

# LATVIA

## KEY FACTS:

- Gas consumption in Latvia has been in steep decline and in 2017 it was 32% lower than in 2010.
- The percentage of gas in the country's energy mix is constantly decreasing.
- Fully dependent on Russian gas.
- Transmission capacity largely underused.
- PCI projects planned to increase transmission capacity with other Baltic countries and to import LNG: the necessity of this is questionable and risks stranded assets and new fossil fuel lock-in.

## 1. GAS DEMAND

According to EU data:<sup>1</sup>

- Gas represented 21% of Latvia's energy mix in 2016.
- Latvia consumed around 1.32bcm of gas in 2016.
- Gas demand dropped by 32% between 2017 and 2010.<sup>2</sup>

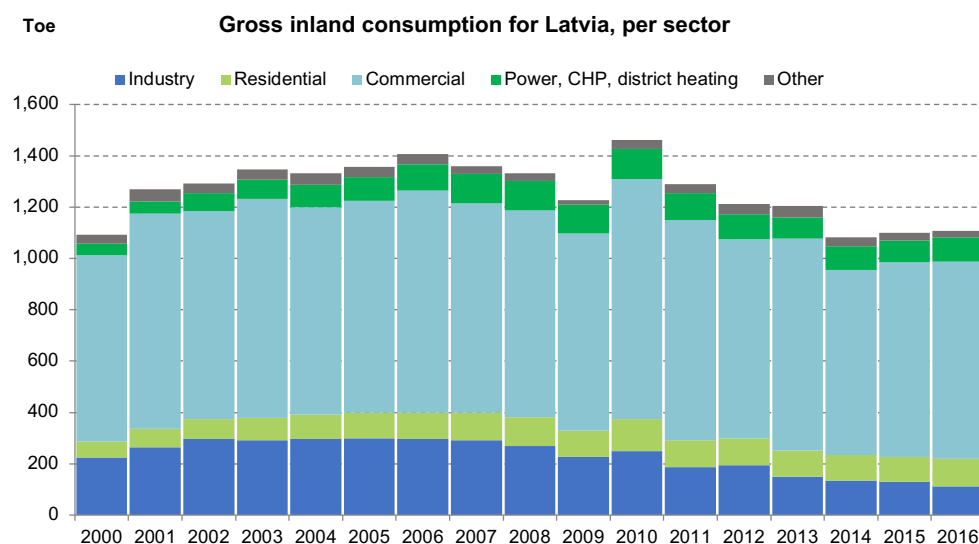
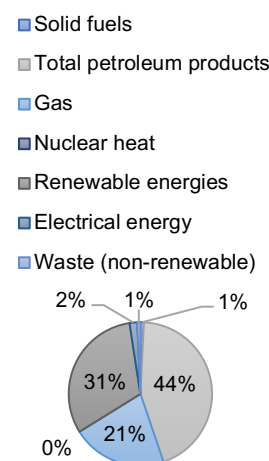


Figure 1: Latvia 2016 Energy Mix



## 2. GAS SUPPLY

While renewables (hydropower and biomass) represent the biggest share of Latvia's primary energy consumption, gas still contributes to one fourth of it.<sup>3</sup>

However, Latvia does not have its own gas resources. The country is mainly **dependent on gas imports from Russia**<sup>4</sup> and since the LNG terminal in Lithuania started operating in 2015, Latvia can technically also import gas through the Lithuania-Latvia interconnection which is planned to be enhanced. In 2017 alone, Russia provided at least 80% to total Latvian gas market volumes.<sup>5</sup>

## 3. GAS INFRASTRUCTURE

With total gas consumption representing about 43% of transmission capacity in 2012, the Latvian gas delivery system (see map<sup>6</sup>) is never over-loaded and can ensure a stable supply of fossil gas to all consumers.<sup>7</sup> Since then, the connection pipeline to Lithuania has been enhanced and further expansion projects are also planned.

<sup>1</sup> E3G compilation of data extracted from Eurostat.

