REPORT OF THE REPUBLIC OF LITHUANIA ACCORDING TO THE REQUIREMENTS OF ARTICLE 3 PART 3 AND ARTICLE 5 PART 5 OF DIRECTIVE 2001/77/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 27 SEPTEMBER 2001 ON THE PROMOTION OF ELECTRICITY PRODUCED FROM RENEWABLE ENERGY SOURCES IN THE INTERNAL ELECTRICITY MARKET

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1. Introduction

In implementing the requirements set out in Article 3 part 3 and Article 5 part 5 of Directive 2001/77/EC of the European Parliament and of the Council of 27 September 2001 on the promotion of electricity produced from renewable energy sources in the internal electricity market (hereinafter – Directive 2001/77/EC) the Republic of Lithuania has prepared and hereby submits to the European Commission a report on production of electricity from renewable energy sources as well as measures promoting the production of electricity from renewable energy sources and the system of guarantees of origin in this country.

Pursuant to Article 3 (3) and Article 5 (5) of Directive 2001/77/EC Member States shall:

1. Publish for the first time not later than by 27 October 2003 and thereafter every two years, a report which includes an analysis of success in meeting the national indicative targets taking account, in particular, of climatic factors likely to affect the achievement of those targets and which indicates to what extent the measures taken are consistent with the national climate change commitments.
2. Member States or competent bodies shall put in place appropriate mechanisms to ensure that guarantees of origin are both accurate and reliable and they shall outline in the report the measures taken to ensure the reliability of the guarantee system.

2. National indicative targets

Under the requirements of Directive 2001/77/EC and the Accession Treaty Lithuania has committed to double the amount of electricity generated from renewable energy sources in the overall electricity consumption balance from 3,3% in 1999 to **7% in 2010**.

This commitment has been established in the National Energy Strategy, approved by Resolution No X-1046 of the Seimas of the Republic of Lithuania of 18 January 2007 (*Valstybės žinios*, No 11-430, 2007), and in the National Programme for Increasing Energy Consumption Efficiency in 2006-2010, approved by Resolution No 443 of the Government of the Republic of Lithuania of 11 May 2006 (*Valstybės žinios*, No 54-1956, 2006).

3. Measures taken to achieve the national indicative target

Electricity sector legislation consistently promotes the use of renewable energy sources.

Article 9 of the Law on Electricity (*Valstybės žinios*, No 66-1984, 2000; No. 107-3964, 2004) provides for the promotion by the State of producers to generate electricity from renewable energy sources by setting forth public service obligations.

In addition, Article 6 of the above-mentioned Law sets forth that the National Price and Energy Regulation Commission must control that network connection conditions and tariffs for new electricity producers are objective, transparent and non-discriminating taking into account all costs and benefit derived from the application of different renewable energy sources technologies, distributed production and production of heat and electricity at one time.

Provisions of Resolution No 1474 on the approval of legislation necessary to implement the Law on Electricity of the Government of the Republic of Lithuania (*Valstybės žinios*, No 104-3713, 2001) of 5 December 2001 set that public and independent suppliers, market, transmission and distribution network operators holding activity licences and eligible customers importing electricity, shall provide services according to the list of public services obligation in the electricity sector.

Regulations for Public Services Obligations approved by Order No 380 of the Minister of Economy of 18 December 2001 (*Valstybės žinios*, No 110-4010, 2001, No 140-5374, 2006) (hereinafter – the Regulations) set forth general rules for provision of services related to security of society, environmental protection and production of electricity from renewable energy sources, electricity production in combined heat and power plants and regulate requirements and obligations for holders of supply licences, as well as market, transmission and distribution network operators to provide such services.

General criteria, conditions and requirements for production and purchase of electricity produced in the Republic of Lithuania by using renewable energy sources have been established in the Procedure on Promotion of Generation and Purchase of Electricity Generated Using Renewable Energy Sources approved by Resolution No 1474 of the Government of the Republic of Lithuania of 5 December 2001 (*Valstybės žinios*, No 104-3713, 2001; No 9-228, 2004).

An overview of individual measures aimed at promoting renewable electricity production is given below.

