

Declaration of the Baltic Prime Ministers on Regional Gas Market Development

We, the Prime Ministers of Estonia, Latvia and Lithuania, meeting in Riga on 9 December 2016 on the occasion of a Baltic Council of Ministers hereby adopt the following Declaration.

We, the Prime Ministers of Estonia, Latvia and Lithuania:

Recalled the decision made by the Prime Ministers of the Baltic States in Tallinn on the 5 December 2014 regarding the creation of an effectively functioning regional gas market, followed by establishment of a Regional Gas Market Coordination Group (RGMCG) consisting of relevant ministries, regulators, and operators of the gas infrastructure of regional importance. The primary mandate of RGMCG was to develop a Regional Gas Market Development Plan to facilitate creation of the effectively functioning common regional gas market in the Baltic States. Representatives from Finland's respective stakeholders have been invited to join RGMCG and, so far, actively participated in its activities.

Welcomed the Regional Gas Market Development Plan which was successfully delivered by RGMCG and endorsed by Baltic Council of Ministers' Committee of Senior Energy Officials.

Recognized that the new Regional gas market design for merged national market zones of at least Lithuania, Latvia and Estonia should facilitate development of gas sector in the region, providing prerequisites for improved market liquidity, integration and competitiveness ensuring affordable gas prices and high quality service, thus being attractive for existing and new market participants.

Highlighted that by 2020 sound solutions for the regional gas market design should be identified and implemented in the three main areas:

First of all, the market rules which market participants have to follow, including access to the network, balancing and trading should be properly addressed ensuring well-coordinated joint balancing zone with efficient capacity allocation mechanism, duly functioning market area, as well as convenient virtual trading hub and regional gas market exchange.

Secondly, entry-exit system with common gas transmission tariff regime should be created complemented with an effective inter-transmission system operator compensation mechanism, if found necessary under chosen regime.

And finally, the pricing and possible socialization of costs related to infrastructure (LNG terminal and storage) on the basis of the increased security of supply and diversification benefits it provides to the region should be evaluated with due diligence, finding a well-balanced solution which ensures security of gas supply and reduces the financial burden for the market players. In this regard the Prime Ministers also agree that efforts should be continued to jointly decide on the most

economically viable long-term regional solution to ensure diversified and secure gas supply to the Baltic States and to jointly seek EU financial support for implementation of such solution.

Noted that coordination of the Regional Gas Market Development Plan implementation should be further conducted by RGMCG. The implementation of the Regional Gas Market Development plan should be driven by the task forces established by RGMCG.

Agreed that RGMCG should report the status of the implementation of Regional Gas Market Development Plan at least once per year to the Prime Ministers and provide the proposals for the amendments of the plan, if necessary.

Emphasized that the representatives of Finland are invited to continue taking part in the activities of RGMCG, its task forces and overall process of the Development of the Regional Gas Market on equal terms with the other countries, as well as to adhere to this Declaration at earliest convenience possible.

Underlined that the process of implementation of Regional Gas Market Development Plan should be governed with due respect to consultation with stakeholders, first and foremost with consumers and market players.

Māris Kučinskis

Jüri Ratas

Algirdas Butkevičius

Prime Minister of the
Republic of Latvia

Prime Minister of the
Republic of Estonia

Acting Prime Minister
of the Republic of
Lithuania

Riga, 9 December 2016