

Ministry of Energy
of the Republic of Lithuania

**Report on investments
in modernising electricity generation
pursuant to article 10c(1) of directive 2003/87/EC**

February 2015

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1 INTRODUCTION

The Report on investments made in modernisation of electricity generation sector pursuant to article 10c (1) of Directive 2003/87/EC has been prepared in accordance to the provisions of the following legal acts and documents:

- › Article 6.3. of the Communication from the Commission "Guidance document on the optional application of Article 10c of Directive 2003/87/EC";
- › Item 2.4 of the Order of the Minister of Environment and Minister of Energy No. D1-559/1-179 "On transitional free allocation of emission allowances for the electricity producers in 2013-2020", 14 July 2011 (hereinafter - Joint Order);
- › Application of the Republic of Lithuania for transitional free allocation of emission allowances under Article 10c of Directive 2003/87/EC, approved by the COMMISSION DECISION of 23.5.2012 concerning the application pursuant to Article 10c (5) of Directive 2003/87/EC of the European Parliament and of the Council to give transitional free allocation for the modernisation of electricity generation notified by Lithuania (hereinafter – Application).

The Report is based on individual reports and evidence documents submitted by the operators from electricity sector on investments made in 2014.

2 Investments implemented in electricity sector in 2014

2.1 List of participants

During the reporting period, 2 (out of total 8) operators have reported on implementation of modernization investments in 2 (out of 12) installations of electricity sector. The list of operators that implemented investments in 2014 is presented in Table 1 below:

Table 1: List of operators that invested in modernization of electricity sector in 2014

Installation ID in the National Investment Plan	Installation name	Installation ID in the Union registry	Operator	Company group
LT-005	Lietuvos Power plant	LT087	Lietuvos energijos gamyba, AB	Lietuvos energijos gamyba
LT-006	Alytus boiler house	LT086	Litesko, UAB	DALKIA

2.2 List of investments

A list of investments implemented in 2014 and the schedule of planned investments in 2014-2020 are presented in Table 2 and Table 3 accordingly:

Table 2: List of investments 2014

Investment number	Operator	Installation	Installation ID in the National Investment Plan	Installation ID in the Union registry	Description	Investment plan (total amount)		Invested amount in 2014		Comments
						LTL	EUR	LTL	EUR	
TOTAL:								54.430.786	15.764.244	
LT-\$-0006	Litesko	Alytaus boiler house	LT-006	LT086	Reconstruction of transformer station KTP-102 in Alytus RK	900.000	260.658	893.200	258.688	The investment has been primarily planned for 2015, but was implemented and completed in 2014. Compliance with UCTE requirements has been achieved. CO ₂ reductions: 14.78 t CO ₂ /year.
LT-\$-0033	Lietuvos energijos gamyba	Lietuvos Power plant	LT-005	LT087	Reconstruction of wastewater handling equipment reducing electricity consumption	2.200.000	637.614	1.137.074	329.319	The investment was completed in 2014. Invested amount increased and the year of implementation was delayed (2014)

					for managing of technological wastewater					because of increased investment volume. When investment has been concluded, it appeared it was necessary to implement another condition for fuel oil waste disposal, and therefore the value of the investment was adjusted in order to fully comply with this obligation. The investment is included into the Plan of Environmental and Social Measures, which is obligatory with regard to the commitments to EBRD. Efficiency in electricity generation process has increased by 62,3% in comparison with
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										the situation existing before this investment has taken place.
LT-\$-0035	Lietuvos energijos gamyba	Lietuvos Power plant	LT-005	LT087	Investment in reduction of energy consumption for electricity production	2.350.000	680.607	1.699.760	492.285	The investment is ongoing. One of the investments belonging to this unit is the electrolyser change which is being carried out at the time. Other investments will be made in the near future.
LT-\$-0039	Lietuvos energijos gamyba	Lietuvos Power plant	LT-005	LT087	Construction of biofuel power plant	90.000.000	26.065.802	61.089.282	17.692.679	The investment is ongoing. The amount and term of implementation have been revised according to the decision of the National Commission for Energy Control and Prices.