3.1. *Purchase obligation and transportation priority*

The Government of the Republic of Lithuania by Resolution No 1462 on granting authorisation in implementing the Law on Electricity of the Republic of Lithuania (*Valstybės žinios*, No 170-6250, 2004) delegated the Ministry of Economy to list services related to public services obligation, service providers and procedures and conditions for provision of the said services. The Minister of Economy by Order No 4-495 of 27 December 2006 "On drawing up a list of public services in the electricity sector" (*Valstybės žinios*, No 1-27, 2007) established electricity sector services related to public services obligation. Electricity production from renewable energy sources is among the listed services and includes the following:

- electricity production:

– from renewable energy sources;

– in combined heat and power plants when the plants provide heat to urban district heating networks;

- connection of electricity generation facilities using wind energy, biomass, solar energy or hydroenergy to transmission or distribution networks.

The Regulations set the provision of public services. They also indicate that funds for public services provided by producers of renewable electricity are determined with regard to the volume of the subsidized electricity if producers use renewable energy sources for electricity generation. The volume of the subsidized electricity production is considered a whole amount of renewable electricity actually produced and provided to the grid. The transmission network operator and distribution network operator shall ensure transportation priority for renewable electricity through transmission or distribution grid (when grid throughput is limited).

3.2. *Feed-in tariffs*

Feed-in tariffs for renewable electricity were established in 2001. The table below shows the tariffs that were approved by Resolution No 7 of State Price and Energy Control Commission of 11 February 2002 (*Valstybės žinios*, No 16-648, 2002; No 73-1041, 2007; No 16-217, 2008; No 77-1002, 2009; No 108-4576, 2009) and their variation.

Table 1. Feed-in tarrifs for renewable electricity.

	2002-2007		2008		2009		2010	
	LTL cents/ kWh	Euro cents*/ kWh	LTL cents/ kWh	Euro cents*/ kWh	LTL cents/ kWh	Euro cents*/ kWh	LTL cents/ kWh	Euro cents*/ kWh
Hydropower plants (≤ 10 MW)	20	5,79	20	5,79	26	7,53	26	7,53
Wind power plants	22	6,37	22	6,37	30	8,69	30	8,69
Biomass power plants	20	5,79	22** 24 ***	6,37 6,95	30	8,69	30	8,69
Solar (photo power plants) power plants according to the peak electric capacity								
up to 100 kW	–	–	–	–	–	–	163	47,2
from 100 kW up to 1 MW	–	–	–	–	–	–	156	45,2
from 1 MW	–	–	–	–	–	–	151	43,7

*1 LTL – 3,4528 EUR

** - for power plants started up before 1 January 2008.

*** - for power plants started up after 1 January 2008 .

In the recent years the feed-in tariffs for renewable electricity have been continually growing. Until 2009 the feed-in tariffs were applied for electricity produced in hydropower plants, wind power plants and biomass power plants. From 1 January 2010 the feed-in tariffs will be applied also for electricity produced in solar photo power plants. Prices of electricity produced in solar power plants are differentiated according to the peak electric capacity.

The Promotion Procedures provide for that the level of the prices will remain unchanged till 31 December 2020. After the transition to an hourly electricity trade with suppliers, it has been provided for that till 31 December 2020 electricity will be purchased at contract prices with compensation to the producers for the difference between the income level, calculated according to the tariff for that type resources, set by the State Price and Energy Control Commission, and the factually received income for selling electricity at the contract prices without exceeding the indicated annual volume of each type energy resources.

3.3. *Discount on the fee of connection of power plants to the network*

Generators whose power plants are using renewable energy sources for electricity generation are subject to a 40 % discount for the connection to the network of operating energy plants.

3.4. *Environment pollution tax reduction*

According to the Law on Pollution Tax (*Valstybės žinios*, No 47-1469, 1999; No 13-474, 2002; No. 47-1560, 2005), legal and natural persons, upon providing documents that

prove the use of biofuel are exempted from the tax imposed for environment pollution from stationary sources of pollution.

