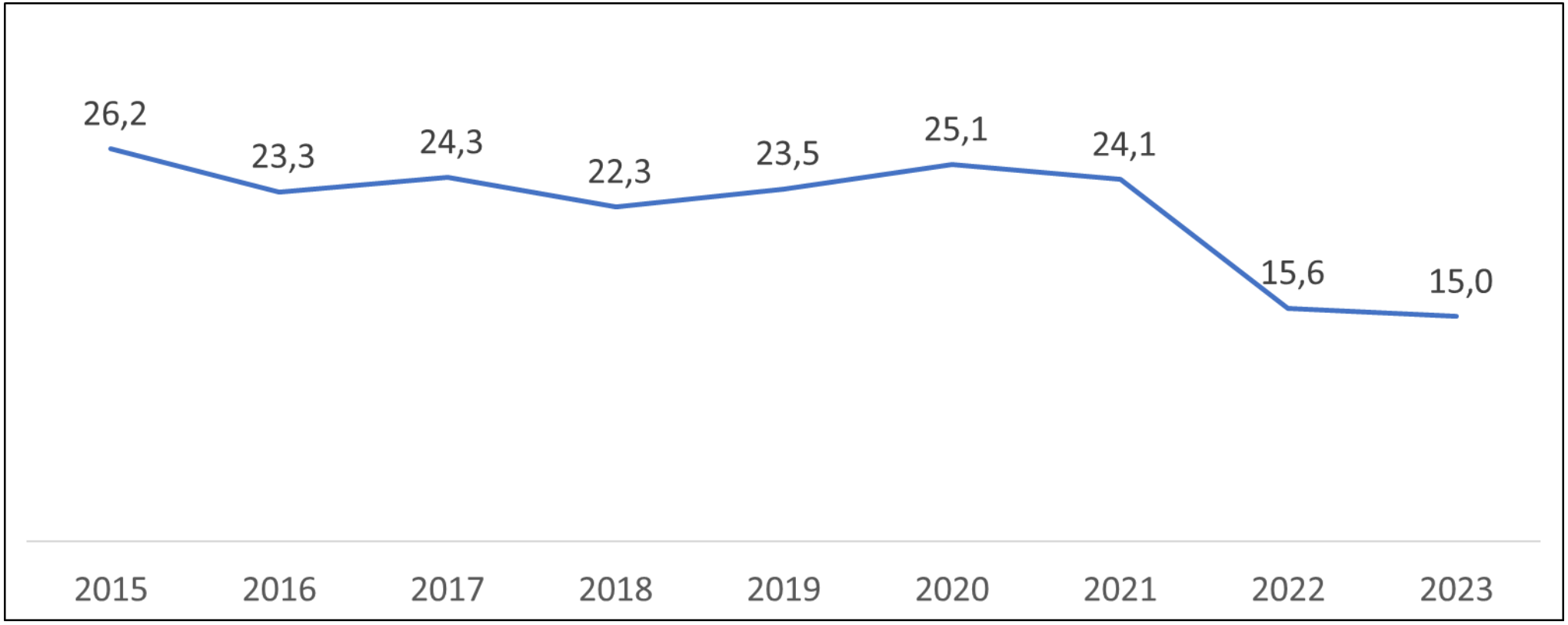
LNG Contracts & LNG Benchmarking

Case Study by Lithuania

Egle Paipoliene
National energy regulatory council (NERC)

ERRA Natural Gas Markets and Economic Regulation Committee
January 25, 2025 / 18th Meeting (Online)

