



## FACTSHEET

### 1. Committee on Industry, Energy, and Research

*The question of independent and sustainable energy sourcing in the BSR:*

*The Baltic Integrated Power System (BIPS) operates within the Integrated/Unified Power System (IPS/UPS), which includes Russian and Belarussian electricity grids. In 2020, 75% of Estonia's and Latvia's and just under half of Lithuania's natural gas came from Russia. At the same time, renewable energy sources account for only a tiny fraction of the total primary energy demand in the BSR. In light of political turmoil with Russia, BSR's dependence on energy supply from Russia has jeopardized its energy security. According to the Marienburg declaration of 2022, the BSR seeks to improve cooperation between member states and utilize the offshore wind of the Baltic region to reach the goal of 19.6 GW by 2030, seven times the current capacity. Meanwhile, maritime trade would be employed to supply the BSR region with sufficient LNG and LBG (liquified natural gas and liquified biogas).*

*How can the BSR complete the transition with minimum risk to its economic and political position?*

*How can the BSR maintain energy independence while pursuing maritime trade?*

*How can the BSR prioritize energy security while meeting its energy demands?*

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## 1. Key terms

- Belarus-Russia-Estonia-Latvia-Lithuania (BRELL) ring

Describes a partnership between Belarus, Russia, and the Baltics to maintain an electricity supply between the electricity transmission grids of these countries. The Baltics are trying to become independent of BRELL.

- Integrated/Unified Power System (IPS/UPS), Baltic Integrated Power System (BIPS) and Synchronous grid of continental Europe.

These terms refer to the Russian/CIS (Commonwealth of Independent States), Baltic and European synchronous electricity grids, respectively. A synchronous electricity grid is a combination of many electricity grids, interconnected between each other and operating together. The Russian electricity grid (UPS) is contained within the CIS electricity grid (IPS) and is strongly interconnected with the Baltic electricity grid (BIPS). The Baltics are on their way to build stronger interconnections with the European power grid rather than IPS/UPS.

- Baltic electricity links with the EU

The Baltics have many connections with the electricity grids of Europe, which include:

EstLink 1 and 2 – Interconnection between Estonia and Finland, completed in 2006 and 2014 respectively.

LitPol – Interconnection between Lithuania and Poland, completed in 2014.

NordBalt – Underwater cable between Lithuania and Sweden, completed in 2015.

Harmony – Interconnection under the Baltic Sea between Lithuania and Poland, expected to be completed by 2025.

- Liquefied natural gas (LNG) and liquefied biogas (LBG)

Liquefied gas is gas that is cooled down to -162C to make its storage and transportation easier. The main difference between natural gas and biogas is that natural gas is derived from geological formations while biogas is derived from biological sources such as cow manure. Otherwise, the terms can be used interchangeably. LNG terminals are used to import and export LNG. Klaipeda LNG terminal in Lithuania is the only LNG terminal in the Baltics and cannot meet the demand of all three Baltic states.

- Renewable Energy

A type of energy from sources that cannot be depleted, such as wind power, solar power, hydropower, geothermal energy, and biomass. It is often called “green energy” as opposed to fossil fuels, which release harmful gasses such as CO<sub>2</sub> into the atmosphere and are expendable. Renewable energy isn't always sustainable, for example biomass. In the Baltics, a greater emphasis is placed on wind power due to the potential of strong offshore winds, blowing from land to water.

- Energy Security

Energy security describes the relationship between the accessibility of energy resources and national security. A country's economy depends on the availability of energy resources. Energy sourcing needs to be in surplus, politically, economically, and environmentally sustainable and cheap. In the case of the Baltics, most energy resources are not renewable and are imported from Russia which is using this advantage as political leverage.

➤ Marienburg Declaration

An agreement Signed between Estonia, Latvia, Lithuania, Poland, Denmark, Germany, Sweden, and Finland. Addresses the recent conflict between Ukraine and Russia and how it impacts energy security of the Baltics. Aims to increase the import of LNG and LBG by sea, decrease the use of fossil fuels and increase cooperation among member states.

