

Canadian NATO
Parliamentary Association



Association parlementaire
canadienne de l'OTAN

**Report of the Canadian Parliamentary Delegation
to the Visit of the Science and Technology Committee and
the Economics and Security Committee Sub-Committee on
East-West Economic Co-Operation and Convergence**

Canadian NATO Parliamentary Association (NATO PA)

**Vilnius, Lithuania
November 5-6, 2008**

Report

The Canadian NATO Parliamentary Association has the honour to present its report on the *Visit to Lithuania by the Science and Technology Committee and the Economics and Security Committee Sub-Committee on East-West Economic Co-operation and Convergence*, November 5-6, 2008. The visit was led by Mr. Michael Mates (UK), Chairman of the Science and Technology Committee (STC). The Canadian delegation was represented by Senator Pierre Claude Nolin.

OVERVIEW

Energy security, the economic crisis and relations with Russia were the major themes of the visit. 18 members of the STC and the Sub-Committee on East West Economic Co-operation and Convergence met with high-ranking Lithuanian government officials, independent experts and scholars, as well as many Ambassadors of NATO countries. The delegation also visited the Ignalina Nuclear Power Plant (NPP).

Several speakers stressed that Lithuania is probably the most vulnerable European country in terms of energy security. Its natural gas and electricity sectors are almost exclusively linked to Russian networks, and Moscow has demonstrated a strong tendency to use energy as a foreign policy tool. The situation is expected to worsen in 2010 when, in accordance with its EU accession treaty, Lithuania is obliged to close the Ignalina NPP, which will only increase its dependence on Russian energy unless other measures are taken.

Although Lithuania's economic outlook, in some ways, is slightly rosier than in the other two Baltic States, the first signs of the global economic crisis are already apparent. The resilience of the Baltic economies partly hinges on the performance of Scandinavian banks that play a central role in the region's financial systems.

Many Lithuanian interlocutors stressed that Russia's policy towards its neighbours is disquieting. Lithuania has been one of Georgia's strongest supporters both before and since the August crisis in Abkhazia and South Ossetia. It accordingly strongly supports extending NATO Membership Action Plans to Ukraine and Georgia at the upcoming December meeting of NATO Ministers.

Regardless of the upcoming change of Lithuania's government, the country is certain to continue its proAtlantic foreign and defence policy. Lithuanian officials are strongly in favour of increasing NATO presence in their region.

MEETING WITH NATO AMBASSADORS

The NATO PA delegation visit to Vilnius began with a roundtable discussion with NATO ambassadors. The discussion first centred on the implications of the US presidential and congressional elections, the results of which were being announced that morning. Although an Obama administration will bring change, US policy toward Europe will be characterized more by continuity. President Elect Obama is very focused on the Alliance and has spoken at length about common challenges. Although there is concern about Iraq, the new administration is hardly likely to pursue a cut-and-run policy, but will work towards a smooth and rapid transfer of power. It will also need to focus more attention on Afghanistan.

A number of ambassadors stressed that energy security is the critical key issue in Lithuania, and that country's dependence on Russian energy is a source of great concern. The closing of the Ignalina nuclear power plant will only exacerbate the problem. Latvia and Estonia confront similar challenges, and the solutions to this dilemma will have to be solved region-wide. One challenge is to build regional energy grids and networks.

Russia's occupation of Georgia is also of serious concern in Vilnius, and its government strongly supports the implementation of the Bucharest Summit's recognition that Ukraine and Georgia will eventually be extended MAP (Membership Action Plan). But this matter is seen differently in different Allied capitals. Clearly, Russia has not evolved as many had hoped despite NATO's serious and extended effort to reach out to it. Russia is still not comfortable with the Alliance. It is often difficult to understand why it has pulled out of the CFE (Conventional Forces in Europe treaty), and why its leaders seem so uncomfortable with having stable and prosperous nations on its borders. Yet, despite the tensions, the West needs to work with Russia on a range of common challenges, including those posed by Iran.

