

Assessment of country performance and opportunities from the Energy Union

Lithuania has improved its performance in two dimensions of the Energy Union. As regards Energy Security, Lithuania has made recently visible progress in improving its electricity and gas infrastructure. In the gas sector, the LNG Terminal in Klaipeda has been put in operation in December 2014 and the related gas pipeline, Klaipeda-Kursenai, was commissioned in November 2015. Furthermore, an agreement on the construction of a gas interconnector with Poland (GIPL) was reached in September 2015. In the electricity sector, two important interconnectors with Sweden (NordBalt) and with Poland (LitPol-Link) are to be commissioned in December 2015. As regards Decarbonisation, Lithuania performs very well with regard to the 2020 target for renewable energy which it met already in 2013. On the basis of measures already in place, Lithuania is expected to meet its 2020 greenhouse gas emissions target. Still, environmental taxes are very low, and there is remaining scope to reduce the high tax wedge for low income earners by shifting the tax burden to other sources less detrimental to growth.

As regards the remaining dimensions of the Energy Union, **Lithuania faces several challenges**. As regards the Internal Energy Market, Lithuania's electricity grid is still connected with and operates in a synchronous way with the Russian and Belarusian systems. Furthermore, the competitiveness of the power generation industry is affected by imports of cheap electricity from third countries, mainly Russia. As regards Energy Efficiency, further improving Lithuania's energy efficiency will reduce long-term energy costs, and will strengthen energy security. Despite significant improvement since 2005, Lithuania still remains one of the most energy-intensive economies in the EU, particularly in the residential housing, transport and industry. Lithuania currently is not on track in meeting its national energy efficiency target. The area of Research and Innovation is not sufficiently developed and lacks systemic coordination. Lithuania has a low level of private R&I investment and does not provide sufficient incentives for business R&I and public-private cooperation.

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

- *Energy Security*: Further diversification of gas sources, suppliers and routes will reduce Lithuania's dependence on gas supplies from Russia and will contribute to the further decrease of gas prices. Upgraded transmission infrastructure, including gas interconnection with Latvia, will also make a better business case for the LNG terminal in Klaipeda.
- *Internal energy market*: The development of cross-border connections for both electricity and gas will strengthen not only Lithuania's energy security but will also increase competition on energy markets. It can also help Lithuania to reduce its overall negative energy trade balance.
- *Energy Efficiency*: The Energy Union will strengthen the targeted use of financial instruments for increased investments particularly in the buildings sector where Lithuania has a large potential for improvements.
- *Research and innovation*: A new strategy for Research and Development can help Lithuania to make highly required investments in the R&D system which is currently undeveloped and to successfully implement the smart specialisation strategy.