LT Natural Gas Consumption, TWh



Gas flows in Lithuania 2017-2023

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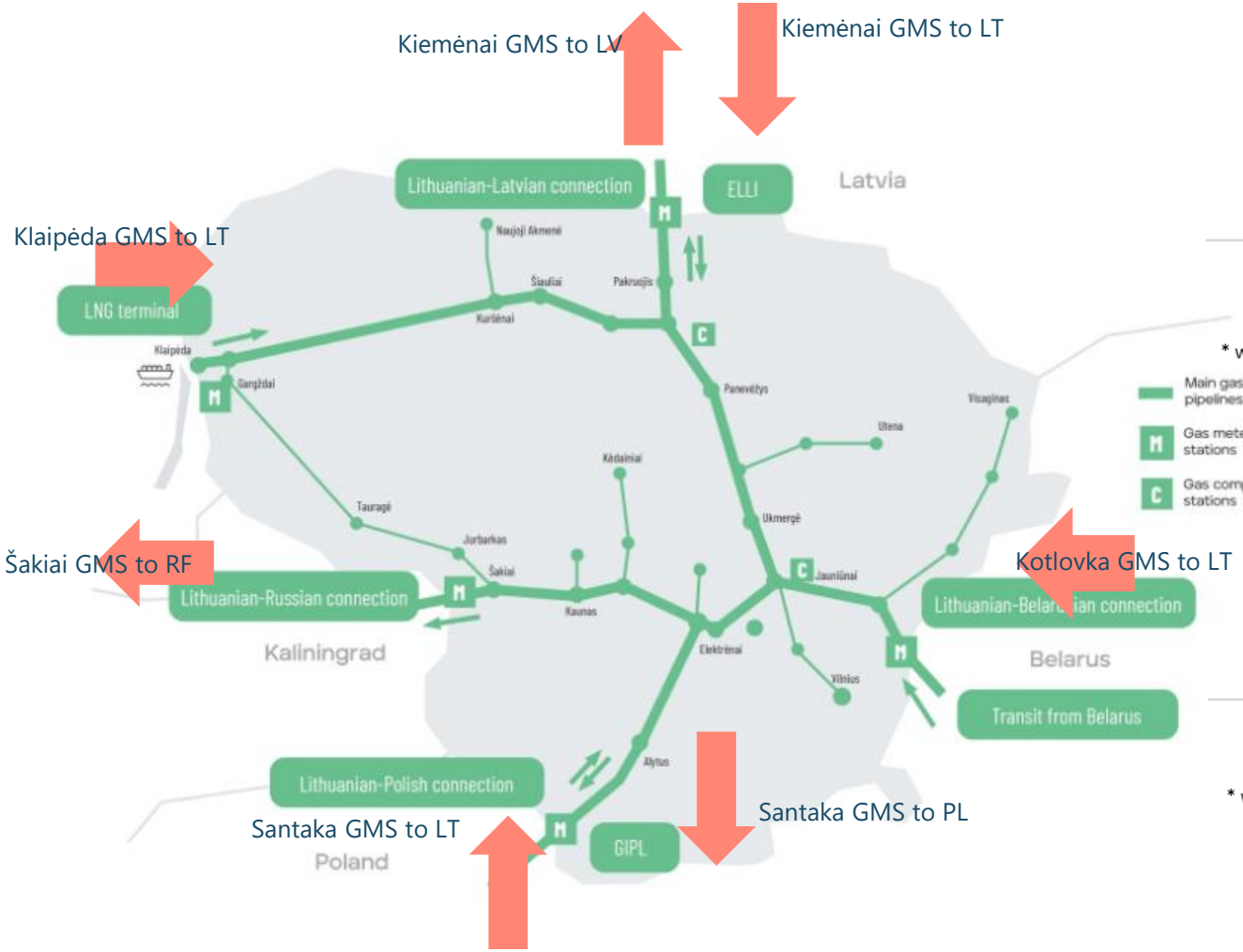