Several ambassadors focused on Russia's actions during the run-up to the war. Russia denied having anything to do with the explosions along a vital gas pipeline that cut off gas to Georgia, but they did hand out passports to South Ossetians and Abkhazians in what was clearly an act of provocation. President Saakashvili fired the head of the Georgian military for mishandling Georgia's military effort during the war, and there appears to have been a realization on the part of the Georgians that tragic mistakes were made, not least of all the apparent miscalculation of the strength and readiness of the Russian forces. One ambassador suggested that Saakashvili might have been encouraged by the ease with which Ajaria was brought back under central government control and misjudged the timing and the balance of forces. He may well need to pay more attention to Russian interests simply due to the balance of forces in the region. The Western community now needs to help Georgia get back on its feet, as a prosperous Georgia will be a force for regional reconciliation and, ultimately, reintegration. Military solutions are not going to work.

It was noted that French President Sarkozy has done an admirable job in bringing about a ceasefire in Georgia. The French presidency has been extraordinarily sensitive to what took place in Georgia and first sought to stabilize and then to manage the conflict. Lithuania, like its Baltic neighbours, is very sensitive to what is happening in

Georgia and has taken up a strong position of support for Georgia. President Saakashvili came to Vilnius to thank the Lithuanians for their support. Lithuania is remaining very vigilant on the application of the agreements in August and September.

So far, the financial crisis has not had a major effect in Vilnius. Most of the banks operating there are Nordic-owned, conservatively administered and in good condition. But when this financial crisis turns into a global recession, Lithuania will not be spared. Growth in the country has been very high and the public takes this somewhat for granted. There was thus a degree of shock when recent forecasts suggested that growth will fall to 2% this year and the economy could even go into recession. The Lithuanians are tying themselves closer to EU economies and this linkage will have adverse effects in a downturn. Real estate markets, particularly in Vilnius, are contracting, and unemployment is edging upward. There is a tendency among some to see the Baltic States as very similar, but the economic situation in the three countries is, in fact, very different. Estonia and Latvia are already in recession, while Lithuania has so far managed to maintain a positive growth rate. But obviously this will be difficult to maintain if the world economy falls into an extended recession.

There are many Lithuanians working abroad and they are particularly vulnerable to losing their jobs in the current climate. Should this transpire, it would reduce earnings from abroad and would likely swell the ranks of the unemployed at home.

The EU recognizes that Lithuania is isolated and vulnerable in energy terms. It has conducted a number of studies on how Lithuania might better integrate itself into European energy grids and networks. But the Baltic States have not moved very quickly and, with Ignalina closing next year, the situation is growing more serious. The EU wants to work with the region to address some of these vulnerabilities in order to ensure that it does not become isolated and vulnerable. Part of the problem is that older EU members see the problem in different terms. For Europe, energy is a technical and environmental challenge, while for many new democracies; it is seen as a strategic and political challenge. Both sides use the same language but often mean different things when talking about energy.

MEETING AT THE MINISTRY OF FOREIGN AFFAIRS

The delegation then met with senior diplomats at the Lithuanian Foreign Ministry. It was pointed out that Lithuanian foreign policy rests on three pillars of activity: foreign policy, representing business interests abroad, and protecting citizens' interests. Lithuania has now been a member of the EU and NATO for four years and these memberships are critical to defending national interests and Western values. Lithuania sees itself as having always been part of Europe and now this is politically and economically institutionalized. In its foreign policy, Lithuania tries to balance values and interests. This balance is dangerous.

Lithuania also has regional interests and sees itself as becoming the gravitational centre of the Baltic region. Its closest ties are with Latvia, Estonia, the Nordic countries and Poland. Baltic, Nordic and Polish cooperation efforts are thus critical to Lithuania's foreign policy. It sees these countries as close partners with similar interests.