3.5. *Exemption from excise duties*

In Lithuania, from 1 January 2010, electricity will be ascribed to the goods subject to excises as it has been established in the Law on Excise Duties of the Republic of Lithuania (*Valstybės žinios*, No 98-3482; No 26-802, 2004), however that part of electricity, which is produced from renewable energy sources, will be exempted from the excise duties.

3.6. *Financial support for investments*

Financial support for investments is among the most important measures promoting the use of renewable energy sources. This section contains information on domestic programmes and funds providing financial support for construction of power plants using renewable energy sources.

Lithuanian Environmental Investment Fund (hereinafter - LEIF) provides funds for financing investment projects by granting subsidies. The amount of the subsidy for one beneficiary may not exceed 690,000 LTL (~ 200 000 EUR) in 3 years and 70% of the total environmental protection investment amount.

The main fund source of the LEIF is environment pollution tax. On the basis of the Law on Pollution Tax, 20% of the total sum of the collected charges went to LEIF from 2000 and from 1 January 2003 the contribution is 30%.

In the period from 2000 to 2005 LEIF provided funds for 7 projects related to electricity production from renewable energy sources. Five of the projects are related to construction of hydropower plants (of aggregated installed capacity of 974 kW), one project – wind power plant construction (of 150 kW capacity) and one project of the construction of an electricity generation plant using biomass (of 750 kW capacity). The overall value of the projects amounted to 8,5 mio LTL (about 2,5 mio EUR), including LEIF support of 1,71 mio LTL (about 0,5 mio EUR).

In the period from 2006 to 2007 LEIF provided assistance for 4 projects, including, among others, 3 projects of a hydropower plant construction (of total installed capacity of 260 kW) and one project of construction of a wind power plant of 2 MW capacity. Total value of the projects is 13,8 mio LTL (about 4,0 mio EUR), where support is 10,0 mio LTL (about 2,9 mio EUR).

In the period from 2008 to 2009 LEIF provided assistance for 6 projects related to production of electricity from renewable energy sources. 3 projects of a hydropower plant construction and reconstruction projects (of total installed capacity of 300 kW) and three projects of construction of windpower plants (of installed capacity of 750 kW). Total value of the projects is 6,67 mio LTL (about 1,9 mio EUR), where LEIF support is 3,3 mio LTL (about 1,0 mio EUR).

In the period from 2007 to 2013 EU Structural Funds, according to the Cohesion Action Plan instrument "Use of renewable energy sources for electricity" provides financial assistance in the amount of 165 mio LTL (48 mio EUR) for:

- upgrading of boiler houses and CHP plants, supplying heat to heat supply systems – by replacing fuel with biomass;
- construction of new boiler houses and new efficient CHP plants using renewable energy sources and connection to heat supply systems.

Until 2015, while implementing the foregoing measure, 35 new energy producing facilities using biomass of total installed capacity of 100 MW are scheduled to be constructed.

In order to encourage the farmers to use renewable energy sources for energy generation support is foreseen in Rural Development Programme for 2007–2013.

4. Measures to be taken to attain the national indicative target

In order to increase production of renewable electricity new measures have been planned to those already being implemented.

In order to speed up the development of use of renewable energy sources the Draft Law on Development of Renewable Energy Sources is under preparation. The Draft is projected to be finalized by the end of this year. The foregoing Law aims to create more favourable conditions for development of the use of renewable energy sources by eliminating obstacles, providing for more efficient financing mechanisms.

While implementing Directive 2009/28/EC of the European Parliament and of the Council of of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC, national renewable energy action plan is under preparation.

The National Energy Strategy provides for the improvement of the procedures for promotion and purchase of electricity from renewable energy sources, to encourage competition among the producers and to introduce the system of green certificates or other systems beyond 2020.

In order to use the energy generation potential of domestic water resources, the Implementation Measures of Annual Programme of 2008-2012 of the Government of the Republic of Lithuania, approved by Resolution No 189 of the Government of the Republic of Lithuania of 25 February 2009 (*Valstybės žinios*, No 33-1268, 2009) (hereinafter – the Measures of the Programme), projects to perform anew the assessment of water resources and, if necessary, to change the list of ecologically and culturally valuable rivers or their stretch as well as other legal acts.

