KLAIPĖDOS NAFTA
AKCINĖ BENDROVĖ

European Commission
DG Energy - ENER.B.4
'Internal Energy Market: Security of Supply'
DG Energy - ENER.A.3
'International Relations & Enlargement'
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Regarding the consultation on an EU strategy for liquefied natural gas and gas storage

The European Commission announced a consultation inviting to share views in order to help it develop a strategy to explore the full potential of LNG and gas storage in the mid to long-term.

SC Klaipėdos Nafta, the operator of the liquefied natural gas terminal (hereinafter – LNG terminal) highly appreciates the actions taken by the European Commission to conduct the consultation and shares its views on the challenges and opportunities we see for LNG and how these might boost security of supply, competitiveness and sustainability.

It is worth reflecting that Klaipėda LNG terminal is not the only operational full-scale LNG terminal in the Baltic Sea, but also in terms of natural gas supply is so the far the only alternative to Russian pipeline gas supplies. As the costs of Klaipėda LNG terminal are socialized, Lithuanian consumers have absorbed all construction investment and risks, cover all costs of the LNG terminal irrespective of the actual turnover through the terminal and cover all costs of maintaining the minimum flow through the terminal ensuring constant readiness to compensate for any disruptions in the pipeline gas supplies.

Despite the above, the full Third Party Access regulations were introduced at the terminal from the start of its operation, meaning that all consumers and traders in Lithuania, Latvia, and Estonia or from the global market have equal access to terminal capacities on the same terms and conditions. Terminal regulations ensure that Latvian and Estonian users would receive services of the terminal on exactly the same terms and whenever needed, but are not required to cover any expenses of the terminal if they do not use the services.

Klaipėda LNG terminal has a capacity to cover 100% of vulnerable customers' demand and about 90% of all current demand in the Baltic States. Additionally, the terminal offers LNG reloading services that ensure all-year-round and very well geographically located source of LNG for both small and mid-scale LNG terminals across the Baltic Sea coastline and for LNG bunkering, contributing greatly to the EU goals in reducing air pollution and carbon emissions in the Baltic Sea region. Furthermore, Klaipėdos Nafta, the operator of Klaipėda LNG terminal, has already taken final investment decision to build an LNG reloading (truck loading) station in the port of Klaipėda, which, once commissioned in early 2017, will ensure supplies of LNG for currently off-grid customers in the Baltic States and North-East Poland. The availability of LNG supplies in Klaipėda has already triggered further developments in downstream marine and on-

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land facilities and services aimed at substituting more polluting fuels with natural gas. LNG reloading station in Klaipėda, including additional LNG bunkering infrastructure, will enable the regional supply of LNG. These positive developments could be accelerated by expanding the scope of EU LNG Blue Corridors projects to include the Baltic States and Finland.

Klaipėda LNG terminal and associated small and mid-scale LNG infrastructure, as the regional LNG hub, materially contributes to the availability of alternative natural gas supplies to Finland.

As a consequence, Klaipėda LNG terminal has already:

- Significantly enhanced security of natural gas supply for all consumers in the Baltic States;
- Provided so far the only alternative source of natural gas supply for the Baltic States;
- Provided for the Baltic States the full-scale connection to the global gas markets;
- Ensured a reliable and convenient source of LNG for mid and small scale applications in the Baltic Sea;
- Substantially contributes to environmental goals in the Baltic Sea region.

The benefits of Klaipėda LNG terminal could be realized to greater extent if:

- The remaining legal and regulatory barriers for all natural gas consumers to participate in the free market are removed;
- Integration of the gas markets of the Baltic States, Finland and Poland are accelerated;
- The use of natural gas transmission and storage services, including tariff structures, are regulated from the broader regional perspective;
- Baltic States and Finland are included into wider European programs, such as Blue Corridors.

In general, the nature of LNG involves additional infrastructure costs for delivering this gas to the market. In some underdeveloped gas markets (such as the Baltic States or Finland) these additional costs may prevent LNG to compete on equal terms with the pipeline gas delivered through already depreciated pipelines built decades ago. Therefore EU initiatives in setting equal competition conditions for LNG and pipeline gas would greatly improve real access to more diverse sources of natural gas.

Thank you for giving opportunity to share our views on an EU strategy for liquefied natural gas and gas storage and taking the above views into consideration.

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