conexus
BALTIC GRID

Natural gas transmission system operator's

ANNUAL ASSESSMENT REPORT FOR 2025

Riga, 2026

CONTENTS

ABBREVIATIONS

RES	Renewable energy resources
AST	Joint-Stock Company "Augstsprieguma tīkls"
BIP	Biomethane injection point
CEF	Connecting Europe Facility
CINEA	European Climate, Infrastructure and Environment Executive Agency
Conexus or the Company	Joint-Stock Company "Conexus Baltic Grid"
CO_2	Carbon dioxide
ENTSO-E	European Network of Transmission System Operators for Electricity
ENTSOG	European Network of Transmission System Operators for Gas
GIPL	The interconnection between Poland and Lithuania
Inčukalns UGS	Inčukalns underground gas storage
PCI	Project of Common Interest
Cabinet Regulation No 312	Cabinet Regulation No 312 of 19 April 2011 "Procedures for the Supply of Energy Users and Sale of Heating Fuel During a Declared Energy Crisis and in the Event of a Threat to the State".
Cabinet Regulation No 503	Cabinet Regulation No 503 of 9 August 2022 "Regulations Regarding Supply of Energy Users When the Early Warning and Alert Levels are Declared".
NC CAM	Network Code for the Capacity Allocation Mechanism
NECP	National Energy and Climate Plan
NOx	Nitrogen oxides
OBA	Operational balancing account
TSO	Transmission system operator
LNG	Liquefied natural gas
GHG	Greenhouse effect gases
PUC	The Public Utilities Commission
TYNDP	Ten-Year Network Development Plan

GENERAL INFORMATION

Pursuant to Article 43[1] (2) of the Energy Law, a natural gas transmission system operator shall prepare an annual assessment report on the supply and consumption adequacy and State natural gas security of supply (hereinafter referred to as – the "Assessment Report"). The Assessment Report for the year of 2025 has been prepared in accordance with the requirements of the Cabinet Regulation No 482 of 20 June 2006 "Regulations Regarding the Annual Assessment Report of a Natural Gas Transmission System Operator". In accordance with Paragraph 5 of the Regulation, the transmission system operator shall prepare and submit the Annual Assessment report to the Ministry of the Economics and the PUC by 1 June each year.

JSC (AS) “Conexus Baltic Grid” (hereinafter referred to as – Conexus) is an independent unified operator of a natural gas transmission and storage system in Latvia, managing one of the most advanced natural gas storage facilities in Europe - Inčukalns UGS and the main natural gas transmission system connecting the Latvian natural gas market with Lithuania and Estonia.

Conexus’ customers – users of the natural gas transmission and storage system – represent several countries in the Baltic Sea region – Finland, Estonia, Latvia, Lithuania, Germany and Poland, as well as other European countries – Norway, Denmark, Switzerland and Ukraine. Users range from private domestic companies to state-owned and multinational companies representing different business sectors – natural gas wholesale and retail, energy production, heat supply and manufacturing.

Conexus is committed to infrastructure sustainability and safety, security of natural gas supply and high quality of service, which contribute to market development and provide economic value to customers and society as a whole. Conexus' natural gas transmission and storage services are regulated by the PUC.

Conexus is a socially responsible company that, by adding economic value, ensures the overall development of the industry, the growth of its employees, sustainable employment, while at the same time ensuring that its technological processes have a minimum impact on the environment.

Conexus' values, mission and vision set the moral compass for the Company's strategic objectives, which will be achieved through strategic initiatives.

WHY DO WE EXIST?

Mission

To ensure reliable gas transmission and storage, contributing to the decarbonization of the energy sector and market development.

WHO DO WE WANT TO BE?

Vision

Sustainable gas transmission and storage system operator in a regionally integrated energy market.

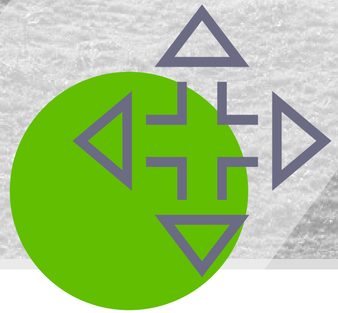
WHAT IS IMPORTANT TO US?

Values

Safety and security

It is important for us that gas transmission and storage are safe and reliable.

Competence

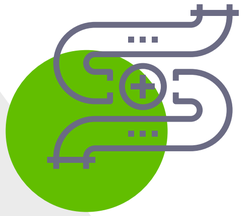


We value the competence, knowledge, professional experience and development of our employees.

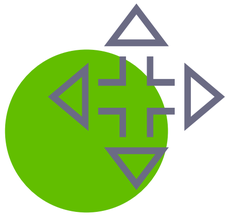
Collaboration

We support each other in our decision-making, we listen and we look for common solutions internally and with our customers, existing and potential partners.

Conexus has identified three strategic objectives for the strategic planning period:

MARKET DEVELOPMENT 	**Promote the development and further integration of the gas market, including hydrogen and other gaseous energy carriers**	• **Facilitate regional market integration** • **Promote cooperation with other regional transmission system operators (TSOs)** in developing a common position for the integration of biogas and hydrogen into transmission networks, **supporting the injection of biomethane into the transmission system** • **Further development of Inčukalns UGS services,** providing greater flexibility, including the possibility of compression withdrawal
SECURITY OF THE INFRASTRUCTURE AND SUPPLY 	**Ensure accessible and reliable transmission and storage infrastructure, while exploring and promoting adaptation options for the introduction of other gaseous energy carriers**	• **Introduce projects of common interest** • **Undertake research and development projects** to identify the technical feasibility and investment required to adapt existing infrastructure to the use of natural gas/hydrogen mixtures or pure hydrogen, including the construction of infrastructure dedicated to hydrogen • Asset management fit for the challenges of the future
SUSTAINABILITY 	**Focus on climate and environmental sustainability**	With a focus on sustainability, Conexus will focus on environmental aspects: • **E** – regional market integration promoting the development of renewable gases, secure transmission and storage infrastructure, focusing on reducing NOx and GHG emissions • **S** – safety-oriented culture, professional and development-oriented team • **G** – compliance with the Latvian Corporate Governance Code

The strategic objectives are set in line with Conexus' values, vision and mission. In addition to the strategic objectives, Conexus has set horizontal objectives that are closely linked to all planned medium-term activities. The horizontal objectives complement and contribute to the strategic objectives.

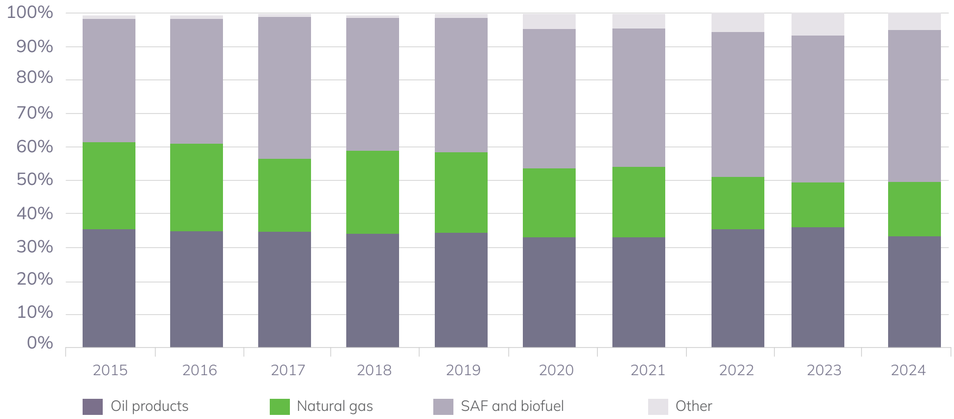
	**Focus on organisational development and efficiency**	Conexus will facilitate an access to finance and increase operational efficiency.
	**Digitalisation and cybersecurity**	Conexus will continue digitalissation projects focusing on operational technologies, physical security, fire safety and cybersecurity.
	**Professional and development-oriented team**	Conexus value is a professional team; therefore, the Company will implement a programme enabling employees to develop their skills through individual development plans. The acquisition of new competences to adapt to renewable gas technologies will be promoted, as well as the transfer of knowledge and skills from long-standing employees to new employees. To foster the professional development of the team, Conexus will establish a competitive and flexible remuneration system.

1. KEY INDICATORS IN 2025

2. NATURAL GAS DEMAND IN LATVIA IN 2025

The role of natural gas in Latvia's energy mix, although still significant, is gradually declining, mainly due to its substitution by renewable energy sources. Most of the demand is from natural gas users who consume natural gas to generate electricity or heat, so natural gas consumption is closely linked to air temperature fluctuations, natural gas prices on the market, and the competitiveness of natural gas-generated electricity on the Baltic and Nordic electricity markets.

Figure 2.1 **Primary energy consumption in Latvia[1] (%), 2015 -2024**



[1]European Commission statistics. Available at: https://energy.ec.europa.eu/data-and-analysis/eu-energy-statistical-pocketbook-and-country-datasheets_en#country-datasheets

In 2025, the amount of natural gas transmitted for the needs of Latvian users was 8.7 TWh, approximately 1 % less compared to 2024. The slight drop in consumption was caused by relatively warmer weather conditions towards the end of the year, with December 2025 becoming the fifth warmest December on record. The average temperature was +2.1°C, or 3.2°C above normal. Overall, the average air temperature in Latvia in 2025 was 1.2°C above the climatic reference value, making it the 13th consecutive year warmer than the climatic reference value and took the fourth position among the warmest years on record (since 1924).[2] At the same time, electricity generation from natural gas decreased by 2 % compared to 2024, but generation from sources like hydroelectric power stations (-8 % compared to 2024) and wind power station (-27 %) also decreased. The growing trend of the amount of energy generated by solar power plants noticed in the previous years continues with 70 % increase compared to the previous year to 678 GWh. Thus, the amount of electricity generated by solar power plants maintained the previous year's position, ranking third behind hydroelectric and natural gas stations, producing 11.7 % of total electricity generation, representing increase of 5 percentage points compared to 2024[3].

