BALTIC ENERGY MARKET INTERCONNECTION PLAN

- Progress report –

I. INTRODUCTION

1. Background

European Commission President Barroso, following the agreement of the Member States of the Baltic Sea Region, has decided to set up a High Level Group (HLG) chaired by the Commission on Baltic Interconnections. Participating countries are Finland, Estonia, Latvia, Lithuania, Poland, Germany, Denmark, Sweden and, as an observer, Norway. The HLG delivered the Baltic Energy Market Interconnection Plan (BEMIP), a comprehensive Action Plan on energy interconnections and market improvement in the Baltic Sea Region in June 2009. This plan was endorsed by the eight EU Member State Heads of State and President Barroso on June 17th.

The Commission has been requested to monitor progress of the Plan's implementation and present a report to the High Level Group twice during the first year of implementation. The report should be based on verifiable information provided by the implementing parties and other relevant stakeholders. This report may also be presented to the December Energy Council after discussions with the High Level Group.

2. Objectives

The main objectives of this progress report are to describe the expected and real status of actions and projects in terms of activities and timeline, to identify issues and difficulties encountered by the projects during implementation and to identify those that need to be further discussed with the HLG.

The report will also touch upon changes in the external environment that are relevant for the BEMIP. The main focus of the first progress report will be on electricity; progress on gas will be presented as an action plan (see chapter 3.3.) as discussions on gas were still expected during the second half of 2009.

II. PROGRESS TO DATE

1. Summary

For electricity, in terms of projects and internal market actions, progress is according to schedule, with no major issues identified. Some synergies have been identified between the BEMIP and other initiatives (BSR Strategy, creation of ENTSO-E, projects earmarked for EEPR support – clear incentive for timely implementation). It is stressed that the internal electricity market roadmap is the critical path for most of the infrastructure investment projects. This roadmap is on schedule, continued cooperation between regulators and ministries in the future is necessary.

Progress with issues of common interest with Russia has shown less tangible results. However, these issues have been confirmed to be of common interest for both sides. In addition, the subgroup on infrastructures has been launched and its first meeting is planned for January 2010. The major issue in this respect is the need to exchange information on plans both in market and infrastructure development.

Some progress in gas has been achieved. The main approach and objectives are now agreed and the first focused working group meetings have proved to be more useful than those with all nine countries being involved. There is also a proactive interest from the region's stakeholders to participate in taskforces to support the regional objectives in the gas sector.

2. External Environment

The external environment of the BEMIP covers initiatives and events that fall outside of scope but may have an impact on the list of actions and projects and on achievable progress of the same. These have been followed closely.

Energy policy

- The **EU's Strategy for the Baltic Sea Region** was adopted by the European Council in October 2009.The BEMIP forms part of the Strategy covered by two flagship projects under the priority action on energy (coordinated by Latvia and Denmark). The 'lead' for the BEMIP infrastructure flagship project is Lithuania, for the BEMIP actions on electricity market integration, Latvia. The Kriegers Flak off-shore windfarm solution, as a flagship project is lead by Denmark.

  Impact on BEMIP: Coordination needed to ease monitoring and reporting on both sides and to avoid duplication of work

- All projects that were listed for potential financial support from the **EEPR**, have applied. For electricity, the projects are EstLink2, Nordbalt and strengthening the Latvian network and Kriegers Flak; for gas, BalticPipe, Danish gas network strengthening and Swijnoujscie LNG. Additional applications for funding have also been received to implement reverse flow between Lithuania and Latvia. Final decision on financing is expected in February 2010.

  Impact on BEMIP: positive, as there is an additional incentive to implement these projects in the current difficult economic climate

- Applications for the **TEN-E** budget have been accepted for the following projects:

- LitPolLink (2008 by Polish side, 2009 by Lithuanian side)
- Underground gas storage in Syderiai, Lithuania (2008)

The opportunity to use different and complementary sources of financing is taken by a number of projects in order to maximize financial support coming from the EU. These combinations of TEN-E and EEPR, as well as TEN-E and Structural Funds comply with the applicable constraints on spending these funds.

