

Current and future activities of Lietuvos Dujos AB

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Brief company profile

Lietuvos Dujos AB owns 99% of Lithuania's natural gas transmission and distribution system. The company is in charge of a safe operation and development of the system. The core activities of the company cover natural gas imports and sale to customers, provision of natural gas transmission and distribution services, a well-balanced development of Lithuania's natural gas supply infrastructure. In all, Lietuvos Dujos AB operates 1.8 thousand km of natural gas transmission grid, and 7.5 thousand km of natural gas distribution grid. The company supplies natural gas to companies of Energy Sector, Industrial Sector, Agricultural Sector, Small Commercial Sector and to household customers. The company is also engaged in natural gas transmission on transit to the Kaliningrad Region of the Russian Federation. Lietuvos Dujos AB has more than 540 thousand customers, it employs over 1800 staff members. Lietuvos Dujos AB continues running the natural gas business which in Lithuania dates back to 1961. Following the privatization of the company, which was carried out in two stages, the results of the company started to improve rapidly: the restructuring of the company has taken place, the debts of the company have been settled, the know-how and the company management based on western standards have been adopted. The year 2002 saw the coming of the first strategic investor E.ON Ruhrgas AG, holding a 38.9-percent stock into the company, and the year 2004 saw the coming into Lietuvos Dujos AB of the other partner, the natural gas supplier Gazprom OAO, holding 37.1-percent stock. The privatization gave the company a long-term gas supply agreement, stability, modern-style management, also, the financial situation of the company has been stabilized, bright prospects for development and investments have opened up. It is already four years that AB Lietuvos Dujos has been working under the management of the world famous and highly reputable energy companies. The state of Lithuania holds a 17.7-percent stake of the company, whereas 6.3-percent of the shares of the company are held by small investors.

The priorities of the company include a consistent development of natural gas market, a methodical expansion of the natural gas infrastructure, stable and safe gas supplies to customers, strengthening of the customer and public relations, an efficient management of the company, a rational use of resources, securing that professional standards are met in all activities undertaken by the company and ensuring high quality of works carried out.

Natural gas business prospects and plans

As the demand for natural gas is on the increase, it is ever more important not just to make adequate forecasts of natural gas demand in the future, but also to give our attention and efforts to maximizing the efficiency with which this green fuel is used. It is especially important when we see the rapidly growing demand for natural gas in Europe and efforts of other countries to secure natural gas supplies based on long-term agreements. The price dynamics we have been seeing for some time past makes us reassess the impacts to natural gas consumption forecasts and to review our investment plans, too. On the

basis of the Customer Demand Analysis it may be presumed that in 2015 gas consumption in Lithuania will come close to 5 million cubic meters.

No less ambitious are the company's development plans: over the past 5 years Lietuvos Dujos AB has invested over LTL 550 million (EUR 160 million), and over the next 5 years our investments into the renovation, development and our system performance security enhancement is projected to approach LTL 1 billion (EUR 290 million). Out of the pending projects we may single out the construction of a new Gas Compressor Station which is needed for the further enhancement the capacities of gas transit to the Kaliningrad Region, which at the same time will upgrade the security of our gas supplies to our customers in Lithuania due to Lithuania's growing demand for natural gas. Also, it is planned that over years to come, each year, several thousand both households and industrial companies will become customers of Lietuvos Dujos AB; it is planned that the existing natural gas systems will be developed and modernized, quite a lot of towns and settlements are still waiting for their turn to get connected to the natural gas grid.

Business environment is still complicated

The mission assigned to Lietuvos Dujos AB by the National Energy Strategy is loaded with the greatest responsibility of all. The company is expected to secure continuous and reliable natural gas supplies not only in the short-term but also in the long-term. Therefore, the necessary preconditions for a successful performance of the company include not merely huge investments (we talk about millions) and competent staff but also a soundly based and stable legal regulation. The new Law on Natural Gas enacted in the beginning of 2007 distorted the principles of the EU Gas Directive. Instead of the implementation of the ideas of the market liberalization, the common EU internal market conditions and the so-called energy exchange among the member states, total regulation and isolation have been prescribed. An obvious contradiction can be easily seen: the current version of the Law on Natural Gas fails to secure the transparency, safety and reliability upgrading, the significant investments into the creation of alternatives and the benefits to customers that are being declared. On the contrary, the provisions of the Law are in conflict with the international Gas Sector practice, they stall the process of the gas system development of Lithuania and even the gas supplies security enhancement projects provided for by the National Energy Strategy.

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