Gas Interconnection Poland-Lithuania (GIPL) project commissioning and its implications on the security of supply in Central Europe and the Baltics

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Content

- Importance of the GIPL project;
- The key technical and financial highlights of the GIPL project;
- The main steps which were needed to finish the project;
- Information about tariffs, capacity allocation;
- Changes in Poland and FinBalt transmission systems;

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Importance of the GIPL project

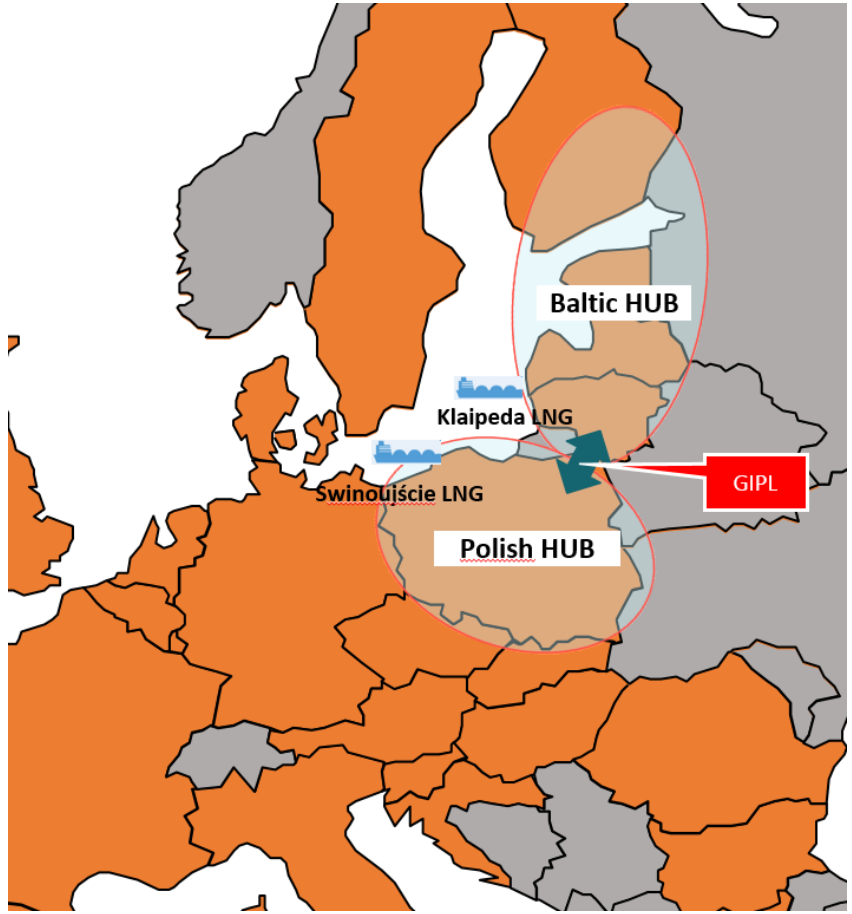
- BEFORE 2009:

► Transit oriented infrastructure (East-West running pipelines)

► High exposure to supply disruptions

► Fragmentation – limited attractiveness for upstream players and traders

The aim of the project is the construction of a compressor station and new cross-border gas pipeline, which will connect the natural gas transmission systems of Poland and Lithuania and integrate the isolated gas market sin the East Baltic region with the European gas market increasing competitiveness, security and diversification of supply.



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Gas Interconnection Poland-Lithuania
Key reasons behind the GIPL project

Diversification and security of gas supply

- Construction of GIPL aims at creating a number of new supply sources of natural gas to the region (European spot and long term markets).
- Decreasing dependence on current supply source.
- Increasing security of gas supply for Baltic States at reasonable cost.

Formation of an Internal Energy Market

- GIPL is part of the Baltic Energy Market Interconnection Plan (BEMIP).
- GIPL will allow to achieve sufficient cross-border capacity between the EU and Baltic States.
- GIPL will integrate the gas markets in the Baltic Sea region with the internal EU market. GIPL will contribute to the improvement of market competition and security of gas supply.