In order to further develop wind power use possibilities and eliminate obstacles for construction of wind power parks, in particular in the Baltic Sea and the seaboard region, the Measures of the Programme will require to analyse and draft decisions regarding the possibility of constructing new wind power farms in the continental part of Lithuania and in the sea as well as will require to develop a new long-term programme for windpower use.

5. Progress in attainment of the national indicative target

5.1. *Energy sector structure*

In 2008 the installed capacity of the existing power plants in Lithuania provide 5070 MW where thermal power plants account for 53% and nuclear – for 26%. Hydropower plants, including the pumped storage hydropower plant, contribute 20% of all domestic installed capacity. Wind power plants account for 1% of the installed capacity.

The major share of the installed capacity consisted of the following plants: Ignalina Nuclear Power Plant (1300 MW), Lithuanian Power Plant (1800 MW) and CHP plants (854 MW). There is Kruonis Pumped Storage Hydropower Plant (Kruonis PSHP) of 900 MW installed capacity operated in Lithuania.

Total gross production, import and export volumes as well as gross electricity consumption are presented in Table 2.

Table 2. Total gross production, import and export volumes and as gross electricity consumption.

GWh	Years								
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Total gross production	11424,5	14736,9	17721,1	19487,9	19274,3	14784,3	12481,9	14007,6	13911,7
Import	142,8	196,8	306,9	–	127,9	1064,2	1708	1168,2	1681,0
Export	1478,9	4161,1	6793,9	7529,6	7322,8	4030,4	2136,3	2540,2	2638,4
Gross electricity consumption	10088,5	10772,6	11234,1	11958,3	12079,4	11818,1	12053,6	12635,6	12954,3

5.2. *Installed capacities of renewable energy sources and their predicted development*

In late 2006 there were 95 domestic producers of electricity from renewable energy sources. Total installed capacity of power plants using renewable energy sources provided 190 MW. Electricity was generated from hydropower, wind power and biofuel (wood and wood waste, biogas).

In late 2008 number of domestic producers increased up to 120 and the total installed capacity of power plants exceeded 200 MW.

Installed capacity and number of the power plants producing electricity from renewable energy sources in 2006 and 2008 is presented in Table 3.

Table 3. Installed capacity and number of the power plants producing electricity from renewable energy sources in 2006 and 2008.

	2006		2008	
	Capacity, MW	Number	Capacity, MW	Number
Hydropower plants > 10 MW	100,8	1	100,8	1
Hydropower plants < 10 MW	24,5	80	26	84
Wind power plants	49	9	68	25
Biomass power plants	15	6	21	10

5.3. *Electricity production from renewable energy resources*

In 2008 plants using hydropower provided 67% of all the electricity output from renewable energy sources (in 2000 – almost 10%), in wind power plants - 22% of renewable electricity production, in biofuel power plants - 11% of renewable electricity production (see Fig. 1).

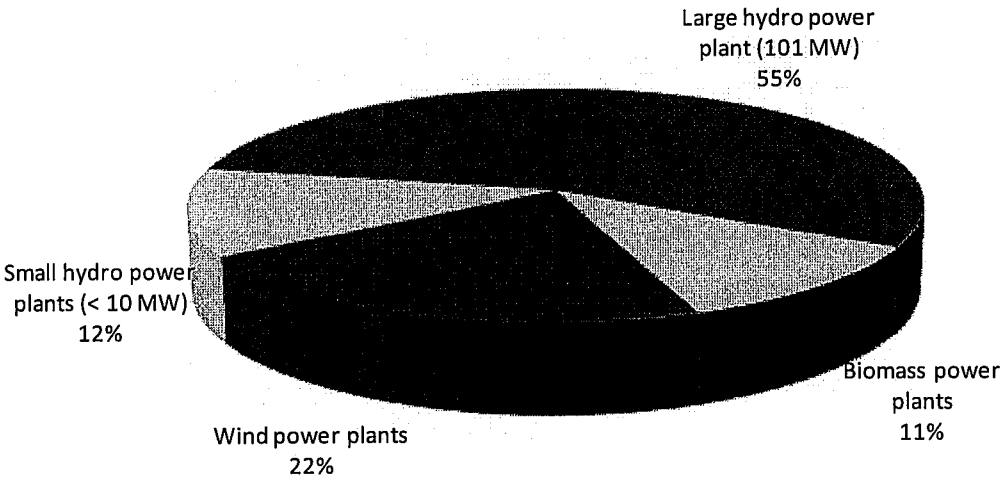

Fig. 1. Structure of electricity generation from renewable energy sources in 2008.