Impact on BEMIP: positive

- Creation of **ENTSO-E, ENTSO-G**: Topic of common interest is the regional 10-year network development plan. Synergies between this and the BEMIP exist for the Baltic Sea Region.
- Report of the **EU coordinators**: For the power link between Germany and Poland, both operators VE-T and PSE Operator have expressed their will to establish a project Development Company as a joint venture aiming at the preparation of the investments in the new interconnector. A letter of intent was signed on 23rd September 2009. For the Kriegers Flak project, which is earmarked for funding through the EEPR, the three TSOs will decide mid-December if they continue with a combined solution.
- **EU Gas SoS Regulation**: Following the proposals made by the Commission in its Second Strategic Energy Review tabled in November 2008 the Commission has elaborated new rules to improve security of gas supplies in the framework of the internal gas market. The Baltic Council of Ministers has reiterated on their meeting of November 5-6 that this regulation forms an important strategic vision, which should be implemented in the framework of the BEMIP.

  Impact on the BEMIP: Scope. Clarification needed on what exactly is the requirement towards the BEMIP in this regard and whether to include it. Recommendation: discuss by HLG and organize focused meeting with three Baltic States

Russian aspects

- **EU-Russia Energy Dialogue, 10th progress report**

The Thematic Group on Energy Markets Development met at the end of October 2009. With the adoption of the "Third Energy Package" the EU is consolidating its efforts towards achieving a fully effective market opening and a single European electricity and gas market. The Russian side perceives it as an element that, which in their view, significantly limits the possibilities of Russian companies. According to the Study on IPS/UPS – UCTE interconnection, in mid-term, linking the electrical systems by means of direct current connections appears most reasonable. Market developments should be further explored on both sides before specific interconnections needs are identified.

A meeting of the **subgroup on energy infrastructures** has been planned for January 2010 and will provide the ideal forum to understand the infrastructure policy on both sides and to enable discussion on energy infrastructure projects of mutual interest.

Both sides agreed that further work will focus on further discussion and information exchange on the laws impacting energy market developments on both sides; evaluation of their impacts on the markets; evaluation of cooperation of foreign investors;

information on regional energy markets development; joint seminars and conferences; evaluation of the impact of the financial crisis; discussing proposals on updating the list of priority infrastructure projects of mutual interest

- **Baltic Nuclear Power Plant**, Kaliningrad - based on Rosatom's public hearing in August 2009 and presentation by Head of project (Interrao) in November 2009. Planned capacity of 2,3 GW with two blocs near the village of Lunina (Neman district). Government to keep controlling stake (51%), for rest looking for strategic investors (first needed by end 2011). It is aimed to cover internal consumption, and to export.

- Other NPP in the pipeline is the one planned in Belarus to be commissioned around 2020.

- Gas: Nordstream branch to Kaliningrad not yet ruled out. Though transmission capacity through Lithuania has been doubled to top 2.3 bcm which decreases the commercial need to build the branch

Impact on BEMIP: Lack of reliable information on plans and uncertainty of planned power generation capacity and interconnections in the region.

Recommendation: Identify additional topics for dialogue and coordination through the EU-Russia Energy Dialogue, for Thematic Group on Energy Markets Development and for the meeting of the subgroup on energy infrastructure, January 2010.

3. Work completed [vs. planned] and next steps

3.1. Electricity market integration

Status:

- Baltic Prime Ministers decision to start the Baltic electricity market integration on the basis of the indications forwarded by the HLG

DONE

- Decision by Estlink1 Shareholders to change Capacity Purchase Agreement and Shareholders Agreement for implicit auction by Day 1.

DONE

- Nord Pool Spot announced the launch of a new price area in Estonia next spring by Day 1, at the earliest by April 1st 2010.