Integration Baltic markets to EU gas market

- Connecting the Baltic region to EU gas market.
- Ensuring the import of natural gas from alternative sources in quantities covering a significant part of Baltic States' demand.
- End of physical isolation of Baltic States from EU market.

Strengthening EU Member States' energy solidarity

- GIPL foundation for development of energy solidarity between EU member countries in case of gas disruption in the region.
- Possibility to direct additional gas volumes to Baltic States via GIPL, which together with Incukalns storage capacities (available to Baltic States) can significantly increase the energy security of the region.
- GIPL reduces the risk of unavailable capacity for an emergency supply.

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Gas Interconnection Poland-Lithuania
Key highlights of the GIPL project

Gas pipeline length

Total gas pipeline lenght both in Lithuania and Poland

508 km

Design pressure

in Poland

8.4 MPa

in Lithuania

5.4 MPa

Interconnection capacities

PL->LT 27 TWh/year

(2.4 bcm/year)

LT->PL 21 TWh/year

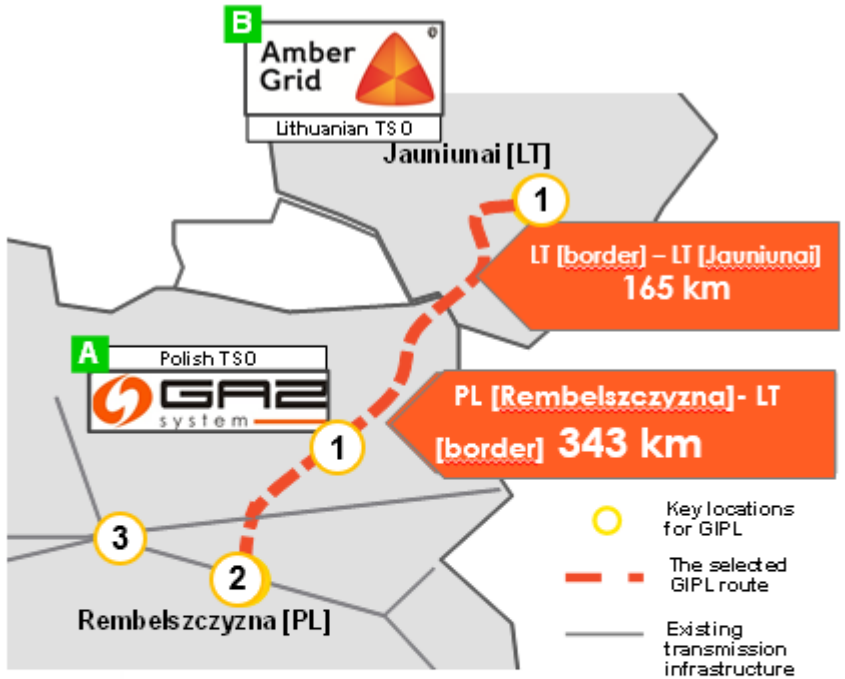
(1.9 bcm/year)

PL->LT 74 GWh/day

(6.6 mcm/day)

LT->PL 58 GWh/day

(5.2 mcm/day)



PROJECT SCOPE			
	TYPE	LOCALISATION	PARAMETERS
1	Pipeline	Rembelszczyzna – PL/LT border-Jauniūnai	DN 700, L = 343 km and L=165
2	Compressor Station	Rembelszczyzna	P = 6,8 MW
3	Compressor Station	Gustorzyn	P = 6,7 MW

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Time schedule of project implementation (1/2)

- 2009 - first discussions about the Project
- 2013 - a joint feasibility study of the GIPL Project was elaborated;
- 14 October 2013 - Decision on PCI status
- 11 August 2014 - ACER Decision On CBCA
- 29 October 2014 - EC Decision on CEF allocation
- 15 October 2015 - CEF agreement
- 2017 - new technical approach to the GIPL project on the Polish side
- 2018 Inter-TSO Agreement (ITA) and Connection Agreement (CA) were signed which were a joint commitment to implement the investment (Final Investment Decision)

