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Ramping up the Baltic Defence Industry

Read how Estonian, Latvian and Lithuanian companies are building a more resilient and peaceful future together with Germany and other NATO members

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Military heritage in the Baltics



The Baltic Countries welcome the defence industry with a green corridor

Just a few years ago, the defence industry in Estonia, Latvia and Lithuania was still in its infancy. Now, the geopolitical situation has completely changed and the defence industry in the Baltics is growing rapidly. NATO plays the key role, but Germany is the most important European partner both militarily and economically. Boosted by the deployment of a full German brigade in Lithuania – it is a historic project for the German Bundeswehr. It will be the largest and deepest engagement of the Bundeswehr in a foreign country ever. Planned investments over the next few years will amount to more than 11 billion euros. As the German Chamber of Commerce we also expect positive spill over effects into the real economy. Additionally, there is the project of German arms manufacturer Rheinmetall to build an ammunition factory in Lithuania, investing more than €180 million and creating at least 150 jobs. Starting already in October 2024 – and thanks to a special national green corridor policy, it will get SUPER FAST BUILDING PERMITS and FULL SUPPORT from the government.

New military-industry synergies are already forming around this investment across the entire Baltic region. The Lithuanian Ministry of the Economy and Innovation has already signed contracts for 14 large-scale investment projects, which will create nearly 4000 jobs and attract more than €1.25 billion in investment.

Latvia has successfully positioned itself in the drone industry. The Latvian-led drone coalition now includes 15 countries. To date, the Drone Coalition member

countries have raised more than €500 million in drone donations for Ukraine. At the beginning of the summer, a special drone training and testing ground was opened in Latvia's Selja polygon, which, for the first time, hosted the "Baltic Zenith 2024" international military exercise.

The Estonian government in Tallinn has decided to create a defence industry fund that will invest directly and via private funds in companies developing defence-related technologies. In addition to this at the end of May, the NATO's Defence Innovation Accelerator for the North Atlantic (DIANA) officially inaugurated its new regional Hub in Tallinn, Estonia. In January, 44 companies began DIANA's first accelerator programme to develop their commercial technologies in response to NATO's security challenges.

These ongoing projects, as well as many other initiatives you can read about in the following pages, show that the Baltic defence industry boom is here to stay. Estonia, Latvia and Lithuania have demonstrated their readiness to bring to bear the full innovation capacity and together with Germany and other NATO members, to build a more resilient and peaceful future!!!
 IGITUR QUI DESIDERAT PACEM, PRAEPARET BELLUM.
 (PUBLIUS FLAVIUS VEGETIUS RENATUS, Writer
 of the 400-500 a.D.) "...therefore let him,
 who desires peace, prepare for war."

Yours,
Florian Schröder - CEO

PATRIA OPENS MILITARY VEHICLE PLANT IN VALMIERA

Finnish defence manufacturer Patria has opened a new production facility for 6x6 armoured personnel carriers in Valmiera. Full-cycle production started in May this year – with many components such as hulls, windows, doors, hatches, and the main chassis being manufactured locally. “This will be an excellent springboard for the development of our country’s defence industry, for the accumulation of our knowledge and experience, and for further growth in partnership with our Finnish friends,” said Latvian Prime Minister Evika Siliņa (r.) at the inauguration event on 24 May 2024, which she attended together with her Finnish counterpart Petteri Orpo (L.).

Initially, the plant will serve the needs of the Latvian Armed Forces, producing around 30 armoured vehicles each year, but capacity is expected to increase to up to 160 vehicles. In total, around EUR 10 million has been invested in establishing the facility that is managed by Defence Partnership Latvia – a Patria majority-owned joint venture with a local Latvian partner. Read more about Patria on page 40. AW

by ALEXANDER WELSCHER

Rheinmetall to set up ammunition plant in Lithuania

Lithuania has taken another step towards strengthening its defence sector – and signed a deal to bring German defence leader Rheinmetall on site.

