

The Estonian Issues Monitor 2024 map reconfirms the nations devoted movement towards energy transition and climate neutrality goals as well as the geopolitical issues arising from the war against Ukraine.

The Issues Monitor 2024 report reveals that the top Action Priorities for the Estonian energy leaders can be divided into two groups: (1) Geopolitical Issues consisting of **Risk to Peace, Supply Chains, Investment**, and (2) Regulatory Issues consisting of **Infrastructure, Trilemma Management**.

In the former Issues Monitor maps of 2021 and 2022, Geopolitics was the top critical uncertainty. This year, however, **Geopolitical issues** have shifted from top critical uncertainty to top action priority. **Risk to Peace** is considered by far as the most impactful action priority on the map. Due to the geographical location of Estonia sharing a border with Russia, there is no doubt that Estonia must act to avoid any type of risk to the energy security in specific and peace in general. To address energy security concerns, since 2007, the Baltic states have been working on desynchronizing the electricity grid from the BRELL area. In the same period, local traders in Estonia imported only a proportion of natural gas from Russia. Russian natural gas imports were restricted in a few months after the attack on Ukraine and thereafter the natural gas supply relied solely on liquified natural gas (LNG) sources. Also, the deadline for desynchronizing the electricity grid was brought forwards by a year.

Estonia has ambitious **climate goals**, and the Parliament has adopted a law that, by 2030, 100% of annual national electricity consumption must be generated locally from renewable energy sources. To achieve the goal, substantial investment is needed into **infrastructure**, including renewable energy sources. Moreover, the harsh weather conditions have put the distribution grids to the test and highlighted the need to invest in more weather-proof grid lines. Implementing measures to mitigate risk factors is key to securing the required **investments**.

Maintaining security of supply and energy security under high geopolitical risk is expensive. Finding the right balance between all the **Trilemma indicators** is an ever more important action priority to maintain the competitiveness of the economy.

The top Critical Uncertainties of 2024 are **Acceptability, Transmission Grids, Capital Cost, Energy Storage and Affordability**.

All these reflect the uncertainties surrounding Estonia's energy transition. Building new offshore or onshore wind parks or solar parks requires **Acceptability** from local communities. Estonia has adopted a compensation scheme regulation for local communities which has brought some clarity and relieved the tension but nevertheless leaves the developers open to litigation from local communities and to the risk of the entire project being halted for years.

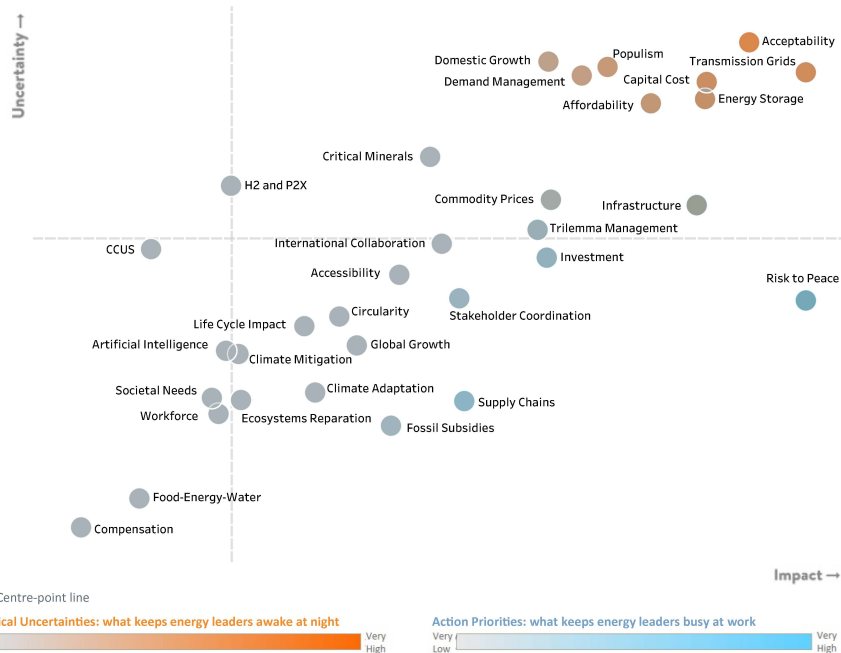
Large scale renewable electricity installations often need strengthened or new **Transmission Grids** which take a long time to plan and come with a high cost. Similarly, renewable energy developments are long-term financial allocations, and their economic feasibility depends on the **Capital Cost**. Given the competition

among states for new investments and Estonia's geographical challenges, it is evident why capital cost is a critical uncertainty. To achieve the national climate targets and to overcome the risks described, it could bring about national subsidy schemes which put **Affordability** at risk for many years to come. On the other hand, there has been an exponential growth of solar energy with the maximum solar capacity already occasionally exceeding the demand load resulting in zero or negative electricity prices in the region during sunny summer days. **Energy Storage** would be a gamechanger to balance the market and the price volatility but currently still a little too expensive for an extensive roll-out to take place.

In conclusion, the 2024 Estonia Energy Issues Monitor map reflects the current trends and movements of the energy sector. Energy transition and geopolitics are the key words and directly lead way for the action priorities and critical uncertainties.

WORLD ENERGY ISSUES MONITOR | 2024

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Acknowledgements
Estonia Member Committee
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