



Eesti Jõujaamade ja Kaugkütte Ühing

Energy Politics and Legislation in Estonia

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Energy Politics and Legislation in Estonia

Topics

- Developments of Estonian energy politics and legislation
- Heat tariffs regulation in Estonia



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- **EU general recommendations in energy sector**
 - Scatter energy complexes on the State territory
 - Use local fuels, renewable fuels
 - The energy complexes must be able to work on different fuels
 - Develop co-generation
 - Take the course of action to the liberalization of the electricity market



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In 1997 The Parliament took the Law of Energy. The Law disintegrated gas, liquid fuel, district heating and electricity.

In 2003 the Law of Energy was segmented. Since that time Estonia had different laws for Gas, Liquid Fuel, District Heating, Electricity Market.

For the first time in the Electricity Market Act there was mentioned the possibility to produce electricity from the renewable power source. One of the mentioned renewable sources was biomass (not peat).

In 2007 the legislative process reached the point where the decisions to build the CHP Power Plants were ready. The subsidies from the State were determined for the power plants (less than 100MW) that use renewable sources and effective CHP Power Plants that use peat, waste and oil shale gas. The subsidies were determined for twelve years since launching the CHP Power Plant.





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In 2009, when reading of the State Budget Law was in its final stage, the Eesti Energia AS managed to feed in the change to the Electricity Market Act. The 100MW limit was repealed from the biofuel condensation power plants so that EE could use wood as a fuel as well as oil shale and get subsidies from the State.

During changing the Electricity Market Act **in 2010** the subsidies were withdrawn from the biofuel condensation power plants, including EE. The problem was that the subsidies were withdrawn from all CHP Plants.

Meanwhile the decisions for investments were made and the three CHP Power Plants were almost ready (*2009 - the Tartu Power Plant and Tallinn Power Plant were completed. The thermal heat capacity of both plants is 50 MW and the power capacity is 25 MW. The plants run on domestic fuels – wood and peat. 2010 – will be completed CHP co-generation plant in Pärnu*).

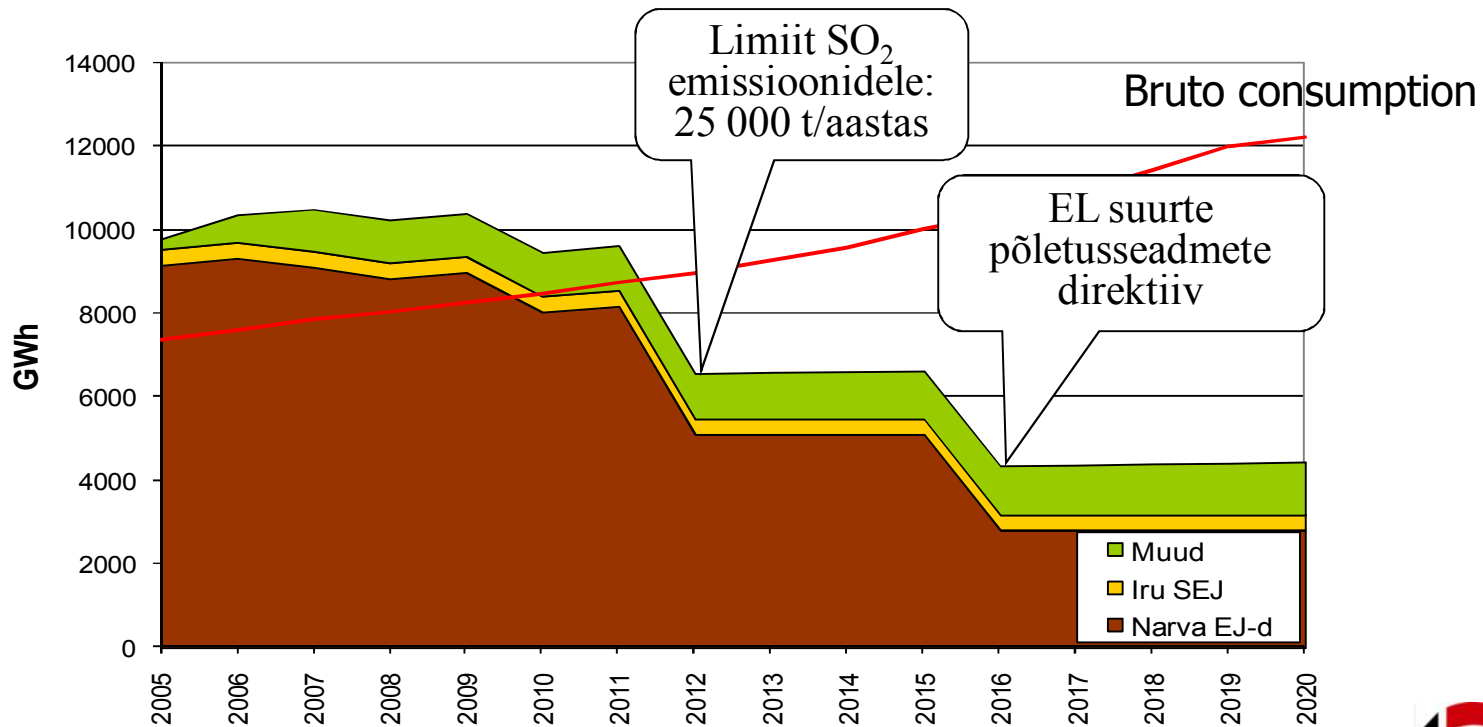
They had just expectations to get subsidies for twelve years in case they produce electricity from biofuel in condensation regime or effective co-generation regime using biofuel, peat, waste or oil shale gas.