➤ Green Hydrogen Economy

A general term used to describe the integration of hydrogen as an energy source into the global energy system. Hydrogen is a fuel which releases water as a byproduct and therefore has an advantage over fossil fuels. It is derived from a variety of thermal, electrolytic, solar-driven, and biological processes which can use natural gas, nuclear power, biomass, or renewable power. There is increased interest in the Baltics in utilizing this type of fuel.

## 2. What is the issue?

### a. Historical lack of energy security

The Baltics have been a part of the Soviet Union since 1944 and until its collapse in 1991. In just under half a century, their energy infrastructure had been deeply interconnected with that of Russia and disconnected from the rest of the world. In 1991, the Baltics gained full independence from the Soviet Union and were aiming to develop separately from Russia and each other. However, independence from the Soviet Union did not mean independence from the Russian energy network.

According to Eurostat, total energy dependence in 1991 for Estonia was around 45%, 70% for Lithuania and 90% for Latvia. Even worse, gas dependence was nearly 100% for every country. Latvia was the most energy dependent, while Estonia was the least energy dependent on Russia. Estonia's energy dependence was the lowest due to the availability of local resources such as oil shale, wood, and peat, enough to meet the country's energy demand.

This energy dependence historically allowed the USSR and Russia to use energy resources as leverage against the Baltics. In 1990 when Lithuania regained its independence, the Soviet Union imposed an economic blockade by cutting off supply of oil and raw materials. In 1993 Estonia was trying to introduce a new law which would require Estonian residents to apply for citizenship or residence permit in 2 years, or else leave the country. Subsequently, Russia cut off gas supply to Estonia to "punish it for unpaid debts".

Despite this, by 2004, right before joining the European Union, all Baltic states were able to reduce their energy dependence. Lithuania and Latvia were able to decrease their energy dependence on Russia the most, by a total of 20-30%. However, Latvia stayed the most energy insecure out of the three. Estonia decreased its energy dependence even further by 15-20%, being the least energy dependent Baltic country.

By 2010, the energy import dependency rate of Latvia and Estonia was below the EU average of 52.7%, at 41.6% and 12.9%, respectively. Latvia could meet its energy demand through hydropower and Estonia through oil shale. Lithuania used to rely on nuclear power, but in 2009 closed the Ignalina nuclear power plant, which made its energy import dependency rate rise to 81.9%.

Even though the energy dependence numbers were not unreasonable in the Baltics, the issue was that Russia remained in control of 100% of gas imports into the Baltics. Gas consumption as a percentage of total energy consumption in Latvia and Lithuania in 2010 was 32.2% and 36.3% respectively and a lower 9.2% for Estonia, making gas supply a significant factor in their economies. Furthermore, historically, Russian gas providers Gazprom and Itera owned considerable shares in Baltic gas provider companies. According to the foreign policy research institute, at the point of its greatest involvement in 2014, Gazprom owned 37% of Estonia's Eesti Gaas, 34% of Latvia's Latvian Gaze and 37% of Lithuania's Lietuvos Dujos, while Itera owned an additional 10% in Eesti Gaas and 16% in Latvian Gaze. Even worse, previously, Latvia, Lithuania, Estonia and Poland acted as transition countries for gas trade between Germany and Russia. With the construction of a much more expensive Nord Stream pipeline under the

Baltic Sea, the Baltic states were no longer transition countries, which reduced economic activity and income. All these factors in combination lead to an increase in political leverage for Russia and a decrease for the Baltic states, making the Baltics more vulnerable and less energy secure.

