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ESTONIANS TO SEEK COMPENSATION OVER ABORTED SALE OF LITHUANIAN POWER GRID

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Estonia's state-run energy company Eesti Energia has said it will seek compensation from Lithuania following the government's decision to cancel the public tender for the privatization of the power grid Rytu Skirstomieji Tinklai (RST), but added that it intends to continue working with Lithuania on an integrated Baltic energy system project.

"The decision of the Lithuanian government is unjustified and naturally we are disappointed. We can only conjecture why such a decision -- not to sell RST to Eesti Energia -- was made. But this is not going to affect our vision of the Baltic Alternative, of the necessity of Baltic cooperation in energy," said Sandor Liive, CFO of Eesti Energia.

He said Eesti Energia's aim was to establish a strong power company embracing the three Baltic states, which in the longer term must ensure the independence of the Estonian, Latvian and Lithuanian energy sectors from Russia and allow the export of electric energy to the northern markets.

According to the statement, Eesti Energia is ready to return to the RST privatization project as soon as the government decides to relaunch the sale of the power grid operator.

On the other hand, Liive said they would to seek compensation over the aborted public tender process. "We will consult our lawyers in order to form a legal opinion on presenting a compensation claim," he said.

The Lithuanian government announced on Wednesday that it had decided to cancel the public tender for the privatization of RST, the eastern part of Lithuania's national power grid.

Economy Minister Petras Cesna said the decision was taken because, in the government's opinion, Estonia was unprepared for a liberalized electricity market in the European Union.

He said another reason was that the government wanted to see how the country's electricity market would operate with one half of the national power grid being privately owned and the other being run by the state.

One more argument against selling RST, a profitable and stable company, to Eesti Energia is the Estonian company's

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debt burden of almost a billion litas, which limits its investment possibilities.

Meanwhile, Eligijus Masiulis, a Liberal Centrist MP, said that the key reason behind the government's decision to stop the privatization of one of Lithuania's biggest companies was that Germany's energy group E.ON Energie -- the investor favored by the authorities -- had opted not to participate in the bidding process.

Eesti Estonia, which is Estonia's largest company, was the sole remaining bidder for a majority interest in RST. According to information that has not been officially confirmed, Eesti Energija bid around 520 million litas (EUR 150.7 mln) for the 71.35 percent stake in the Lithuanian power distribution company, compared with the government-set minimum selling price of 421.579 million litas.

(EUR 1 = LTL 3.45)

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