Dear President Jean-Claude Depail,

Dear regulators, operators of transmission systems, storages and LNG’s,

Honourable guests,

Dear ladies and gentlemen,

It is a honour and together a pleasure for me to participate at the key Gas Infrastructure Europe event – this Annual Conference. The history of these Annual Conferences is older than EU energy policy itself. It is already seven years have passed after European Commission published its Green Paper on EU Energy policy. But here the question is not about which is older or which is newer, the key trend is that EU energy policy formation and Gas Infrastructure Europe Annual Conferences are going hand in hand and leading each other. This trend should be continued and I am delighted to be here in presenting to this distinguished audience the future directions of the EU energy policy from the EU member state’s perspective.

At the 2nd half of 2013, Lithuania will hold EU presidency for the very first time. Lithuania will be the first from the Baltic States to perform this responsibility. This is challenging task and also this is a honour for us of having opportunity to contribute to the development of EU internal energy market, which in our energy island case, is a top priority.

On behalf of Lithuania as incoming EU Presidency this is an unique opportunity to present the priorities and key directions for the second semester of this year. Even more – this is a forum to discuss the key challenges waiting for us and to see what synergies are among us when projecting the future of EU energy policy.

As indicated in the description of this annual conference, this conference is taking place at a crucial time for a high-level discussion on where today’s energy policy is
going, to define the important role of natural gas and infrastructure. This is very accurate description, because it is not only reflects the key current developments on the EU scene, but also points to the EU presidency priorities of Lithuania. Discussion on EU energy policy directions and the role of natural gas naturally associates and closely interrelates with the discussion of the measures of the completion of internal market and post-2020 agenda while infrastructure dimension as never before is highlighted in moving towards Projects of Common Interests (PCIs). So comparing the relevant topics of Gas Infrastructure Europe and EU agenda it is completely synchronized. So what are the issues to be discussed and what concerns are pushing us to debate the key developments of EU energy policy?

Firstly, the pace of implementation of assumed targets, both – internal energy market in general and infrastructure in particular.

Secondly, our financial capabilities to implement these projects.

Creating EU internal market on time and holding adequate budget – this is the key challenges. But this is of vital importance. Why? Because the future of gas in Europe will be secured only if the internal market will function properly.

So, what are these milestones for the second half of this year during Lithuanian EU Presidency and in a longer perspective in tackling these challenges? These are three:

- Completion of the internal energy market
- Infrastructure – first of all, PCI selection and its implementation
- Post-2020 framework

Some remarks about each of these milestones separately.

Completion of internal energy market. The guidelines made by the Council in February 2011 is more than clear – the internal energy market should be completed by 2014. Last year the concrete Action plan was presented by the European Commission. So we know clearly and explicitly what we have to do. How far we are in a way towards achieving this target? Recently we have arrived at the success story – the first EU-wide Network Code, on allocation of transport capacity in gas pipelines, has recently been adopted. Other vitally important codes are at the final
stages of its preparation. This success was achieved as a consequence of close cooperation. So completion of the internal energy market is on track, but still a lot of should be done in order already next year would be written in EU history as the year of completion of internal energy market. The same what was written in 1992 when common EU internal market was completed in general. In order to complete internal market in 2014 at the end of this year we have to have an overview what are the missing elements of gaps of internal energy market. During Lithuanian Presidency we will present the Presidency Progress review, which will facilitate shortcomings and achievements of our road towards internal energy market. In doing this Lithuania is planning in cooperating closely with the European Commission to evaluate the implementation progress of the internal market Action plan proposed last year by the Commission.

Infrastructure. For a long time we are discussing infrastructure and gas infrastructure in particular as the critical factor in implementing functioning EU internal energy market. Currently we are at the eve, I would call, of historical change in the EU. The list of Projects of Common Interest (PCI) is at the final formation stages. At the second half of the year we will have the priority list of infrastructure which should be developed without delay. The birth of the list of PCI is the symbol of European Commission’s leadership and member states close cooperation. Moreover, the PCIs is not the end. We have another instrument – Connecting Europe Facility – another initiative of European Commission, which as a separate line in EU budget will definitely be a trigger for faster infrastructure implementation in Europe. Implementation of gas and power interconnections undoubtedly is the priority for Lithuanian EU Presidency. Moreover, a high level conference on the future of EU energy infrastructure with a particular focus on the implementation of the first European list of projects of common interest will be organized on 4-5 November, 2013, in Vilnius.