2.1 Evidence documents

According to item 2.4 of the Joint Order, all operators must submit their annual reports together with the Statement of an independent certified auditor or audit company on investments made in improvement of infrastructure, on implementation of environment-friendly technologies that reduce GHG emissions and investment amount in energy sector to the Ministry of Energy. The list of evidence documents submitted by the operators is provided in the Table 4 below:

Table 4: List of documents supporting the investments

Investment number	Operator	Installation	Installation ID in the National Investment Plan	Installation ID in the Union registry	Supporting documents
LT-\$-0006	Litesko	Alytus boiler house	LT-006	LT086	1. Statement No. 2014/12/22-1 of an auditor, 22 December 2014, audit company "Auditoriaus konsultacijos" UAB, on project "Reconstruction of transformer station KTP-102 in Alytus RK" (2 pages); 2. Act on Building/installation acceptance for use No. AF-2013/3, 23 December 2013 (2 pages);
LT-\$-0033	Lietuvos energijos gamyba	Lietuvos Power plant	LT-005	LT087	1. Act on Building/installation acceptance for use No. LA-39, 31 October 2013 (5 pages); 2. Act on Building/installation acceptance for use No. LA-61, 31 October 2013 (3 pages);
LT-\$-0035	Lietuvos energijos gamyba	Lietuvos Power plant	LT-005	LT087	1. VAT invoice No 0014348 (1 page); 2. Act on takeover of works, 02 June 2014, (1 page); 3. VAT invoice No 0014575 (1 page); 4. Act on takeover of works, 28 November 2014, (1 page); 5. Act on takeover of works, 28 November 2014, (1 page);
LT-\$-0039	Lietuvos energijos gamyba	Lietuvos Power plant	LT-005	LT087	1. VAT invoice No 4826 (3 pages); 2. VAT invoice No 4885 (3 pages); 3. VAT invoice No 4898 (3 pages); 4. VAT invoice No 4809 and Act on takeover of works, 05 May 2014 (2 pages); 5.

					<p>4. VAT invoice No 4810 and Act on takeover of works, 05 May 2014 (2 pages); 6. VAT invoice No 5108 and Act on takeover of works, 22 August 2014 (2 pages); 7. VAT invoice No 5231 and Act on takeover of works, 06 October 2014 (2 pages); 8. VAT invoice No 004184 (3 pages); 9. VAT invoice No 004262 (3 pages); 10. VAT invoice No 004334 (3 pages); 11. VAT invoice No KERD0002715 (3 pages); 12. VAT invoice No KERD0002785 (1 page); 13. VAT invoice No KERD0002806 (1 page); 14. VAT invoice No KERD0002951 (1 page); 15. VAT invoice No KERD0002952 (1 page); 16. VAT invoice No KERD0003062 (1 page); 17. VAT invoice No KERD0003159 (1 page); 18. VAT invoice No KERD0003255 (1 page); 19. VAT invoice No KERD0003546 (1 page); 20. VAT invoice No PP1400000369 (2 pages); 21. VAT invoice No PP1400000431 (2 pages); 22. VAT invoice No 101639 (1 page);</p> <p>It should be noted that other costs incurred also are attributable to the investment, such as a bank loan, capitalized earnings, insurance costs and other costs associated with the project. All these costs, including mentioned herein, will be proved and audited after the completion of an investment.</p>
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Copies of the documents (in Lithuanian language) mentioned in the Table above are available in the Ministry of Energy of the Republic of Lithuania, Department of Electricity and shall be presented upon request, ref. Andrius Venckūnas, andrius.venckunas@enmin.lt

2.1 Compliance indicators

Compliance indicators for the investments set out in the National Plan are the following:

- Comparison of the emission factor of the technology adopted by each installation due to investments undertaken under Article 10c of Directive 2003/87/EC with the emission factor of the technology used before the retrofitting/ upgrading, t CO₂/MWh;
- Expected and implemented decrease in total greenhouse gases emissions generated by electricity production due to investments undertaken under Article 10c (compared to business as usual scenario);
- Expected and implemented efficiency gains in electricity generation process is expressed as the ratio of the electricity produced (in TJ) with the energy input from fuels (in TJ). Efficiency increase is measured as rated difference before and after the investment;
- Efficiency gains in electricity distribution networks shall be determined as a reduction of network losses.