Figure 2.2 **Monthly volumes of natural gas delivered to the natural gas distribution system operator in Latvia, TWh**

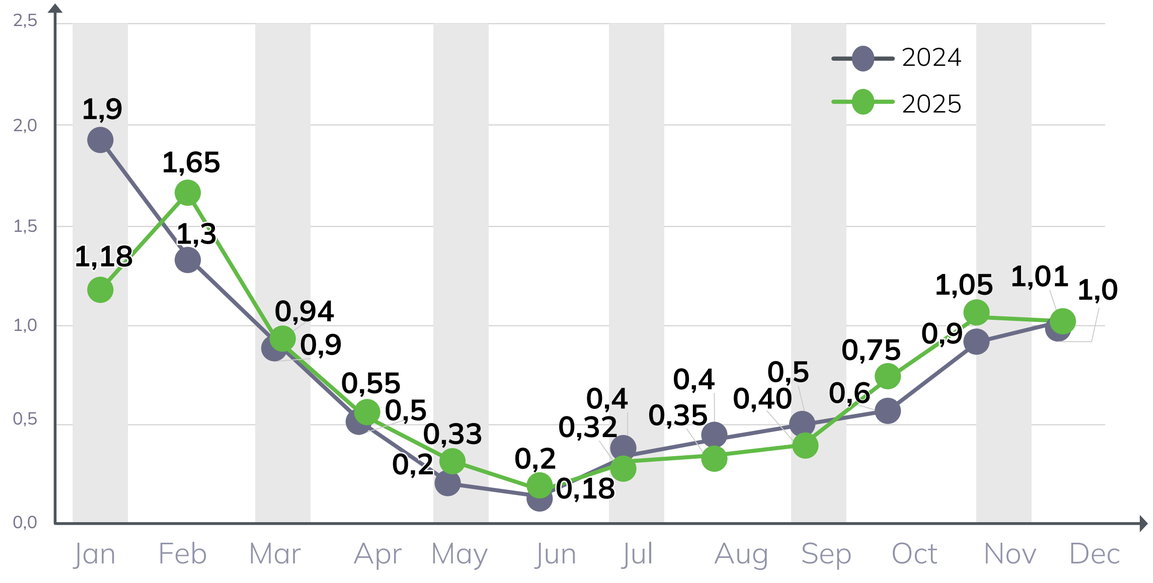
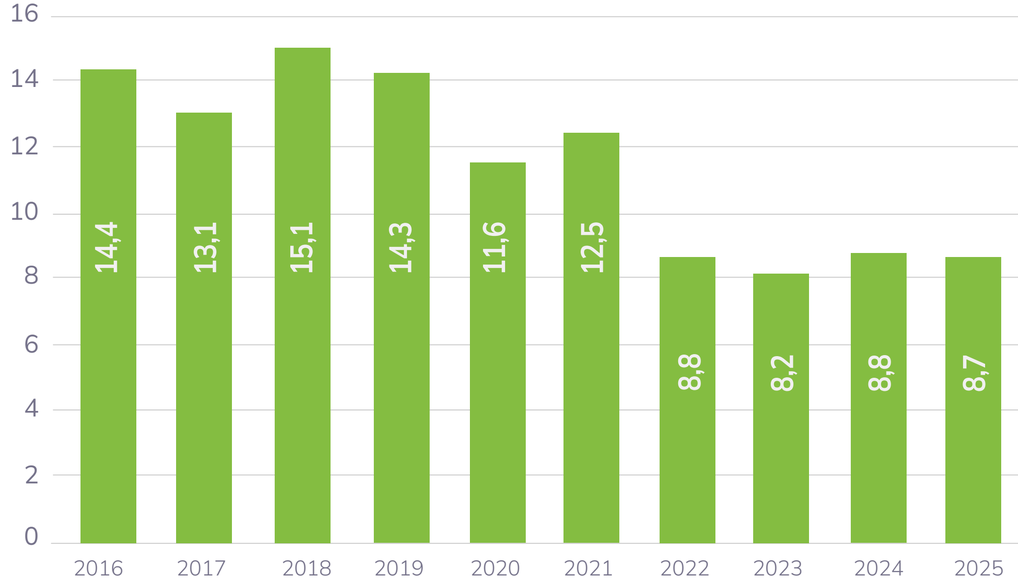
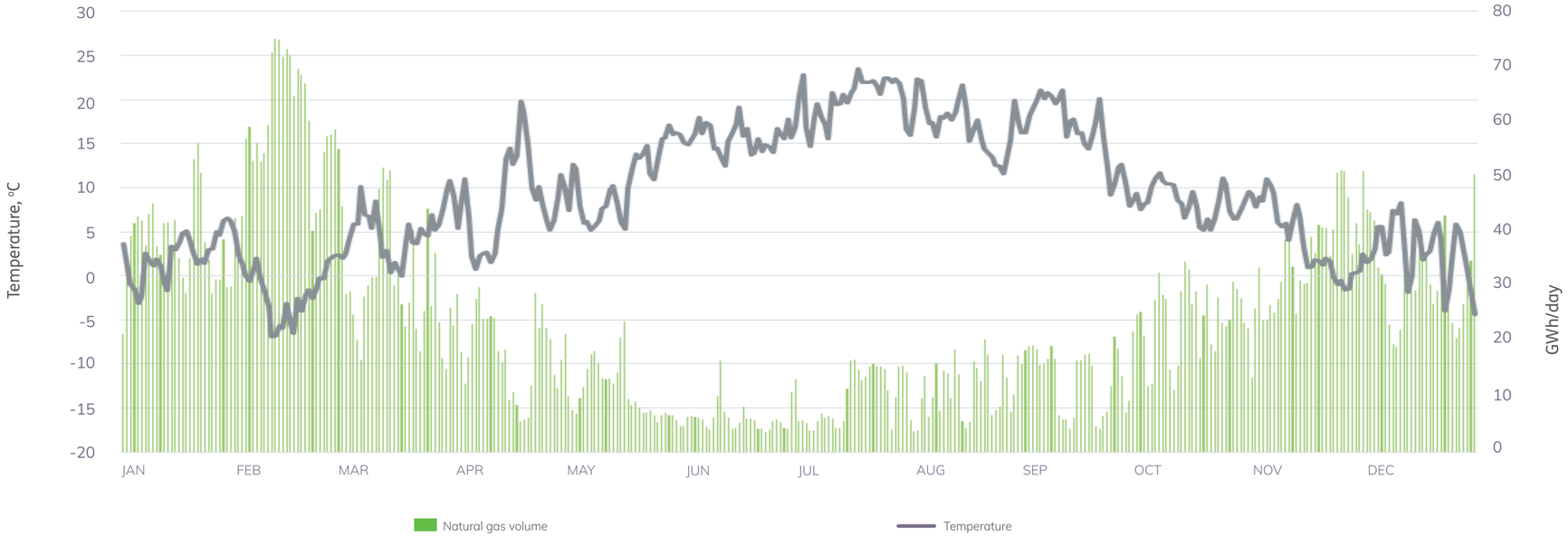


Figure 2.3 **Volume of natural gas delivered to the natural gas distribution system operator in Latvia, TWh**



[2]Data from the Latvian Environment, Geology and Meteorology Centre. Available at: https://klimats.meteo.lv/operativais_klimats/laikapstaklu_apskati/2025/gads/
[3]AST data. Available at: https://ast.lv/lv/electricity-market-review?year=2025&month=13

Figure 2.4 **Natural gas delivered per day (GWh) and average daily temperature in Riga (°C) into the Latvian natural gas distribution system[4], 2025**



According to the Company's assessment, Latvia's natural gas daily consumption can reach around 100 GWh on a winter day. In the winter of 2025, the maximum daily consumption of natural gas in Latvia was 74.98 GWh, an increase of 10.38 GWh/day compared to 2024, which can be explained by lowe air temperatures in the respective period. The lowest average daily air temperature in Riga was recorded on 10 February, when it dropped below -6 °C. The minimum daily consumption of natural gas was on 23 June 2025 - 3.56 GWh/day, representing the increase of 0.03 GWh compared to the previous year.

Maximum and minimum daily consumption of natural gas in 2025

DATE	Consumption (GWh)	Air temperature (°C)
11 February	**74.98**	**-6.81**
10 February	72.59	-6.86
23 June	**3.56**	**14.9**
22 June	4.27	14.1

[4]Data from the Latvian Environment, Geology and Meteorology Centre. Available at: https://videscentrs.lvgmc.lv/noverojumu-arhivs/meteo/30096/any/4001/2025-01-01/2025-12-31

3. LATVIA'S 10-YEAR NATURAL GAS CONSUMPTION FORECAST

In January 2025, ENTSOG and ENTSO-E published a joint gas and electricity scenario report - the TYNDP 2024 Scenario Report[5], which described possible future energy scenarios for the European Union up to 2050. All scenarios are made with a climate-neutral future in mind and are designed to reduce GHG emissions, to reflect the interactions between gas and electricity systems and to provide an assessment of infrastructure from an integrated system perspective.

National Trends[6] is the central scenario of the report, which reflects the National Energy and Climate Plans of the Member States of the European Union. The plans have been submitted to the European Commission in accordance with the Regulation of the European Parliament and of the Council on governance in the field of energy union and climate action[7].

NECP 2030 is the key document for formulating long-term energy and climate policy, with the vision of a sustainable, competitive, and secure climate-neutral economy. Latvia's NECP 2030[8] was approved in 2024 and includes various policy measures to move Latvia towards climate neutrality. Although natural gas is still expected to play a significant role in the primary energy mix in the future, renewable energy resources will continue to increase their share in Latvia's total energy consumption mix. Latvia's NECP envisages that Latvia's natural gas consumption could reach around 9 TWh in 2025 and around 6.5 TWh in 2030. At the same time, Latvia's Energy Strategy 2050 was published in 2025, which sets out various development scenarios that Latvia could face by 2050, including both optimistic and pessimistic ones. In the area of primary energy sources, gradual replacement of fossil fuels, including natural gas, with indigenous, renewable energy sources. Depending on the scenario, the document foresees natural gas consumption in Latvia in 2035 of 6-7.1 TWh.[9] In the Company's view, the medium-term forecast of the NECP and the Energy Strategy is overly pessimistic regarding natural gas consumption, the Company expecting a more gradual decrease in natural gas demand.

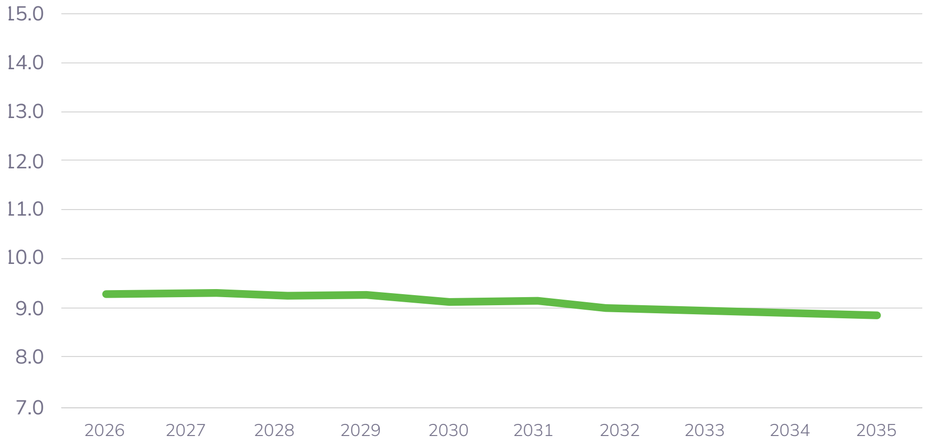
The price of natural gas remains the most important factor in determining the competitiveness of gas as an energy source. In the first half of 2025, the gas price was at a competitive level, ranging between 30-35 EUR/MWh. Whereas, in the fourth quarter of 2025, the price of natural gas fell below the 30 EUR/MWh mark, securing its role as a competitive and reliable energy source. While the price level has a significant impact on gas consumption, which the Company believes could approach the 10 TWh mark in 2026, climatic conditions, especially in winter, play an equally important role. In the long term, natural gas consumption will maintain a steady, but gentle downward trend, mainly due to lower demand for natural gas from cogeneration plants and the national economy's shift towards renewable energy sources.

[5]ENTSOs website. Available at: https://2024.entsos-tyndp-scenarios.eu/
[6]from English - National Trends
[7]European Union website. Available at: : https://eur-lex.europa.eu/legal-content/LV/TXT/?uri=CELEX:32018R1999
[8]Ministry of Climate and Energy website. Available at: https://www.kem.gov.lv/lv/nacionalais-energetikas-un-klimata-plans-2021-2030-gadam
[9]Ministry of Climate and Energy website. Available at: https://www.kem.gov.lv/sites/kem/files/media_file/LV_Ener%C4%A3%C4%93tikas_strat%C4%93%C4%A3ija_05.2025.pdf

In the household segment, natural gas consumption is expected to be on a par with 2025 in the coming years (without returning to historical levels), while gradually declining in the longer term. This consideration can be explained by the households' energy efficiency measures and switching or diversification of heating equipment under the circumstances of high natural gas prices, as observed occasionally. The price of energy will be one of the main factors in households' choice between energy sources.