<sup>2</sup> [http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nrg\\_cb\\_gas&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nrg_cb_gas&lang=en)

<sup>3</sup> [https://ec.europa.eu/energy/sites/ener/files/documents/2014\\_countryreports\\_latvia.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/2014_countryreports_latvia.pdf)

<sup>4</sup> [https://ec.europa.eu/energy/sites/ener/files/documents/2014\\_countryreports\\_latvia.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/2014_countryreports_latvia.pdf)

<sup>5</sup> [https://ec.europa.eu/energy/sites/ener/files/documents/2018\\_141\\_lv\\_en.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/2018_141_lv_en.pdf)

<sup>6</sup> <http://www.liaa.gov.lv/en/invest-latvia/investor-business-guide/business-infrastructure>

<sup>7</sup> [https://ec.europa.eu/energy/sites/ener/files/documents/2014\\_countryreports\\_latvia.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/2014_countryreports_latvia.pdf)

With its Inčukalns underground gas storage, Latvia owns one of the biggest underground gas storage facilities of the region. With a 4.47bcm storage capacity, it secures most of Latvian gas supplies. The 3<sup>rd</sup> PCI list also included the **enhancement of the Inčukalns gas storage**. Although only half of its capacity was used in 2015, the enhancement of this gas storage would allow its withdraw capacity to go from 28-30mcm/day up to 34-35mcm/day.<sup>8</sup>

Latvia has interconnections with Lithuania and Estonia and Latvian-Lithuanian interconnection's cross-border exchange capacity was increased in 2013, with a now yearly bi-directional capacity of 2.2bcm.

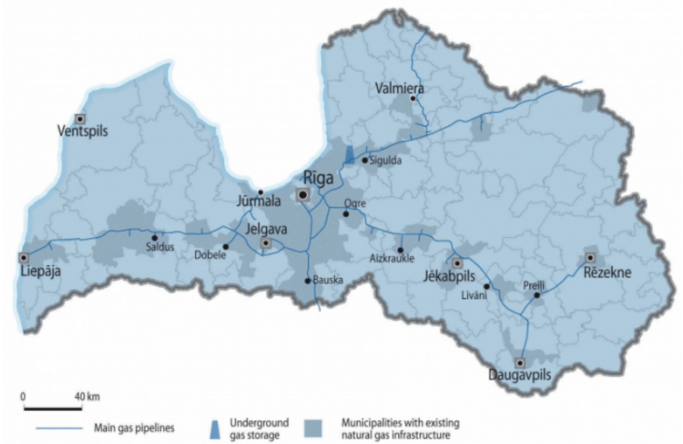


Figure 2: Latvia Gas Delivery Systems (Investment and Development Agency of Latvia)

Two existing connections are planned to be increased in the future, with EU support via the PCI List – see map below:<sup>9</sup>

- The further **enhancement of Latvia-Lithuania interconnection (PCI)**: construction of pipelines Riga-Jelgava and Jelgava-Lithuanian border to double capacity to reach 4.4bcm/y is planned.<sup>10</sup>
- The **enhancement of the Estonia-Latvia interconnection (PCI)**: upgrade of an onshore pipeline to a capacity of 3.6bcm/y is also part of the current PCI list.<sup>11</sup>

Yet, in a country with a depleting gas demand (within a region with the fastest gas demand decline in the EU, falling by about 33% in Estonia, Latvia and Lithuania between 2010 and 2017<sup>12</sup>), with transmission capacity largely underused, the necessity of expanding gas imports, exports as well as storage capacity so significantly seems deeply questionable. While dependence on Russian gas can be geopolitically problematic, Latvia currently receives the gas it needs to meet its demand. Considering the limited public financial capacities available to build new energy infrastructures, the fast energy transition needed to meet EU 2050 climate objectives and Paris Agreement's commitments should not leave space to build new gas projects. These projects now not only risk to lock the country and the region in a new long-term fossil fuel cycle, but they also risk becoming stranded if gas consumption continues to decrease due to climate policies.

It should be added that Latvijas Gāze JSC is the only player in the gas retail market in Latvia but a majority of its shares are owned by E.ON and Gazprom. While complete ownership unbundling of the national transmission system operator (TSO) is normally required under the EU's third energy package, Latvia keeps on delaying the implementation of this requirement.<sup>13</sup> In 2016 Latvia passed legislation that opened up the market for foreign investors and ownership unbundling was introduced by end of 2017.<sup>14</sup> In April 2018 the unbundling had still not been finalized.<sup>15</sup>



Gazprom's monopoly position did not allow for use by third parties of the regional gas storage facility in Inčukalns or for the import of gas from other suppliers, including from the Lithuanian LNG terminal in Klaipėda.<sup>16</sup> This conflict of interest (at a time when the EU is trying to decrease its dependence on Russian gas) therefore questions the viability of these two PCI projects.