The Eastern neighbourhood is vitally important to Lithuania and it has a keen interest in developing partnerships to the East. Lithuania is a border country which seeks security and stability in that neighbourhood. It hopes to advance a European perspective in the region, while facilitating travel and promoting more liberal trade relations in the region. Belarus is a very close neighbour and its border is only 35km from Vilnius. Lithuanian officials believe that Belarus has been sending positive signals in recent months and the West needs to respond in kind. Lithuania would like the West to lift a range of outstanding sanctions. The two countries enjoy peaceful relations and there are no border problems between the two. The two countries have signed an agreement on cross-border cooperation and Lithuania would like to allow citizens living within 50km of the border to travel across it. Energy cooperation between the two countries is and will remain an important element of the relationship. Lithuania wants to import electricity from Ukraine via Belarus and, when the Ignalina Plant is ultimately replaced with a new nuclear power facility, Lithuania would want to produce electricity for export to Belarus. Lithuania supports visa facilitation in line with the EU's agreement with Russia. The government would like to conduct a critical dialogue with President Lukashenko to help lay the groundwork for the ultimate democratization and independence of Belarus.

Lithuania also sees Ukraine as an important strategic partner and it strongly endorses its association with the EU. It recognizes that the Ukrainians themselves must address key internal political problems but there is a strong sense that it belongs to the Western community of nations.

Lithuania is indeed a firm supporter of Georgia and Georgian integration into the West. It feels that Russia has violated Georgia's sovereignty and that it would therefore not be a propitious move to restore full relations with Russia. Lithuania accordingly does not want to reactivate the NATO-Russia Council meetings at this juncture, but it is not prepared to block relations with Russia. Vilnius feels that Russia needs to fulfil the obligations it undertook in the "Six Point Plan" that has not yet been fully implemented. Lithuania wants the Alliance to adopt a consistent and tough approach towards Russia. Ukraine and Georgia should enjoy a genuine prospect for ultimate accession to NATO. Failure on this front would vindicate Russia's approach. Of course, Ukraine's public remains divided on NATO, and this needs to be considered, but Georgia is not divided and all its major political forces see MAP as vital.

The Russian people evidently supported this war. The Kremlin felt it needed a small war to consolidate its own domestic authority, but it has also exacerbated Russia's burgeoning financial crisis, as has the collapse of energy prices.

Yet, Lithuanian officials also characterize their bilateral relationship with Russia as reasonably good. There are myriad agreements in place including border treaties and economic agreements. Russia is a major trade partner and a key supplier of energy. The two countries have mutually accepted agreements on transit for Kaliningrad and, in many of these areas, there are no major problems. Lithuanian officials are at pains to stress that they do not want to isolate Russia. They do, however, want to discourage Russian imperial temptations and this depends, in part, on how Russia sees itself. Western policy should be tough but never provocative, and Russian interests must be respected. This is not a Russophobic agenda; it is predicated on a deep understanding of Russia.

Energy security remains a central foreign policy challenge. The Foreign Ministry has, in fact, established a department on economic security. In energy security terms Lithuania is perhaps Europe's most vulnerable country. National and multinational efforts are needed to solve this problem. The Ignalina nuclear power plant will soon be closed and this will worsen Lithuania's energy situation. National and EU-wide solutions are needed and the government is working with the EU on the problem. The EU, in turn, has formed a high level group on Baltic interconnection. Diversification of energy supplies, diversification of routes, and new interconnections are all needed, as is a genuinely integrated EU energy market. Lithuania would also like to see energy security on the agenda of NATO. It should be a protagonist, for example, in ensuring the physical security of the pipelines and should be addressing the underlying political dimensions of energy security. It has also offered to establish a NATO Centre of Excellence on Energy Security in Lithuania.

Russia itself is very reliant on oil and gas sales and it cannot afford to be an unreliable supplier. Indeed, it is paying the price for its inconsistency and its dubious practices. Lithuanian officials suggest that their country is an energy island. Its energy mix is roughly one-third nuclear, one-third oil and one-third gas, with some renewable energy in the mix. By the end of next year, however, its primary energy mix will be 45% gas and 45% oil, both imported from Russia. Gas is imported through a single pipeline. This is a real vulnerability. Lithuania produces both electricity and heat from this gas. The Druzba pipeline precedent could be instructive. In this case, Russia shut down the pipeline for "technical" reasons when, in fact, it was doing so to express disappointment with the result of a refinery privatization in which a Russian firm lost out to a Polish one. For two years the Druzba line has been shut down, although Lithuania has offered to provide technical support to get it up and running. Russia is now transporting oil by ship through the Baltic. This is costing them as well and it suggests that narrow political interests are trumping economic ones in Russia. The same kinds of vulnerabilities are evident in gas. Lithuania wants NATO to do a threat analysis of this situation.