Table 4 and Figure 2 below shows volumes of electricity generation from renewable energy sources in the period from 2000 to 2008 together with the calculated national indicative target.

The national indicative target is calculated by dividing the quantity of the produced electricity from renewable energy sources by gross electricity consumption.

Table 4 below shows that electricity production from renewable energy sources in 2008 rose by 77% and provided 602 GWh as compared to the production in 2000 providing 340 GWh. The major influence on the overall renewable electricity production output has the generation output in hydropower plants and biofuel plants.

Table 4. Electricity production from renewables in the period from 2000 to 2008.

Energy resource	Year								
	2000	2001	2002	2003	2004	2005	2006	2007	2008
Electricity generation from renewable energy sources, GWh									
Biomass	0,8	1,2	4,6	7,5	7,4	5,5	24,0	54,0	69,0
Wind energy	0	0	0	0	1,2	1,8	13,7	106,1	131,1
Hydroenergy	339,3	325,5	353,2	325,1	420,5	450,7	397,1	420,6	401,9
Hydropower plants > 10 MW	*312,8*	*284,4*	*316,5*	*283,9*	*359,0*	*384,6*	*341,3*	*324,7*	*329,1*
Hydropower plants < 10 MW	*26,6*	*41,1*	*36,4*	*41,2*	*61,5*	*66,1*	*55,8*	*96,2*	*72,8*
Total:	**340,1**	**326,7**	**357,8**	**332,6**	**429,1**	**458,0**	**434,8**	**580,7**	**602,0**
Calculation of the national indicative target									
Gross electricity consumption (total gross production + import – export)*, GWh	10088,5	10772,6	11234,1	11958,3	12079,4	11818,1	12053,6	12635,6	12954,3
National indicative target, %	**3,4**	**3,0**	**3,2**	**2,8**	**3,6**	**3,9**	**3,6**	**4,6**	**4,6**

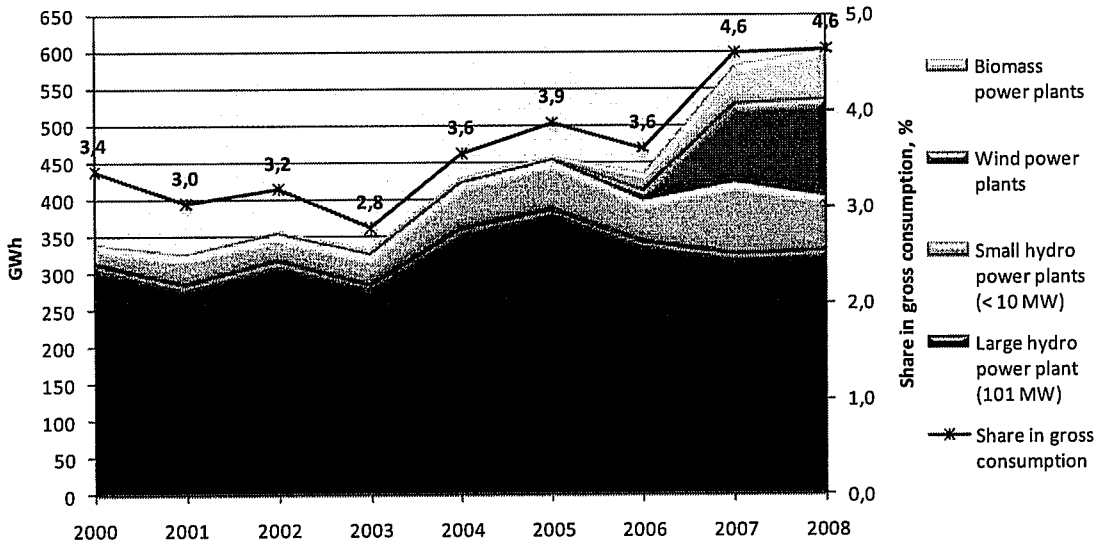

Fig. 2. Dynamics of electricity production from renewable energy sources in 2000-2008.