Time schedule of project implementation (2/2)

- 2018 – building permission was obtained for northern part (in PL), in case of southern section (in PL) agreement for design was signed and initial design was approved, also decision on environmental implications was obtained
- 2019 - in case of southern part (in PL) building permission was obtained and designing works were ended, in case of both sections tenders for works were opened
- 2020 – contracts for works were signed for the whole project (in PL and LT) and works were launched
- January 2021 - the construction of the Santaka gas metering and pressure regulation station started
- December 2021 - the construction of the GIPL gas pipeline was completed
- May 2022 - the gas pipeline was officially put into operation

Achieving planned transmission capacity of 2,4 bcm/year in PL->LT direction and 1.9 bcm/year in LT->PL direction is expected in October 2022

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GIPL CAPEX assumptions

- **Expected CAPEX :** EUR 558 million – EUR 136 million on LT side, EUR 422 million on PL side
- **Substantial external financing (resulting from CBCA decision and grant agreement)** :

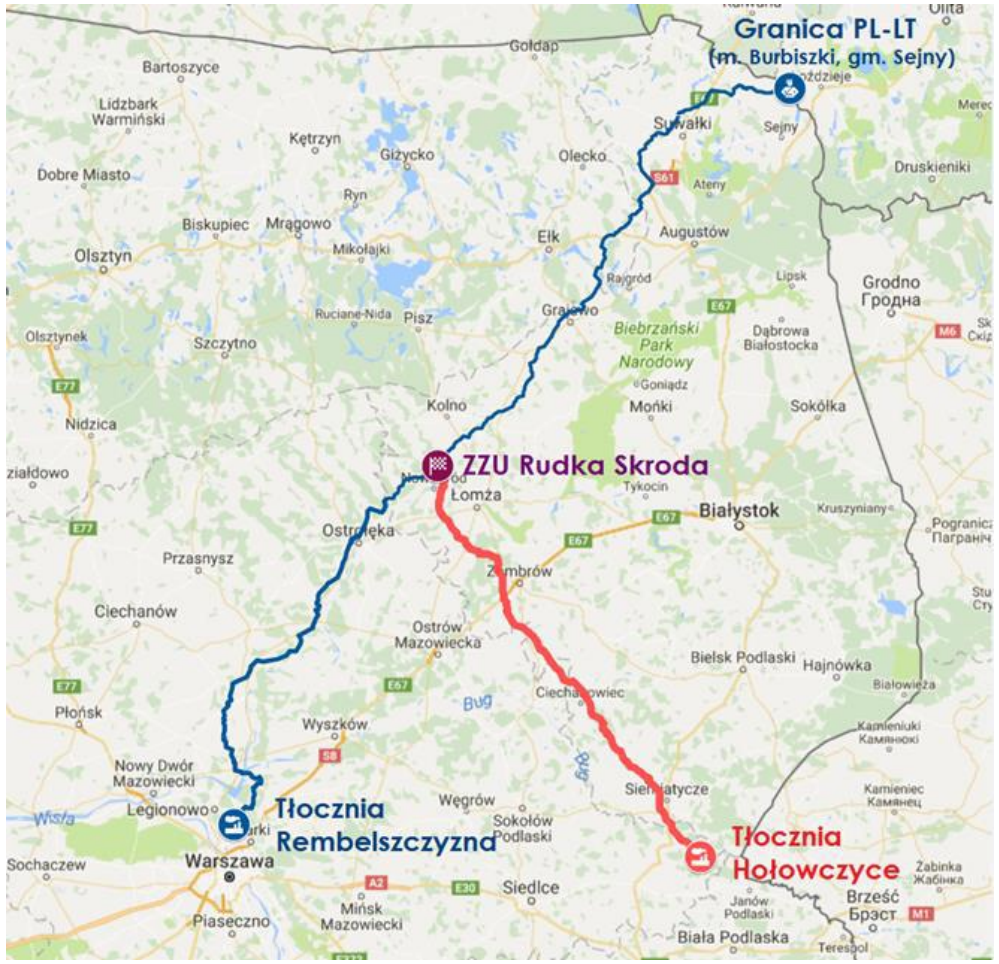
  EUR 305 million of EU co-financing from CEF via grant for studies (10 EURm)
  and grant for works (295 EURm)