Lithuanian officials also expressed a degree of scepticism about revising the current strategic concept. In their view, the current concept is well-balanced and works well. Yet, it will not break a consensus if new ideas emerge. If that happens, however, it would insist that the concept include a dimension on cyber and energy security. Collective defence should remain the central function of NATO and this is all the more evident in the wake of the war in Georgia. Out-of-area operations are also important but should not undermine collective defence. Lithuania would like the Alliance to revisit the strategic threat document, in part, because the Baltic States are more vulnerable than ever before. This, they believe, should include a thorough reassessment of relations with Russia. Lithuania would also welcome the development of a contingency operational plan for the Baltic States.

Currently, air patrols constitute the only ongoing NATO presence in the Baltic regions. Lithuania wants a greater NATO presence in the country. This should include more exercises and more physical infrastructure. Lithuanian officials would like a NATO commitment to continue to conduct air policing in order to avoid creating a two-tiered alliance. Lithuania's allies had long encouraged it to prepare for out-of-area operations

instead of investing in traditional defence. Now territorial defence is becoming a key priority.

Another issue of concern arises from the Soviet decision to bury chemical weapons in the seabed in the wake of World War II. Lithuania recently organized an international seminar on seabase chemical weapons which brought together representatives from 27 countries and from the UN and the EU. It hopes that this will lead to intensified international cooperation to address this serious challenge, as well as international support for a clean-up.

MEETING WITH THE MINISTER OF DEFENSE

The delegation also met with Lithuania's Minister of Defence, Mr. Juozas Olekas. He pointed out several key Lithuanian priorities for NATO:

- NATO must continue to work on transformation. The Alliance must make its collective defence even more credible while developing expeditionary capabilities;
- Afghanistan also remains a priority. Lithuania has a PRT in theatre and has also deployed special operation forces in the south. It also has forces operating in Kosovo and in Iraq. In 2010 it will contribute to EU battle groups and NATO response forces;
- NATO must stay active in the Euro-Atlantic area;
- Planning and crisis management approaches need to be adapted but collective defence must remain the core NATO function. In Lithuania itself, NATO must raise its profile to demonstrate to the Lithuanian public that the Alliance is directly building security in the region;
- Finally, NATO must be structured to deal with challenges to both cyber and energy security. Indeed, NATO will have to develop its own capacity to confront non-traditional challenges.

During the discussion the minister suggested that Lithuania wants the international community, including the EU and NATO, to speak with a common voice to encourage Russia to refrain from using force against its neighbours. He also noted that Lithuania is transitioning to a professional army and ceased accepting conscripts as of September. Lithuania is deploying troops to Afghanistan on a six month tour of duty to train up as many soldiers as possible. From a security angle, Lithuania strongly endorses the notion of a far stronger European energy policy and would welcome efforts to make North America part of the energy security dialogue. Mr. Olekas believed that failure to extend MAP to Ukraine and Georgia in December 2008 would send a wrong signal.

MEETING AT THE PARLIAMENT ON LITHUANIA'S POLITICAL CULTURE, ECONOMY AND ENERGY REQUIREMENTS

Two academics, Kestutis Girnius and Virgis Valentinavicius, made presentations on contemporary Lithuanian politics and the country's international posture.

Lithuania looks with a degree of fear at its Russian neighbour, and this is perfectly understandable given that Russia brutally occupied the country from 1944 until 1990. A rather acute sense of vulnerability persists and Russia stokes this, for example by announcing that it has the right to defend Russians abroad. This is less a problem for Lithuania than it is for its Baltic neighbours who have far larger ethnic Russian populations, but it is nonetheless a problem. Russian behaviour in South Ossetia and Abkhazia has also reinforced the sense of vulnerability, as has Russia's obvious proclivity to use its gas reserves as a political and not simply an economic asset. The Medvedev doctrine has pronounced that Russia should enjoy a privileged role in former Soviet Republics, a notion that is totally rejected in the Baltic States. The Russian press is now given to extraordinarily aggressive writing and this, too, has poisoned the atmosphere.