In a significant move to bolster the Baltic defence and security industry, the Lithuanian government has defined the expansion of the German defence industry giant Rheinmetall into the country. Lithuanian Economy Minister Aušrinė Armonaitė signed the document on 3 June to set up a production facility, which is expected to produce tens of thousands of ammunition rounds per year. The project has been granted both the status of national importance and another special status to fast track the investment. This allows Rheinmetall to benefit from special investment and commercial conditions and simplified procedures for planning, land procurement and plant construction.

“Rheinmetall establishing operations in Lithuania is a significant step towards meeting our country’s immediate defence and security needs. It will help us to ensure uninterrupted access to essential weapons and ammunition, as the products that European defence needs will be produced on Lithuanian soil,” stated Armonaitė after signing the agreement. According to the minister, Rheinmetall will invest more than 180 million euros in the new plant, which is expected to produce 155-millimetre artillery shells. At least 150 jobs will be created at the new factory.

Rheinmetall executives welcomed the defence agreement at a time when the DAX listed company is looking to ramp up ammunition production. “We at Rheinmetall are very grateful for this long-term partnership with Lithuania. It once again confirms our claim to be one of the pillars of national and international security provision,” stated CEO Armin Papperger. Expressing his gratitude, Maximilian Froch, Rheinmetall’s Head of Strategic Programme Organisation International, added: “We are pleased to be able to make a contribution to national sovereignty in the field of ammunition.”

TOP 20 EU defence companies by turnover

Rank	Company	Country	Arms Revenue (2022) in mln. €
1	Leonardo	Italy	12470
2	Airbus	Trans-European (France, Germany, Spain, Netherlands)	12090
3	Thales	France	9420
4	Dassault Aviation Group	France	5070
5	Rheinmetall	Germany	4550
6	Naval Group	France	4530
7	MBDA	Trans-European (France, UK, Italy)	4380
8	Safran	France	4200
9	Saab	Sweden	3700
10	KNDS	Trans-European (France & Germany)	3200
11	Fincantieri	Italy	2820
12	CEA	France	2790
13	ThyssenKrupp	Germany	1930
14	Hensoldt	Germany	1660
15	PGZ	Poland	1600
16	Diehl	Germany	950
17	Indra	Spain	697
18	Patria	Finland	595
19	MTU Aero Engines AG	Germany	523
20	SES S.A.	Luxembourg	512

Source: SIPRI Arms Industry Database, Stockholm International Peace Research Institute; Defense News (Sightline Media Group)

Rheinmetall first confirmed plans for the construction of an ammunition plant in Lithuania in March. A letter of intent was signed with the government in Vilnius in mid-April, before the Lithuanian parliament passed several bills to amend its legislative framework to facilitate the development of large-scale projects and to encourage investment in the defence sector. No specific location for the factory has been announced yet, but the site of the investment project is expected to be made public soon, according to the Ministry of Economics and Innovation. Earlier on, a state-owned plot of land near Radviliškis in north of Lithuania was identified as a possible option.

Lithuania hopes to start the construction of the plant soon and that it might become operational in Lithuania by the end of 2025, but Rheinmetall has not yet disclosed any details. “I think there is a possibility to begin production at the end of next year. This would be great,” Lithuanian Defence Minister Laurynas Kasčiūnas told the Lithuanian news agency ELTA, adding that the investment has both practical and symbolic significance. “The fact that a German company is coming here, investing, and creating jobs is a certain proof of security, too.”

Rheinmetall is already active in Lithuania, operating a maintenance centre in Jonava together with the German arms manufacturer Krauss-Maffei Wegmann (KMW) since 2022.

Rheinmetall Electronics and Lightspace sign partnership

By combining Rheinmetall's global defence and security market with Lightspace Technologies expertise in augmented reality technology, the partnership seeks to develop solutions which significantly enhance situational awareness and decision-making processes to enhance operational effectiveness

Founded in 2014, Latvian company Lightspace Technologies has become a global technology leader in the development of volumetric and multi-focal augmented reality enabling technologies and products. The company serves clients in two product verticals – healthcare and defence. Lightspace Technologies' multi-focal augmented reality headsets can enhance and play a significant role at applications in the military sector, offering advanced capabilities for training and operational purposes. These headsets can be integrated into various military systems to enhance situational awareness, improve training effectiveness, and provide real-time data visualisation.