DONE, the final confirmation expected in the near future

- Abolition of regulated prices - 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); Estonia provided a realistic timetable for the abolition of regulated prices (still to be implemented)

UNDER WAY

Next steps for next progress period:

- STEP 2 of the Electricity Market Integration Roadmap is more detailed modalities stemming from STEP 1. However, agreement on some of the actions in step 2 will be needed and would require cooperation of TSOs, regulators and ministries.

3.2. Electricity interconnections and generation

Interconnection projects

Progress reports were received for the following projects:

	Project	Short description of the Project	Target timescales	Responsible body	Status
I1	Krajnik (PL) - Vierraden (DE)	upgrade 220-kV double circuit existing line into a 400-kV + phase shifting transformers installation	2013	VE-T (DE) & PSE Operator (PL)	Preparatory phase:: Preparation of documents for permitting procedures and tendering.
I2	Baczyna/ Plewiska (PL) - Eisenhüttenstadt (DE)	3rd interconnection (400 kV) between Poland and Germany	After 2015	VE-T (DE) & PSE-Operator (PL)	Preparatory phase:: Preparation of the Project Development Company. Technical calculation commenced
I3	LitPolLink: Elk (PL) - Alytus (LT)	The interconnection line construction Elk – Alytus (Double circuit 400kV with construction of 2x500MW BtoB converter stations) .	2015	PSE Operator (PL) Lietuvos Energija LitPol Link	Preparatory phase: Preparation of IEA and territorial planning.
I4	LT grid reinforcement (for LitPol)	Alytus-Kruonis	2015	Lietuvos Energija	Preliminary phase EIA in 2011
		Visaginas – Kruonis	2020	Lietuvos Energija	Under consideration Dependant on 2nd unit at Visaginas NPP
I5	LT grid reinforcement (for NordBalt)	Klaipeda – Telsiai	2013	Lietuvos Energija	Preparatory phase: Preparation of IEA and territorial planning.
		Musa - Panevezys	2015	Lietuvos Energija	Preliminary phase EIA in 2014 Change of commissioning date has no impact on NordBalt

	Project	Short description of the Project	Target timescales	Responsible body	Status
I6	LV grid reinforcement (Kurzeme ring for NordBalt)	New 330kV lines in the central and Western part of Latvia: (Grobina-Ventspils, Ventspils-Dundaga, Dundaga-Tume, Tume-Riga;	2012-2016	Augstsprieguma tikls	Preliminary phase Preparation of the technical project
I7	Polish grid reinforcement	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 Operator	Preliminary phase Preparation of the tendering procedure for the design and the construction
I8	Byczyna (PL) - Varin (SK)	New 400kV interconnection between Poland and Slovakia with reinforcement of Polish internal grid.	After 2018	SEPS (SK) and PSE-Operator (PL)	Under consideration
I9	Rzeszow (PL) – Khmelnitskaya (UA)	Modernisation and resumption of existing 750 kV interconnection between Poland and Ukraine. Installation of back-to-back 2 x 600 MW-converters in the Rzeszow 750 kV (PL) substation.		PSE Operator (PL) & Ukrainian TSO	Preparation on Polish side. Temporary solution (e.g. asynchronous connection) not accepted by Ukrainian side
I11	Estonia – Latvia third interconnector	3rd interconnection between Estonia and Latvia	2020	Augstsprieguma tikls, Elering	Study phase Preparatory phase: Preparation of IEA Coordination with wind development in LV and EE Potential delays due to selection of right-of-way studies
I12	Estlink2	2nd HVDC interconnection with undersea cable of 650 MW capacity between Estonia (Püssi) and Finland (Anttila SS)	2014	Fingrid, Elering	Preparatory phase: Seabed survey completed EIA completed in EE, Feb 2010 in FI On schedule, minor delays with no impact on overall planning