  Part of investment in PL from cross-border cost allocation (CBCA) payments from the Baltic States (up to EUR 85,6 EURm)

– *NOTE: the final project values will be known after accomplishment and settlement of all its parts

New technical approach to the GIPL

- In 2017 GAZ-SYSTEM proposed new technical approach to the GIPL project on Polish side in order to overcome the difficulties encountered during implementation
- Consequently southern part of the pipeline was rerouted (new starting point - CS Hołowczyce)
- For PL-LT flow direction, level of capacity remains unchanged, taking into account the use of existing compressor station in Hołowczyce (2,4 bcm/year)
- For LT-PL flow direction, level of capacity increased comparing to previous technical approach (1,9 bcm/year)



Capacity allocation

- GIPL capacity will be booked and allocated via **GSA auctioning platform (gsaplatform.eu)**, the one which is used for other interconnection points in Poland;
- Capacity auctions will be organized following requirements of EU Network Code on Capacity Allocation Mechanisms;
- **Bundled** capacity products shall be allocated – i. e. the exit capacity from PL or LT shall be bundled in one product with entry capacity to LT or PL;
- Capacity products timeframes will be identical to the ones applied in other EU interconnection points: **annual, quarterly, monthly, daily, within-day**;
- Capacity will be denominated in **kWh/h;**
- Date-specific EU-wide auction calendars are presented by **ENTSOG** (also available in gsaplatform.eu).

Tariffs, rules and agreements

Tariffs. In GIPL IP (Santaka) tariffs for capacity will be denominated in **EUR per kWh/h per h**. Applicable tariffs (reserve prices in auctions) are approved for 2022 and result in such average costs:

Average costs to cross Santaka IP (based on approved tariffs for 2022), EUR/MWh (with assumed exchange rate 4.56 PLN/EUR)
LT > PL: 0.59 + 1.03 = 1.62
PL > LT: 0.62 + 0.47 = 1.09

Rules/ Agreements.

Amber Grid Rules for the Access to the Transmission system and **Balancing rules** were changed and approved by LT NRA.

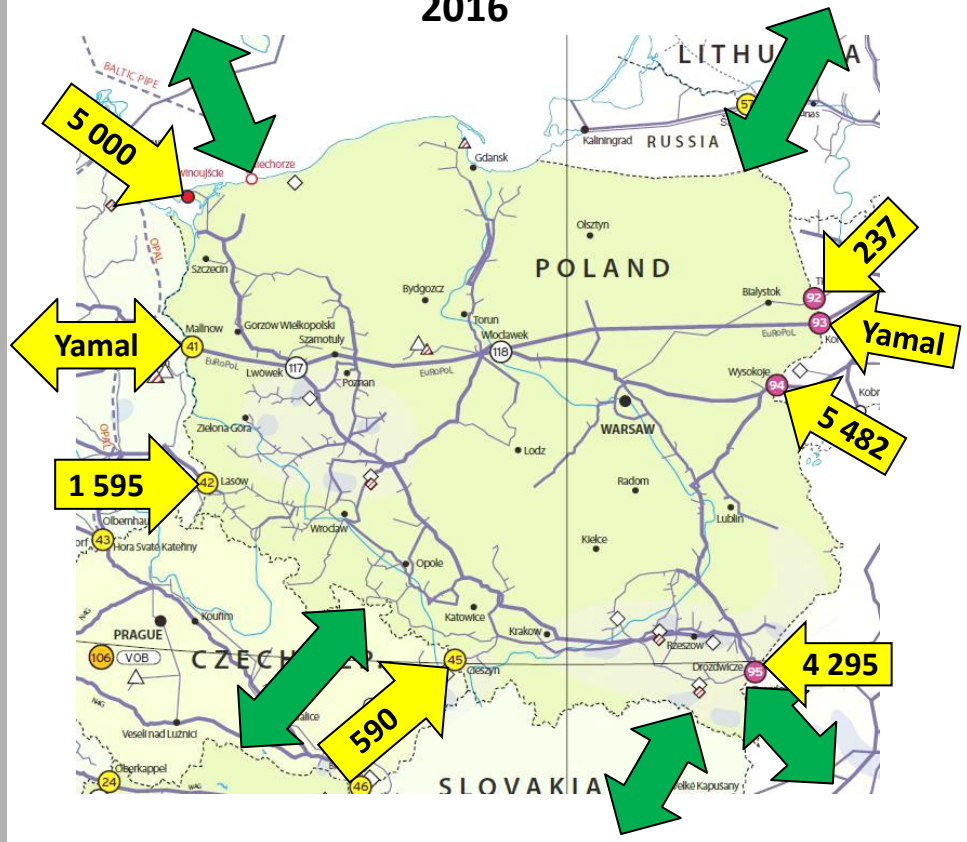
GIPL Interconnection agreement has been also consulted on matching, allocation, and communication principles and procedures in May-June (2022). No comments have been received and TSOs provided this document to NRAs.