This summer, Rheinmetall Electronics UK signed a partnership agreement with Lightspace Technologies to advance and produce augmented reality systems using multi-focal technology for use in extended reality and augmented reality applications for the military market. Multi-focal solutions offer the ability to present images and information across multiple focal planes, giving significant operational enhancements and eliminating

the eye fatigue induced by other single focal-plane solutions.

"We are delighted to deepen our partnership with Lightspace, developing cutting edge augmented reality solutions for demanding military applications. This is another element in Rheinmetall's innovative product portfolio focussed on enhancing security and enabling freedom of action for our global customers. We look forward to launching the productised version of this technology – ACE-AR at the UK MoD's Defence Vehicle Demonstration exhibition later this year," said Rheinmetall Electronics UK Managing Director Richard Streeter.

During 2023, Rheinmetall Electronics UK and Lightspace Technologies engaged in proof-of-concept development that was demonstrated as part of the Rheinmetall offering at the UK Ministry of Defence Army Warfighting Experiment and to the UK Army's Armoured Trials and Development Unit. This solution was applauded for its impressive capability and approach.

A continuation of the development in 2024 and this partnership



"We look forward to collaborating closely with Rheinmetall to develop and deliver transformative augmented reality solutions", Ilmārs Osmanis, Lightspace Technologies CEO

agreement marks a strengthening of the collaboration between Rheinmetall Electronics UK and Lightspace Technologies. This aims to leverage the respective strengths of each company to create cutting-edge augmented reality systems, with development and implementation tailored specifically for defence and security applications. By combining Rheinmetall's global defence and security market with Lightspace's expertise in augmented reality technology, the partnership seeks to develop solutions that significantly enhance situational awareness and decision-making processes to enhance operational effectiveness.

"Our partnership with Rheinmetall Electronics UK represents an exciting opportunity to leverage our leadership in multi-focal augmented reality technology for defence applications. We look forward to collaborating closely with them to develop and deliver transformative augmented reality solutions that address the unique challenges and requirements of defence and security operations for a wide range of use cases," said Lightspace Technologies CEO Ilmārs Osmanis.



A German Leopard 2 battle tank practices combat firing during the Quadriga exercise in Lithuania

Zeitenwende in action

by ALEXANDER WELSCHER

Sending out a signal of strength: Bundeswehr and NATO land forces have shown their defence readiness in the first half of 2024. Some 90,000 soldiers took part in NATO's large-scale exercise Steadfast Defender 2024, which was launched in response to the changed security situation in Europe resulting from Russia's full-scale invasion of Ukraine more than two years ago on 24 February 2022. It was the largest NATO manoeuvre since the end of the Cold War some 35 years ago.

Germany's military engagement in the Baltics ranges from the soft to the hard end of the defence policy spectrum – and is keeping the Bundeswehr busy in Estonia, Latvia and Lithuania. On land, on water and in the air.



German soldiers line up during the Quadriga exercise in Lithuania



Set to fly high

Drones are transforming modern warfare in Ukraine and beyond. Taking on the lessons, the Baltic States aim to boost their defence capabilities by promoting the local drone industry, establishing 'drone armies' and setting up a 'drone wall'.

by ALEXANDER WELSCHER

Once seen as a highly promising technology with wide-ranging applications and a multitude of commercial uses across various industries, drones have recently proved to be particularly disruptive in the defence industry. In recent years, unmanned aerial vehicles have rapidly evolved into an easily accessible, weaponised technology for military operations that can be deployed with minimal training and at a fraction of the cost when compared to conventional complex weapon systems. Drones are small and cost much less than a battleship or tank, but punch well above their weight and have changed modern warfare and the way battles are fought – with adversaries seeking to outpace each other in developing ever more advanced drone systems.