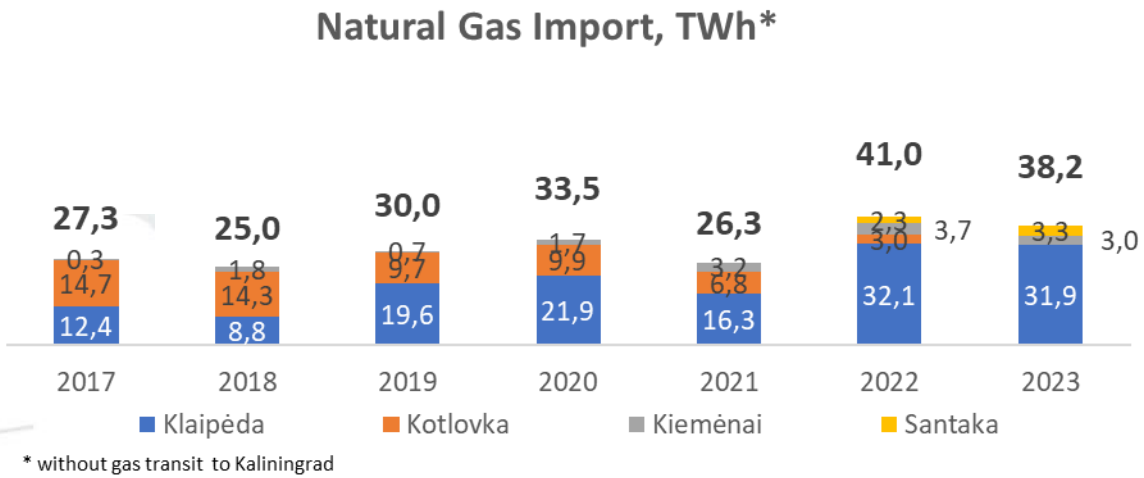
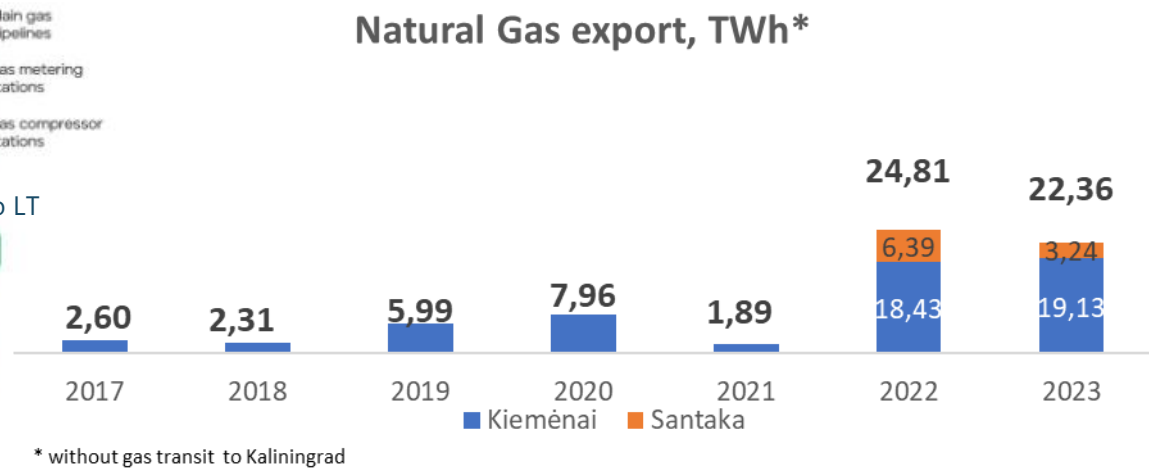
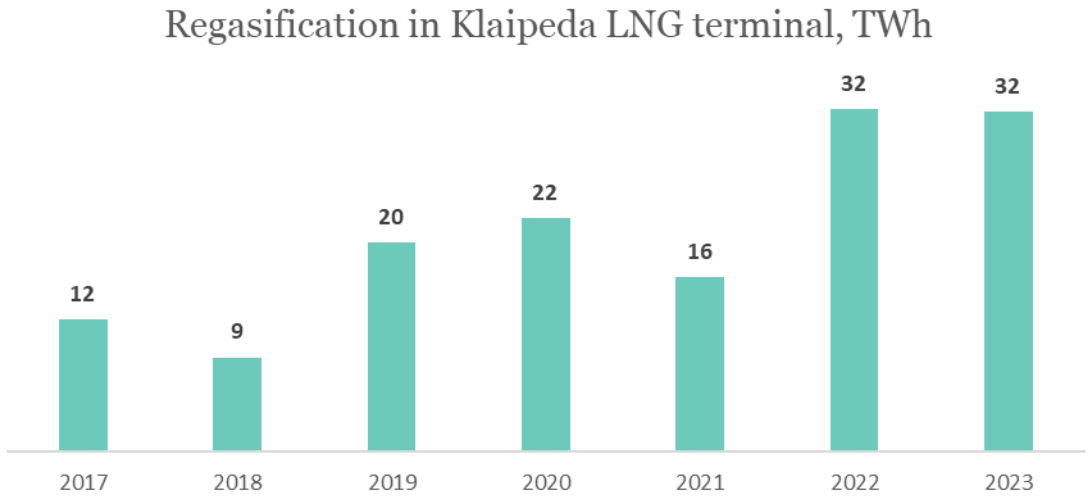
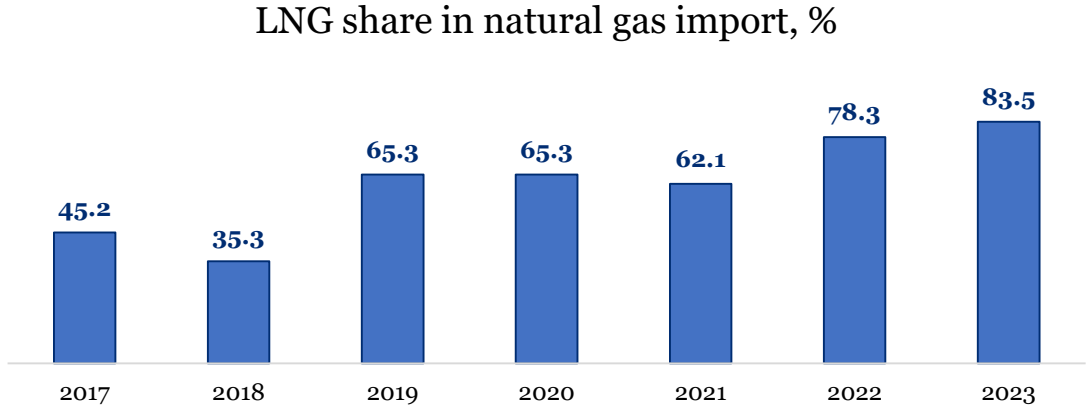