In terms of the electricity sector, the issue was less acute, but still present. By 2015, the BIPS already had interconnections with the synchronous grid of continental Europe, including EstLink 1 and 2, LitPol and NordBalt. However, it was still mainly synchronized with the IPS/UPS, which meant that Russia had the power to cut off electrical supply to the Baltics and cause large economic damage. To address this issue, in 2018, Baltic States with support from Poland and the European Commission were officially planning to fully disconnect from BRELL and synchronize with European power grids by the end of 2025.

Other attempts have previously been made to disentangle the Baltic states from Russian influence. In 2008, plans were drafted for a nuclear power plant in Visaginas, which would help with electricity supply for the Baltic Countries. By 2016 the idea was abandoned due to a lack of interest in funding from member states, who would rather fund their own smaller and cheaper energy projects. When the Baltic States were deciding to build a regional LNG terminal, the countries could not reach a consensus on funding and which member state would harbor the terminal. As a result, the terminal ended up being a solely Lithuanian initiative, without any financial support from the EU since the project became national, not regional.

Currently, the Baltic States are working with the EU to address the issues with gas and electricity dependence. The Marienborg declaration has been signed in 2022 between Nordic and Baltic countries, which aim to support the Baltics during their transition to a greener economy. The agreement aims to improve Baltic cooperation by supporting more cross-border infrastructure and projects. With increased pressure due to the Russo-Ukrainian war, Latvia and Estonia are now looking to build LNG terminals as well, Latvia by 2023-4 and Estonia by winter 2022. Meanwhile, as per the Marienborg Declaration, Baltics are looking to pursue LNG and LBG maritime trade. The Baltics are also looking to speed up the synchronization process with European power grids and implement the Harmony link by the end of 2025, but this would require serious funding.

## **b. Road to a greener economy**

### **Fit for 55**

The EU is currently revising its climate, energy and transport-related legislation as part of the so-called "Fit for 55" package. The aim is to bring the current rules in line with the EU's climate change targets for 2030 and 2050. The package includes, among other things:

- a review of the EU's Emissions Trading Scheme (ETS)
- a burden-sharing regulation
- directives on renewable energy and energy efficiency
- a regulation on land use and forestry
- a regulation on CO<sub>2</sub> emissions for passenger cars and light commercial vehicles

### **European Climate Change Act**

The European Climate Act, which is an element of the European Green Deal, aims to enshrine the goal of a climate-neutral EU by 2050 in legislation. In December 2020, EU

environment ministers reached agreement on a general approach on the Commission's proposal for a European Climate Change Act. This includes a new EU target for net greenhouse gas emissions reductions of at least 55% by 2030 compared to 1990, in line with the European Council guidelines of 10-11 December 2020.

In April 2021, the negotiators of the Council and the European Parliament reached a preliminary political agreement on the European Climate Change Act. The Council adopted its position at first reading in June 2021, thus completing the adoption procedure. The European Climate Change Act sets a binding EU climate target to reduce net greenhouse gas emissions (i.e. emissions net of removals) by at least 55% by 2030 compared to 1990. The EU will also aim to increase the net volume of carbon sinks by 2030. The regulation establishes a European Climate Change Scientific Advisory Board, which will provide scientific advice and reports on EU climate action. It also sets an interim climate policy target for 2040.

### **EU climate change adaptation strategy**

In June 2021, EU environment ministers endorsed conclusions on the new EU climate change adaptation strategy. The strategy sets out a long-term vision for how the EU can become a climate-resilient society by 2050, fully adapted to the unavoidable impacts of climate change.

The strategy envisages the following actions:

- better collection and sharing of data to improve both access to and sharing of knowledge on the impacts of climate change
- nature-based solutions to strengthen climate resilience and protect ecosystems
- Embedding adaptation in macro-fiscal policies.

The conclusions provide the Commission with policy guidance for the implementation of the strategy. They also provide guidance for the presentation of an EU Communication on Adaptation to Climate Change ahead of the United Nations Climate Change Conference (COP26).

