

Amber Grid signed the GIPL gas pipeline works contract

On 23 December, Lithuanian natural gas transmission system operator Amber Grid entered into the contract with a consortium of companies consisting of UAB Alvora and Šiaulių dujotiekio statyba, which submitted the most economically advantageous tender in the public tendering procedure for the construction works of GIPL gas interconnection between Poland and Lithuania. The signed transaction with the value of EUR 79.85 million (exclusive of VAT) will allow works of this project, which is important for the region as a whole, to be started as soon as January.

“Due to competition created by Lithuanian and foreign companies participating in this public tendering procedure the implementation of the GIPL project will cost EUR 24 million less than planned initially. Instead of the investment amount of EUR 136 million project costs in terms of acquisition of pipes and contract works will drop to EUR 112 million. We are ready to start the works and accomplish them by the scheduled deadline, i.e. the end of 2021,” says Nemunas Biknius, the interim CEO of Amber Grid.

According to Mr. Biknius, the contract has all necessary safeguards envisaged, such as bank guarantees or financial sanctions in case of project delay. In addition, the contractor has all equipment and machinery required for the works here in Lithuania. LMR Drilling, an experienced Europe-wide known subcontractor, has been hired for the complex works of directional drilling. Elsis, a reliable company with a good reputation, will perform the control system works.

In order to ensure project quality and implementation according to the given timeframe, a clear and concrete schedule of weekly works has been already prepared. It particularly focuses on occupational safety, project management quality and technical maintenance.

After a couple of years, at the end of 2021, when the gas pipeline connecting Lithuania and the West is put into operation, Lithuania together with the Baltic States will become part of a huge European gas market. After the Balticconnector gas pipeline connecting Estonia and Finland starts operating as of 2020, the GIPL interconnection will enable the consumers in the Baltic States and Finland to buy and sell gas on a competitive basis for the best price, and even more efficiently use the capacity of the LNG terminal by transporting gas through the new North-South corridor.

This gas pipeline will establish Lithuania's freedom of energy choice to an even higher extent and reduce the dominating power of the Eastern supplier. After a new source is opened, a lower gas price prevailing in the West will also reflect in the Baltic market.

The public tendering procedure for GIPL contract works, which took more than one year, is one of the largest tendering procedures of recent times in the gas sector. It was challenging both in the preparation phase and in selecting the successful tenderer. In carrying out this procurement, considerable efforts have been made by Amber Grid to promote competition between contractors, including the foreign ones, to obtain the most economically advantageous tender to perform works so that they meet the quality standards and on a timely basis. Efforts to create preconditions for more competition and to attract as many tenderers as possible have been successful – 6 tenderers, including companies from Spain, Greece and Israel, participated in the public tendering procedure.

The most economically advantageous tender submitted was evaluated by the Commission for Coordination of Protection of Objects of Importance to Ensuring National Security for the contractor's compliance with national security interests.

The first contract of GIPL project for the manufacture and purchase of steel pipes required for gas pipeline connection was signed on the 25th of July. Amber Grid signed the contract with the value

of EUR 26.4 million (exclusive of VAT) with the Polish company Izostal which is the successful tenderer of the international public tendering procedure.

The contractor will begin the works in January from the starting point of the GIPL gas pipeline which is situated in Širvintos district, adjacent to Jauniūnai Compressor Station. In two years, 165 km long underground gas pipeline will be constructed from Širvintos to the Lithuanian-Polish border in Lazdijai district, also a border gas metering station will be equipped. In Poland, the pipeline will extend over a distance of more than 340 kilometres. At the beginning of September, Polish gas transmission system operator Gaz-System, which is the partner of the GIPL connection, launched the public tendering procedure for the contract works of part of the pipeline in the Polish territory. The company has also secured for itself pipe supply contracts.

The total value of the GIPL project is around EUR 500 million, investment on the Lithuanian side will amount up to EUR 112 million. More than 60 per cent of the project funding was allocated by the European Commission. Latvian and Estonian gas transmission system operators will also contribute to the funding of the project.

Construction of the GIPL gas pipeline is planned to be completed and the connection is expected to be operational at the end of 2021. The newly constructed gas pipeline connection will create capacity for transporting up to 27 terawatt-hours (TWh) of natural gas per year in the direction of the Baltic States, and up to 21 TWh per year in the direction of Poland, and the Baltic gas markets will become part of the single EU gas market.

Amber Grid implements the EU project of common interest “Gas interconnection Poland–Lithuania (GIPL)” along with Polish gas transmission system operator Gaz-System.



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