In particular, the ongoing Russian war in Ukraine has put a global spotlight on the proliferation of drones that are being used with great success hundreds or even thousands of times a day on the battlefield for reconnaissance or to carry explosives, turning military conflicts into a cat-and-mouse game of defence, detection and concealment. Even when there is a lull in fighting, soldiers are in constant danger as the technology has made battlefields much more transparent. Drones are the 'eyes' on the front line and at the same time unlock new offensive capabilities. The ability to deploy them remotely and from afar in contested areas significantly enhances both tactical and strategic decision making.

The Ukrainian front and Baltic conclusions

Both sides have been leveraging the readily available technology and have become adept at using it for battlefield operations. While Ukraine has turned drones into tactical tools for surveillance and reconnaissance, precision strikes on distant targets and the disruption of Russian forces, Russia has used large swarms of Iranian-made kamikaze combat drones for strikes on military and civil infrastructure across Ukraine. Due to their ability to bring devastation out of the skies, developing sophisticated detection equipment and counter-drone techniques have become a major focus to defeat adversarial drones.

Given their military potential, interest in drones is growing fast elsewhere. Not least because they are quite easy to operate and use as weapons. Commercial unmanned aerial vehicles can, without much effort, be outfitted with explosive ordnance to damage critical infrastructure in wartime and beyond, while effective options to counter and neutralise them are currently still underdeveloped. For the time being, there is a stark contrast between the simplicity of mass-producing and launching drones and the complexity of developing effective countermeasures against them.

Drawing on Ukraine's first-hand experience, more and more countries are investing in drone technology and counter-drone measures. Among them are also the Baltic States which want to strengthen their military capabilities to fend off threats from neighbouring Russia and Belarus by integrating drones and anti-drone capabilities into their armed forces as quickly as possible. Estonia, Latvia and Lithuania are also set to produce and purchase locally made drones of different capacities and electronic warfare equipment to support Ukraine, which will be delivered to the Ukrainian Armed Forces – both as bilateral military aid and as part of the so-called Latvia-led Drone Coalition.

Ramping up drone production

In a move to boost production of the local defence industry, Latvia has announced at the end of May that it would establish a "drone army" and would allocate some 20 million euros this year to develop and strengthen its drone capabilities. The sum includes both the creation of infrastructure and the purchase of drones worth 10 million euros from Latvian companies, which will gradually increase their production volumes. The initiative follows a similar earlier move by neighbouring

DRONE COALITION

The Drone Coalition is an initiative dedicated to providing drones to Ukraine, initiated by Latvia and is co-led by it together with United Kingdom. Formally established on 14 February 2024 as an open format for cooperation, the coalition plans to deliver 1 million combat drones to Ukraine and is currently joined by 16 NATO countries – among them the Baltic States and Germany.

All of them have pledged to commit resources for manufacturing of drones according to the current needs and testing requirements, and to deliver these drones and spare parts to Ukraine. The coalition will also train Ukrainian troops on how to use them and integrate with other technologies, while gaining valuable hands-on experience from soldiers and battlefield realities.

The Drone Coalition just has recently announced an industry tender for the purchase of first-person view (FPV) drones, which are piloted using special goggles that allow the operator to see their target and surroundings on a screen in real time. Companies were invited to submit their offers by 28 June and 265 bids were received and evaluated. The first contracts are expected to be signed in August.

Lithuania, which announced it would allocate 10 million euros to Lithuanian drone manufacturers. At the end of July, the government in Vilnius added extra 20 million euros for this year to purchase combat and reconnaissance drones for the Lithuanian Armed Forces.

Little is known about the technical development of the drones, but there is an active and intensive collaboration

between the government, military and defence industry to advance their application in the Baltics. Latvia has opened a new testing ground for drones at Sēlija military training range where local drone companies and members of the Drone Coalition will be able to regularly test their unmanned aerial vehicles and equipment. Estonia will soon follow suit with a drone training facility at the Nurmsi airfield near Paide, which is due to be completed by the end of the year and will be available to both the Estonian Armed Forces and NATO allies. In addition, drone pilots are to be trained at various levels in the defence sectors of both countries.