	Project	Short description of the Project	Target timescales	Responsible body	Status
I13	NordBalt	HVDC submarine cable of 700MW capacity between Nybro (SE) and Klaipeda (LT).	2015	Svenska Kraftnat, Lietuvos Energija, Augstsprieguma tikls	Preparatory phase: Seabed survey completed Preparation of IEA, of territory planning documents. On schedule
I14	Kriegers Flak combined solution	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	2016	Energinet.dk, Svenska Kraftnät, VE-T	Preliminary phase Pre-feasibility study completed in May 2009 Feasibility study to be completed in December 2009 Recommendation of Steering Group about continuation of project Dec 2009
I15	FennoSkan II	HVDC submarine/overhead link between Finnböle (SE) and Rauma (FI)	12/2011	Svenska Kraftnät, Fingrid	construction phase: on track
I16	Great Belt (Storebælt)	HVDC submarine link between West and East Denmark.	09/2010	Energinet.dk	construction phase on track
I17	Skagerrak IV	HVDC submarine link between Norway and Denmark.	2014	Energinet.dk, Statnett (common project organization)	Preparatory phase: EIA in DK & NW Capacity of link increased to 700MW
I18	South Link (SE-SE) and South Western link (SE-NO)	Combination of two interconnectors between Hörnby (SE) and Jönköping / Oslo (SE / NO)	2015	Svenska Kraftnät, Statnett	Preparatory phase: Feasibility study completed Preparation of the technical & commercial documents. On schedule

Generation projects

A progress report was received for the following projects:

	Project	Short description of the Project	Target timescales	Responsible body	Status
G3	Visaginas NPP	New nuclear power plant in Visaginas	2018 (1^{st} unit)	UAB "Visagino atomine elektrine"	Preparatory phase: EIA completed Territorial planning in progress On schedule Main risk: lack of strategic investors by 2010/2011
G4	Nuclear development in PL	Based on Energy Policy of Poland until 2030	2020	Ministry of Economy	First block before 2020; Data on capacity, technology, location not yet available

Wind development plans

Information was received for the following plans:

	Project	Short description of the Project	Target timescales	Responsible body	Status
W2	Finnish wind development	This corresponds to some 2000 MW of wind power, most of which will be located along the western coast of Finland	2020		Progress are expected next year: New legislative proposal (feed-in tariff) in 2010 Wind atlas published on 24^{th} Nov '09
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		TSO received applications for: Sindi windpark: 150 MW Via Baltica Windpark 600 MW Hiiumaa offshore windpark 990 MW All developers intend to connect to the network before 2020

	Project	Short description of the Project	Target timescales	Responsible body	Status
W4	Latvian wind development	By 2020, 550 MW of wind generation can be connected to the grid	2020		TSO has received around 2000MW Wind PP applications mainly on-shore and off-shore in Western region of Latvia. Coordination with 3rd EE-LV interconnection
W5	Lithuanian wind development	The target for 2010 is to increase this capacity to 200 MW. A level of 500 MW could be achievable by 2020	2020		68 MW in operation + 21 MW by end 2009 + 140 MW by end 2010 + 250 MW by end 2012
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).	2020		Current capacity about 600MW; Data on future development will be available end of 2009 (Action Plan prepared for EC).
W7	Wind development plans in Germany	Onshore wind power generation is expected to reach up to 37000 MW in 2020. In addition, Germany aims to have a capacity of 20000 to 25000 MW offshore wind power installed by 2030 (combined North and Baltic Sea)	2020/2030		Installation of turbines in deep water (alpha ventus) 2000 MW expected installation onshore

3.3. Updated action plan for Gas

Approach and objectives

The agreed **approach** for work on gas focuses on the following elements:

- **Minimum infrastructure program:** agreed to focus on a restricted list of infrastructure projects dividing the scope according to three sub-regions: East Baltic Sea; West Baltic Sea, and Germany-Poland, and give highest priority to the East Baltic Sea Region as the issue of "energy islands" with a view to ending isolation and derogations.
- **Focused working group meetings**: bilateral talks or workshops should focus on more specific subjects with the involvement of only concerned parties.
- **EU-Russia Energy Dialogue** to support external dimension of the BEMIP

The main **objectives** for the gas sector, accepting the fact that there is a close linkage between them and so these cannot be dealt with in isolation, are the following:

(1) Identify the most economical, minimum infrastructure necessary to **diversify gas supplies in Finland and the three Baltic States** and to end isolation and, consequently, derogations in Eastern-Baltic Sea region

(2) Diversify sources and routes for Poland

(3) Find ways to additional gas sources to **compensate for depletion of Danish fields**

(4) Launch a **taskforce** to identify a regional **LNG** in the Eastern Baltic Sea

Progress achieved

Objective 1: Identify minimum set of infrastructure projects in the East Baltic Sea region with a view to ending isolation and derogations

Projects:

- Polish – Lithuanian gas interconnection
- BalticConnector (Estonia – Finland)
- Regional LNG terminal

- **Polish – Lithuanian gas interconnection**

Status:

A focused working group (WG) meeting was held in November with Poland and Lithuania to discuss the Polish – Lithuanian gas interconnection options. An Open Season procedure organised by Polish TSO for the interconnection point between Poland and Lithuania showed little commercial interest in this project. Should there be an indication of interest in this interconnection capacity, the new Open Season procedure could be launched, as it was confirmed by Polish side.

As an additional point, it was mentioned, that Latvian is interested in the project as it is expected that some UGS capacity will be available for the market. It was noted at the meeting that even a connection with a small capacity (2 bcm/year) would represent a driver for creating initial interest from the market and us such it would be a direct connection from Russia to the EU.

At the meeting the Lithuanian side explained that TPA regime is implemented in full since long ago so that this project would not fall under any derogation. However, due to existing derogations in the region it would be necessary to clarify existing regulatory framework and seek for harmonisation on the level of the region to allow regional investments.

Yamal "virtual reverse flow" is an important element for market development, as well as the related issue of moving the delivery point to the external EU border.

The main outcome of the meeting was that the TSOs of the two countries (and possibly Latvian TSO) are ready to start working together to get closer to a common definition of the project and to identify a project with a minimum common denominator/interest for the countries.

Next steps:

Wait for the outcome of meetings/initiatives of the regional stakeholders. Next meeting in Spring 2010.

- **BalticConnector (Estonia – Finland)**

Status:

A focused WG meeting was held in November with Estonia and Finland to present the current status of the BalticConnector. Finnish and Estonian LNG projects were also discussed in this context (see Objective 4 for details). For both countries BalticConnector is closely linked to the LNG option(s). However, there is no reason to drop the BalticConnector from the priorities even if there is no agreement on a common regional LNG strategy.

BalticConnector's feasibility is still being studied and it will be concluded by the end of 2010. This interconnection project will have an influence on LNG's feasibility as well. Taking into account the size of a combined gas consumption of the region

(Finland, Estonia, Latvia and Lithuania combined), one regional LNG could be feasible.

From an infrastructure perspective, the January 2008 gas crisis demonstrated the importance of connecting an LNG terminal to the gas network and to an underground gas storage. In this regard, there is no constraint of capacity between Latvia and Estonia, so access to the Latvian storage should not be an issue from Finnish direction, including third party access. However, depending on volumes to be supplied to Finland, the transmission capacity of this section may need additional infrastructure (e.g. compressor station).

Next steps:

Wait for outcome of feasibility studies. Further consultations by LNG project promoters are needed. Next meeting in Spring 2010.

- **Regional LNG terminal**

The regional LNG will be discussed in the framework of the LNG taskforce (see Objective 4 below).

Objective 2: Diversify sources and routes for Poland, strengthen its role as an "energy bridge"

Projects:

– BalticPipe

– • winouj•cie LNG

– Yamal physical reverse flow

– Development of gas links between the German and the Polish markets

- **BalticPipe**

Status:

In the framework of the EERP, Energinet.dk from Denmark has submitted application for funding. In the submitted proposal the applicant is seeking for financial support for the pre-engineering studies for interconnection between Denmark and Poland.