Conexus expects natural gas demand to remain comparatively stable over a 10-year perspective and for natural gas to play an important role in balancing renewable electricity generation. Although natural gas demand is expected to fall in the long term, the share of renewable gases such as biomethane in total structure of gas consumption will increase significantly. In the long term, natural gas will continue to play its role in providing the large amounts of energy capacity needed for stable electricity generation. Although heat generation from renewable energy sources is on the rise, natural gas will continue to play an important role as an alternative source of thermal energy in the long term, thus being able to compensate for sharp increases in demand in thermal energy.

Figure 3.1 **Gas consumption forecast for Latvia, TWh**

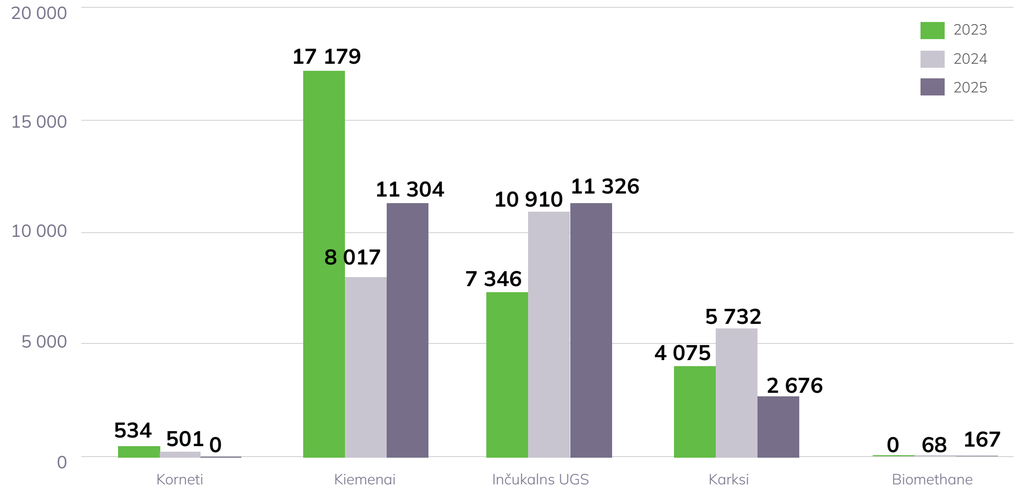


4. NATURAL GAS FLOWS IN 2025

4.1. Transmission system flow data

The total volume of natural gas transmitted in 2025 was 25.47 TWh, representing 1 % above the volume transmitted last year. During the year, natural gas supplies were provided for the needs of Latvia, Lithuania, Estonia, as well as Finland. Total gas consumption in Latvia decreased slightly (by 1.14 %) from 8.8 TWh to 8.7 TWh, concluding that consumption remained essentially at the same level as in the previous year.

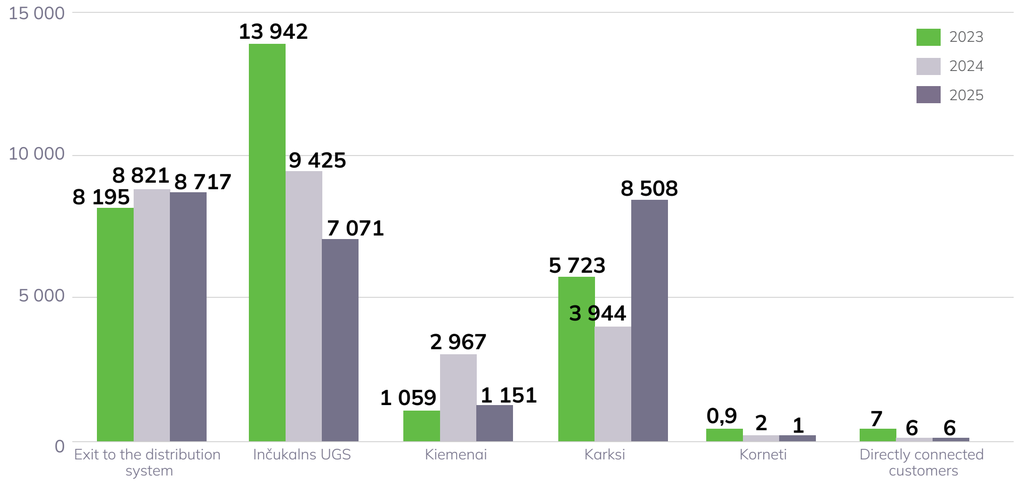
4.1 **Natural gas received into the transmission system in 2023, 2024, and 2025, GWh**



2025 was the first full year of year-round injection of locally produced biomethane into the gas system and the first year of injection of biomethane via BIP into the transmission system. 0.06 TWh were injected via BIP, but biomethane injected through BIP is expected to increase in the coming years with more and more producers seeing new development opportunities that do not require a direct connection to the gas system. The share of biomethane produced in Latvia injected into the transmission system is 0.236 % of the total volume of gas transmitted. The volume of biomethane injected into the distribution system in 2025 accounts for 0.161 TWh. The share of biomethane injected into the distribution system accounts for 1.85 % of total gas consumption. The total volume of biomethane injected into the transmission and distribution systems in 2025 was 0.167 TWh, compared to only 0.07 TWh injected in 2024.

In the natural gas flow dynamics, the largest natural gas supplies in Latvia were still received from Lithuania in 2025, but, compared to the previous year, volume of natural gas received from Lithuania has increased by 41 %, while the volume of supplies of 2023 from Lithuania has not been reached. The volume of gas transiting through Estonia from the Inkoo terminal accounts for 2.7 TWh, representing 52.6 % below the indicator of 2024. The decrease in flows could be related to the prolonged dry-docking operations at the Inkoo terminal from 14 August to 28 September. There were no supplies of natural gas from the Russian Federation during the reporting period

4.2 **Natural gas delivered into the transmission system in 2023, 2024, and 2025, GWh**



according to the Energy Law, which prohibits the supply of natural gas to Latvia from the Russian Federation, allowing only the transit of natural gas in accordance with the procedures for ensuring the prohibition on the supply of natural gas from the Russian Federation. No natural gas was transited from the Luhamaa point during the reporting period.

During the reporting period of 2025, 7.07 TWh of natural gas were injected and 11.33 TWh were withdrawn at Inčukalns UGS. In contrast to the previous year, Inčukalns UGS had stock accounting for 14.45 TWh at the end of the 2025 injection season, representing 26.5 % below the volume at the end of the 2024 injection season.

4.3 **Gas transmitted and gas supplied by DSO**

Year	Month	Volume of gas transmitted	Volume of gas delivered to DSO
		kWh	kWh
2025	JAN	2,907,978,695	1,177,528,392
	FEB	3,418,171,581	1,650,941,467
	MAR	2,250,167,372	944,843,815
	APR	1,717,011,819	551,741,727
	MAY	1,794,305,594	331,778,406
	JUN	1,820,198,496	183,927,106
	JUL	1,435,315,025	318,171,573
	AUG	1,901,552,174	351,492,617
	SEP	2,076,400,268	400,264,469
	OCT	1,891,547,753	749,503,751
	NOV	2,385,984,678	1,045,265,126
	DEC	1,874,976,726	1,011,406,467

Consumption of natural gas for Latvian users has decreased by 1.11 % compared to 2024. Several factors contributed to the chang in consumption: climatic conditions at the beginning of the year with higher air temperatures outside, which decreased gas consumption for heating, as well as increase in electricity generation.

4.2. Balancing operations

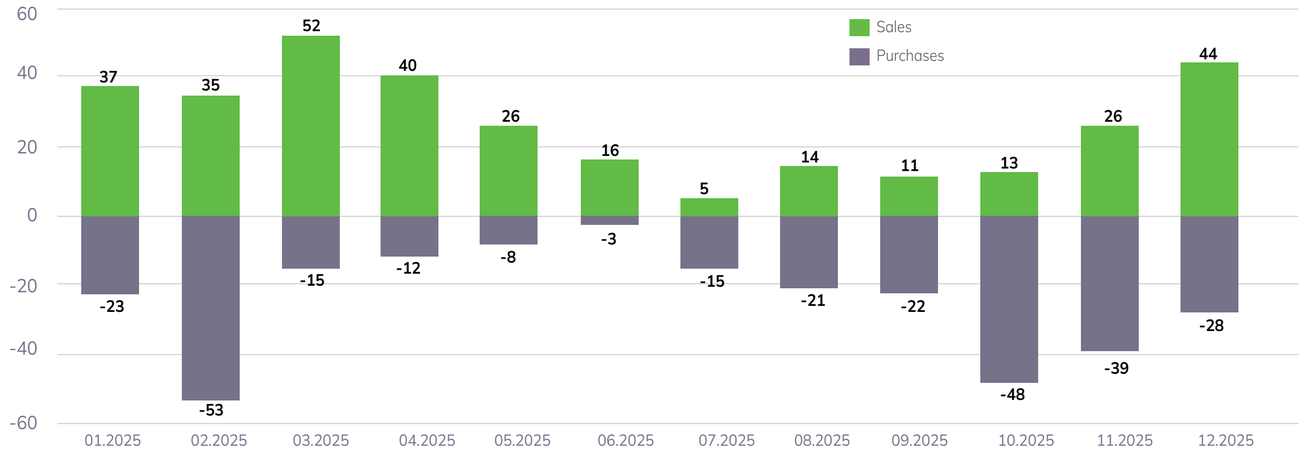
Within the framework of provision of the Single Market Area operation, the Company performs daily calculation of users' imbalance and coordination of balancing actions in the Estonia-Latvia Single Balancing Area, including, where necessary, clearing accumulated system imbalance through balancing operations.

For the purposes of execution of balancing actions in 2025, the Company concluded two balancing service contracts with system users, as well as the natural gas trading platforms - GET Baltic and, as at 09.09.2025, with EEX/ECC. In cooperation with Elering and according to the PUC approval, a decision was taken to extend both balancing service contracts for another year.

Balancing actions were primarily carried out on the GET Baltic trading platform and, at the end of the year - on EEX/ECC (amounting to nearly 98 % of all the transactions in 2025), however, in cases where the trading platform does not have sufficient liquidity or because of the economic advantage of the proposal prices, the balancing service contracts previously concluded with the system users are also used.

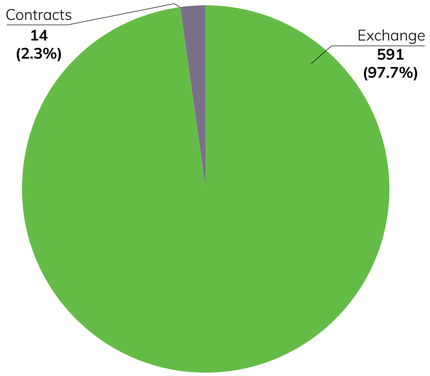
Offers of balancing services received under balancing service contracts are accumulated daily in the Company's common balancing services register and ranked by system entry-exit points and sorted by directions according to the order of economic benefit.

4.4 **Balancing actions in the Estonia-Latvia Single Balancing Area in 2025, count**



In 2025, while performing duties of the settlement and balancing coordinator for the Estonia-Latvia Single Balancing Area, Conexus carried out a total of 606 balancing actions, injecting the missing natural gas into the balancing area if the amount of imbalance created by users was negative, or discharging excess natural gas from the balancing area if the amount of imbalance created by users was positive. 319 balancing actions were carried out to clear positive imbalances and 287 balancing actions – to clear negative imbalances within the framework of the year. The total number of balancing actions performed during the year is higher than in the previous year - 239 and 170, respectively, and increase in the number of the system users' positive imbalance clearing actions, as well as increase during the negative imbalance clearing actions.