The overall volume of electricity generation output is mostly dependent on the generation volumes of hydropower plants. The electricity production in hydropower plants increases in February – April, when tidal waters are used (see Fig. 3). In summertime, when water level in rivers and ponds drops considerably, electricity production volumes are reduced or in certain cases completely terminated in order to comply with environment protection requirements. The seasonal variation is especially important for hydropower plants of the capacity not exceeding 10 MW. Since September the volume of overall generation output increased considerably owing to connection of new generation capacities using wind and biomass to the distribution grid.

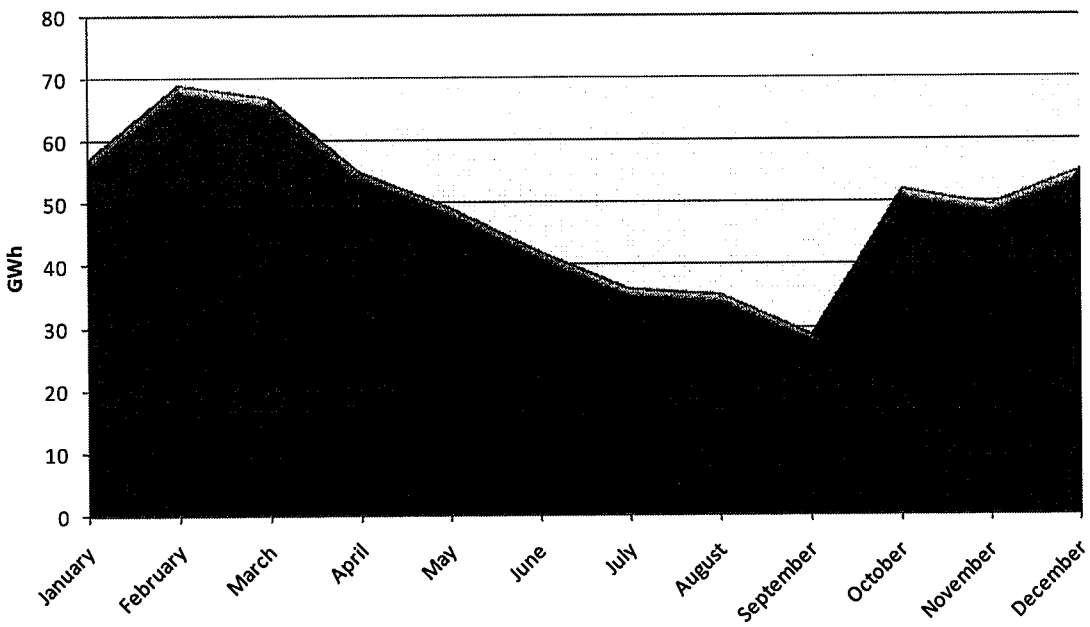

Fig. 3. Dynamics of quantities of renewable electricity generation in 2008.

6. Guarantees of Origin

Rules on the issue of guarantees of origin for renewable electricity were approved by Order No 4-346 of the Minister of Economy of 7 October 2005 (*Valstybės žinios*, No 122-4375, 2005; *Valstybės žinios*, No 42-1534, 2006) (further – the Rules on Issue of Guarantees of Origin).

The Rules on Issue of Guarantees of Origin set general criteria, conditions, requirements and procedures for issue of guarantees of origin for renewable electricity.

Under the Rules on Issue of Guarantees of Origin an authority responsible for issue of the guarantees of origin for renewable electricity shall be a transmission system operator (further – authority issuing guarantees of origin). AB "Lietuvos energija", as a transmission system operator, is responsible for issue of guarantees of origin and relevant database administration.

Producers of renewable electricity by 31 December 2005 should have submitted a request to the authority issuing guarantees of origin to register in the database of guarantees of origin. New renewable electricity producers not later than 40 days before the start of renewable electricity production shall provide a request to the authority issuing guarantees of origin to register in the database.

