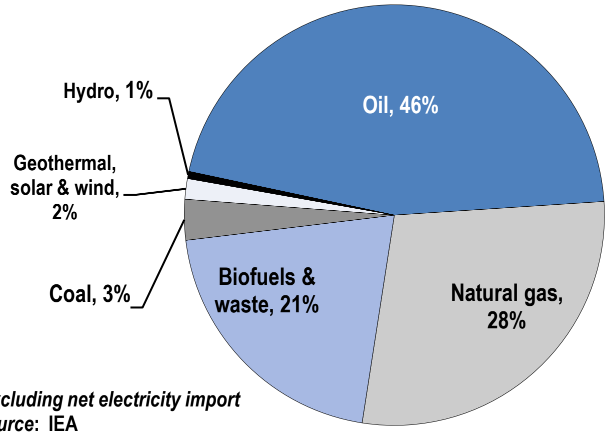
Lithuania

The OECD Inventory of Support Measures for Fossil Fuels identifies, documents and estimates direct budgetary support and tax expenditures supporting the production or consumption of fossil fuels in OECD countries and eight partner economies (Argentina, Brazil, the People's Republic of China, Colombia, India, Indonesia, the Russian Federation, and South Africa).

Energy resources and market structure

Total Primary Energy Supply* in 2018



excluding net electricity import
Source: IEA

The Lithuanian energy sector is largely fossil fuel based. In 2018, fossil fuels accounted for 77% of the country's total primary energy supply (TPES), excluding net electricity import. Fossil fuel share in TPES increased substantially in 2010, following the closure of the Ignalina nuclear power plant in 2009, in accordance with the requirements for accession to the EU. In the following decade, Lithuania became increasingly dependent on energy imports (Lithuania's energy dependency ratio was 74.7% in 2018, well above the EU average of 55.1%). Drawing from this trend, the reduction in dependence on imported energy sources and on fossil fuels are key energy goals advanced by the National Energy Independence Strategy.

Lithuania used to rely on Russia's Gazprom as its single source of natural gas. Having built the LNG terminal in Klaipėda in 2014 (where LNG is imported, re-gasified and exported as pipeline gas), natural gas supply has diversified ever since. Planned interconnectors with Poland are also being constructed to further diversify natural gas sources into the country and the larger Baltic region. The largest single gas consumer in Lithuania is the fertiliser manufacturer Achema, followed by Lietuvos energijos tiekimas Ltd. (Lithuanian natural gas and electricity supplier, which also supplies liquefied natural gas through the LNG terminal in Klaipeda). The next major change is the development of a regional gas market for Baltic countries GET Baltic, which from 1 January 2020, also started operating in Finland.

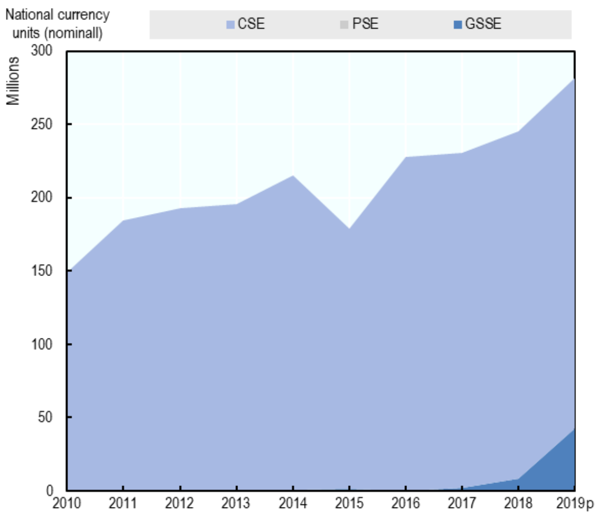
Prior to 2009, Ignalina's nuclear power plant met 77 % of the country´s electricity needs, with 58 % of its total output exported to other countries. However, after the plant's closure, Lithuania turned from a net exporter to a net importer of electricity – with around 2/3 of the country´s electricity imported in 2010. By 2012, Russia was providing 63% of Lithuania's electricity and Gazprom became the sole supplier to Lithuania's natural gas market. To diversify its sources and address the risk in security of the country's gas supply, the LNG terminal in Klaipeda opened in December 2014, allowing the country to import natural gas from multiple sources. In order to diversify electricity imports, the LitPol Link (Lithuania-Poland) and NordBalt (Lithuania-Sweden) electricity interconnections linked Lithuania's grid with those of its neighbours. By 2016, Russian imports supplied less than a third of Lithuania's electricity needs.