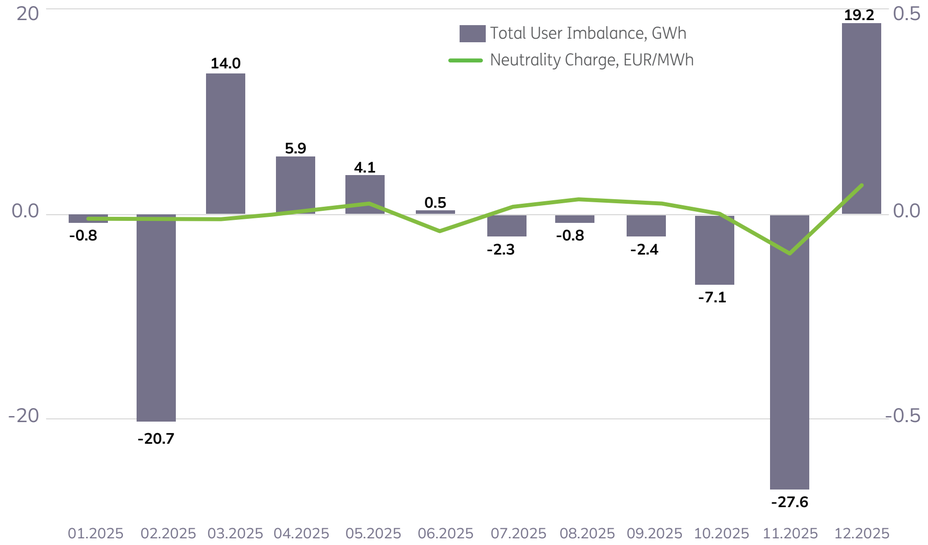
Figure 4.5 **Distribution of the number of balancing actions in 2025, %**



During the reporting period, 98 % of all balancing transactions were executed on the trading platform, whereas the offers submitted by transmission system balancing service providers were used in 2 % of cases. Compared to the previous year, the share of balancing transactions executed on the trading platform has decreased in 2025.

The total amount of absolute imbalance generated by all system users in the Estonia-Latvia Single Balancing Area in 2025 was 303.7 GWh. Balancing actions were carried out to clear the positive imbalance created by system users, amounting to 125.5 GWh, including 112.5 GWh on the trading platform and 4.1 GWh under balancing service contracts.

Figure 4.6 **System users' aggregate imbalance (GWh) and neutrality charge in 2025, EUR/MWh**



Whereas, balancing actions were carried out to clear the negative imbalance created by system users, amounting to 145.2 GWh, of which 135.9 GWh on the trading platform, and 9.2 GWh through the concluded balancing service contracts. Compared to the previous reporting period, the amount of absolute imbalance created by system users has increased by ~15.3 %.

The neutrality charge applied in 2025, ranged from minus 0.11 EUR/MWh (November 2025) to plus 0.09 EUR/MWh (December 2025). In billing periods when the neutrality charge was negative, transmission system operators paid it to transmission system users, while in billing periods when the neutrality charge was positive, transmission system operators collected it from transmission system users. The average neutrality charge in 2025 was 0.01 EUR/MWh per month. In the fourth quarter of 2025, the Company's administrative cost component for 2026 was calculated and approved, as well as information was received on Elering's administrative cost component for 2026, which is taken into account as a TSO expenses in the calculation of the neutrality charge.

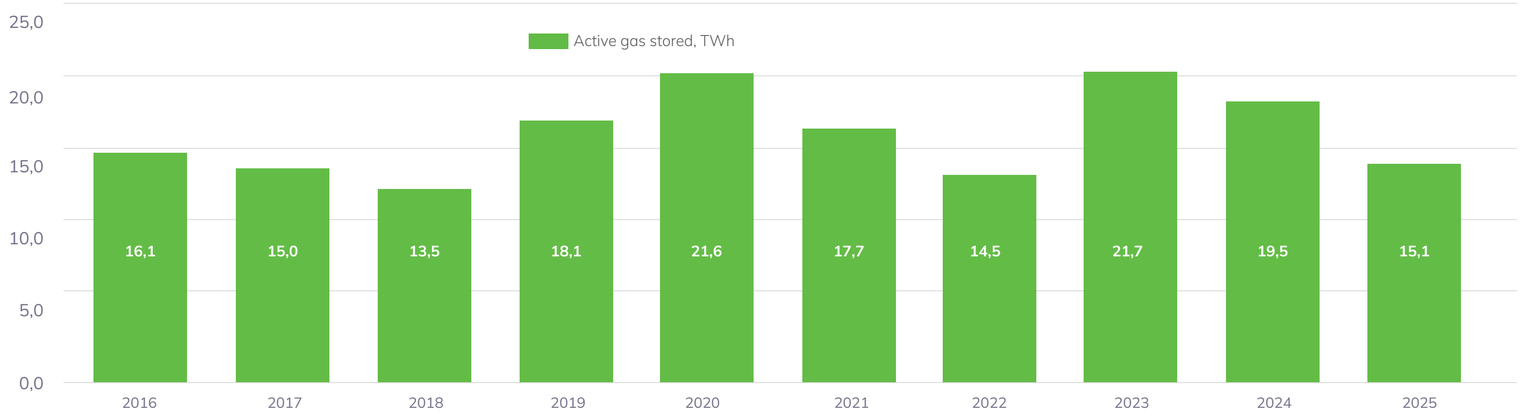
4.7 Neutrality charge in 2025, EUR/MWh

Month	Applicable neutrality charge, EUR/MWh
January	0.00
February	-0.01
March	-0.01
April	0.01
May	0.04
June	-0.04
July	0.02
August	0.05
September	0.04
October	0.01
November	-0.11
December	0.09
On average	**€ 0.01**

4.3. Storage system flow data

Physical natural gas withdrawal within the 2024/2025 storage cycle ended in April 2025, and the balance of active natural gas at Inčukalns UGS before the beginning of the injection season on 1 May 2025 was 8.4 TWh. Maximum amount of active natural gas in storage after the end of natural gas injection in 2025 was 15.07 TWh – on 16 November, accounting for 60 % of the maximum active natural gas storage volume. Over the past three years, Latvia's average consumption of natural gas during the winter season (October-April) has been 6.6-7.2 TWh, and the total volume of natural gas injected into the storage is significantly higher than consumption of Latvia during the heating season.

Figure 4.8 **Amount of active natural gas at Inčukalns UGS after the end of the natural gas injection season, TWh**



In 2025, 10.814 GWh of natural gas were injected and 15.218 GWh were withdrawn at Inčukalns UGS. Stock at Inčukalns UGS accounted for 15.07 TWh at the end of the 2025 injection season, representing ~5 TWh below the volume at the end of the 2024 injection season.

Volume of the daily withdrawal of natural gas from Inčukalns underground gas storage with the maximum nationwide gas consumption was fixed on 25.11.2025 and accounted for 162.63 GWh/d, of which 51.13 GWh/d – for consumption in Latvia and 111.5 GWh/d – for use in other countries.

Figure 4.9 **Injection and withdrawal volume (GWh/day) and active natural gas volume (TWh) at Inčukalns UGS in 2024 and 2025**

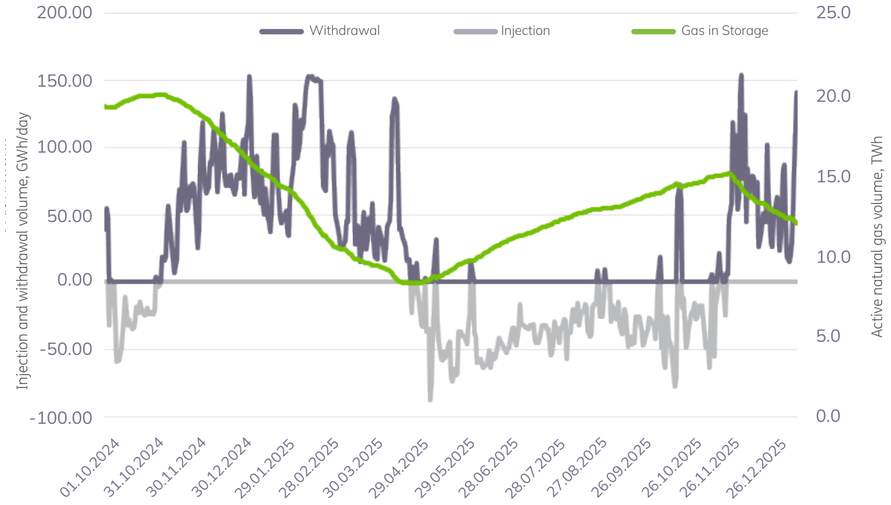
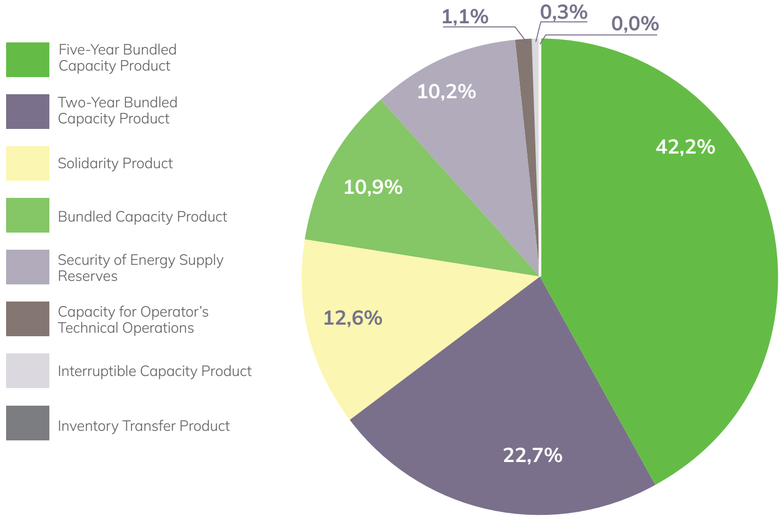


Figure 4.10 **Reserved storage capacity products (% of total reserved volume) in the cycle of 2025/2026**



For the 2025/2026 storage cycle, the technical storage capacity was set at 24.87 TWh, of which 71 % was reserved. The storage capacity was reserved by users from the Baltic States, Finland, Poland, Germany, Switzerland, Denmark, Ukraine and Norway.

Technical capacity of the storage facility for the 2026/2027 storage cycle is set at 24.4 TWh. In determining the technical capacity of the storage facility for the storage cycle, account is taken of the amount of energy security stocks that must be maintained by Inčukalns UGS in accordance with the Energy Law.

The gas supply situation in the Baltic Sea region has changed significantly in recent years, with several infrastructure projects coming on stream. The existing market conditions create competition between Inčukalns UGS and LNG terminals, therefore, in case of a winter/summer price difference unfavourable for the storage, user interest in storage services may decrease.

In 2025, rules for the use of the solidarity share of Inčukalns UGS, including the fee for natural gas storage, were improved to make them more comprehensible with regard to the purpose of the use of the solidarity share storage service (solidarity product). The solidarity share of Inčukalns UGS, set at the amount not exceeding 4 TWh, is earmarked for the security of natural gas supply needs of the countries in the region, such as the supply of protected users. Use of the Solidarity Product requires a certificate from the Ministry of Climate and Energy. Amount of the fee thereof is fixed by law until 30 April 2030 and the volume of capacity must be reserved by 1 December every year.

Whereas, from 1 May 2026, the market share of Inčukalns UGS will no longer be subject to the storage service tariff set by the PUC, with the fee being determined within the framework of storage capacity auctions. The PUC will continue supervising provision of the storage service by approving Inčukalns UGS terms of use.

