



ENERGETINIŲ TYRIMŲ INSTITUTAS

NEGOTIATIONS AND POLITICAL DISPUTES
REGARDING BALTIC STATES' AGREEMENT ON
ELECTRICITY IMPORT AFTER THE LAUNCH OF
BELARUSIAN (ASTRAVYETS) NPP

UNOFFICIAL REVIEW OF THE PROCESS

PREPARED BY: TOMAS JANELIŪNAS
JUNE, 2020

THE ISSUE

Lithuania opposes the development of a nuclear power plant (NPP) in Astravyets, Belarus that is about to launch in August 2020. With the Baltic states having plans to synchronize electricity grids with the Continental Europe by 2025, the usage of Belarusian electricity is not necessary for the region. The period until then however is causing issues and disagreements among the three Baltic states. Lithuania proposes boycotting electricity imports from Belarus in protest of the construction of the NPP in Astravyets and has been trying to get Latvia and Estonia to join the boycott as soon as the Belarussian NPP is launched. Latvia prefers keeping a trade option open. The question remains: can the Baltic countries find a common solution on how the transition to a synchronized grid should proceed?

HISTORICAL BACKGROUND

The Baltic Transmission System Operators (hereinafter — BALTSO) concluded an agreement in 2013 about electricity trade with third countries in the Baltic States to take place only through Lithuania's trading area.

In 2008 Belarusian authorities decided to build a nuclear power plant (NPP) with potentially 2 or 3 nuclear reactors type AES-2006 (produced by Rosatom, Russia) with 1194 MW capacity each. The location of the construction site was chosen some 18 km away from the town of Astravyets in the Hrodna Voblast, (therefore in Lithuania the NPP is called “The Astravyets NPP”) and 45 kilometres (28 mi) from Vilnius, Lithuania.

Lithuania opposes the construction of the Astravyets NPP. Lithuanian authorities repeatedly stated, that the Astravyets NPP project in Belarus is being developed in non-compliance with international standards of environmental and nuclear safety, with recurrent serious violations, repetitive incidents on the construction site of the Astravyets NPP, poor occupational safety culture, lack of competence and expertise in the project development process on the part of nuclear safety regulatory authority and organisations in charge of construction works of Astravyets NPP. The project is accompanied by persistent manipulations with international instruments and public opinion in Belarus and neighbouring countries. (for more detailed arguments see: information prepared by Lithuania’s Ministry of Foreign Affairs: [Fundamental problems of the Astravyets Nuclear Power Plant under construction in Belarus](#))

On April 20, 2017, the Parliament of Lithuania adopted *The Law on Necessary Measures against Threats Posed by Unsafe Nuclear Power Plants in Third Countries*. The decision implied a ceasing of the import of Belarussian electricity entering the Lithuanian market after the launch of the Astravyets NPP.

On 28 June 2018, European Commission President Juncker together with the Heads of State and Government of Poland, Lithuania, Latvia and Estonia signed a Political Roadmap for the synchronisation of the Baltic States' electricity grid with the continental European system. The synchronisation with the continental European system and a break-away from post-soviet grid BRELL (which includes Belarus, Russia, Estonia, Latvia, and Lithuania) for the Baltic states is a long-term goal in finalising the energy independence from Russia and integrating into the EU energy market. The synchronization of the Baltic States' electricity system with the continental European Network should be completed by 2025.

On December 13, 2018, the Baltic capacity calculation methodology for the electricity trade with the third countries were signed by transmission system operators (TSO's) for electricity of the Baltic States. In this methodology an agreement was set that electricity import from the third countries (Belarus and Russia from Kaliningrad) should be carried out via Lithuania-Belarus, Lithuania-Kaliningrad electricity connections. And this methodology included a notion that it will stop producing effects when the Astravyets NPP becomes operational:

Trading capacity calculation rules with 3rd countries described in current methodology shall be valid until Belorussian nuclear power plant becomes operational. In case abovementioned event occurs the trading capacity with 3rd countries set by current methodology at Lithuanian-Belorussian border shall be equal to zero for all capacity calculation timeframes in accordance with Lithuanian national legislation. Baltic TSOs in cooperation with Baltic NRA's shall evaluate the need for development of new trading capacity calculation rules with 3rd countries (including Kaliningrad region) inter alia to ensure continuous coordination between Baltic TSOs in matters related to determination of trading capacity with 3rd countries.

(The full text of the methodology can be found [here](#))

In August 2019, the Latvian Government commissioned the national TSO to develop a new trade methodology that would open the Latvian-Russian border to electricity trade flows. Lithuanians evaluated this as a disruption of the Baltic unity and a common policy regarding the electricity trade with the third countries.

On February 14, 2020, Ministers of Energy of three Baltic States prepared a political declaration on the Baltic States' common arrangement for electricity trade with third countries, where a notion was included that Baltic states would not import electricity from Belarus after the Astravyets NPP became operational. However, Latvian side refused to sign the declaration and the Minister of Energy of Latvia was removed soon after that. The negotiation stalled until May 2020.

The European Commission was also very displeased with a prospect of a bilateral electricity trade methodology suggested by Latvians (ie. between Estonia and Latvia regarding the trade with Russia/Belarus on Latvian border with Russia, leaving Lithuania aside) and even threatened unofficially (behind closed doors) to withdraw support for the synchronisation project (the second stage of it) if the three Baltic States could not find a common solution.