Overview of Klaipėda LNG Terminal





LNG terminal	2018	2019	2020	2021	2022	2023
Adriatic, IT	79%	99%	86%	92%	88%	88%
Barcelona, ES	26%	30%	22%	15%	23%	19%
Bilbao, ES	39%	74%	71%	56%	76%	77%
Brunsbüttel , DE	-	-	-	-	-	55%
Cartagena, ES	4%	13%	24%	21%	37%	25%
Dunkirk, FR	8%	39%	24%	27%	75%	61%
EemsEnergy, NL	-	-	-	-	42%	71%
Fos Cavaou, FR	45%	50%	43%	53%	92%	72%
Fos Tonkin, FR	44%	58%	49%	43%	51%	52%
Gate, NL	18%	50%	46%	49%	92%	89%
Grain, UK	12%	27%	24%	25%	n/a	n/a
Huelva, ES	31%	38%	34%	30%	39%	31%
Inkoo, FI	-	-	-	-	-	34%
Klaipeda, LT	20%	44%	49%	36%	72%	71%
Krk, CR	-	-	-	60%	87%	90%
Montoir-de-Bretagne, FR	33%	67%	68%	46%	86%	70%
Mugardos, ES	28%	34%	51%	55%	55%	66%
Ostsee / Lubmin, DE	-	-	-	-	-	19%
Panigaglia, IT	21%	59%	61%	26%	54%	62%
Piombino, IT	-	-	-	-	-	42%
Revithoussa, GR	15%	34%	33%	25%	39%	45%
Sagunto, ES	1%	22%	18%	22%	46%	36%
Sines, PT	59%	85%	81%	84%	82%	68%
South Hook, UK	11%	43%	n/a	n/a	n/a	n/a
Swinoujscie, PL	50%	61%	67%	68%	80%	84%
Toscana, IT	20%	64%	57%	25%	65%	65%
Wilhelmshaven, DE	-	-	-	-	35%	79%
Zeebruge, BE	17%	45%	29%	22%	61%	61%
Average	25%	47%	45%	39%	62%	59%

Notes:
1. Calculations are based on data from GIE ALSI database;
2. 9 terminals are floating type and have FSRU/FSU (LT, IT, CR, DE, FI and NL), marked
3. Send-out capacity is based on daily send-out capacity reported by operators of terminals; actual capacity could be lower.
4. 2023 YTD is period from 2023-01-01 to 2023-10-31.

Klaipeda LNG Capacity allocation

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2024

- 24 TWh will be delivered to customers from Lithuania, Latvia and Poland, which booked long-term LNG terminal capacity last year.
- 6 TWh annual terminal capacity has been allocated to four customers from Lithuania and Estonia allocation procedure;
- A further 4 TWh of capacity from the spot market will be allocated over the next year, based on the need to import natural gas to ensure the isolated operation of the electricity system and, in the absence of such a need, to meet natural gas demand on a case by case basis.

