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Lithuania is planning to build its own LNG terminal

The Lithuanian government on 21 July decided to build an LNG terminal, which will probably be located near Klaipeda. This project is an element of the Lithuanian government's strategy for developing the national gas sector so as to lessen Lithuania's dependence on Russian gas supplies (which is currently 100%) and to put an end to Gazprom's price dictate (Lithuania is buying gas at a price significantly higher than West European countries).

According to initial estimates, the terminal's annual regasification capacity will be up to 3Gm^3/year, which is equal to Lithuania's annual demand for gas. The entities in charge of building the terminal will be the state-controlled company Klaipedos nafta (which manages the oil terminal in Klaipeda) and the Energy Ministry. The plans also include building a Klaipeda-Jurbarkas gas interconnector, which will close the ring of gas pipelines in Lithuania, and launching a gas exchange in Lithuania (operating on a similar basis to the currently existing electric power exchange).

For the terminal to become a true alternative gas supply route, the Lithuanian authorities must regain control over the network of gas mains owned by the company Lietuvos dujos, one of whose key shareholders is Gazprom (holding a 37.1% stake, another significant shareholder is E.ON Ruhrgas, with a 38.9% stake, while the Lithuanian state holds a 17.7% stake in the company). Gazprom is not interested in investments aimed at ending its domination on the Lithuanian gas market. However, the procedure for the implementation of the EU Third Energy Package offers an opportunity for the Lithuanian government to regain such control. The package provides for a separation of ownership in gas sector companies through a division of their functions, namely gas transmission and distribution. Lietuvos dujos performs both functions in Lithuania. Despite protests from Gazprom and E.ON Ruhrgas, the Lithuanian state is planning to split Lietuvos dujos into two companies and to take over a majority stake in the company which will control the transmission network. All major investments in the gas sector, which could have been blocked by Gazprom so far, will depend on the success of this operation. <jhyn>