Transmission system in Poland

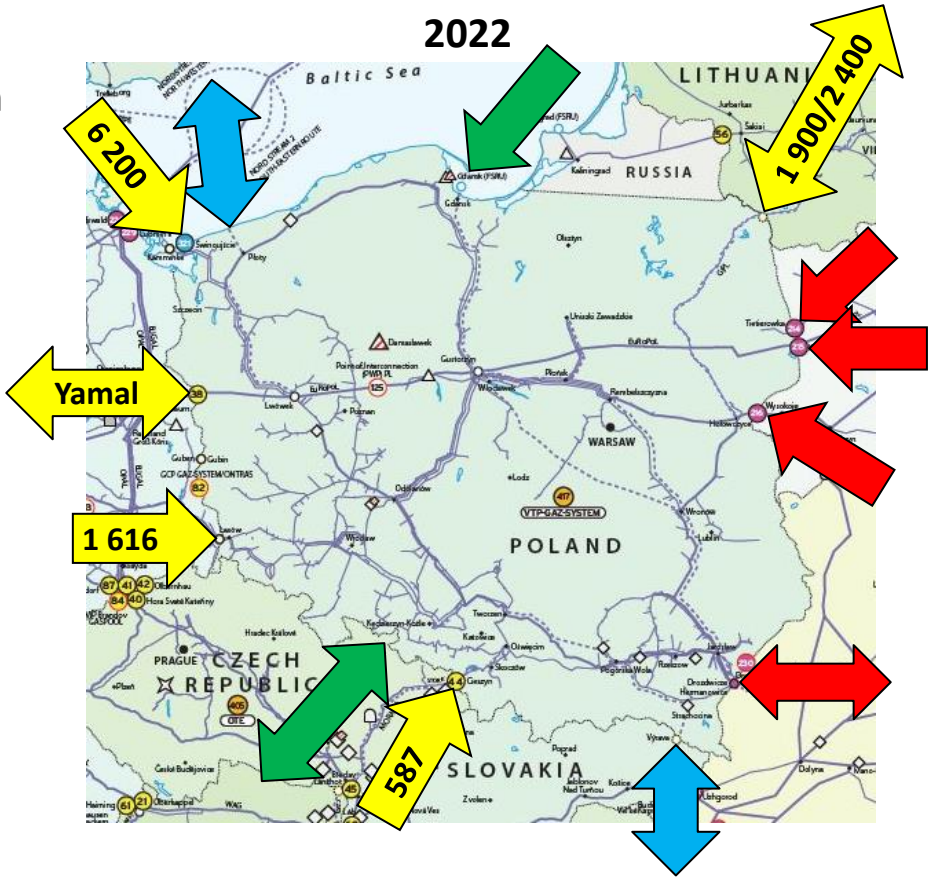
Capacity [mcm/year]