2025-2033

- Demand (7 packages) exceeded supply (3 packages of 3 TWh).
- 3 packages out of 3 were allocated.
- Equinor ASA, Achema AB and Eesti Gaas AS (Elenger) have been awarded with the Long-term capacity.
- As of 2025, LNG terminal capacity is fully occupied until 2033.

2033-2044

- Demand (1 package) was lower than supply (7 packages of 4 TWh).
- 1 package out of 7 was booked for period until 2044.
- For the period of 2033-2044, LNG terminal has secured 4 TWh LNG regasification capacity.

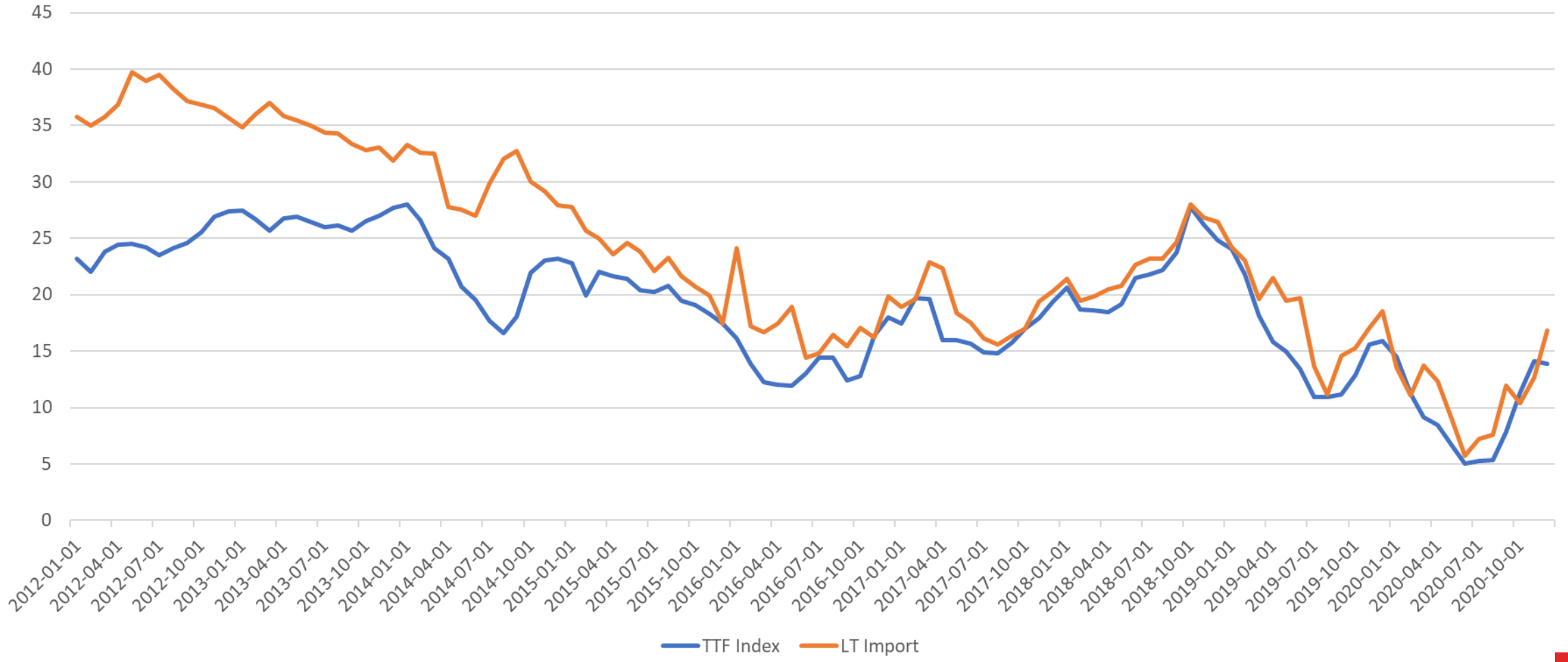
Impact for LNGT capacity expansion

- **Results** of existing capacity allocation procedure was one of the **main conditions** for implementation of Expansion.
- Allocation results for period 2033-2044 is not sufficient to proceed with Expansion. Consequently, KN and Amber Grid decided to suspend the Project.

