BRIEF SUMMARY OF ENERGY SECTOR DEVELOPMENT PLAN 2035

Overall objective of ESDP 2035: Estonia's energy sector ensures energy security, increases the state's competitiveness and contributes to the transition to an economy with clean energy.

The sub-objectives of ESDP 2035 are:

- ensuring energy security
- ensuring access to energy and affordable prices
- ensuring the environmental sustainability of energy

ENSURING ENERGY SECURITY:

1. In order to achieve the overall objective of ESDP 2035, it is important that vital service providers have implemented physical and cyber security measures, and reduced dependency on other service providers to ensure continuity of service in the context of comprehensive national defence.

2. By 2035, Elering must ensure the establishment of adequate new dispatchable energy generation capacities for Estonia. The need for dispatchable capacity is currently 1000 MW and according to estimates 2000 MW after 2030. The construction of new dispatchable natural gas and biogas plants will make it possible to gradually close the oldest oil shale blocks, reducing the associated environmental impact, while the construction of storage facilities will bring down the costs of holding reserves and reduce the volatility of the electricity price.

3. From 2035 at the latest, the five-year average time of power outages per consumption site will be less than 120 min per year (SAIDI). It was 218 minutes from 2020–2024. The main focus in the electricity network service is on upgrading and maintaining the distribution network to improve continuity across Estonia.

4. The technical adequacy of the gas infrastructure and adequate stocks of liquid fuels are ensured. Where necessary, build up and ensure alternative fuel stocks in transport.

MAKING THE ENERGY PRICE MORE COMPETITIVE:

1. The final price of electricity for all consumer groups in Estonia is below the average final price of electricity in the reference countries Finland, Sweden, Denmark, Poland, Latvia and Lithuania. In comparison with 2024, the final price of electricity in Estonia when compared to the average in the reference countries is cheaper for household consumers and business consumers with lower energy consumption, and higher for business consumers with higher energy consumption.

2. Operational support will be gradually phased out in energy generation. Operational support will only be necessary if the final price of electricity really does decrease as a result of it. A reverse auction for bringing up to 2 TWh of additional renewable energy to the market will be carried out from 2025–2026. As a result, the share of non-dispatchable renewable electricity will

increase to around 60–70% of final consumption and in addition to this, there will also be dispatchable renewable electricity from bioenergy. The renewable energy charge will remain at the level of 2025 (0.84 c/kWh net of VAT, 30% lower than the highest level in 2023) and will end in the mid-2040s.

3. Further investments in clean electricity generation will be market-based, i.e. without operational support. Long-term financing solutions will be created for infrastructure with a longer lifecycle (offshore wind farms, nuclear power plant, pumped storage), to ensure investment security, allowing them to make market-based investment decisions.

4. The establishment of new cross-border connections **will make it possible to contribute to lower final electricity prices alongside an increase in the security of supply**, the respective investment decisions will be made in the coming years.

5. In district heating, the switch to more energy-efficient solutions will help harmonise the level of reference prices. The difference between the average reference price of the three cheapest and three most expensive network areas is expected to be less than 20% by 2035 (37% in May 2025).

REDUCTION OF ENVIRONMENTAL IMPACT:

1. The ambition of renewable electricity representing 100% of consumption will be maintained, butwill be market-based – it will be achieved when technologies are competitive without operational support. In the present conditions, the achievement of this objective by 2030 is not possible or economically rational.

2. In district heating, new cleaner and cheaper technologies (heat pumps, heat storage, etc.) **need to be gradually introduced**.

3. The indicative target in the gas sector is to **increase the share of renewable gas to one third of gas consumption by 2035**. **By 2035, clean energy will account for at least 26%** of final transport fuel consumption.

4. The implementation of the actions proposed in the EDP 2035 will ensure the reduction of greenhouse gas emissions from the energy sector. Contributing factors include the production of electricity from both renewable electricity and (bio)gas, increasing the use of heat pumps and heat storage in heat supply, and increasing the share of clean energy in the transport sector. In transport, the transition to renewable fuels will contribute to reducing dependence on fossil fuels, including boosting the uptake of electric vehicles, contributing to a more economical vehicle fleet.