5. SUPPLY AND CONSUMPTION CONFORMITY ASSESSMENT

The conformity assessment has been developed based on assumptions about the upcoming summer-winter season and according to the current conditions presented in the description of the scenarios. The assessment is not a forecast of the expected gas supply and consumption situation. Actual use of the gas infrastructure, including the volume of active natural gas at Inčukalns UGS, will be determined by the decisions of market participants, which will be influenced by external factors such as the winter/summer price difference, progress of infrastructure projects, as well as political decisions.

Characterisation of scenario of 2026/2027 in the Baltic-Finland region:

from January 2023, gas supplies to all countries in the Baltic-Finland region from the Russian Federation have ceased, and the following conditions apply:

- the price of natural gas has fallen to a competitive level and stabilised;
- no input flows are provided for at the Luhamaa point towards the Estonia-Latvia Single Balancing Area;
- The Hamina LNG terminal is available throughout the year and operates at 10 % capacity;
- The Inkoo LNG terminal is available throughout the year and operates at 22 % capacity. During the winter period, deliveries lower than one load per month are provided for to cover peak consumption;
- Latvia and Lithuania mainly receive gas from Klaipeda LNG terminal and Inčukalns UGS, Estonia and Finland mainly receive gas from Inkoo LNG terminal and Inčukalns UGS;
- The total possible volumes of gas regasification of the Klaipeda LNG terminal, the Inkoo LNG terminal and the Hamina LNG terminal, combined with the possible volume of gas to be stored in Inčukalns UGS, significantly exceeds the projected gas consumption in the Finnish-Baltic region;
- after the gas withdrawal season, the minimum expected active gas balance of the Inčukalns UGS is at least 4.3 TWh, which includes the Baltic gas safety reserve for emergency situations and declared energy crisis.

Net gas volume supply (~4.4 TWh) from the Baltic-Finland region to Poland is ongoing as a result of mastering of the new traders' regions of operation and supply routes.

5.1 **Potential balance and gas adequacy assessment of entry-exit points in the Finnish-Baltic region**

Output points (Projected annual consumption), TWh/g		**Year**									
		2026	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**
Including	Latvia	9.3	9.3	9.2	9.2	9.1	9.1	9	9	9	8.9
	Remaining region (LT, EE, FIN)	35.4	35.3	35.2	35	34.9	34.7	34.7	34.7	34.7	34.7
TOTAL:		**44.7**	**44.6**	**44.4**	**44.2**	**44**	**43.8**	**43.7**	**43.7**	**43.7**	**43.6**
Entry points (Annual technical capacity), TWh/year											
Including	Inkoo LNG terminal	≤40									
	Hamina LNG terminal	≤2.2									
	Klaipeda LNG terminal	≤39									
	GIPL	≤ 22.5									
TOTAL:		**≤103.7**									

The table summarises the region's projected gas consumption volumes and potential supplies for the Baltic-Finland region over the next ten years. After a sharp decline in natural gas consumption in 2022, natural gas consumption has not approached to its historical level. Gas consumption is expected to decrease in the long term, but natural gas will continue to play an important role in stabilising renewable electricity generation, as well as the share of renewable gases in total gas consumption will increase. At the projected gas supply and consumption levels, the region's gas supply adequacy is assured both in the short and long term.

Regulation (EU) 2022/1032 of the European Parliament and of the Council of 29 June 2022 amending Regulations (EU) 2017/1938 and (EC) 715/2009 with regard to gas storage, which aims to address the major risks to the security of natural gas supply and the Union economy posed by radical changes in the geopolitical situation, entered into force in 2022. In particular, the proposal aims to ensure that storage capacities that are essential to guarantee security of supply do not remain unused in the European Union, thus ensuring the possibility of sharing storage facilities across the EU. Commission Implementing Regulation (EU) 2024/2995 of 29 November 2024 setting the filling trajectory with intermediary targets for 2025 for each Member State with underground gas storage facilities on its territory and directly interconnected to its market area (hereinafter referred to as – Regulation 2995/2024) requires Latvia and neighbouring countries to store in Inčukalns UGS a volume of natural gas representing a certain share of the 5-year historical average natural gas consumption.

According to calculations, Inčukalns UGS can be filled to its maximum capacity in 2026, while maintaining the countries' strategic reserves. The projected filling rate by 1 November, which is the regulatory maximum capacity time, significantly exceeds the capacity requirements of Regulation 2024/2995 set for the Baltic States.

N-1 calculation

Functioning of the natural gas system in the event of shortage of a single system object has been assessed and prepared according to the Regulation (EU) 2017/1938 of the European Parliament and of the Council , which takes into account the N-1 principle, or the failure of a single major natural gas infrastructure. N-1 is a theoretical calculation describing the technical capability of the natural gas infrastructure to meet total demand for natural gas in a given area if the largest natural gas supply infrastructure interconnection is not available on the day with the highest statistical demand in 20 years.

N-1 allows to assess the level of protection of natural gas consumers or the adequacy of natural gas infrastructure capacity in a selected area in percentage terms, taking into account the characteristics of the different elements of the natural gas system. The formula for the N-1 calculation and explanations of the elements to be calculated are available in Annex 1, while the results of the N-1 calculations at different Inčukalns UGS fills are summarised in the table below. The full calculation of N-1 values is available in Annex 2.

[10]Regulation (EU) 2017/1938 of the European Parliament and of the Council of 25 October 2017 concerning measures to safeguard the security of gas supply

[11]N - 1 ≥ 100 % in accordance with the requirements of the Security of Supply Regulation

5.2 **Results of N-1 calculation depending on Inčukalns UGS filling level**

Filling level of Inčukalns UGS	*N-1 value[11]*
30 %	342 %
100 %	342 %

Under Regulation (EU) 2017/1938 of the European Parliament and of the Council, the value in both situations exceeds the minimum set by the Regulation. Although the N-1 calculations show that the security of natural gas supply in Latvia is at a high level, it should be noted that the N-1 criterion does not provide information on the overall security of natural gas supply in Latvia as it does not assess the availability of natural gas at the relevant infrastructure entry points. For this purpose, the availability of LNG terminals in Lithuania and Finland and the gas market situation in Estonia, Lithuania and Finland should be assessed.

Conexus points out that compressor station No 1 and compressor station No 2 of Inčukalns UGS can be considered two different infrastructure units, as each compressor station is an individual, complete technological unit, which operates independently of the other one. This is made possible by the variety of variations in technological circuits, the individual geographical locations and the possibilities of managing technological units. Conexus concludes that, in the event of a malfunction or outage of one of the technological units of Inčukalns UGS, the other technological unit will be able to fully meet Latvia's national demand for natural gas.

6. TRANSMISSION SYSTEM DEVELOPMENT

6.1. Development of the interconnection system

Until 30 May 2022, Regulation (EU) No 347/2013 of the European Parliament and of the Council of 17 April 2013 laying down European guidelines for energy infrastructure, repealing Decision No 1364/2006/EC, amending Regulation (EC) No 713/2009, Regulation (EC) No 714/2009 and Regulation (EC) No 715/2009 identified the Eastern Baltic region as one of the priority corridors of the European Union to connect the gas supply system of the Eastern Baltic region to the common natural gas transmission network of the European Union. In accordance with the aforementioned Regulation, European PCIs were set, which are eligible for relieved procedures and for funding from the CEF.

6.1 **Project of common interest of natural gas transmission system interconnection development**

Natural gas infrastructure projects implemented by Conexus according to the fifth PCI list published by the European Commission on 19 November 2021[12]: Improvement of Inčukalns underground gas storage[13], the only underground natural gas storage facility in the Baltic States that provides the region with stable natural gas supplies in the winter period. On 15 May 2019, CINEA signed a contract with Conexus for the implementation of the project. The project consists of three main activities: upgrading of surface facilities, rehabilitation of gas wells and upgrading of gas compression facilities. The project will significantly reduce the dependency between the capacity available for withdrawal and the natural gas stocks in storage facility, which significantly improves the security of natural gas supply in the region, as well as the operational efficiency of the storage facility. This is particularly important for optimal and efficient functioning of the single Baltic-Finnish natural gas market. Realisation of the project will implement also additional environmental protection measures reducing CO2, NOx and other emissions. Given the geopolitical developments, the Project is scheduled for full completion in early 2026. Rehabilitation of 36 gas wells, upgrade of above-ground facilities, including a gas compression unit, as well as improvement in the performance of the five existing gas compression facilities have been performed within the project.

The fifth PCI list is the last PCI list established under Regulation (EU) 347/2013 of the European Parliament and of the Council of 17 April 2013 laying down European guidelines for energy infrastructure, repealing Decision 1364/2006/EC, amending Regulation (EC) 713/2009, Regulation (EC) 714/2009 and Regulation (EC) 715/2009.

On 30 May 2022, a new Regulation (EU) 2022/869 of the European Parliament and of the Council on guidelines for trans-European energy infrastructure and amending Regulations (EC)

715/2009, (EU) 2019/942 and (EU) 2019/943 and Directives 2009/73/EC and (EU) 2019/944 and repealing Regulation (EU) 347/2013, was adopted which excludes natural gas projects and establishes new criteria for projects of common interest, focusing on projects in strategic energy infrastructure priority corridors and areas, implementing the development and interoperability of European energy networks and providing connections to such networks, while ensuring climate change mitigation. The Regulation defines priority corridors for electricity, off-grid electricity, hydrogen and electrolysis, as well as smart grids, smart gas grids and cross-border carbon dioxide networks. At the same time, Recital 16 of the Regulation's preamble stresses that the European energy networks action policy should include new and reprofiled hydrogen transmission infrastructure and storage complexes.

The European Commission has already prioritised hydrogen production from renewable electricity in its Communication "A Hydrogen Strategy for a Climate Neutral Europe" of 8 July 2020. Hydrogen is set to play a key role in the integrated energy system of the future, alongside renewable electricity and more efficient use of resources, promoting the concept of circular economy."[14]

On 18 May 2022, the European Commission adopted the REPower EU Plan[15], which defines the objective of rapidly reducing dependence on Russian fossil fuels through a rapid transition to a clean economy and is based on the "Fit for 55 % target score" proposals.

In accordance with the Regulation adopted on 30 May 2022, the European Commission approved the new, the sixth, list of PCI[16] with projects to be implemented according to the Regulation on 18 November 2023. According to this list, the Baltic Energy Market Interconnection Plan for Hydrogen (BEMIP Hydrogen) contains project 11.2 Hydrogen Interconnection between Finland, Estonia, Latvia, Lithuania, Poland and Germany (in English – Nordic-Baltic Hydrogen Corridor).