- in operation
- in preparation
- planned
- no flow to PL

2016



2022



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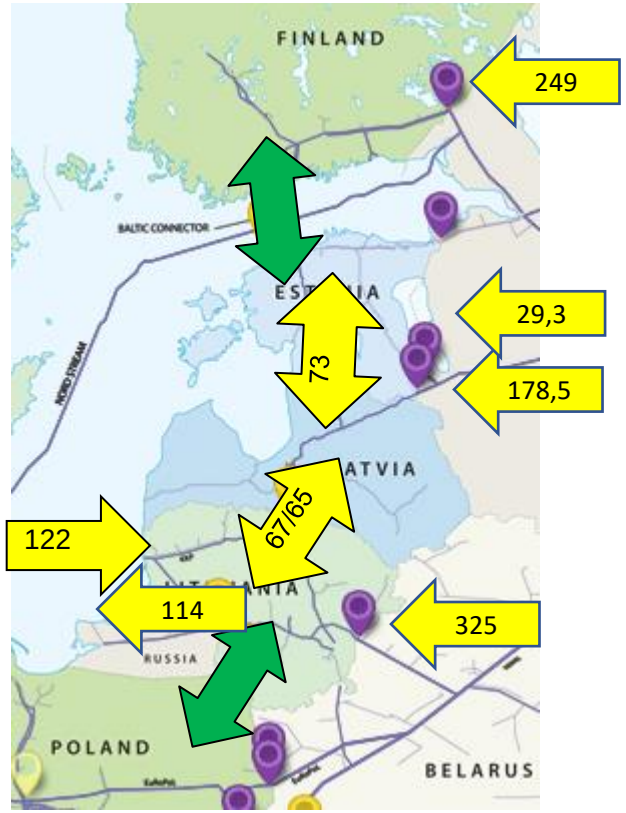
Transmission system in FinBalt

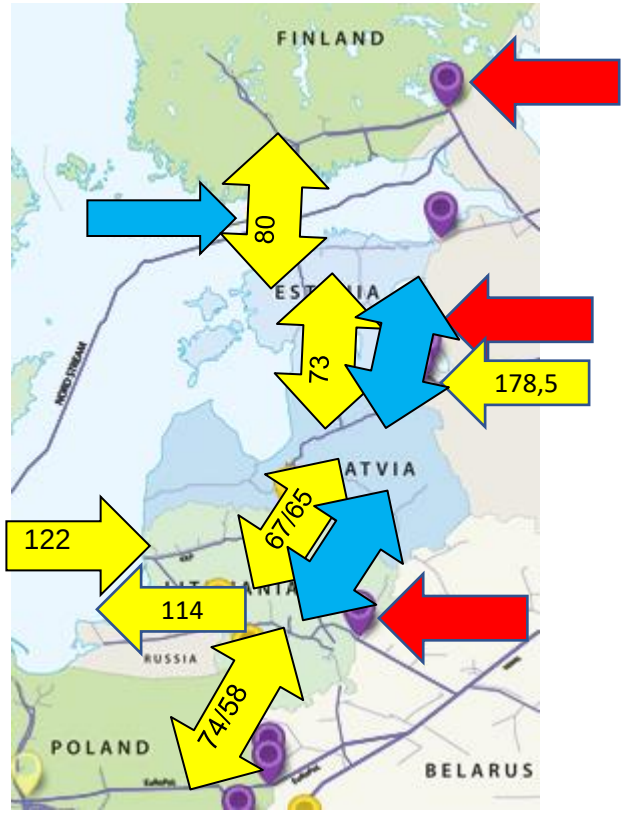
2016



Capacity [GWh/year]

- in operation
- in preparation
- planned
- no flow

2022



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THANK YOU FOR YOUR ATTENTION!

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