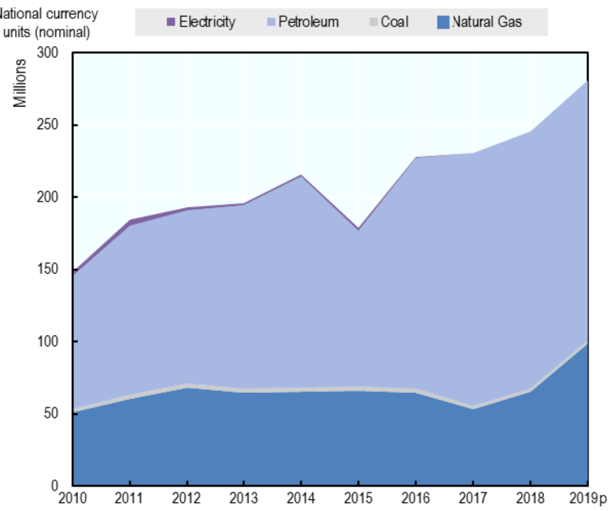
Lithuania's oil sector comprises of a single oil refining and transportation company (ORLEN Lietuva, which owns the Orlen Lietuva Refinery), a single oil handling terminal (Būtingė), an oil products terminal Klaipėdos Nafta, four oil extraction companies and several companies engaged in oil product sales. ORLEN Lietuva is the only crude oil processing refinery in the Baltic States. The import, export, transit and sale of oil products are not subject to any restrictions or quotas. Since 2013, the consumption of oil products has been incrementally increasing with 2.5 million tons of oil products consumed in 2018.

Energy prices and taxes

The National Commission for Energy Control and Prices (NCECP) regulates electricity, heat and natural gas prices in Lithuania. Prices of other energy and fuel prices are not regulated in Lithuania. Energy supply is subject to VAT at a standard rate of 21%. Exceptions apply for heating power used for heating residential premises, taxed at a lower rate of 9%. An excise tax is levied on petroleum products, coal, coke, natural gas and electricity at different rates. Recent developments indicate a push towards ecotaxes, especially by raising taxes on motor and heating fuels, as well as introducing of motor vehicle taxes differentiated according to the type of fuel used and carbon dioxide emissions. Motor vehicle registration tax, which includes a CO_2 component and depends on the fuel type, will come into effect from1 July 2020.

Total support for fossil fuels in Lithuania by support indicator (left) and fuel type (right)





Note: CSE=Consumer Support Estimate: PSE=Producer Support Estimate: GSSE=General Services Support Estimate

Recent developments and trends in support

Support for fossil fuels in Lithuania takes the form of exemptions to excise duties and reduced rates for specific fuels and usage. There are reductions in excise duty applicable for fuels used for business purposes, heating, air and water navigations and other uses. In 2015, the exemptions of excise duty for fuels used in agriculture and fishing were converted to reductions in excise duty. The government introduced an excise duty exemption for natural gas used as motor fuel in 2018. On December 2019, the Administration approved EUR 275 million worth of state guarantees for a loan for the Klaipėda LNG Terminal to purchase Liquefied Natural Gas (LNG) ship-storage facility and the restructuring of the LNG terminal maintenance costs. Support for fossil fuels in Lithuania continues as the country tries to ensure energy independence while at the same time reducing the spending of households on energy consumption. Due to this development, the bulk of support in Lithuania has diversified to both the production and transportation sectors in 2019.

Examples of measures	
Reduced rate of excise tax for gas oil used in agriculture and fisheries (estimates available 2015-)	In Lithuania, gas oil sales are subject to excise tax. Gas oils intended for use by entities producing agricultural products in agriculture, including aquaculture and commercial fishing in inland waters activity, are subject to a reduced excise duty of EUR 60 per 1,000 litres as of 1 January 2020. The standard excise tax rate is EUR 372 per 1,000 litres as of 1 January 2020.