[12]List V of European common interests. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32022R0564&qid=1663087079030

[13]Project of common interest No 8.2.4. Improving Inčukalns underground gas storage

[14]European Union website. Available at: https://eur-lex.europa.eu/legal-content/LV/TXT/?uri=CELEX%3A52020DC0301

[15]European Union website. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52022DC0230

[16]European Union website. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=PI_COM%3AC%282023%297930&qid=1704358152782

6.2. National system development

North-Baltic Hydrogen Corridor

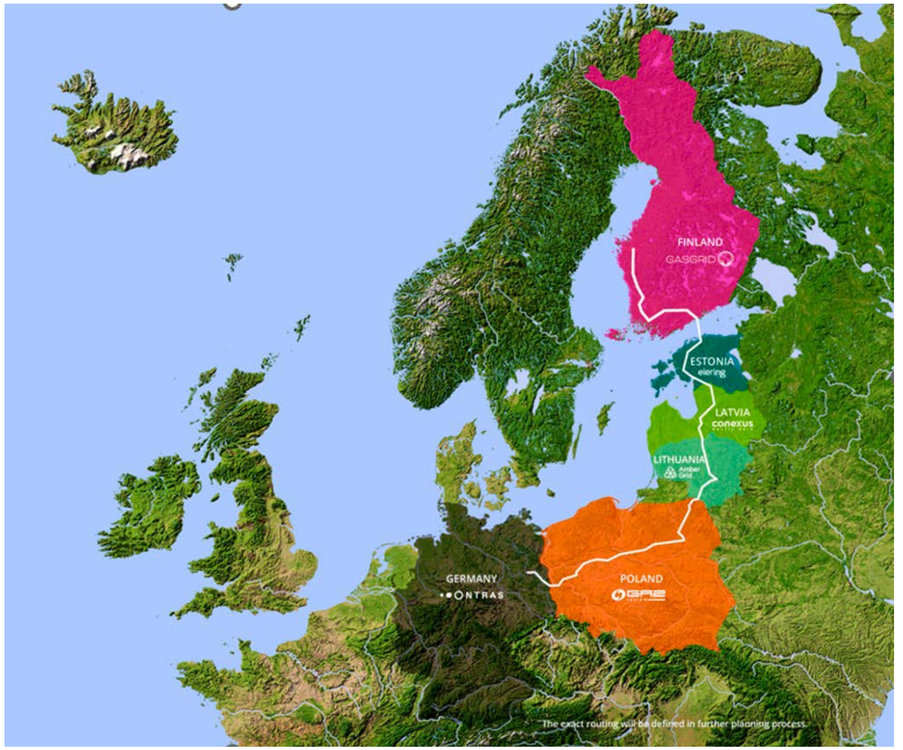
The North-Baltic Hydrogen Corridor project is included in the PCI list approved by the European Commission on 29 November 2023.

Regulation (EU) 2024/1789 of the European Parliament and of the Council of 13 June 2024 on internal markets in renewable gas, natural gas and hydrogen and amending Regulations (EU) 1227/2011, (EU) 2017/1938, (EU) 2019/942 and (EU) 2022/869 and Decision (EU) 2017/684 and repealing Regulation (EC) 715/2009 (recast) requires ENTSOG to develop a Union-wide ten-year network development plan - TYNDP - every two years. Conexus is advancing the project "North-Baltic Hydrogen Corridor - Latvian Part", approved by the European Commission on 29 November 2023 and included in the PCI list, to the 2026 TYNDP.

The Nordic-Baltic Hydrogen Corridor is a joint project of six national transmission system operators (Finland, Estonia, Latvia, Lithuania, Poland, and Germany) – a project jointly implemented by Gasgrid vetyverkot Oy, a subsidiary company of Gasgrid Finland Oy, Elering AS, Conexus, Amber Grid AB, GAZ SYSTEM S.A. and ONTRAS Gastransport GmbH aiming to establish a cross-border hydrogen gas transmission corridor from Finland to Germany via the Baltic States and Poland.

The project is based on the RePower EU Roadmap published by the European Commission on 18 May 2022, as well as the proposals for hydrogen infrastructure development elaborated by the *European Hydrogen Backbone*).[17] In 2025, the participating transmission operators signed an agreement with CINEA to co-finance €6.8 million for further detailed project studies in each of the countries involved in the programme announced by the Connecting Europe Facility. These studies will focus on a number of key aspects, including the financial

6.2 **Indicative map of the Nordic-Baltic Hydrogen Corridor project.**



[17]European Hydrogen Backbone. Available at: https://ehb.eu/

and economic analysis of the project, assessment of the environmental and safety issues, the planning of the route and the development of measures necessary for the successful implementation of the project. The study is expected to conclude in 2027.

Biomethane injection points

In order to facilitate the integration of biomethane into the system and to enable biomethane producers without a direct connection to the gas infrastructure to inject their biomethane into the natural gas transmission network without having to build connecting pipelines from the biomethane plant to the transmission system, Conexus is implementing the project "Smart Integrated Solutions for Feeding Renewable Gases into the Transmission System". It is planned that three projects in total could be implemented: in Džūkste, Rēzekne and Ragana.

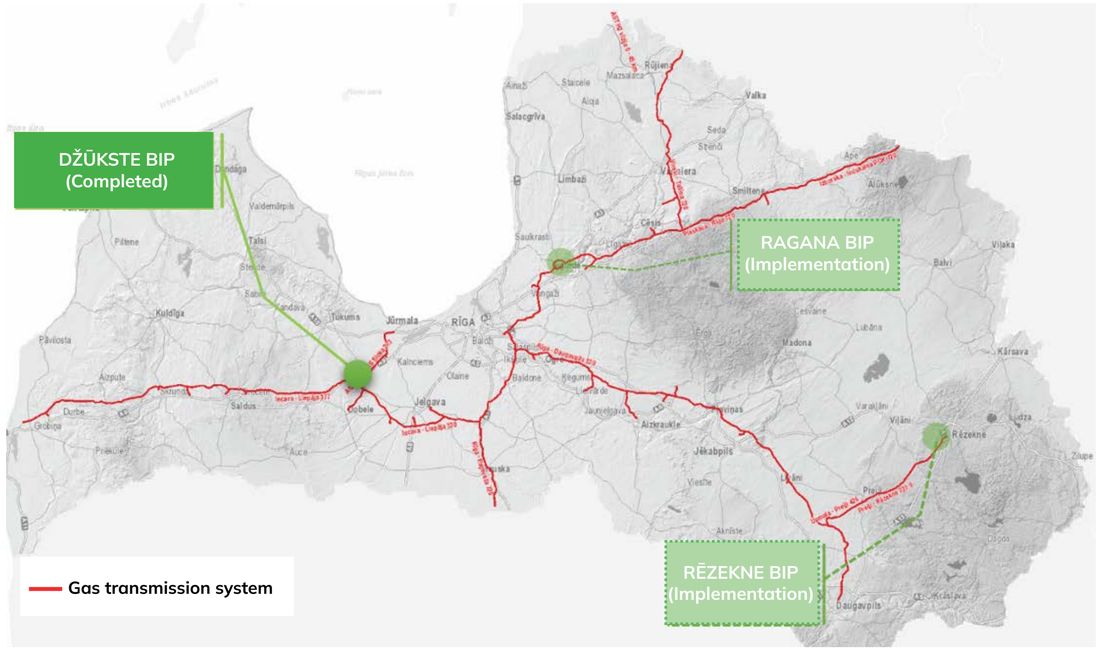
In 2025, the first BIP pilot project was implemented in Džūkste Parish. The project was implemented with the support of the European Union's Recovery Fund. Project Title – "7.1.1.3.i Increasing the Share of Biomethane in Final Consumption", Project No "7.1.1.3.i.0/1/24/I/CFLA/001". It is estimated that up to 10 million normal cubic metres (Nm³) or 100 GWh of biomethane per year could be injected at the Džūkste point. Total investments in the project amounted to 1.7 million euros, of which 1.5 million euro was funded by the European Union.

Guarantees of origin for gas

In 2025, Conexus continues active international cooperation and coordination on both biomethane and hydrogen issues. As early as in 2023, Conexus established a circulation system of guarantees of origin for gas from renewable energy sources according to the requirements of the Energy Law. The system was implemented in line with the requirements of the European Energy Certificate System (EECS), developed by AIB, the European Association of Issuing Bodies. International approval of the Domain Protocol or circulation procedure ensures that the Registry is recognised and can freely issue, use, import and export EECS guarantees of origin with other member countries of the European Energy Certificate System according to a common standard and requirements.

Conexus is a member of the AIB Gas Scheme, the European Association of Issuing Bodies. Membership of the Gas Scheme Group gives a voice in decision-making in the development of the European Energy Certificate Scheme and enables issuing European Standard Gas Guarantees of Origin - EECS GO (in English - European Energy Certificate System Guarantee of Origin).

6.3 **Planned locations of biomethane entry points.**



Alongside Conexus, the gas scheme group includes other European issuers of guarantees of origin, whose number has grown significantly in recent years. At the time of preparation of this report, 13 countries have already implemented the EECS gas standard, which is 4 more since the previous reporting period – Austria, Belgium (Brussels), Czech Republic, Estonia, Finland, France, Italy, Latvia, Lithuania, the Netherlands, Portugal, Spain and Switzerland.

18 account holders are registered in the Latvian Register of Guarantees of Gas Origin (10 in the previous period) – the number of users of the register has almost doubled. There are now 7 biomethane production plants registered – 3 new plants have appeared compared to the previous period.

In 2025, 172,499 gas guarantees of origin were issued (18,123 in 2024), 30,293 were imported (3,476 in 2024), 117,392 were exported (3,976 in 2024) and 58 guarantees of origin were used. Each guarantee of origin is issued for 1 MWh of biomethane produced and injected into the system. In terms of cross-border cooperation, producers have been using the opportunities provided by the internationally recognised EECS system in quite active and diversified manner and have exported biomethane EECS GO to 5 EU countries, with the largest volumes exported to Finland, Austria and Spain.

Connections to the gas system

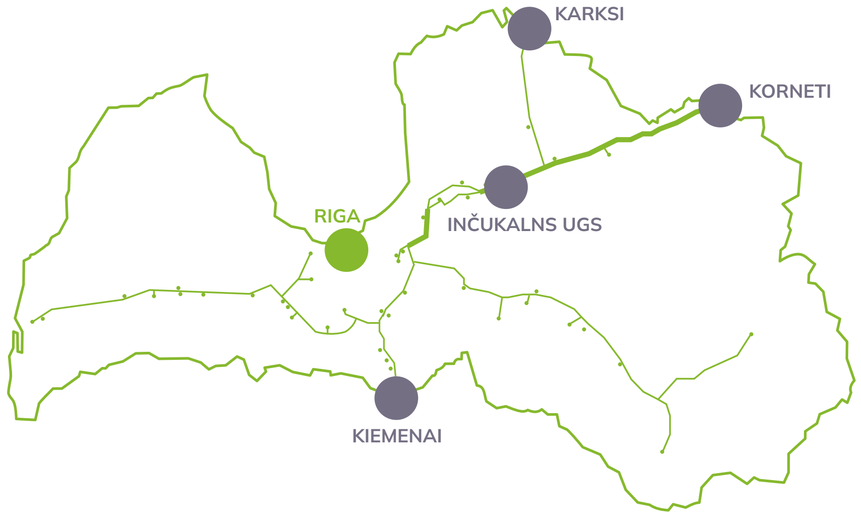
Cabinet Regulation No 50 of 21 January 2025 " Regulations on Requirements for the Injection of Liquefied Natural Gas in Gaseous State, Gaseous Fuels Produced or Obtained from Renewable Energy Sources and Low-Carbon Gaseous Fuels into the Natural Gas Transmission and Distribution System" lays down the requirements for the injection of liquefied natural gas in gaseous state, gaseous fuels produced or obtained from renewable energy sources and low-carbon gaseous fuels, including hydrogen, for injection into the natural gas transmission and distribution system, as well as the quality requirements for the natural gas to be injected into the system.[18] The Regulation specifies different oxygen and hydrogen concentrations when gas is injected into a transmission system directly connected to supplies to other countries or Inčukalns Underground Gas Storage or when gas is injected into a natural gas distribution or transmission system not directly connected to supplies to other countries or Inčukalns Underground Gas Storage. Section 841(1) of the Energy Law states that "The regulator shall approve the natural gas transmission system connection regulations developed by a natural gas transmission system operator for natural gas distribution system operators, biomethane producers, liquefied natural gas terminal operators, and natural gas users, and the natural gas distribution system connection regulations developed by a natural gas distribution system operator for biomethane producers, liquefied natural gas terminal operators, and natural gas users.

Biomethane producers show interest in establishing a connection to the transmission system. In 2025, five technical requirements were issued for establishing direct connections to the transmission system and four technical regulations for connections to the distribution system. One biomethane producer successfully connected a biomethane plant to the transmission system in 2025, where, in accordance with the Energy Law, the connection parts owned by the Company have been transferred within the Company's ownership within the framework of 2025.