<sup>8</sup> [https://ec.europa.eu/energy/maps/pci\\_fiches/pci\\_8\\_2\\_4\\_en\\_2017.pdf](https://ec.europa.eu/energy/maps/pci_fiches/pci_8_2_4_en_2017.pdf)

<sup>9</sup> [http://ec.europa.eu/energy/infrastructure/transparency\\_platform/map-viewer/](http://ec.europa.eu/energy/infrastructure/transparency_platform/map-viewer/)

<sup>10</sup> <https://circabc.europa.eu/webdav/CircaBC/Energy/13%20Regional%20Meetings/Library/2019%20May%207-8%20RGs%20meetings%20gas/ BEMIP.pdf>

<sup>11</sup> <https://circabc.europa.eu/webdav/CircaBC/Energy/13%20Regional%20Meetings/Library/2019%20May%207-8%20RGs%20meetings%20gas/ BEMIP.pdf>

<sup>12</sup> [http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nrg\\_cb\\_gas&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nrg_cb_gas&lang=en)

<sup>13</sup> <http://energypost.eu/system-unconnected-vessels-gas-market-baltic-states/>

<sup>14</sup> [https://erranet.org/wp-content/uploads/2017/10/3.-Snuka\\_Grid\\_Code\\_Harmonisation\\_Latvia\\_06\\_12\\_2017.pdf](https://erranet.org/wp-content/uploads/2017/10/3.-Snuka_Grid_Code_Harmonisation_Latvia_06_12_2017.pdf)

<sup>15</sup> [https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-report-latvia-en\\_1.pdf](https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-report-latvia-en_1.pdf)

<sup>16</sup> <http://energypost.eu/system-unconnected-vessels-gas-market-baltic-states/>

## Skulte LNG terminal

There are three new LNG projects being proposed within the region: Muuga LNG near Tallin & Paldiski LNG in Estonia, and Skulte LNG terminal in Latvia. The existing terminal in Lithuania, Klaipeda LNG already provides 80-100% of the three states' gas demand and is far from being used at full capacity. The promoter of Skulte justified the terminal with the argument that the operation of the Klaipeda terminal would not be secured after 2024, but in 2018 the Lithuanian government approved of the terminals acquisition after 2024<sup>17</sup>, which makes clear that these import capacities would be available until beyond 2024 if needed.

This project that was a PCI candidate but has not received the final status. The current plans for the terminal envisage an import capacity of up to over 6bcm/y,<sup>18</sup> more than 4 times the entire country's highest ever annual gas demand.<sup>19</sup> It is clear that Latvia does not need infrastructure to import four times what it consumes in a region already hosting one LNG facility able to import close to the total of the regional demand.<sup>20</sup>

In 2019, a number of over 2.000 signatories demanded a stop of this terminal.



### CONTRIBUTING AUTHORS (2019)

Antoine Simon, *Friends of the Earth Europe*  
Frida Kieninger, *Food & Water Europe*, [fkieninger@fweurope.org](mailto:fkieninger@fweurope.org)  
Andy Gheorghiu, *Food & Water Europe*, [agheorghiu@fweurope.org](mailto:agheorghiu@fweurope.org)  
Noëlie Audi-Dor, *Gastivists*  
Nessim Achouche, *Food & Water Europe*  
Eilidh Robb, *Food & Water Europe*



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<sup>17</sup> <https://www.lngworldnews.com/lithuanian-parliament-approves-fsru-acquisition/>

<sup>18</sup> Project promoter presentation - • Capacity increment: 17 Mm<sup>3</sup>/day (177 GWh/day) = ~6.5bcm/y - [https://circabc.europa.eu/webdav/CircaBC/Energy/13%20Regional%20Meetings/Library/2019%20May%207-8%20RGs%20meetings%20gas/\\_BEMIP.pdf](https://circabc.europa.eu/webdav/CircaBC/Energy/13%20Regional%20Meetings/Library/2019%20May%207-8%20RGs%20meetings%20gas/_BEMIP.pdf)

<sup>19</sup> [https://ec.europa.eu/energy/sites/ener/files/documents/ROMANAD\\_2016.02.08\\_11.32.52\\_5C4N2560\\_1.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/ROMANAD_2016.02.08_11.32.52_5C4N2560_1.pdf)

<sup>20</sup> <http://www.naturalgasworld.com/estonia-tallinn-lng-terminal-prospects-dampened-revised-lithuania-statoil-contract-28030> & <http://energypost.eu/system-unconnected-vessels-gas-market-baltic-states/>