

Baltic States Wrangling Undermines Plan for LNG Port

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Energy executives and officials cast doubt Wednesday on plans to build a liquefied natural gas terminal for the EU's former-Soviet Baltic republics, part of a push to make them less reliant on former master Russia.

All too familiar with Moscow's willingness to play power politics with its oil and gas riches, Lithuania, Latvia and Estonia are part of a raft of former communist states in Eastern Europe working hard to find alternative sources of supply.

But officials say they lack the drive to cooperate fully with one another, undermining larger-scale projects that require a bigger funding and consumer base than each of their small economies provides independently.

"The Baltic region lacks clarity of future development, and this needs to change, as we require coordination to safeguard supplies," Dins Merirands, director at the energy department of Latvia's Ministry of Economics, said at a conference in the Estonian capital, Tallinn.

Poland is launching construction of its own LNG terminal, expected to start importing gas from Qatar in 2014 after it secured the last required piece of funding last month. But the Poles have a consumer base of some 38 million, while the three Baltic states of Estonia, Latvia and Lithuania have respective populations of 1.3 million, 2.2 million and 3.2 million.

The three rely almost exclusively on Russian imports for the gas that covers about 50 percent of their power generation, according to Estonia's electricity grid operator, Elering.

"If we only have one gas supplier, there is no point in speaking of secure supply, and there is no point in investing in gas-fired power generation," Elering CEO Taavi Veskimagi said.

The Balts are waiting for a report from the European Commission on where best to place a 4 billion cubic meter LNG terminal for the region. One possibility is Finland, with a pipeline from the Nordic state to the Baltic countries.

But the EU will help fund the project only if there is agreement between the countries involved, and the three governments still seem at odds on whether they need to broaden the project to include Finland in a common infrastructure.

"The most important argument for cooperation is economics of scale to create a common gas infrastructure," said Ando Leppiman, deputy secretary general at Estonia's Economy Ministry.

Lithuania is still in the throes of post-election political wrangling to secure a new government, and its officials voiced more concern regarding joint developments. Latvia has said the port in its capital, Riga, would be the best location.

"The upcoming government supports the LNG project as an alternative source of gas," said Birute Vesaite, a member of the Social Democratic Party, which won the Lithuanian elections.

"But the project is not transparent in terms of funding. Additionally, the existing pipeline highway is too small to support the 4 bcm LNG terminal."

She also said the gas purchase obligations currently being discussed with the LNG terminal developers were a matter of concern.

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