[18] Latvijas Vēstnesis / Official Gazette. Available at: https://www.vestnesis.lv/op/2025/15.11

6.3 Assessment of transmission system security at interconnection points

6.4 **Latvia's natural gas transmission system**



Latvia's natural gas transmission system is connected to the transmission systems of Estonia and Lithuania. The Latvian natural gas transmission system is connected to the Estonian transmission system at two independent points, "Karksi" and "Korneti", and to the Lithuanian transmission system at one point, "Kiemenai".

"Karksi" interconnection

The interconnection provides gas transmission from Inčukalns UGS and Lithuania to Estonian and Finnish consumers, as well as natural gas supplies to Latvian consumers and Lithuania from the Estonian transmission system. In 2025, gas was supplied via interconnection from the Inkoo LNG terminal for injection at Inčukalns UGS, national consumption and onward transmission to Lithuania, as well as in the opposite direction for Estonian gas consumption from Inčukalns UGS.

The interconnection is a single pipeline corridor with a nominal diameter of 700 mm, with a single pipeline section of 85.85 km to the interconnection with the dual pipeline system in Latvia. The calculated mathematical probability of an accident for this section is 0.064 times/year. The most significant technical risk of the interconnection is that any repair work will result in the interruption of its operation.

At the end of 2025, the maximum technical capacity in both directions of the interconnection at the "Karksi" point was 105 GWh/d. Maximum capacity is provided at a pressure of 50 barg, while the designed maximum permissible pressure in the pipeline is set at 55 barg. In the last two years, 12,453 GWh of energy were transmitted via the interconnection in the direction of Estonia, with the interconnection operating 434 days or 59 % of the total time, while 8,400 GWh of energy were transmitted via the interconnection in the direction from

Estonia to Latvia, with the interconnection operating 237 days or 32 % of the total time in the last two years. In total, the transmission capacity of the interconnection was not used for 68 days or 9 % of the time in the last two years. Gas flow interruptions in the Latvia-Estonia interconnection are related to the execution of planned repair works to restore the corrosion insulation of the Viresi-Tallinn gas pipeline and to repair pipeline defects detected during internal diagnostics of the pipeline. An analysis of the daily permissible capacity of the interconnection leads to a conclusion that:

- the interconnection's maximum technical capacity of 112.5 GWh/d s was not used;
- maximum daily capacity reached – 84 GWh/d;
- interconnection's average load over two years – 17 GWh/d;
- average load from Latvia to Estonia – 18 GWh/d;
- average load from Estonia to Latvia – 15 GWh/d.

Thus, taking into account the fact that, over the last two years, the interconnection has been operating at 80 % of its maximum technical capacity only on certain days, with the average capacity of 17 %, as well as based on national and regional natural gas demand forecasts, Conexus has no reason to plan measures to increase the technical capacity of the interconnection or to build new interconnection points within the next five years.

Natural gas quality requirements are harmonised in Estonia and Latvia, including for renewable gases such as biomethane.

"Kiemenai" interconnection point

The interconnection point ensures gas transmission from Inčukalns UGS and Finland/Estonia towards Lithuania, as well as natural gas supply to Latvian consumers for injection into Inčukalns UGS and for Estonia and Finland from the Lithuanian transmission system, which receives natural gas supplies from GIPL or from Klaipeda LNG terminal.

The interconnection is a single pipeline corridor with a nominal diameter of 700 mm, with a single pipeline section of 83.79 km to the connection to the dual pipeline system. The calculated mathematical probability of an accident for the section is 0.062 times/year. The most significant technical risk of the interconnection is that any repair work will result in the interruption of its operation. This interconnection is considered to be the main natural gas supply route for Latvian consumers and Inčukalns UGS from the beginning of 2022.

After the implementation of the enhancement of the Latvia-Lithuania interconnection project, in 2024, technical capacity in the direction from Lithuania to Latvia has been set at 90 GWh/d, and in the direction from Latvia to Lithuania - 82 GWh/d. Maximum capacity is provided at a pressure of 50 barg, while the designed maximum permissible pressure in the pipeline is set at 55 barg.

During the last two years, 4,118 GWh of energy was transmitted to Lithuania via the interconnection point, and the interconnection point operated for 156 days or 21 % of the total time in this direction. In the direction from Lithuania to Latvia, 19,320 GWh of energy were transmitted through the point in the last two years, and the point operated for 429 days or 59 % of the total time in this direction. So, in the last two years, 132 days or 18 % of the total time, no capacity was used through the interconnection. The significant gas flows towards Latvia can be mainly explained by the fact that the Klaipeda LNG terminal was the most important source of gas supplies for consumption in the Baltic-Finland region during this period, as well as the choice of system users to store gas in Inčukalns UGS during the gas injection season.

An analysis of the daily permissible capacities of the interconnection point shows that:

- the capacity towards Latvia was set at 90 GWh/d;
- the capacity towards Lithuania was set at 82 GWh/d;
- from Latvia to Lithuania, the maximum capacity reached was 77 GWh/d;
- from Lithuania to Latvia, the maximum capacity reached was 93 GWh/d;
- two-year average load - 31 GWh/d;
- average load from Latvia to Lithuania - 22 GWh/d;
- average load from Lithuania to Latvia 34 GWh/d.

Conexus concludes that the average load of the interconnection point was 31 % of the specified technical capacity. Conexus has no reason to plan measures to further increase the capacity of the interconnection in relation to the capacity set in 2025. Taking into account the forecasts of national and regional natural gas consumption for the next decade, Conexus concludes that there is no reason to build a new interconnection between Latvia and Lithuania, while the existing one fully meets the market demand.

Gas quality requirements in Lithuania and Latvia are equivalent for both natural gas and biomethane.

"Korneti" interconnection

The interconnection is a corridor of two parallel pipelines with a nominal diameter of 700 mm. The interconnection plays a key role in ensuring the storage capacity of the entire Latvian transmission system. The risk of accidents occurring simultaneously in both pipelines is negligible, so there is no need to calculate the mathematical probability of an interconnection accident. Conexus considers that the interconnection from the Vireši - Tallinn gas pipeline branch to the "Korneti" interconnection is an integral part of the transmission system, which ensures the storage capacity of the Latvian natural gas transmission system in order to efficiently organise the technological cycles at Inčukalns UGS. The interconnection will not only provide natural gas to the connected consumers in Latvia and gas supplies to Estonia, but also enable the establishment of a biomethane entry point should demand arise, providing the infrastructure for biomethane entry and placement on the market, while facilitating further development of biomethane production in the north-east. Conexus does not plan major investments in this interconnection in the coming years.

Until 24 February 2022, the interconnection served as the main supply route for natural gas supplies to Latvia and Estonia. After the Russian invasion of Ukraine on 24 February 2022, the use of the interconnection decreased significantly. In accordance with Section 106(4) of the Energy Law, natural gas supplies from the Russian Federation are prohibited, therefore use of the interconnection has been linked to the provision of natural gas supplies to Estonian consumers since 2023. At the end of 2022, the maximum technical capacity in the direction of Latvia was 178.5 GWh/d, and in the direction from Latvia to Estonia – 105 GWh/d. Maximum capacity is provided at a pressure of 40 barg. During the previous two years, the interconnection was not in the direction to Latvia. In the direction from Latvia to Estonia, 3.49 GWh of energy was transmitted through the point in the last two years, and the point operated in this direction for 4 days or 0.5 % of the total time. Capacity of the interconnection was not used for 728 days, or 99.5 % of the total time, which is the minimum value compared to previous periods. An analysis of the daily permissible capacities of the interconnection point shows that:

- maximum daily capacity reached – 1.1 GWh/d;
- average load from Estonia to Latvia – 0 GWh/d;
- average load from Latvia to Estonia – 0.87 GWh/d.

It should be concluded that, over the past two years, the interconnection's load has only been active for two days. At the moment, Conexus has no reason to plan measures to increase the technical capacity of the interconnection. Given the uncertain geopolitical situation and the ban on natural gas supplies from Russia, Conexus does not plan to build a new interconnection within the corridor in the future.

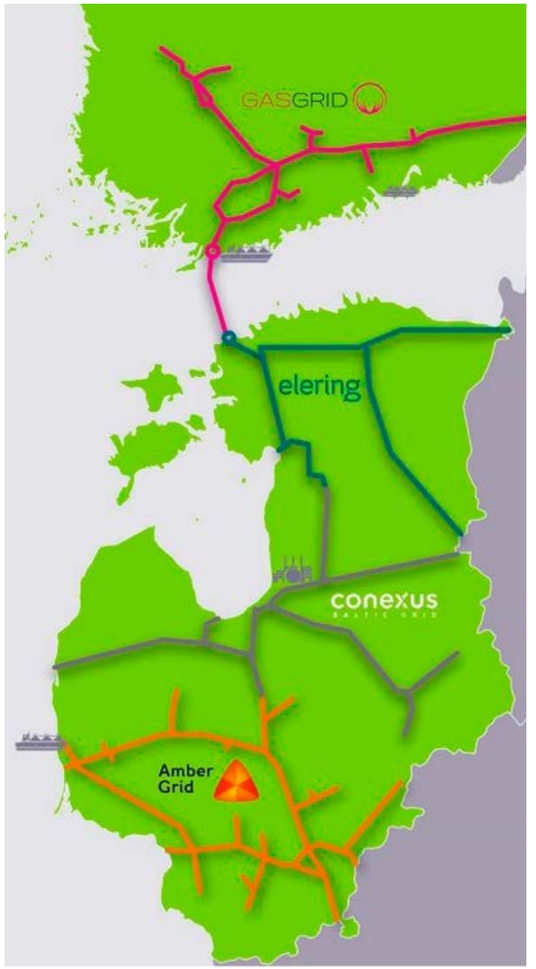
7. REGIONAL GAS MARKET

In 2019, the Regional Gas Market Coordination Group (hereinafter referred to as – RGMCG), consisting of transmission system operators from the Baltic States and Finland, regulators and relevant ministries, reached an agreement on the establishment of an inter-operator compensation mechanism (hereinafter referred to as – ITC). The ITC mechanism provided for uniform tariffs at the external entry points of the Single Market and the abolition of commercial borders between Single Market Member States, including the Estonia-Finland interconnection - Balticconnector. The ITC principles include:

- Revenue pooling, excluding the operator's eligible variable costs of providing the gas flow;
- *Ex ante* revenue distribution among transmission system operators based on forecast national gas demand, which is ex post redistributed based on actual national natural gas consumption.

On 1 January 2020, the Single Market for Natural Gas was launched, bringing together gas transmission system operators in Finland, Latvia and Estonia to create a single entry tariff area (FinEstLat) with two balancing areas – one for Finland and one for Latvia and Estonia. The uniform tariff structure provides for:

- On the external interconnection points of the market – the entry tariff is the same;
- At the internal borders of the Single Market – tariffs are abolished;
- Tariffs at the interconnection point with Inčukalns UGS are discounted by 100 %, which significantly contributes to the commercial motivation of storage users to use the storage services, thus also strengthening the security of energy supply in the region;
- Tariffs for national exit points and interconnection points with other TSO are set at national level;
- The tariff-setting process is coordinated regionally.



Key regional market developments and challenges

The year 2025 has not brought a solution to the complex geopolitical situation. Russia's invasion of Ukraine and the conflict in the Middle East continue significantly affecting the global economy, including the energy sector, as well as the Company's business processes. In 2025, the decision of the Cabinet of Ministers on announcement of early warning in the natural gas supply sector and the 2022 amendments to the Energy Law banning natural gas supplies from the Russian Federation are still in effect. Although the gas supply situation remains challenging, the Baltic-Finnish natural gas market participants are able to supply the region with the volumes of natural gas it needs and successfully overcome operational difficulties.