Lithuania has gone even a step further and in late May presented a drone capability development plan. Measures planned in the so-called Lithuanian UAV Ecosystem include the establishment of a drone competence centre at the Lithuanian Military Academy and training facilities where interested citizens will be taught basic drone piloting skills. The goal is that about thousand people per year will complete courses to operate and control civil drones, and later on will also have the opportunity to be trained as combat drone pilots.

Stepping up their defence capabilities and the protection of their external borders with the help of drones, the Baltic States and other countries of NATO's Eastern Flank have also agreed to develop a "drone wall" stretching from Norway to Poland. While details such as funding, timeline and technical aspects of the ambitious project have not yet been provided, the idea is to use drones to monitor the border area to maintain surveillance, track illegal migration and combat smuggling, as well as to prevent possible provocations and influence activities along the entire border with Russia and Belarus.

AHK Baltic States is actively engaging in the defence topic

The topic of defence has been addressed very closely for years, especially in Lithuania. The German-Baltic Chamber of Commerce (AHK) is also making its contribution

In partnership with KMW and KNDS, the German-Baltic Chamber of Commerce organised the Defence Industry Day in Vilnius in 2023. KNDS is one of Europe's leading suppliers for a wide variety of ground defence systems, from main battle tanks like the Leopard 2 to reconnaissance systems. KMW's products are used in many armed forces worldwide and have already proven their durability, quality and excellent precision all around the globe. It was widely known that the German Army would station a brigade with over 4,000 soldiers in Lithuania to strengthen NATO's presence in the Baltic States through to 2027. The main goals of KMW Industry Day were to connect with Lithuanian companies, identify possibilities for a potential industrial cooperation, and learn about the capabilities of Lithuania's manufacturing companies. With almost 40 participants from the Lithuanian side, these goals were comfortably achieved. Another event organised by the AHK on the topic of defence followed at the end of January 2024. It was a round table discussion entitled "Role of Businesses in Advancing the Regional Defence



Ecosystem in Lithuania". Our discussion was organized together with the Konrad-Adenauer-Stiftung and was fully booked!

The main points of our discussion were:

- Investments and "local contracting": economically, a hybrid approach is needed with investments from abroad, especially German defence companies, and a local joint industry.
- Political and legal: the creation of a "green corridor" for investments by defence companies and the clear communication of the

advantages of Lithuania as a location for businesses.

■ Economic opportunities: by stationing the German brigade there, Lithuania will benefit from a positive development in the entire infrastructure sector and generate high demand in the defence market, which will continue for the next 10-20 years. The discussion was chaired by our CEO Florian Schröder and was attended by prominent defence experts: Laurynas Kasčiūnas, Minister of Defence of Lithuania, Žilvinas Tomkus, Lithuanian Vice-Minister of National Defence, Aivaras Kašuba, COO at Lithuania Defence Service UAB (Rheinmetall & KMW), Kristijonas Vizbaras, co-founder of Brolis Defence, Andrius Nikitinas, Deputy Director, Foreign Relations and EU Affairs Department at the Lithuanian Confederation of Industrialists, and Karsten Lepper, Representative of the German Industry for Defence and Security to the EU.

These events are just the beginning of others that will follow in the three Baltic countries, as the topic of defence grows in relevance.

ERGO strongly expands its presence in the Baltic States

The German insurance company ERGO Group AG is one of the major insurance groups in Germany and Europe – and already today one of the top three insurers in Estonia, Latvia and Lithuania, but ambitious growth is still on the cards.

by LĪVA MELBĀRZDE

Baltic Business Quarterly talks to Ursula Clara Deschka, who has been managing the company here for a year and a half, about ERGO's latest developments and plans in the Baltic States.