In April 2020, the Council adopted a new regulation to reduce the risk of water scarcity in agricultural irrigation. The regulations are intended to help Europe adapt to the consequences of climate change. The regulation, which is fully in line with the circular economy, will facilitate the use of treated urban wastewater for agricultural irrigation, thus improving water availability and contributing to the prevention of food shortages.

Transport-related CO<sub>2</sub> emissions

Stricter emission limits for passenger cars and light commercial vehicles were set in April 2019 to ensure that from 2030 onwards new vehicles emit on average less CO<sub>2</sub> compared to 2021:

- Passenger cars - 37.5% less CO<sub>2</sub>
- Light commercial vehicles - 31 % less CO<sub>2</sub>

Limit values for trucks and other heavy-duty vehicles were set in June 2019. Under the new rules, manufacturers must reduce CO<sub>2</sub> emissions from new trucks, on average (compared to 2019 levels) by:

- 15 % from 2025
- 30% from 2030

## **EU Emissions Trading Scheme**

In February 2018, the EU adopted revised rules for the EU Emissions Trading Scheme (ETS). The ETS was established in 2005 and is the first major CO<sub>2</sub> market in the world and still the largest market. The system sets a cap on CO<sub>2</sub> emissions from heavy industry and power plants. The total allowable emissions are distributed to companies in the form of permits that can be traded.

Reform of the EU Emissions Trading Scheme: Council approves new rules for the period 2021-2030 (press release, 27 February 2018)

In December 2019, the EU and Switzerland agreed to link their emissions trading systems. This agreement will be mutually beneficial for the EU and the Swiss Confederation, as linking caps and trading systems can increase the availability of reduction opportunities and improve the cost-effectiveness of emissions trading.

### **Burden sharing**

Greenhouse gas emissions from sectors not covered by the EU ETS are regulated by the so-called Burden Sharing Regulation, which sets binding targets for the annual reduction of greenhouse gas emissions by Member States for the period 2021-2030.

The regulation aims to ensure that these sectors make their contribution to reducing greenhouse gas emissions. These sectors include buildings, agriculture (non-CO<sub>2</sub> emissions), waste management and transport (excluding aviation and international maritime transport).

### **Land use and forestry**

In May 2018, a new regulation was adopted for better protection and management of land and forests. This regulation included greenhouse gas emissions from land use, land use change and forestry (LULUCF) in the 2030 climate and energy policy framework.

### **Clean energy**

Three quarters of greenhouse gas emissions in the EU are caused by energy production and consumption. The EU is working to decarbonise the energy sector - one of the key elements of the green transition.

In December 2020, the Council adopted conclusions on the Commission's proposed strategies for offshore renewable energy and hydrogen. In their informal video conference the same month, EU energy ministers discussed the integration of energy systems.

EU Member States are required to submit and regularly update their National Energy and Climate Plans (NEKPs) to report on their contributions to energy efficiency and renewable energy targets and emission reduction targets. The NEKPs were introduced as part of the Energy Union Strategy and the first plans cover the period 2021-2030.

The Council has taken further policy measures related to tackling climate change and as part of the European Green Deal. These include the Just Transition Mechanism, the Farm to Table Strategy, the Biodiversity Strategy and the Industrial Strategy for Europe

### 3. Useful Links

#### MEP basics

[What is the European Parliament?](#)

[What is the MEP?](#)

[MEP Participant guide](#)

#### Overview of the topic

[Summary of the issue](#)

[Current electricity dependence of the Baltic States](#)

[Current gas dependence of the Baltic States](#)

[History of energy security in the Baltics](#)

[History of gas dependence of the Baltic States on Russia](#)

[Renewable energy in the Baltics](#)

[Cooperation between the Baltics](#)

[Energy union key timeline](#)

[European Green Deal in summary](#)

#### Marienburg Declaration



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#### **4. How to find us**

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**Feel free to ask us any questions regarding MEP organization and/or our committee issue. We wish you best of luck!**