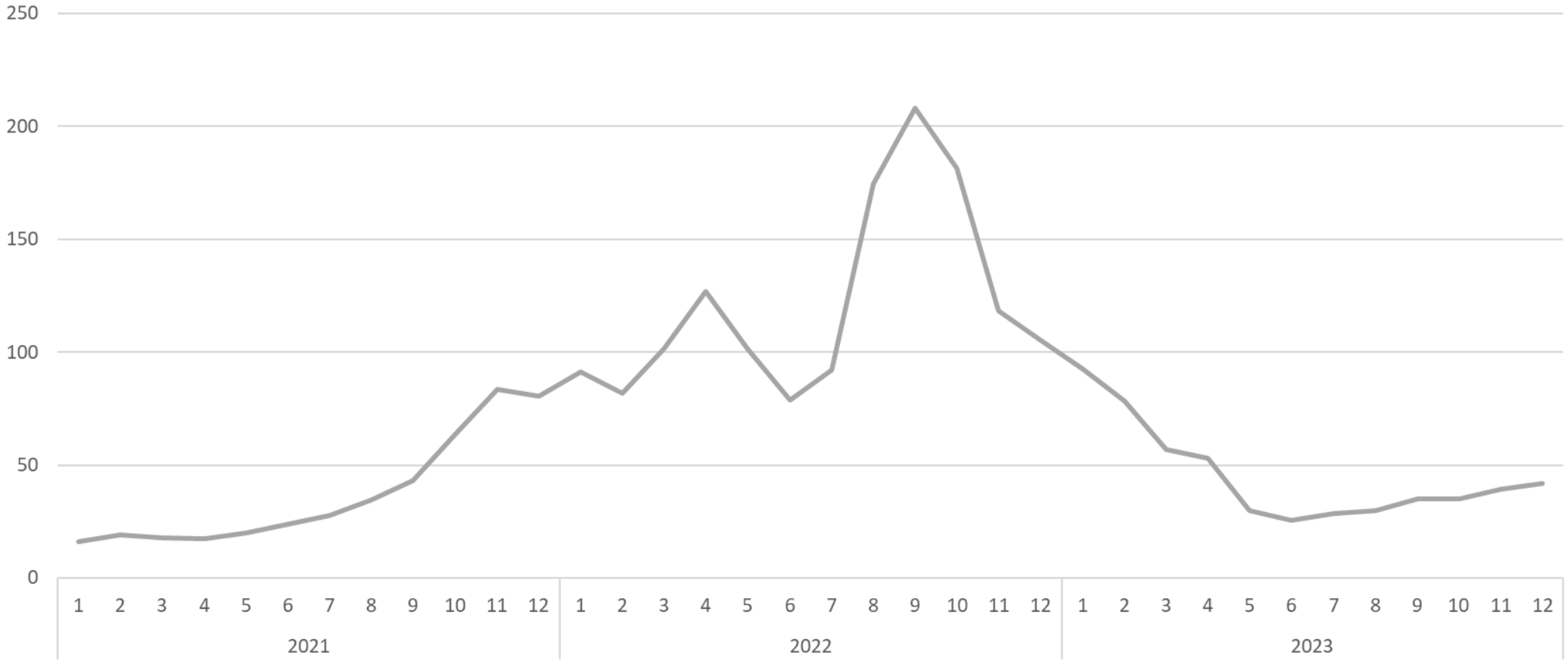
LNG History

2007-01-18	The national energy strategy has been approved;
2012-02-07	Approved amendments to the National Energy Strategy for 2008- 2012
2012-06-12	The Law on the Liquefied Natural Gas Terminal has been adopted;
2013-05-29	EC authorised state aid for construction of Lithuanian LNG terminal;
2014-02-10	UAB „Litgas“ was announced the winner of the tender and has been selected as designated supplier;
2014-08-21	Designated supplyer signed a contract with Equinor;
2014-12-03	**LNG terminal operator – AB Klaipėdos nafta, started the 3rd of December, 2014;**
2022-02-03	The Board of AB Klaipedos nafta has taken the decision to acquire the LNG storage unit Independence at the end of its lease agreement

Wholesale gas prices 2012-2020, Eur/MWh



LT average gas prices 2021-2023, Eur/MWh



LNG Contracts and Price-Setting Process

1. *What are the main elements of short-term and long-term LNG contracts?*
2. *What are the most common pricing methodologies? Which benchmarks are referred?*
3. *Is the LNG benchmark used in the LNG or Natural Gas price-setting process?*

THANK YOU FOR YOUR ATTENTION!

egle.paipoliene@vert.lt