At the end of May 2020, a new political declaration was prepared and ready to sign by all three Ministers of Energy of the Baltic States on June 5. This declaration provided no obligation for Estonia and Latvia to avoid importing Belarusian electricity, but included several provisions that could ensure Lithuania is not buying Belarusian electricity:

- The total trading capacities with the third countries should be reduced by the amount of the capacity of Belarus-Lithuania cross border interconnection, thus discontinuing the current trade regime between Lithuania and Belarus.
- A network usage fee for all electricity imports from third countries (including borders with the Kaliningrad Oblast) was proposed. Such a fee intended to increase the general costs of imported electricity from third countries (and thus diminishing attractiveness of the import)
- It was foreseen that electricity imports from the third countries can enter the Baltic States together with the certificates of origin. And such an arrangement must enable to identify the source of electricity imported and for Lithuania to implement its decisions deriving from the Law banning Belorussian electricity.
- After 2025 no trade with third countries should continue.

The Lithuanian Conservative party (Homeland Union – Lithuanian Christian Democrats / *Tėvynės sąjunga – Lietuvos krikščionys demokratai*) and the Liberal party (The Liberal Movement/ *Liberalų Sąjūdis*) raised a public discontent with the draft of the political declaration, claiming that the Minister of Energy Mr. Vaičiūnas is betraying national interests of Lithuania and should be dismissed. Lithuanian Government postponed the signing of the political declaration and obliged the Minister to continue negotiations for some better terms.

POLITICAL INTERESTS SURROUNDING THE AGREEMENT

Latvian interests. Latvia wants to take over the main trading “window” with the third countries after Lithuania stops trading with Belarus; it could be beneficial for Latvia because in general the Baltic countries need Russian/Belarusian electricity, especially Lithuania is dependent on electricity import (16 % of the total electricity imports in the Baltic States came from third countries in 2018; about 70 percent of Lithuania’s electricity needs are covered by imported electricity). Domestically Latvia was in balance of electricity generation and demand (at least until 2018), but recently Latvia fell short and in the nearest future it may need to increase imports that could cover about 20-30 percent of Latvian electricity demand. Therefore, Latvia is interested in potentially cheaper electricity from Belarus.

Another political reason – it is a high suspicion (in Lithuania, at least) that the Latvian energy system is penetrated with Russian lobby and Russian energy interests.

Estonian interests: Estonia is an electricity exporter and does not need Russia’s or Belarusian electricity; on the contrary – it would be happy to increase the imported price of electricity; therefore the additional infrastructure fee on the third countries electricity is in Estonia’s interest.

However, Estonia is equally happy with the both versions of Baltic State’s political declaration – the first version that proposed to avoid importing Belarusian electricity and the second (which was proposed by the Estonian side as a compromise) that allow Latvians to buy electricity but some strings are attached (infrastructure fee, certificates etc).

Lithuania’s interest. The best scenario – to reach a common position among all three Baltic States not to buy Belarusian electricity and to leave Russian electricity import only from Kaliningrad. In this case, the very economic reason for the Astravyets NPP would be in question. And this, as Lithuanians hope, would stop the construction of the second reactor in Astravyets. Thus, one reactor is less risk than two.

The second-best scenario – to ensure that the Lithuanian Law as of 2017 is implemented and there are enough checks and restrictions to avoid Belarussian commercial energy coming from abroad (via Latvia). However, as Conservatives and Liberals claim, if Latvia was allowed to buy Belarussian electricity, it would be impossible to stop it from entering the Lithuanian market.

Lithuania’s Prime Minister and President in fact support the Minister of Energy Mr. Vaiciunas. However, some inside opposition also exist – the Minister of Defence and the Minister of Foreign Affairs expressed doubts and objections to the latest Political Declaration. The Ministry of Foreign Affairs of Lithuania provided an explanation stating *The Baltic capacity calculation methodology for the electricity trade with the third countries* as of 2018 should be valid after the launch of the Astravyets NPP as well.

For Lithuania’s Conservatives and Liberals there is a major political opportunity to raise this issue to the highest level and to attract attention from the public before the Parliament elections in October 2020. However, this became mainly a political show for some small part of Conservatives and Liberals. Party leaders are not involved very deeply in this issue.

POTENTIAL COMPROMISES

The European Commission also provided some proposals for the political agreement, but it is only some minor adjustments compared with the version of May 2020. It seems that Lithuania wants to return to the version of February 14, 2020 but keeping in mind some guarantees from the latest version (certificates of origin, infrastructure fee – when it is about Russian electricity).

However, Lithuania has no instruments to press on Latvia and to get a political promise not to buy Belarusian electricity. Latvians treat the Lithuanian position as too selfish and irrational.

The Lithuanian President Gitanas Nausėda did not go to the traditional meeting of the Baltic leaders on June 25, as the countries have so far failed to reach a trilateral agreement on the updated methodology for power trade with third countries.

On June 29, Lithuanian President Nausėda turned to the European Commission President

Ursula von der Leyen and asked her to act as an intermediary as the Baltic states are seeking agreement on a boycott of electricity produced at the Astravyets nuclear power plant in Belarus.

The Astravyets NPP may become operational as early as August (or a few months later). If the three Baltic States did not find a common solution, Latvia and Estonia would sign a bilateral methodology (which was already drafted in 2019 but was suspended at that time) on trading with the third countries. This would leave Lithuania without the ability to check what electricity Lithuania imports from Latvia. Also, this would demonstrate for the European Commission that the Baltic States are unable to reach a common position and would put in question the implementation of the synchronisation project. Furthermore, it would open the possibility for Latvia to continue the electricity import from Russia/Belarus even after 2025 when the synchronization should be finalised.

NB: The situation review was prepared on June 29, 2020 and covers the actual state of the process until that time. The interpretation of the review belongs solely to the author, was not inspired, or financially supported by any entity or subject.