

Assessment of country performance and opportunities from the Energy Union

Estonia demonstrates good performance on some dimensions of the Energy Union. Concerning the *Internal Energy Market*, the country's electricity market is liberalised since January 2013 and the security of Estonia's electricity network was enhanced further through the completion of a second electricity interconnection (EstLink 2) with Finland in 2014. This led to increased competition and benefitted Estonian electricity consumers. As regards *Energy Efficiency*, Estonia is proceeding with a wide-scale roll-out of smart metering systems for electricity which will contribute to greater energy efficiency. With respect to *Decarbonisation*, Estonia is on track to meet its 2020 greenhouse gas emission reduction target and has already surpassed its 2020 renewable energy target.

Along the following dimensions of the Energy Union, **Estonia faces several challenges**. Concerning *Energy Security*, despite of its domestic oil shale production Estonia remains highly dependent on natural gas imports from Russia to meet demand. Also, Estonia's electricity system remains synchronized with the Russian IPS/UPS system. As for the *Internal Energy Market*, electricity interconnections with neighbouring Member States must be strengthened to ensure security of supply and boost the effectiveness and competitiveness of energy markets in the entire Baltic region. There is still a high degree of retail market concentration for both electricity and gas. Moreover, Estonia's gas market remains isolated from the rest of Europe. Concerning *Energy Efficiency*, Estonia's energy consumption is increasing. If the trend in final energy consumption observed in the period 2005-2013 will continue up to 2020, Estonia would not meet its energy efficiency target. There are important energy saving potentials in particular in the residential and energy distribution sectors. As regards *Research and Innovation*, Estonia's share of technology and innovation in public spending is close to the EU average. In terms of intensity of low-carbon technology patents however, Estonia is much behind the EU average and the main global trading partners.

Against this background, the **Energy Union Strategy can provide potential benefits** for Estonia:

- *Energy Security*: Diversification of European gas sources, suppliers and routes and better coordination of emergency response mechanisms among Member States will reduce Estonia's dependence on Russian gas and improve resilience. A regional LNG terminal and the Balticconnector pipeline will diversify Estonia's sources of gas and improve security of supply.
- *Internal energy market*: Better electricity interconnections with Latvia as well as interconnectors from other Baltic States to other EU Member States will boost competition on the Estonian electricity market and improve security of supply. A completed internal energy market will support regional cooperation and market integration in the Baltic States and BEMIP area.
- *Decarbonisation*: The EU's 2030 Framework for Climate and Energy will contribute to maintaining public acceptance of the needed energy transition and help Estonia to take advantage of its strong position on renewable energy.
- *Energy Efficiency*: The Energy Union will strengthen the targeted use of financial instruments for increased investments particularly in the transport and buildings sector and thereby help to reduce energy costs.
- *Research and innovation*: The Energy Union's new strategy for Research and Innovation can support Estonia's progress on low-carbon technology development.