Ms Deschka, what important milestones has ERGO achieved under your leadership in Estonia, Latvia and Lithuania?
Most importantly, we have continued to refine and enhance the quality of our business. In addition, our parent company ERGO International AG, managing ERGO Group's international business portfolio, has decided to make further investments in the Baltic States and has signed an agreement with the Norwegian non-life insurer Gjensidige Forsikring ASA to acquire the latter's Lithuania-based subsidiary ADB Gjensidige, including its branches in Estonia and Latvia. Once the formal acquisition process has been finalised, ADB Gjensidige will be merged with ERGO in the Baltics and the operational processes of the companies will be combined locally, then operating under the single ERGO brand. We are fully convinced of ERGO and ADB Gjensidige's complementary fit, the strategic rationale of the acquisition and the added value it will create for our common stakeholders.

What does this step mean for the Baltic insurance market?

The Baltic insurance market is a growth market. There is still plenty of unaddressed demand here and a much lower penetration of insurance products than in most other EU countries. Of course, this makes the market attractive for us. We see ourselves as a comprehensive provider for all customers – from corporate to private customers, for all individual areas of insurance. ERGO is already today one of the top three insurance companies in the Baltic States. In the future, we will additionally integrate the competences of ADB Gjensidige, leveraging our companies' combined strengths. This will have a positive impact on the market as a whole, particularly for customers across all three countries, who will benefit from enhanced service quality and innovative products.

What trends do you observe in the Estonian, Latvian and Lithuanian insurance markets?

For the time being, the health insurance business, which is already very strong in Latvia, shows the highest growth rates. This trend is, amongst others, linked to the demographic shift and the upcoming shortage of employees – employers are increasingly focused on how to become more attractive to skilled employees, not only to recruit but also to retain talent in the long run.

Moreover, as storms have become more severe in the Baltic States in recent years, people's awareness and thus interest in protecting their property is growing. There is an increasing trend towards liability insurance as well, and people are getting an increasingly better understanding of this product. What still worries me here is life insurance. Old-age poverty in the Baltic countries is one of the highest in Europe. A third of the people over the age of 65 live below the poverty line, this means with less than half of the median disposable income in their country. Too many people in the Baltic States still rely solely on the state and their children regarding their pension. It is a clear priority for us to continue raising awareness of how important it is to make the right provisions in advance and save up for old age. Fortunately, there is a growing awareness among people that protecting property is not the only objective. There is also a recognition that the health and safety of individuals and their families is of equal importance.

Given the increasing number of severe weather events, how do you see the future of the insurance industry and, in particular, policyholders?
ERGO is part of Munich Re, which is one of the world's leading providers



"We place a high value on diversity, equity and inclusion and are committed to investing in our people". Ursula Clara Deschka, CEO at ERGO Baltics

of reinsurance, primary insurance and insurance-related risk solutions. Munich Re carries out detailed analyses of all natural disasters worldwide and has the world's largest database of natural catastrophes. What we can definitely say is that the frequency and intensity of natural disasters worldwide is increasing significantly. Compared to other countries, the Baltic States are still less affected. But here, too, we can observe the same trend, and we also see this reflected in our loss ratios. The most recent storm at the end of July was the biggest claims event ever in this region. We will have to live with a further increase in the number and intensity of natural disasters in the future and therefore adjust collectively, the society as

a whole: we need to considerably shift our efforts towards awareness-raising, prevention and climate adaptation measures. Furthermore, we, as insurers, need to focus on settling claims as fast as we can so that our customers know that they can rely on us, especially in these challenging times.

Do you see further growth potential in the Baltic region?
Absolutely. I'll start with the most important – our customers. We are recording customer growth of over 5% per year. We have also developed a new brand claim, "Simple, because it matters", which conveys two convictions that are key to us: firstly, insurance doesn't have to be complicated, and

secondly, we want to help people make their decisions more freely and worry less about potential risks. Internally, we benefit greatly from ERGO's international footprint as well and can draw inspiration from, for example, our Greek, Indian or Spanish colleagues. This brings new ideas into the Baltic States, too.