Speaking not only on behalf of incoming presidency, but also on behalf of current energy island, where we are living together with Latvia, Estonia and Finland, I would like to reiterate the importance of infrastructure. Today, here in Venice, we are on the island too, but here we have the communication by boats and ships. In Baltic States and Finland we are gas island. What it means? 100 % dependency on one supplier, one of the highest gas prices in Europe and consequently vulnerable consumers. Looking from this perspective the key target is to ensure alternative gas
supply and to introduce competition of gas suppliers. Baltic energy market interconnection plan (BEMIP) in 2009 was created in order to integrate these EU members into EU market. This was a success story – currently we have almost all the infrastructure package planned. To say in another words, we have the exit strategy from our energy island status. Besides that Lithuania is implementing LNG terminal project in order to have fast track alternative gas supply solution and this LNG terminal will be operational at the end of next year. The project was initiated in 2010, so it would took 4 years to implement the whole LNG terminal project. In parallel to LNG terminal project development in Lithuania discussions on regional LNG terminal location are taking place. The key question is which place – Finland or Estonia – is the best to implement regional LNG project. What are the lessons learned looking from the perspective of creating alternative gas supply infrastructure?

1) It is necessary to strengthen EU wide efforts to eliminate energy islands;

2) Even national projects, aimed to diversify primary energy sources, may benefit broader regions. This potential may be best utilized by faster development of internal energy markets, i.e. Baltic gas market;

3) Financing from EU financial institutions may be vital for the speedy implementation of such national projects;

4) LNG terminal in Lithuania could be a good example on how fast implementation of the national project creates alternative source of gas supply in the region for the period before broader EU coordinated projects are completed.

In summary, the key question after the list of PCIs will be published will be what is the next steps? The next step – is the implementation of these projects. We already have experience in cooperation on regional level – BEMIP – as well as particular experience in implementing gas infrastructure projects. We are prepared to share this experience on PCIs implementation stage.

**2030 EU climate and energy framework.** This is the strategic planning question by its nature. What targets Europe can draw, what would be the nature of these targets? All these questions are arising from the Commission’s Green Paper, which currently is in the public consultation stage. Here I would like to refer to yesterday’s Council conclusions, which states that it is important to have a well-functioning carbon market and a predictable climate and energy policy framework post-2020
which is conducive to mobilising private capital and to bringing down costs for energy investment. The European Council welcomes the Commission's Green Paper on a 2030 framework for climate and energy policies and will return to this issue in March 2014, after the Commission comes forward with more concrete proposals, to discuss policy options in that regard. Lithuanian Presidency is fully committed to facilitate the discussions on the 2030 framework for the EU climate and energy policies and is looking forward to the results of public consultations as well as to the proposals of European Commission. We have to find long-term sustainable solution by securing competitiveness of the EU and at the same time encouraging investments planning for the energy sector.

All in all it is clear that all these three dimensions – internal market, infrastructure and 2030 framework – should be merged into one picture. Functioning regulation, operating infrastructure and strategic place of gas in member states energy-mixes is the close circle which would ensure essential role for gas during Europe’s transition to low-carbon economy.

The newest (I would call freshest) and at the same time highest political document what we have on the table – yesterday’s Council conclusions on energy. Yesterday is was the second Council dedicated for energy after the first such Council being held in February 2011. You may ask very relevant question – how much place for gas is in these conclusions? What the next steps are planned on EU level for gas? As emphasized in Council conclusions it is:

- effective and consistent implementation of the third "energy package", as well as speeding up the adoption and implementation of remaining network codes.
- implementation of all other related legislation, such as Regulation on security of gas supply;
- It remains crucial to further intensify the diversification of Europe's energy supply to assess a more systematic recourse to on-shore and off-shore indigenous sources of energy with a view to their safe, sustainable and cost-effective exploitation while respecting Member States' choices of energy mix;
• the issue of the contractual linkage of gas and oil prices needs to be looked at in this context;

• The Council will report back on progress on the implementation of the guidelines agreed today by the end of the year.

Besides reiteration on continued EU energy policy elements there are some new elements like assessment of shale gas development and investigation of the contractual linkage of gas and oil prices. This is interesting and strategic shift of EU energy policy development as a consequence on the developments on the global landscape of natural gas. We see measured and balanced approach to LNG export in the US (as you already aware, last week US granted the second authorisation to export LNG to non-FTA countries). It is the message for Europe as well. What will be our gas strategy in the global context?

I believe that nobody have doubts about the benefits of internal energy market. The question is when this market will be created and how deeply it will be functioning. So the success of every infrastructure project or regulatory initiative should be measured by the degree how much of the competitiveness it may introduce.

*Distinguished guests, ladies and gentlemen*, I would like to wish you interesting and truly forward looking conference in transition to low-carbon economy, where the gas probably and surely will play an important role.

*Thank you for your attention!*