

New pipeline to bring down Finnish gas prices – CEO

(Montel) Gas prices in Finland will likely decrease when the new pipeline to Estonia opens for commercial flows in 2020 and gives an alternative to Russian supplies, said Herkko Plit, CEO of the Baltic Connector project.

“We only have to look at what happened in Lithuania. As soon as the new LNG facility was established in Klapėda [in 2014], Gazprom reduced its gas prices to Lithuania by 20%,” Plit told Montel on the sidelines of the Nordic Energy Forum in Helsinki on Wednesday.

“Now Lithuania has the lowest prices in the Baltic region, followed by Latvia, Finland and Estonia,” said Plit.

Traditionally Finland had the lowest gas prices in the region, with Finnish monopoly Gasum buying gas on a long-term contract with Russia’s Gazprom. But in 2015, industrial gas consumers in Finland had to pay EUR 0.044/kWh, compared to EUR 0.025/MWh in Lithuania, according to Eurostat data.

Domestic competition

The new EUR 250m pipeline – stretching from Inkoo in Finland to Paldiski in Estonia – will open the domestic Finnish gas market for competition for the first time, and Gasum has been ordered to unbundle its pipeline business from commercial operations from 2020.

Politicians in Finland, Estonia, Latvia and Lithuania are also discussing how to establish a regional gas market, where LNG imports will compete with gas piped from Russia.

In Finland, gas use has been on the decline in recent years due to competitive costs for burning biomass and coal.

Plit said existing tax rules were hitting gas more than coal, in part because of their link to the development of the EU ETS price that has languished below EUR 10/t for years.

“I know there are big discussion going on to change the taxation, though this should be done across the energy sector and not treat gas, power and heat in isolated silos,” he said.

Plit said Baltic Connector was on schedule to launch in 2020 with most of the regulatory licences already in place. It has also signed a couple of procurement contracts and expects to start the construction work next spring.

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