GazSystem from Poland has also submitted an application for funding in the framework of the EERP. The projects designed for gas transportation from the Polish LNG terminal together with the extension of the Polish Transmission System will enable a natural gas source for the BalticPipe, the future connection between the Polish and Danish transmission system.

Next steps:

The evaluation of the proposals received by the Commission is expected to be finalized by the end of November 2009, the award decisions on financing are expected in January 2010. Follow project progress.

- • **winouj•cie** LNG

Status:

The Polish LNG terminal was listed in the EERP financial regulation for potential financial support. The project promoters (Polskie LNG) have submitted application for funding. In the submitted proposal the applicant is seeking for financial support for the construction of the two LNG storage tanks and for the construction of the "the berth" (infrastructure which allows a safe discharge of the gas from the vessels). The project will contribute to increasing security of supply and supplies diversification in Poland.

Next steps:

The evaluation of the proposals received by the Commission is expected to be finalized by the end of November 2009, the award decisions on financing are expected in January 2010. Follow progress.

- **Yamal physical reverse flow**

No progress yet, but high priority due to its significance in the connection of the East Baltic and the West Baltic markets (esp. Polish – Lithuanian gas interconnection).

- **Development of gas links between DE-PL**

No significant progress of the EWE and InterTransgas projects listed in the Action plan of June 2009 has been made yet, negotiations are ongoing. In addition, in October 2009 WINGAS has renewed its offer made to PGNiG already earlier about connecting Poland to the German network by building a direct connection to the so called OPAL pipeline, which will be built from Greifswald to the Czech border and shall be finished in 2011. These projects would also enhance the possibility of making use of German gas storages.

Objective 3: Replacement for Danish gas field depletion

Action: Set up West Baltic Sea taskforce to look into potential options and additional gas sources to compensate for depletion of Danish fields.

Status:

Active discussion among relevant parties to look for potential solutions is already ongoing. Options under discussion include assessing NO-DK interconnection possibilities, including revival of 'a kind of' Skanled; Deudan, strengthen DK system, link to Nordstream, BalticPipe and other possible project combinations. Regional association, BalticGas wishes to take active part in this action.

Poland expressed interest in participating in the taskforce.

Next steps:

Follow progress made by BalticGas. Participate in kick off meeting / or launch taskforce if not taken on board.

Projects

One of the potential projects, strengthening of the Danish gas network, has submitted application for funding in the framework of the EEPR. In the submitted proposal the applicant energinet.dk is seeking for financial support for a looping pipeline Ellund-Egtved (from the Danish/German border onto Egtved in Denmark) and a compressor station South Jutland. The infrastructure will provide an operational link between the German network and the Danish Gas Transmission System. (A 95 km pipeline connection exists today, but the pipeline does not allow for import of gas from Germany in sufficient amounts).

Next steps:

The evaluation of the proposals received by the Commission will be finalized by the end of November 2009; the award decisions on financing are expected in January 2010. Follow project progress.

Objective 4: Regional LNG

Action: Set up taskforce to establish a common approach and cooperation to construct one LNG-terminal that is at the benefit of all Member States in the region.

Status:

Any regional LNG terminal would serve the four Eastern Baltic Sea states; therefore it has to be seen in combination with the gas link between Estonia and Finland. It has also been pointed out that, due to the relatively small size of the market, a completely independent LNG terminal is not viable in this region. A common regulatory framework (regional approach) was also highlighted as a key precondition for moving towards a regional project.

- Finland: From the Finnish perspective an LNG terminal serving Finland is seen as crucial element for increasing the security of supply of the country as it diversifies away from the sole gas supplier. Finland is currently the biggest consumer of gas among the four countries; this is highlighted as an important factor for site selection for the LNG. The pre-feasibility study for the LNG terminal by the end of 2009, and the feasibility study by end 2011 (Finland is also looking into lighter technology options for the LNG terminal).

- Estonia: From the Estonian perspective an LNG terminal is seen as a key option for enhancing energy security for the country and for the region. The existing connection to the Latvian gas network and the access to the Latvian underground gas storage do not present constraints for Estonia (also in terms of Third Party Access). Estonia expressed interest in participating in the taskforce.