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Electricity consumption and forecast for producing

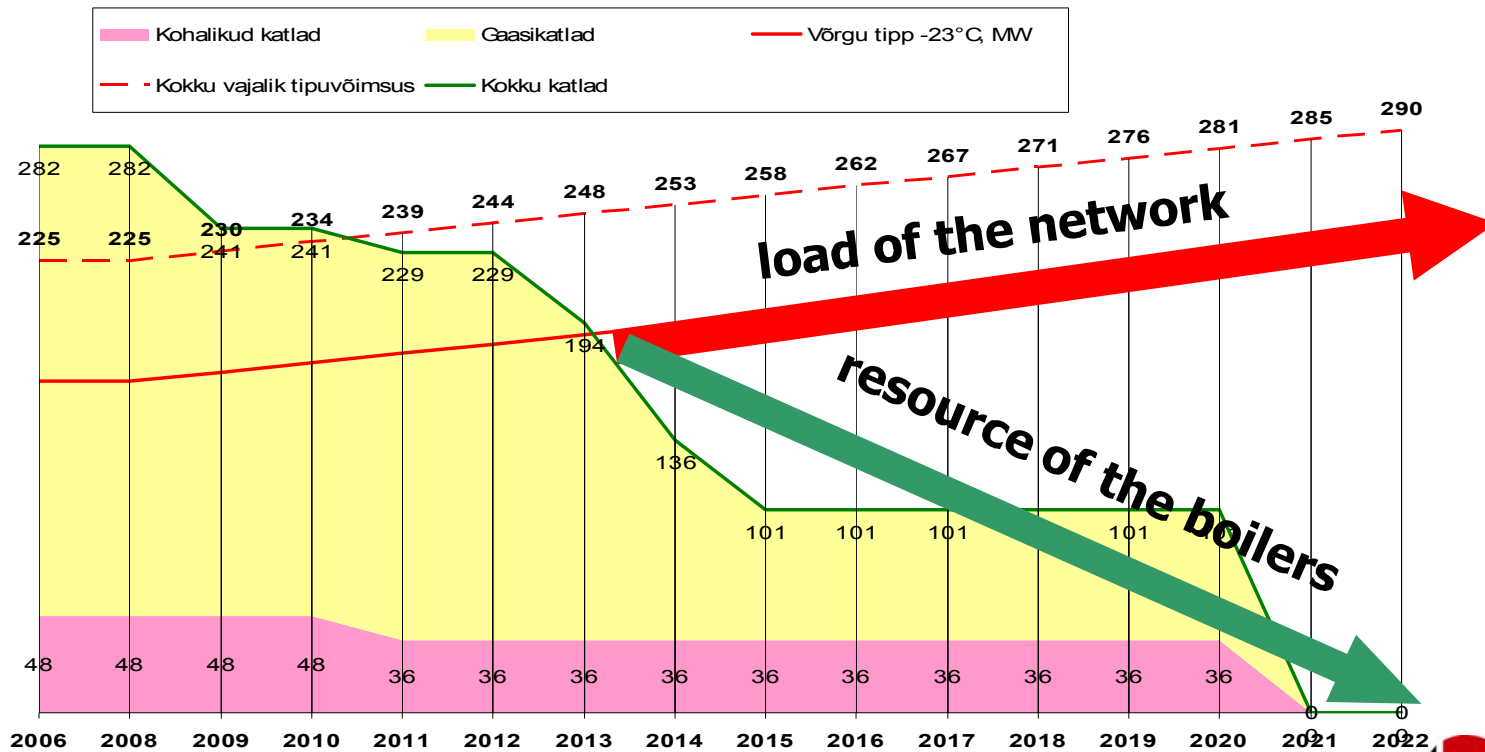


Deficit in Electricity will come up in 2012





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Heat tariffs regulation in Estonia

Heat tariffs regulation

In Estonia the regulator of Energy Market is Estonian Competition Authority

Among other things the Estonian Competition Authority:

- co-ordinates the prices for electricity and gas online services
- co-ordinates the methodology for joining the electricity and gas network
- Co-ordinates the prices for electricity, gas and district heating (According to the electricity market act, the electricity tariffs shall be announced three month before and heat tariffs shall be announced one month before applying).