Compliance indicators achieved by the completely implemented investments in modernisation of electricity sector are provided in Table 5 below:

Table 5: Compliance indicators of the finished investments, 2014

Investment number	Description	Invested amount in 2014		Compliance indicators		
		LTL	EUR	Increase of efficiency in electricity production, %	Reduction of CO ₂ emissions in electricity production, t/year	Change in emission factor, t CO ₂ /TJ
LT-\$-0006	Reconstruction of transformer station KTP-102 in Alytus RK	900.000	260.658	Compliance with UCTE reliability requirements		
					14,78 CO ₂	
LT-\$-0033	Reconstruction of wastewater handling equipment reducing electricity consumption for managing of technological wastewater	4.132.313	1.196.801	62,3		

3 Allocation for 2013-2019 based on investments

According to the provisions of the National investment plan, emission allowances allocated pursuant to Article 10c of the ETS Directive shall be transferred to an operator only after the investment eligible under the National Plan is undertaken. Pursuant to the Part C.2.1 of the Application, if the amount of investment undertaken by an operator is higher than the value of free emission allowances allocated under Article 10c of the ETS Directive, he/she receives the amount of allowances not higher than he/she was allocated in a given year according to the National Plan. The excess value of investments in a given year may be used for compliance with the next years' allocation. Table 5 below shows allocation for 2013 – 2019 based on investments implemented in 2014. Grey cells illustrate the possible allocation in later years after the investments are undertaken by the rest of installations.

Table 6: allocation for installations based on implemented investments in 2014

Installation ID in the National Investment Plan	Installation name	Installation ID in the Union registry	Operator	Allocation based on investments and adjusted to allocation plan, EUA							
				2013	2014	2015	2016	2017	2018	2019	2020
TOTAL numbers:				322.449	297.113	269.475	237.230	200.379	158.922	94.432	0
LT-001	Noreikiskes boiler house	LT072	Kauno energija	0	0						0
LT-002	Petrasiunai power plant	LT069	Kauno energija	0	0						0
LT-003	Power plant	LT055	Klaipėdos energija	0	0	0					0
LT-004	Kaunas Power plant	LT088	KTE	0	0						0
LT-005	Lietuvos Power plant	LT087	Lietuvos elektrinė	285.387	262.963	238.502	209.963	177.347	140.655	83.578	0
LT-006	Alytus boiler house	LT086	Litesko	5.835	5.376	4.876	4.293	3.626	2.876	1.709	0
LT-007	Druskininkai Pramonės boiler house	LT078	Litesko	0	0	0	0	0			0

LT-008	Marijampole boiler house	LT085	Litesko	1.585	1.461	1.325	1.166	985	781	464	0
LT-010	Siauliai Southern boiler house	LT050	Šiaulių energija	1.903	1.753	1.590	1.400	1.182	938	557	0
LT-011	Utena boiler house	LT057	Utenos ŠT	152	140	127	112	95	75	45	0
LT-012	CHP No. 2	LT044	Vilniaus energija	27.587	25.420	23.055	20.296	17.144	13.597	8.079	0
LT-013	CHP No.3	LT045	Vilniaus energija	0	0						0

4 CONCLUSIONS

Out of 35 investments approved in the National Investment Plan, only 4 have been undertaken during the reporting period of 2014, 1 of them have been advanced and implemented one year earlier than primarily planned. From all the 4 investments that have taken place during the 2014, 2 investments have been finished and 2 investments are ongoing.

According to the allocation plan in Part 3, total amount of 297.113 EUAs shall be allocated in 2014.

The issuance of transitional free allowances in 2020 and 2021 is not foreseen by article 10c of the Directive 2003/87/EC. Having regard to the circumstances mentioned above, Lithuania intends to request the Commission for extension of the period during which Lithuania would be able to give transitional free allocation to installations for electricity production, pursuant to article 10c 7 of Directive 2003/87/EC.