Guarantees of origin are issued to producers registered in the database of guarantees of origin. If electricity is purchased according to the Promotion Procedure, the guarantees of origin issued to the producer shall be marked as used, and if the Promotion Procedure is not applied, guarantees of origin issued to the producer shall be transferred to supplier that purchased the electricity on the basis of bilateral agreements.

A guarantee of origin shall be issued for the quantity in kWh, equal to the volume of renewable electricity supplied to the grid during the last month, and for the quantity in kWh, equal to the volume of renewable electricity generated during the last month and used for the needs of the producer, when the quantity has been measured with electricity measuring devices complying with the requirements of the legislation of the Republic of Lithuania.

Quantity of renewable electricity is the total output of electricity generated in power plants using only renewable energy sources as well as a part of electricity generated from renewables in mixed type power plants using also non-renewable energy sources. A share of renewable electricity in the power plants is determined by deducting the quantity generated using non-renewables from the total generated output. The above-mentioned calculations and

assessment shall be carried out following the procedures of the Rules of Issue of Guarantees of Origin.

A producer shall not later than seven days after the end of the month provide information to the authority issuing guarantees of origin (producers whose facilities are connected to the distribution networks provide the following information to the distribution networks operator of their relevant region) on each facility registered in the database of guarantees of origin about the following:

1. The quantity in kWh of renewable electricity generated during the last month, when the quantity is measured with metering devices complying with the requirements of both Law on Metrology (*Valstybės žinios*, No 74-1768, 1996; No 42-1188, 2000) and other legislation of the Republic of Lithuania while indicating the type of renewable energy sources;

2. The quantity in kWh of renewable electricity supplied during the last month, while indicating the type of renewable energy sources;

3. The quantity in kWh of electricity sold under the unused guarantees of origin and the purchaser.

Distribution networks operator shall, not later than within seven days after the end of the month, provide AB "Lietuvos energija" (authority issuing guarantees of origin) information by each producer separately on the following:

1. The quantities in kWh of renewable electricity supplied by the producers to the grid during the last month;

2. The quantities in kWh and price in LTL for the electricity purchased from the producers during the last month under the public services obligation.

The participant shall be liable for accuracy and reliability of the information provided.

Guarantees of origin shall be issued on the basis of the information within eight days after the end of the month.

Based on the request of a producer or supplier, Authority issuing guarantees of origin shall issue a certificate on the origin of the electricity. Certificates shall be issued only to such producer or supplier that has unused own guarantees of origin.

Guarantees of origin are deemed used when:

– the production of electricity for which guarantee of origin was issued, was promoted pursuant to the procedure set forth by the Government or a body authorised thereby;

– a certificate to prove the origin was issued for the electricity, which had been issued a guarantee of origin.

Guarantees of origin shall be used for the following:

1. To determine the amounts of renewable electricity production;

2. To determine volumes of renewable electricity production promoted according to the procedures prescribed by the Government or a body authorised thereby;

3. To give evidence to the end user related to the origin of the electricity consumed;

4. To assist renewable electricity producers in proving that the electricity they sell was produced from renewable energy sources.

Guarantees of origin issuing authority shall place general information on its Website about the guarantees of origin issued and provides annual reports to the Ministry of Economy of the Republic of Lithuania.

Actions taken to ensure reliability of the system of guarantees of origin:

1. Transmission system operator is appointed to be a body responsible for administration of guarantees of origin. The operator shall also be responsible for control of the implementation of public services obligation. Thus, the arrangements ensure the control related to guarantees of origin of renewable electricity that was purchased according to the Promotion Procedure, marking as used.

2. A database of guarantees of origin to administer the system of guarantees of origin has been put in place. The database shall facilitate registration of guarantees of origin, i.e. electricity purchased according to the Promotion Procedure and electricity the origin of which was proved by issue of a printed certificate. The following information is registered, stored and retained at the Website of AB "Lietuvos energija" to the address http://www.lietuvosenergija.lt/lt/main/klm: a list of persons who have been issued guarantees of origin; data on the facilities owned by the participant; the produced renewable electricity, overall volume of electricity produced from renewables by type. The information shall be updated at least once a month. Participants - producers and/or suppliers registered in the database and given a code shall have a right to view their own data.