Heat tariffs regulation in Estonia

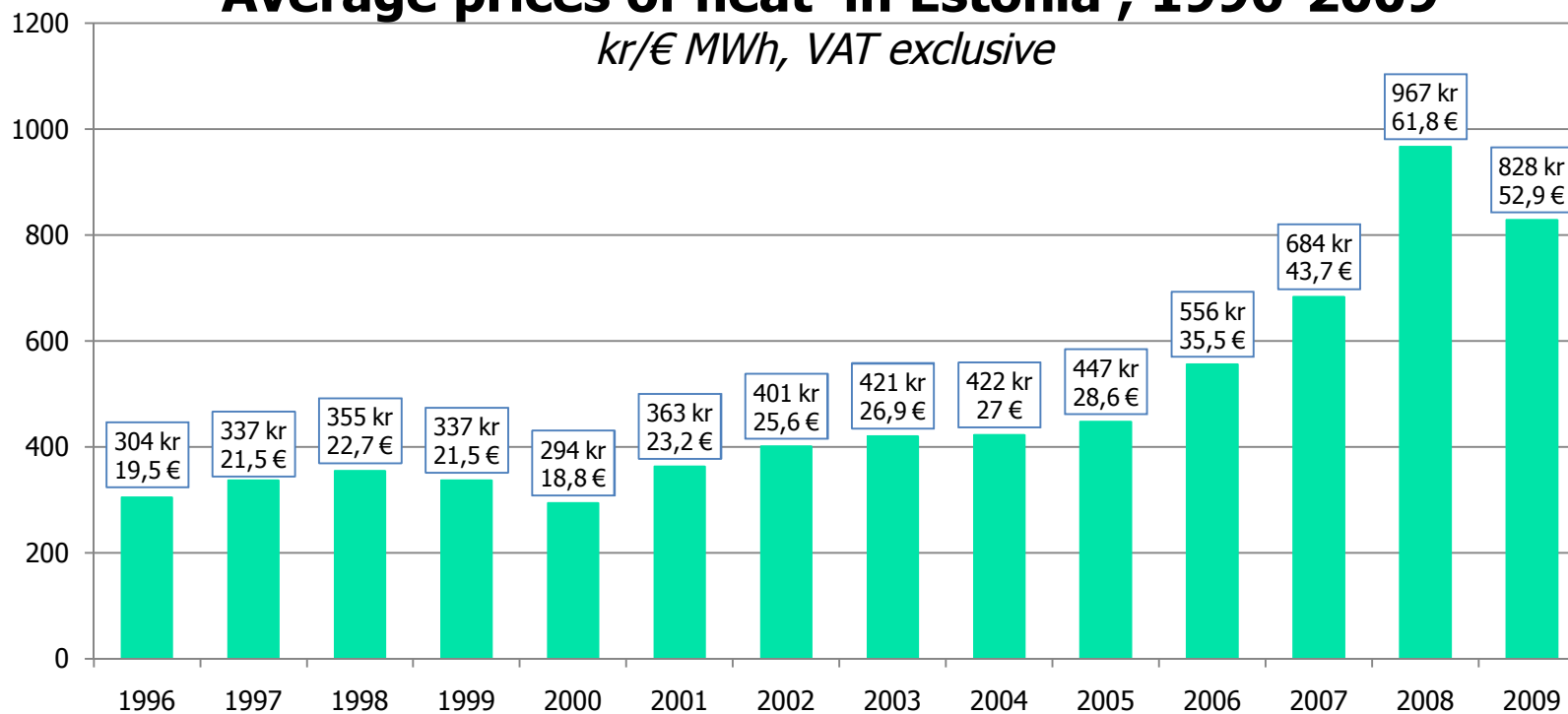
- The oil-shale, generation and supply price are regulated (until 2013).
- In generation and supply price the justified return is calculated based on regulatory asset base (RAB).
- Its reasonable for generation, but not for supply, because the value of fixed asset for supply, is very limited.
- According to the new methodology the justified return will be calculated based on return. Proposed operating profit is 1,5% to 2,0% from the turnover.
- Price increase 11% approximately. The main reasons:
 - High inflation 10,7% (the cost saving factor for operating cost is 1,5%).
 - Increase of environmental taxes.
 - Rapid Increase of disel oil, explosion materials and other raw material. Significant share in oil-shale price.





