

ACER adopts a decision on the allocation of costs for the Gas Interconnection project between Poland and Lithuania

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In order to expand Europe's energy infrastructure to support the market integration and the penetration of renewable-based generation, the EU adopted last year a Regulation on guidelines for Trans-European Energy Infrastructure and identified a list of 248 key projects, the so-called Projects of Common Interest (PCIs). Among other tasks attributed to ACER in this domain, the Agency decides on Cross-Border Cost-Allocation (CBCA) for a given PCI when the National Energy Regulators (NRAs) in the concerned Member States are unable to reach an agreement. Today ACER has adopted its first CBCA decision on a PCI, the Gas interconnection Poland Lithuania (GIPL). Preliminarily, the Agency concludes that the overall economic benefits delivered by GIPL to the involved countries are twice as high as its costs. However by country, Poland is a net cost bearer¹ while Lithuania, Latvia and Estonia are net benefiting countries. Therefore Poland will be compensated after the commissioning of the project with €85.8 million, of which €54.9 million will be paid by Lithuania, €29.4 million by Latvia and €1.5 million by Estonia.

ACER Director, Alberto Pototschnig, said: "Today ACER adopts its first Cross-Border Cost-Allocation decision and by doing so, facilitates the implementation of a key project to connect the Baltic States to the Union wholesale gas market".

The ACER decision² defines the cross-border allocation of the costs among the Member States concerned (Poland, Lithuania, Latvia, and Estonia) and the way in which the costs of the investments are reflected in the tariffs in these countries. It includes compensation payments to Poland, in pursuit of a fair distribution of the costs and benefits of the project within its area of impact. The contributions will help bridging the financial gap of the project, along with possible funding from other sources. In order to issue the decision, ACER reviewed the identified impacts of the project (including on network tariffs), the cost-benefit analysis, and the regional and Union-wide effects of the project, and the results of its consultation with the Project Promoters, the NRAs and Transmission System Operators in the concerned Member States.

The decision has been sent to the parties involved and a non-confidential version will be published [here](#) in due course, upon becoming available³.

What is the project about?

The project (PCI 8.5) aims at connecting the Polish and Lithuanian gas markets and at enabling the integration of the isolated gas markets of the Baltic region (Lithuania, Latvia and Estonia) into the Union's market. By doing so, the projected pipeline can enhance the level of energy security, diversify gas supply and increase competition in the Baltic region.

The project promoters are the TSO of Poland (Gaz-System S.A.) and the TSO of Lithuania (AB Amber Grid). They operate respectively the Polish and Lithuanian gas transmission network and are in charge of the transmission of natural gas. **ENDS (See Notes for Editors on next page)**

1. To be a “net cost bearer” for Poland means that the benefits of the project in Poland are lower than the cost of the project in Poland, even though overall the project’s benefits exceed its cost. The costs in Poland are the investment costs attributable to Poland and the costs resulting from the operation of the project in Poland.
2. The Decision has been taken by the Agency pursuant to Article 12(6) of Regulation (EU) No 347/2013, which foresees, in cases where the national regulatory authorities concerned have not reached an agreement on the investment request within six months of the date on which the request was received by the last of the National Regulatory Authorities concerned, the taking of the decision by the Agency within three months of the date of referral to the Agency, with a possible further extension of the deadline by an additional period of two months where further information is sought by the Agency.
3. In making the decision, the Agency uses information submitted by the project promoters and other parties, and the Decision consequently may contain commercially sensitive information. The Agency will publish the Decision in a non-confidential version within approximately two weeks from the Decision’s date.

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