Natural gas transmission operators and LNG terminal operators share the common objective of ensuring safe and reliable operation of the natural gas system under the current conditions, promoting regional cooperation, improving regional coordination and resolution of issues, as well as enhancing stakeholders' understanding of the region's gas supply infrastructure, the necessary technical and natural gas market solutions. Making the most of all countries' infrastructure for the common benefit of the region is also essential.

In 2025, the Company continued its practice, commenced in 2022, of chairing regional operational meetings, attended on a weekly basis by representatives of the Lithuanian, Estonian and Finnish natural gas transmission system operators, representatives of the Lithuanian and Finnish LNG terminal operators, and on a monthly basis – by representatives of the Polish transmission system operator. The purpose of the meetings is to foster regional cooperation, improve coordination and solution of various matters, develop a common understanding of the regional gas supply infrastructure and market needs, as well as ensure that each country's infrastructure is used as efficiently as possible for a secure and reliable supply of natural gas.

Taking into account the previous practice of coordinating repair works and the necessity to further strengthen regional cooperation and transparency in the operation of the gas supply system for the system users, the Baltic and Finnish transmission system operators, together with the LNG terminal operators of Lithuania and Finland, developed and signed a regional cooperation agreement in the first half of 2024. The purpose of the agreement is to harmonise the planning process for diagnostic and maintenance works in the short term (until the end of the following calendar year) and to introduce long-term planning, allowing to coordinate works for a period of up to five years. Such an approach allows for more accurate planning of repair works and avoiding unwanted overlaps. The agreement also provides for monthly update and publishing of the consolidated work plan on the Company's website if there have been any changes to the plan. During 2025, the agreement was supplemented by regional OBA management and data exchange provisions, and the process of signing the updated version is underway.

Under the agreement, the Company coordinates and manages the planning process of the consolidated repair works of the Baltic-Finnish region – from the development and approval of the initial plan to its monthly update and publication on the Company's website. In the second quarter of 2025, an annual repair work plan for the next 12 calendar months (2026) was prepared for the Company and neighbouring transmission system operators, which is acceptable to all parties involved and causes minimum impact on the operation of the natural gas market.

Having assessed the long-standing experience in the area of OBA provisions and management, an assessment of OBA levels and management approach was carried out in 2024 with the purpose to ascertain the need for changes in the interconnection agreements with neighbouring transmission system operators – Elering and Amber Grid. New standardised OBA levels were identified, and OBA management principles were specified. Applying the new OBA values and management principles, new versions of the Latvian-Lithuanian and Latvian-Estonian interconnection agreements governing the management of the Kiemenai and Karksi points were concluded in 2025.

A summary of the most important natural gas supply developments in the Baltic-Finland region during the reporting period:

- From 8.01.2025 to 31.01.2025, elimination of crystal hydrate formation in PGV Izborsk - Inčukalns UGS at the branch to GRS Līgatne and increased monitoring of water dew point in cooperation with Finnish and Estonian colleagues;
- From 01.07.2025 to 31.07.2025, elimination of defects detected during the diagnostics of PGV Riga-Panevezys;
- From 01.06.2025 to 30.06.2025 and from 21.10.2025 to 30.10.2025, elimination of defects detected during the diagnostics of PGV Vireši - Tallinn;
- From 01.05.2025 to 31.08.2025, repair works and restoration of corrosion insulation of the PGV Izborsk - Inčukalns PGV section. Construction of a pipeline connection at the line valve Iz226;
- From 01.09.2025 to 14.10.2025, construction of a pipeline connection at line valve P126;
- From 04.06.2025 to 13.06.2025, repair works at KS Puiatu;
- From 26.05.2025 to 04.06.2025, repair works at KS Paldiski;
- From 12.05.2025 to 25.05.2025, annual repair works at KS Inkoo;
- From 14.08.2025 to 28.09.2025, technical maintenance of dry docks at Inkoo LNG terminal;
- From 24.11.2025 to 30.12.2025, PGV Riga - Inčukalns line 1 and PGV Riga - Inčukalns line 2 internal pipeline diagnostics.

Over the next decade, the regional market is expected to continue to integrate, with operators cooperating with each other both to address technical challenges and to develop market mechanisms. Operators in the region will continue joint research and development projects to identify the necessary system improvements, including the construction of new infrastructure and associated costs, to safely inject and transmit gaseous renewables, developing the regional renewable energy market.

Natural gas consumption in the region is expected to stabilise, but a gradual decrease is forecast in the long term.

Amber Gas Corridor Initiative

Amber Gas Corridor is a voluntary, market-based cooperation initiative between gas TSOs and LNG terminal operators in Poland, the Baltic States and Finland, launched in 2025. Its purpose is to ensure a safe, competitive and coordinated gas transportation route from LNG entry points in the Baltic-Finnish region to Ukraine and other Central and Eastern European markets.

The corridor connects LNG import infrastructure in Finland and the Baltic States to demand centres in Central and Eastern Europe, using the existing gas transmission infrastructure. The main routes include transportation of gas from the Klaipeda LNG terminal (Lithuania) and the Inkoo LNG terminal (Finland) via the Baltic States and Poland to Ukraine. The initiative is based on existing interconnection points and is implemented focusing on more efficient use of infrastructure rather than development of new investments.

As the TSO of Latvijas gāze, Conexus is a member of the Amber Gas Corridor. Latvia's transmission system forms a section in the northern route of the corridor, ensuring cross-border gas flows between Finland, Estonia, Lithuania and Poland. Conexus ensures safe operation of the transmission system, facilitates flexible organisation of gas flows and provides access to Inčukalns UGS.

The Amber Gas Corridor partners have agreed on joint analysis of the corridor's performance and development opportunities along the entire route. Based on the results of this analysis, implementation of possible solutions in practice, including the development of cross-border cooperation, operational processes and coordination mechanisms in line with the applicable EU framework, will be assessed and explored during the upcoming period.

8. CONCLUSIONS OF THE OPERATOR

- **1.** In 2025, natural gas consumption in Latvia decreased insignificantly (by 1 %) compared to 2024, driven by both relatively warmer climatic conditions and slight decrease in electricity generation from thermal generation plants. While the trend of recent years related to increase in renewable energy generation continues, natural gas consumption will remain stable in the following periods, playing an important role in balancing electricity and thermal energy generation. Natural gas consumption is expected to decline moderately over the next decade, while biomethane production is expected to increase.
- **2.** At the end of injection season in 2025, Inčukalns UGS filling level reached 60 %, corresponding to approximately 23 % decrease compared to the indicator of last year, however, the total volume of natural gas injected in the storage facility still significantly exceeded the consumption during the heating season in Latvia. The volume of stock was affected by prolonged maintenance works at the Inkoo LNG terminal and other scheduled gas pipeline maintenance works, therefore, it should be concluded that the flexibility of supply sources and routes, as well as measures promoting the operation of the regional market, can ensure availability of storage even when some infrastructure elements are unavailable.
- **3.** The region's natural gas sources are fully capable of meeting the region's natural gas needs in both the short and the long term. It can be concluded that the region's natural gas market is able to function fully even at challenging moments when the proportion of natural gas flows between supply sources changes.
- **4.** Current geopolitical developments are significantly increasing volatility in the natural gas market, with a significant impact on the price trend. Conexus concludes that atypical market conditions, including the narrowing of the winter-summer price spread and its inversion in certain periods, reduce the economic motivation for seasonal storage arbitrage, thereby reducing the attractiveness of natural gas injection at Inčukalns UGS.
- **5.** Compared to 2024, the amount of biomethane injected into the national natural gas entry-exit system in 2025 has increased several times to 167 GWh, demonstrating the usefulness of biomethane entry points as well as the need for further development.
- **6.** The rapid increase in the proportion of biomethane injected into the system poses a risk of exceeding the permissible oxygen concentration in the part of the gas transmission system directly connected to Inčukalns UGS, therefore Conexus should continue to actively monitor biomethane flows while planning and implementing measures to limit the increase in oxygen concentration in the relevant part of the gas transmission system.
- **7.** The region's transmission system operators are successfully continuing their close cooperation in promoting the development of the region's renewable energy market, including an in-depth assessment of the possibility of creation of a regional hydrogen transmission infrastructure. The operators' efforts are supported by both the granted status of the European Union's Project of Common Interest and EU's co-financing for the project studies.
- **8.** Along with the transformation of the energy sector, the inherent volatility and unpredictability of energy production is increasing significantly, while the importance of system resilience is also growing. Natural gas infrastructure serves as a critical, stabilising element in the country's energy sector, so Conexus' long-term development plan not only ensures safety of supplies in the traditional sense, but also promotes the necessary flexibility stimulating adaptation to future challenges and making an important contribution to strengthening Latvia's energy security and sustainability.

9. ANNEXES

Annex 1

$$N\text{-}1\ [\%] = \frac{EPm + Pm + Sm + LNGm - Im}{Dmax} \times 100, \quad N\text{-}1 \geq 100\%$$

where:

EP_m – Entry Point Technical Capacity (GWh/d), excluding production, storage and LNG capacity (P_m, S_m, and LNG_m, respectively), means the aggregate technical capacity of all entry points at the border that can supply gas to the calculation area;

P_m – the aggregated maximum technical daily production capacity (GWh/d) of all gas production facilities that can be supplied to the entry points of the calculation area;

S_m – the aggregated maximum technical daily withdrawal capacity (GWh/d) of all storage facilities that can be delivered to the entry points of the calculation area, taking into account their respective physical characteristics;

LNG_m – the cumulative daily maximum technical regasification capacity (GWh/d) of all LNG plants in the calculation area;

I_m – technical capacity (GWh/d) of one of the largest gas infrastructures with the highest supply capacity in the calculation area. Where several infrastructures are connected to a common upstream or downstream gas infrastructure and cannot operate separately (e.g., biomethane producers injecting gas into an interconnected system), they are considered as a single gas infrastructure;

D_{max} – total daily gas demand (GWh/d) calculated in the area of a particularly high gas demand day, which statistically occurs once every twenty years.

Annex 2

N-1 calculation data at 30 % filling level of Inčukalns UGS

Indicator	Value (GWh/d)
EP_m Pipeline interconnections - Entry capacity:: • From Estonia 112.5 GWh/day • From Lithuania 90 GWh/day	202.5
P_m	0
S_m • Inčukalns UGS compressor facility No 1 147 GWh/day • Inčukalns UGS compressor facility No 2 252 GWh/day	151*
LNG_m	0
I_m	4**
D_{max}	100

Note
* Maximum combined capacity limited by the gas collector layer withdrawal capacity
** Actual loss of supply capacity, taking into account the technological capacity to operate the storage at the most productive compressor facility capacity

$$N\text{-}1=\frac{202.5+0+151+0-4}{100}\times 100=349.5\%$$

N-1 calculation data at 100 % filling of Inčukalns UGS

Indicator	Value (GWh/d)
EP_m Pipeline interconnections - entry capacity: • From Estonia 112.5 GWh/day • From Lithuania 90 GWh/day	202.5
P_m	0
S_m • Inčukalns UGS compressor facility No 1 147 GWh/day • Inčukalns UGS compressor facility No 2 252 GWh/day	279*
LNG_m	0
I_m	132**
D_{max}	100

Note
* Maximum combined capacity limited by the gas collector layer withdrawal capacity
** Actual loss of supply capacity, taking into account the technological capacity to operate the storage at the most productive compressor facility capacity

$$N\text{-}1=\frac{202.5+0+279+0-132}{100}\times 100=349.5\%$$