What other current topics are there at ERGO in the Baltics at the moment?

Naturally, our employees are a vital source of our company's strengths. We place a high value on diversity, equity and inclusion and are committed to investing in our people. They should be able to actively contribute their thoughts and opinions and feel that we are also a family-friendly company. Together with those from ADB Gjensidige, ERGO will have nearly 2,000 employees in the three Baltic countries in the future. So, we already have natural diversity here because we operate with three languages and cultures. But of course, diversity, equity and inclusion also encompass age, gender and disabilities, just to name some aspects. Looking at other relevant topics, we also focus on the quality of our services. This is why we are very pleased to be ranked number 1 in Estonia and Lithuania and number 2 in Latvia in the official market-wide mystery shopper results – a testament to our dedication to quality advice. Digital solutions and artificial intelligence (AI) are major topics for us as well, especially when we look to the future. An internal GPT application – ERGO GPT – has already been set up in Germany, which makes it easy for employees to look up and research all the topics that have already been worked on and thus remain up to date. In conclusion, I am very satisfied with the progress we have made in terms of customer focus, digitalization, business results, and company culture. We can be optimistic about the future.

Installed capacity of solar energy in the Baltics

MW

■ 2024* ■ 2025**

*May **forecastSource: The Ministry of Climate and Energy of Latvia

in various stages of development, while six have already been put into operation. Meanwhile, in Estonia, we recently commissioned a solar farm with a capacity of 7 MW, and at the end of July we reported on a solar farm in Kuusalu with a capacity of 17.4 MW," says I. Boreiko.

Combines technologies

One of the most active players in the Baltic solar energy market is Enefit. Rihards Kotlers, a member of the company's board, notes that currently Enefit's portfolio of energy production assets includes 75 MW of commissioned solar park capacity, which is expected to be supplemented by new parks with a total capacity of 97 MW by the end of 2025. "The most technologically versatile project is the Sopi - Tootsi hybrid farm in Estonia, which combines wind and solar gen-

maintenance costs of solar farms, the energy crisis, the rapid technological leap, the availability of technologies and the relevance of the green course. The pursuit of energy independence also continues to motivate all market participants to choose alternative and simple energy production solutions. On the one hand, it is satisfying to observe that the Baltic States are becoming more and more energy independent and are setting new records for the amount of renewable energy generation every month. At the same time, we should understand that this market needs thoughtful and sustainable regulations. Also, the situation in the Baltic region is made more challenging by the planned synchronisation with Europe, which in 2025 envisages disconnection from the energy networks of Russia and Belarus. This means that system operators will need to be able to balance electricity supply and demand using only local capacity and enhanced cross-country connections," reminds R. Kotlers.

The future looks bright

Natural gas price spikes and consequently volatile electricity prices were a compelling stimulus for investments in solar power generation, thinks Juris Ozolins, energy expert. "As usual in the Baltics, the awakening started in Estonia,

which was followed by powerful acceleration in Lithuania and gentle development in Latvia. So far, according to Transmission System Operators (TSO) predictions, in 2024 we must reach 303 MW of solar power in Latvia, 757 MW in Estonia and 1165 MW in Lithuania. Actually, in June 2024 TSO's measured already 330 MW of solar energy in Latvia, 737 MW and 977 MW in Estonia and Lithuania respectively. This is a very good achievement and gives the penetration rate of solar in electricity national consumption 26% in Lithuania, 13% in Latvia and 31% in Estonia. Meanwhile the combined rate in the Baltic States is 24%," claims J. Ozolins, adding that for the result of the efforts to merge wind and solar on a common plot of land or water we still must wait for a while. "Connection cost reductions might be substantial and give further rate of return improvements. For the Baltic States to become balanced for imports and exports, additional efforts to harness solar power should be taken in any of the countries. The Lithuanians did a lot, and by inertia, can easily achieve more. The same goes for Estonia, but the Latvians need to at least triple their capacity. This is the question of security of supply and economic stability and, hopefully, even growth," reminds J. Ozolins.