One key question among foreign policy thinkers in Lithuania is whether the Georgian war represented a one-off event or whether it is the tip of the iceberg. Does Russia really believe now that it has a military role to play in what it calls the near abroad? It is perhaps too early to say. For its part, Lithuania has been very forthcoming in its criticism. Up until 2004 relations with Russia were rather good. After all, Russian forces left Lithuania a year before they left Germany. Lithuania granted citizenship to all of its Russian inhabitants, which effectively meant that Russia could not play the discrimination card against it, as it has against Latvia and Estonia. Lithuania also signed a treaty with Russia to ratify the borders - a treaty that took six years for the Duma to ratify.

The conflict with South Ossetia has hardened attitudes. There was widespread solidarity with Georgia evident in Lithuanian society and, during the conflict, many cars sported Georgian flags.

More generally, Lithuania faces certain dilemmas. Should it play a low key role and exercise diplomatic restraint or vocalize its concerns about Russia at the risk of being labelled the boy who called wolf? Some in the business community fear that Lithuanian officials are too vocal about Russia and are antagonizing not only Russia but some of Lithuania's allies.

There is a tendency in Lithuania to look eastward while failing to pay sufficient attention to developments in the West. This is ironic but potentially damaging. Suddenly the Baltic States need to find out if NATO really has a credible defence plan for the region. Lithuania needs to raise this question now.

There is a general sense in Lithuania that Russia is positioned to pull strings in the country. There are many reasons for this. Energy dependency is perhaps the most important, but there are also transportation and other market dependencies. Lithuania does make money in Eastern markets, but this has a negative side because wherever Russia does business, "funny money" begins to become a factor and this can undermine economic transparency. There have been a number of Lithuanian politicians who were formally either Russian gas middlemen themselves or linked to them. This suggests that Russian gas money may be playing a role in Lithuania politics. This leads to the suspicion at least that Lithuanian political parties can be bought on a substantial

scale by Russian companies like Gazprom. There is evidence that Russian gas and Russian money are directly funding off Lithuanian parties.

Institutional weakness poses another set of problems. The party system is funded by obscure slush funds and much of the money being used to underwrite political activity is not openly declared. This reduces political transparency and leaves the system vulnerable to manipulation and outright corruption.

Institutional weakness extends into the secret services. Lithuanian officials are not sure if they genuinely control their own security departments. Here, too, there are real concerns about the influence of gas money. Unfortunately the Lithuanian political system is not sufficiently strong to deal with these challenges.

Lithuania is also strongly conditioned by Russian culture, and far more Lithuanians watch Russian television than, say, CNN or other Western networks. Twenty percent of Lithuanians can speak English but 80% speak Russian (the figures are quite different for the younger generation). There is a sense among many in the country that Lithuania understands the East more than it understands the West, but this ignores the fact that Lithuanian culture itself is very much Western in orientation and in values. This Eastern obsession has a diplomatic component and it means that Lithuania tends to lavish attention on the East rather than the West. This, too, underestimates the Western nature of the country and the fact that its problems need to be addressed in a Western rather than an Eastern framework. It has been said that it takes six months to build a democracy, six years to construct a market economy and 60 years to build a civil society. In this sense, younger Lithuanians will be the source of many changes over the coming years. It will be a sign of democratic maturity when the Baltic States are able to deal with Russia in a more detached and cool-headed fashion.

For its part, Russia has ratcheted up the rhetoric and has even threatened to target nuclear weapons on Poland and the Czech Republic in response to their role in the proposed American missile system. They have not yet done so and it is important not to take some of this rhetoric in stride.

ENERGY AND ECONOMIC ISSUES

All the Baltic economies are small and open and each continues to operate with its own national currency. Lithuania initially pegged to the dollar and then to the euro. Estonia has had a currency board and pegged first to the deutschmark and then to the euro. All the Baltic States have enjoyed fairly good financial ratings. Latvia and Estonia are now officially in recession, although this is not yet the case in Lithuania.

Since 2000 all three have undergone an economic boom that has narrowed the gap with Western Europe. Lithuanian per capita income is now at 63% of the EU average, Estonia is at 70% and Latvia is close to 60%. The EU has played a critical role in this growth, both by supporting reform and by providing these small economies vital market access.

