementation of both, the West Baltic Task Force Action Plan and the Roadmap on gas projects in the Eastern Baltic Sea area is monitored in the BEMIP Progress Reports.

III. OVERALL ASSESSMENT

For electricity, implementation of BEMIP Action Plan is broadly on track and proceeds according to schedule. A few important electricity interconnectors are close to commissioning. The Baltic Member States should inform the Commission without further delay about their decision with regard to the EURUBY negotiations; on its side, the Commission remains fully committed to ending energy isolation of the Baltic States.

Concerning the **gas sector**, the work in the West Baltic is to be concluded soon. In the East Baltic Sea area, despite some positive developments, the implementation of several projects that are of key importance for the region, including the Baltic Regional LNG Terminal, GIPL and inter-Baltic connectors requires acceleration.

The target dates set by the European Council for the completion of the internal energy market by 2014 and to remove energy islands by 2015 are approaching. Considering delays in certain areas of implementing the BEMIP Action Plan and certain emerging issues, there should be increased efforts and enhanced regional cooperation towards:

- the full transposition of internal market legislation across the region,
- taking decisions on critical infrastructure developments in the Eastern Baltic area with no further delays, especially concerning the Eastern Baltic Regional LNG terminal.

To ensure progress in the implementation, the High Level Group should closely monitor the process and should enforce delivery according to the commitments of the stakeholders.

It is recommended that the BEMIP HLG considers launching a discussion on the future operation of the BEMIP initiative. Such a discussion seems necessary as the current BEMIP Action Plan agreed in June 2009 requires modifications and updates but also to take into account the establishment of the BEMIP Regional Groups under the TEN-E Regulation. Changes in the operation of the BEMIP initiative also seem required to ensure a more effective and better coordinated cooperation of the participating Member States and to ensure a more closely monitoring of the implementation process of key infrastructure projects in the Baltic Sea Region.