- Lithuania is also looking into lighter technology options for an LNG vessel which could increase the security of supply of the country. However the foreseen technology and capacity would allow serving only Lithuania, therefore this project cannot play the regional role. An onshore LNG regional terminal could be built in

the port of Klaipeda. The implementation of such a project should be discussed in the framework of the Eastern Baltic Sea States / LNG taskforce

- The planned Polish LNG terminal at • winouj•cie cannot play the regional role as there is no connection between Poland and the Baltic States, in particular between Poland and Lithuania (see Objective 1 above, Polish – Lithuanian gas interconnection).

Next steps:

Wait for outcome of feasibility studies on LNG in FI, EE, LT.

Wait for the outcome of meetings/initiatives of the regional stakeholders

Organize working group meeting with project promoters on all options. Relevant input from working group meetings will be taken into consideration.

III. PROBLEMS, ISSUES

- Coordination between the EU's strategy for the BSR and BEMIP is needed to ease monitoring and reporting on both sides and to avoid duplication of work
- Russian aspects: Lack of reliable information on plans and uncertainty of planned power generation capacity and interconnections in the region. Baltic NPP to be seen in this context
  - Recommendation: Identify additional topics for dialogue and coordination through the EU-Russia Energy Dialogue, for Thematic Group on Energy Markets Development and for the meeting of the subgroup on energy infrastructure, January 2010
- Security of gas supply regulation: potential impact on scope for the work on gas, especially for three Baltic States. Clarification needed on what exactly is the requirement towards the BEMIP in this regard and whether to include it in work on gas.
  - Recommendation: discuss by HLG and organize meeting with three Baltic States
- Political commitment requested by stakeholders for further steps to be taken with regards to gas market opening
- Request for EU financial support for projects with role of enhancing EU security of supply and where commercial viability is less clear

IV. UPDATES TO THE ACTION PLAN

1. To the electricity actions and projects (new or modification of scope, timing, etc)

None

2. Update the list of risks, if any changes

During the first reporting period, the following additional risks have been identified:

- EstLink2 – Nordstream and NordBalt – Nordstream undersea "conflict" – permission necessary from the one which is built first to the other
- Due to the crisis, investments are delayed.
  - Those in connection with Russian gas production and infrastructure development raise the level of risk for gas imports
  - Risk of crisis continuing after 2012

3. Modification to monitoring

- Next progress report by June 2010

V. OVERALL ASSESSMENT

The first 6 months of the BEMIP implementation in the electricity sector are considered successful in that it generally delivers on the agreed actions and timeline. Some minor issues have been identified but are dealt with on the projects' level, as well as by the relevant authorities. There is continued political support towards effective implementation of the BEMIP from all participating countries as well as the Commission.

Some progress in gas has been achieved. The main approach and objectives have been confirmed. German-Polish interconnection projects have been included in the Action Plan due to their slower than expected progress and their role in terms of allowing better connections between the Eastern and Western parts of the region. In addition, the proposed security of gas supply regulation will have an impact on the region's infrastructure needs, especially in the three Baltic States. The ways of accommodating these requirements through regional cooperation will be examined.

There is also a proactive interest from the region’s stakeholders to participate in taskforces to support the regional objectives in the gas sector, especially in the so-called West Baltic Sea taskforce, supporting objective 3 above.

Cooperation with ENTSO-E and ENTSO-G is expected in the future, as well as coordination with the Baltic Sea Region Strategy. Updates on EEPR implementation will also be fed back to the HLG.

Issues identified during the BEMIP process in relation to Russia have been confirmed to be of common interest for both sides. The subgroup on infrastructures has been launched and its first meeting is planned for January 2010 where the specific topics identified so far are planned to be discussed.

No changes are requested in terms of monitoring and reporting for the next period. The Energy Council will also be informed about progress.

VI. ANNEXES

1. Note on the approach on gas

2. Project Status Reports