3. It is envisaged that the State Energy Inspectorate under the Ministry of Economy of the Republic of Lithuania shall verify the information submitted by the producers. The information shall be checked during scheduled audits or on the request of the authority issuing guarantees of origin.

7. Environment protection

The Seimas of the Republic of Lithuania ratified the Kyoto Protocol on the United Nations Framework Convention on Climate Change on 19 November 2002. The Kyoto Protocol sets forts that during 2008–2012 Lithuania will reduce greenhouse emission by 8% as compared to the emission level in 1990.

Overall greenhouse emissions expressed in kilotonns of CO_2 equivalent (CO_2 emission removals and land use emissions and emissions related to the change of land use and forestry sector emissions excluded) from 1990 to 2007 fell about 50% and emissions in the energy sector fell 60%.

The economic recession in 1990 caused a sudden fall of greenhouse emissions. Sharp reduction of the emissions from 1990 to 2000 accounted for more than 60%. From 2000 to 2007 emissions increased.

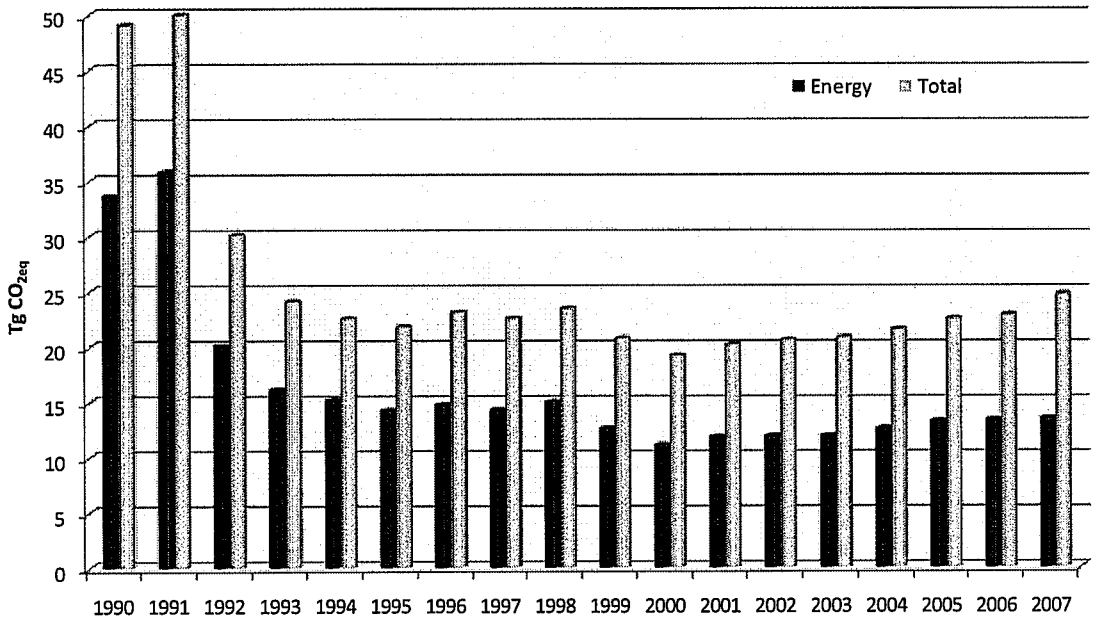

Fig. 4. Emissions of greenhouse gases in the period from 1990 to 2005.

The energy sector is the main source of greenhouse gases, which accounts for almost 55% of all the emissions. From 2000 to 2007 overall greenhouse gas emissions rose 29%, and the increase of emissions in the energy sector was slower and accounted for 22%.

Promotion of renewable electricity production could benefit from the Joint Implementation (hereinafter – JI) Mechanism of the Kyoto Protocol. According to the criteria of compliance set forth in the implementation strategic directions of JI of the Kyoto Protocol

of the UN Framework Convention on Climate Change (*Valstybės žinios*, No 86-3146, 2004), the eligible JI projects are those related to the introduction of technologies using renewables to generate electricity and shift from fossil fuel to any type of renewable energy source or any other more environmentally friendly fuel.