Tax reform will be a key priority for the incoming Lithuanian government. It has promised to implement a flat tax. Other fiscal changes are envisioned, although the current crisis will condition how reform plays out. There is very little leeway for monetary innovation as Lithuania runs a fixed exchange rate and has no active and independent

monetary policy. Lithuania, like its Baltic partners, intends on acceding to the euro but this will only likely happen around 2013. Inflation continues to be a problem and Lithuania continues to miss the inflation criteria for membership. The gap is also growing. Inflation is 11% in Lithuania, and Maastricht criteria calls for a 3.8% rate - a difference of some 800 basic points. Inflationary pressures will stay strong in all three countries. After Ignalina is closed electricity prices could double and this will feed into the Consumer Price Index (CPI). This is why the government is forecasting double digit inflation in 2010.

Russia's booming internal market is attracting exports from the Baltic States. But this source of income is now at risk as oil prices are tumbling and Russia's economy is dramatically slowing. Russia has also been an important investor in the region. Russian investors have been very active in Lithuania's energy and real estate market. They own, for example, the Kaunas electricity plant. This represents a real risk factor for the region. But obviously Lithuania has diversified its trading relationships significantly since EU accession and Latvia is now its second largest trade partner, followed by Estonia and Russia. Lithuania has suffered a degree of declining export competitiveness because of inflation; it is boosting sales in countries where inflation rates are even higher. The new government will likely work to reduce the public deficit.

In many respects Estonia has been the regional leader in economic reform and managed to create a very positive image among investors. Old foreign investment tends to attract new funds and Estonia continues to reap rewards from the quickness and agility of its reform.

KEY ENERGY CHALLENGES

Lithuania's key energy challenge can be explained in simple terms. It needs a secure energy supply offered at a reasonable price. A number of experts have been working on modelling the challenge to draw a profile of Lithuania's energy security challenges - a model which incorporates social, geo-political, technological and economic factors.

According to Ambassador Kestutis Sadauskas, a European Commission representative, 80% of Lithuania policy is sourced in Russia and, as suggested in this report, the closing of the Ignalina Nuclear Power Plant will increase the country's vulnerabilities. The European Commission has continued to argue that Lithuania and its neighbours need to take action to improve the security profile of the country and need to accept that Ignalina must be shut. Indeed, it confronts real risks. EU forecasts suggest that Europe's economies will undergo a downturn in 2009 and should begin to pick up in 2010. Lithuania however is expected to undergo a recession in 2010. Energy is one reason. The Commission expects that the new government will begin to address some of the underlying structural problems that are making the outlook somewhat gloomy for the Lithuanian economy.

Aleksandras Abisala, a former prime minister and chairman of the governmental commission on the security of energy supply, also spoke about Lithuania's energy vulnerabilities. He first noted that the Baltic States are essentially cut off from the European grid system and indicated that this is economically efficient. He suggested that the new government will need to pursue an energy strategy that is sustainable, reliable and affordable. Alternative supply routes and sources are essential, as

competition alone will help drive down prices and improve services. Right now there is far too much dependence on one supplier. Russians exploit this monopoly power by constantly pressing for political and economic advantage and they will do so until alternatives can be constructed. There is a small electrical sea cable from Estonia to Finland but Lithuania will need to build a connection to Germany through Poland. Another cable between the Baltic States and Sweden would also be needed to improve regional security through broader integration. All of this, however, requires political will and action. Likewise, Lithuania hopes to build a new nuclear power station by 2018 in Ignalina. But Abisala suggested that the Commission is misguided in arguing that Lithuania will have sufficient energy supplies after the closing of Ignalina. Studies suggest that the country will not be able to handle peak loads after Ignalina is shut down. The problem has not been adequately explored with Europe, according to Abisala, and serious consideration should be given to extending Ignalina's operational life at least to 2012.

Gas vulnerabilities are even worse. Currently the only gas line arrives from Belarus. That Kaliningrad is also dependent on this line offers a degree of assurance, however. Lithuanian experts suggest the country ought to build an underground emergency energy storage facility as well as an LNG terminal and a gas link to Poland and ultimately to Germany. This would help Lithuania purchase gas from other suppliers.

