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Norway's Statoil competing with Gazprom on the Lithuanian market

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At the end of January two Lithuanian gas importers – the state-owned Litgas (importer, distributor and exporter of LNG) and the private company Achema (producer of artificial fertilisers) announced that they had agreed conditions with Norway's Statoil for LNG supplies through Klaipeda. Litgas renegotiated the 2014 agreement – within 10 years it will receive a minimum of 350 million m3 of Norwegian gas a year at a cheaper price than before. Achema will import LNG for the first time in 2016; it has previously purchased natural gas from Gazprom. According to Baltic news agencies, the agreement will be signed for a year. Achema will purchase approximately 500 million m3 of LNG, which is almost half of what it needs. Details of the ongoing negotiations with Statoil are being held behind closed doors but the parties have announced that they will sign the contracts in the coming weeks.

Commentary

- It may be inferred from the information revealed in the media by representatives of Achema and Statoil that co-operation between the two companies may substantially change the market of gas supplies to Lithuania and limit the dominant position of Gazprom. Achema is Lithuania's largest gas consumer, at approximately 1.2 billion m3 a year. In Lithuania's remaining sectors of industry the consumption of gas is falling quickly because natural gas is being replaced with biogas and energy-saving investments are being made in the production of heating energy generated from gas. According to forecasts, Lithuania will use 2 billion m3 of gas in 2016, which is approximately 500 million m3 less than in 2015. Achema will import nearly 52% of this amount. Litgas imports Norwegian LNG at a level that meets 25% of Lithuania's demand, and Achema is now about to sign a new contract with Statoil. Taken together, this may lead to reducing Gazprom's share in the Lithuanian market by up to 50%.
- Litgas and Achema were encouraged to embark on co-operation with Statoil due to the price of Norwegian gas. Representatives of both Lithuanian companies contend that this price is lower than the price offered by Gazprom. Multiannual agreements between Gazprom, Achema, and the state-owned importer of Russian gas, Lietuvos dujų tiekimas (LDT) expired in 2015. New negotiations broke down and in December 2015 Gazprom presented the Baltic recipients the offer to purchase gas at the price of 19 euros/MWh

(approximately 200 euros for 1,000 m3). LTD has gas surpluses for at least a year from the old agreement, and does therefore not have to accept the new conditions. Achema has decided to diversify its gas supplies for the first time – it accepted a part of Gazprom's conditions and supplemented its supplies with Norwegian gas. According to Litgas representatives, Statoil offers between 16 and 20 euros/MWh (approximately 169–211 euros for 1,000 m3). The possibility to diversify gas supplies through the LNG terminal not only assures gas supplies but is also a real, market-driven element of putting Gazprom under pressure as the Russian company remains an important gas supplier for Lithuania.

- The agreement signed by Litgas confirms the willingness of the Lithuanian and Norwegian companies to co-operate both in gas supplies and investments in developing new services in Klaipeda. Both companies are currently involved in the construction of a new reloading station in the terminal in Klaipeda which makes it possible to bunker ships, to ship gas to railway cisterns and to transport gas to regions where gas is not supplied via pipeline.