Heat tariffs regulation in Estonia

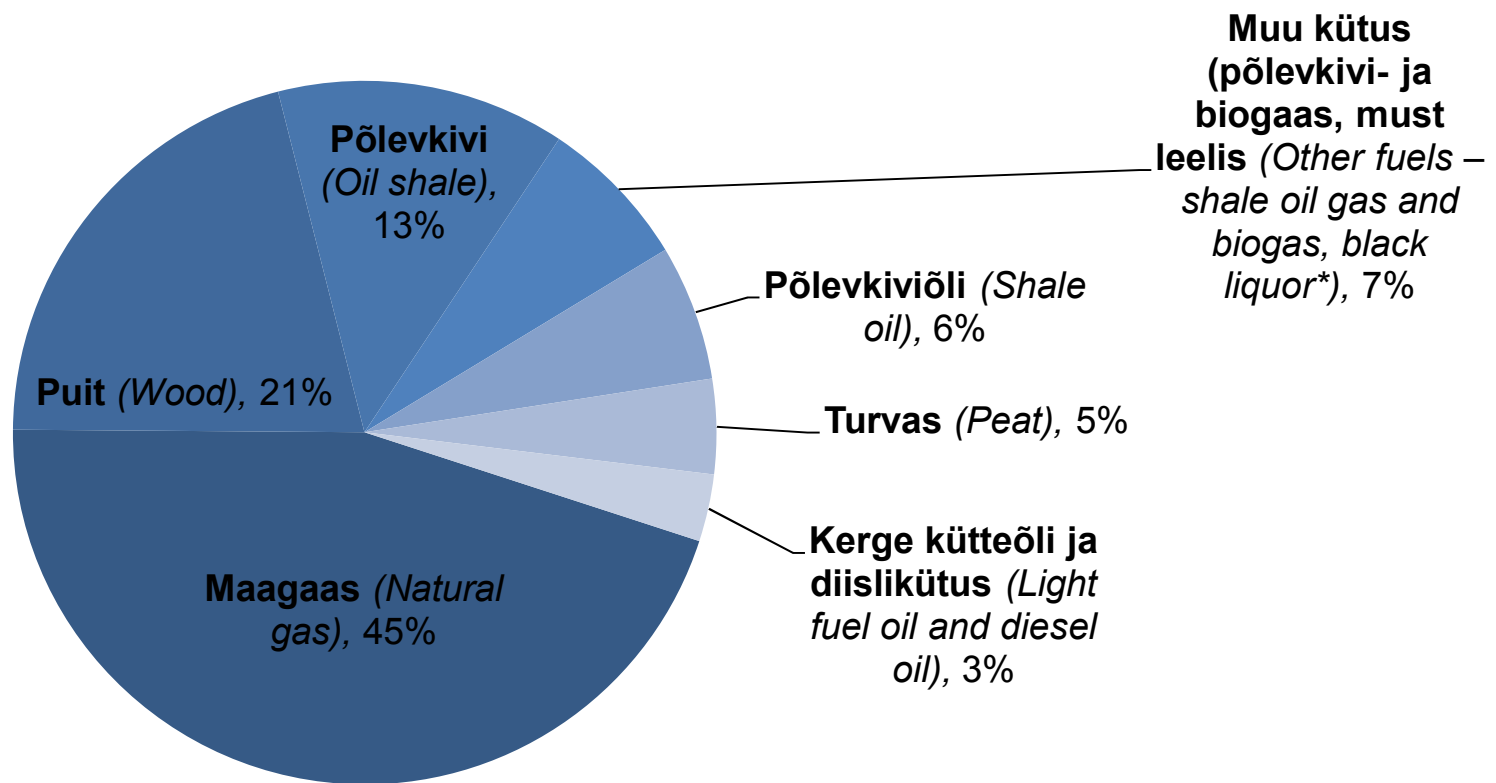
Average prices of heat in Estonia , 1996-2009





Consumption of fuels for heat generation

Consumption of fuels for heat generation in 2008





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Main findings of the EU report

- Extremely high market concentration both in electricity and gas.
- Concentration on single energy source in electricity generation. Oil-shale 95%.
- Independence from imports in electricity generation.
- High dependence on CO2 emissions.
- Deficit in installed capacity by 1 200 MW, if there will be no new investments or refurbishment of the existing oil-shale generation plants.
- The share of natural gas is not significant in primary energy balance 13% but rather high in heat supply 46%
- The power consumption is still growing





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Main obstacles on development of DH in Estonia

- Too much party policy
 - Instigation of conflict between heat producers and consumers to achieve success in elections
 - In public debate the price is disserted apart form sustainability
- No balanced state energy policy
 - Oftentimes changes in regulatory environment
- Creditability:
 - Companies are too small
 - Local governments have limited possibilities
 - State is not interested in giving guarantees



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Further trends on development of DH in Estonia

- Development of co-generation
- Use more renewable fuels

Development of DHC is the solution that helps us to fulfill the aim of EU – to reduce CO2 20% and increase usage of renewable fuels up to 20%

- International cooperation



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Thank you!

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