Lithuania hopes to increase the percentage of renewable energy but it has no hydro-electric potential and only has a limited coast for the construction of wind farms. Biomass offers another alternative.

IGNALINA NUCLEAR POWER PLANT

The NATO PA delegation also visited the Ignalina Nuclear Power Plant (NPP) and was briefed by Mr. Viktor Shevaldin, Director General of the NPP. The plant was constructed in the 1980s and was designed to provide electricity for the entire region, including all three Baltic Republics, Belarus and Kaliningrad. The NPP was equipped with two water-cooled graphite moderated reactors of the RBMK type, technologically similar to those used in Chernobyl, although considerably enhanced in terms of safety. These reactors are the largest in the world: the thermal power output of one unit is 4,800MW and the maximum electrical power capacity is 1,500MW. Currently, the only operational unit produces roughly 1,300MW; nearly all of this quantity is consumed within Lithuania. Ignalina NPP provides about 74% of Lithuania's electricity needs.

During the EU accession negotiations, Lithuania agreed to shut down both reactors. The first was closed in 2005, and the second will be closed in December 2009, despite the fact that both reactors are operable for a few more years. The closure will have significant repercussions for Lithuania's electricity sufficiency and the country's economy in general, as the electricity generation costs at the Elektrenai thermo-electrical plant – which will take over as Lithuania's premier electricity producer in 2010 – are about three times more. Mr. Shevaldin has stressed that the decision to close the plant was purely political and not based on technological or economic rationale.

Decommissioning the NPP poses a major managerial challenge. Lithuania receives substantial support from the EU and other international donors to shut the facility down. This support is critical as Lithuania alone would not be able to cover the cost of

decommissioning. Foreign support is already being used to decommission Unit 1 and to construct spent fuel storage facilities.

When asked by NATO parliamentarians about the lessons learned from the Chernobyl accident, Mr. Shevaldin pointed out that this accident was caused by human error during an experiment. Such an accident would not be possible in Ignalina due to technical upgrades that have been made. Should any risks emerge, additional safeguard mechanisms would automatically shut down the reactor in the course of two to three seconds. International experts confirm that the safety level of the Ignalina reactors is similar to that of Western nuclear power plants. The only inadequacy compared with Western standards is the absence of a containment cover over the reactor, which cannot technologically be installed in this type of plant. Physical protection is provided by a special forces unit of the Ministry of Interior, and the airspace over the NPP is protected by a special unit that was deployed in the wake of the 9/11 attacks.

Members of the NATO PA were also interested in the social consequences of the closure for the employees of the NPP. Mr. Shevaldin said that at least half of the current 3,000 employees will have to leave and will receive compensation. The rest will remain at least until 2017 and will be engaged in removing fuel rods from the reactor, transporting them to storages, dismantling and decontaminating the equipment.

The current management of the NPP is not directly involved in planning a new NPP in Lithuania, but should such a plan materialise, it is likely that the new plant would be built on the site of the Ignalina NPP. Lithuania's experience in the nuclear field, the existing infrastructure, as well as the absence of other nuclear plants in the region, is the factors that speak in favour of the plan, but intergovernmental negotiations could take years and thus delay its implementation.

Respectfully submitted,

Mr. Leon Benoit,
Chair

Canadian NATO Parliamentary Association (NATO PA)

Travel Costs

ASSOCIATION	Canadian NATO Parliamentary Association (NATO PA)
ACTIVITY	Visit to Lithuania by the Science and Technology Committee and the Economics and Security Committee Sub-committee on East-West Economic Co-operation and Convergence
DESTINATION	Vilnius, Lithuania
DATES	November 5-6, 2008
DELEGATION	
SENATEs	Senator Pierre Claude Nolin
HOUSE OF COMMONS	
STAFF	
TRANSPORTATION	\$5,110.96
ACCOMMODATION	\$727.71
HOSPITALITY	\$0.00
PER DIEMS	\$222.44
OFFICIAL GIFTS	\$0.00
MISCELLANEOUS / REGISTRATION FEES	\$0.00
TOTAL	\$6,061.11