

Lithuania announces it will continue the project to build a nuclear power plant – even without Polish participation

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On 9 December, the Polish Energy Group (PGE), which with the state power companies of Lithuania, Latvia and Estonia is a potential investor in the construction of a nuclear power plant in Lithuania, announced the “suspension of its involvement” in the Visaginas project. It also announced its “withdrawal from talks to buy electricity from the Kaliningrad oblast”, where another nuclear plant is to be constructed. PGE’s statement caused consternation in Lithuania, due to the lack of any comment from the Polish government. This was emphasised by the fact that the decision to build a power plant with the participation of regional partners had originally been taken by the governments of the three Baltic states and Poland. Lithuania’s Prime Minister Andrius Kubilius and energy minister Arvydas Sekmokas announced that the possible withdrawal of one partner would not jeopardise the implementation of this strategic project for Lithuania. They expressed the hope that this would not be the Polish partner’s final position, and that PGE would make investments in the project’s later stages.

Commentary

- At the beginning of 2012, the Lithuanian government is planning to sign a concession agreement with the strategic investor and provider of technology for the Visaginas project, Hitachi-GE, which is to acquire a 51% stake in the plant. Lithuania has secured 34% for itself, which means that the partners from Poland, Latvian and Estonia only have 15% of the shares left to divide among themselves. The amount of shares directly translates into access to the future plant’s power. Meanwhile, according to the plans, only one reactor with a capacity of 1350 MW will operate before the year 2020.
- The Estonian government has not officially commented on PGE’s decision, although previously Estonia has repeatedly confirmed its interest in the Visaginas project. In contrast, the Latvian government immediately confirmed their participation in the project; this is significant because the position of Latvia, which has been seriously affected by the economic crisis, had been subject to variations. However on 2 December, the Latvian prime minister Valdis Dombrovskis said that the new details of the project which he had received from the Lithuanian government, regarding the cost of the investment and the future price of energy from the power plant, confirmed that the project is economically justified, and that Latvia was ready to sign the shareholders’ contract as soon as

possible.

- Latvia and Estonia may be satisfied with the fact that the project will revert to its original shape from 2006, when only the three Baltic states participated in it. Poland's possible withdrawal gives Latvia and Estonia the chance of greater access to the power from Visaginas, and thus to meet their energy needs and export plans. It would be a stimulus to accelerating the implementation of electrical connections to allow the import and export of electricity to Finland and Sweden, thus integrating the electricity markets in the Baltic and Scandinavian regions. Yet at the same time, it may mean slowing down the process of synchronising the Baltic power grids with the Western European system.
- The Lithuanian government has expressed satisfaction with PGE's declaration of its withdrawal from the talks on purchasing energy from Kaliningrad. In Lithuania, concern has repeatedly been expressed that Poland might withdraw from the Visaginas project and accept the Russian offer to participate in constructing the Baltic Nuclear Power Plant (which is to be built in the Kaliningrad region), or sign a contract to receive energy from it. Such a move would economically justify the construction of this Russian power plant, much of whose energy will be earmarked for export.