THE MINERAL INDUSTRY OF

LITHUANIA

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The mining industry of Lithuania extracted peat and industrial minerals, including clays and sand and gravel. Lithuania had been among the leading countries of the former Soviet Union (FSU) in the production of lime, cement, and bricks. During the 1980's, more than 290 enterprises were engaged in the production of industrial minerals, including nitrogenous fertilizer, and more than 240 sand and gravel deposits were being mined. The country's peat production was used in agriculture as compost and litter. Since then, no reports of the development of new mines or enterprises producing industrial minerals have been found, and some facilities may have reduced or stopped production.

According to Lithuania's Finance Minister, preliminary figures for 1997 indicate that it was the most successful year economically since the dissolution of the Soviet Union. The Finance Minister stated that all financial indicators planned for 1997 were achieved or overfulfilled. According to preliminary figures, the growth of the gross domestic product was about 6% (Foreign Broadcast Information Service, radio broadcast [Vilnius Radio], transcription accessed February 5, 1998, at URL http://fbis.fedworld.gov).

Lithuania's foreign trade deficit in the first 10 months of 1997 was 5.341 billion litai (4 litai per US$1.00), an increase of 53% compared with the same period in 1997. Lithuania's main trade partners were Russia (23.8% of exports and 25.2% of imports), Germany (11.7% and 17.7%), Belarus (10.8% and 2.3%), Ukraine (9.0% and 2.1%), and Latvia (8.5% and 1.8%). The Bank of Lithuania's gold reserves stood at $52.7 million at the end of the year (Interfax Statistical Report, 1998).

Lithuania privatized 270 facilities in 1997, equaling about 48% of those included in the privatization program. Privatization in 1997 concerned primarily trade, industry, and construction enterprises. The highest price on the stock market was obtained by the 20.31% Government stake in the Akmene cement plant, which was offered at a starting price of 15 million litai, but was bought by a Norwegian investor for 35.26 million litai. Also, the 32.54% stake in Baltijos Laivu Statykla, a shipyard in the seaport of Klaipeda, offered at 11.3 million litai, was bought by a Danish investor for 11.4 million litai (Interfax Statistical Report, 1998).

The privatization of certain major strategic enterprises will begin in 1998. Lithuania had the Baltic States' only oil refinery at Mazeikiai with a capacity to produce more than 13 million metric tons per year (Mt/yr) of petroleum products. The sale of the oil refinery has been planned for May 1998 and Lithuanian Marine Shipping for July (Interfax Statistical Report, 1998).

For the first 9 months of 1997, the Mazeikiai oil refinery refined 4.1 million metric tons (Mt) of crude oil and was planning to refine 6 Mt by the end of the year. The company's profits were seriously reduced by expenditures on major repairs that lasted for more than a month (Baltic Business Weekly, October, 1997, Lithuania—Repairs reduce Mazeikiai oil's profit, October, 1997, accessed February 5, 1998, at URL http://www.alkhemy.com/latv/LAT.html).

The Ignalina nuclear powerplant, a graphite-moderated pressure-tube reactor, provided a high percentage of Lithuania's capacity to generate electricity. In the first 9 months of 1997 compared with the same period in 1996, generation at Ignalina had fallen by 8.9% because reactors were shut down for repairs. Ignalina planned to generate 14.33 billion kilowatthours of electrical energy in 1997, but reactor shutdowns for repair work caused the facility to fall behind production projections. The first reactor, which was under repair from March until October, resumed operating at its maximum capacity of 1,300 megawatts. The second reactor had been shut down for repairs since October 4 (Baltic Business Weekly, October 6-12, 1997, Lithuania—Ignalina atomic power plant generating less in 1997, accessed February 10, 1998, at URL http://www.alkhemy.com/latv/LAT.html).

The country was a major transshipper of mineral products, mainly through its Baltic seaport of Klaipeda. The Klaipeda oil terminal, Kleipedos nafta, handled nearly 3.6 Mt of petroleum products and liquid fertilizer in 1997, which was a decrease from the more than 4.1 Mt it handled in 1996 (Interfax Statistical Report, 1998). Heavy fuel oil, the transshipping of which was much costlier compared with other products, made up more than 72% of all cargos handled by Klaipeda Oil. Klaipeda Oil has been operating despite ongoing reconstruction at its terminal that began in 1995. All ramps for petroleum product loading were to be reconstructed in November. After the repairs, the Klaipeda terminal should have a projected capacity of 7.1 Mt/yr. It will be able to transship not only heavy and light petroleum products, but also crude oil. The terminal had a capacity of 4.5 Mt/yr before the reconstruction, although at one time it transshipped much larger quantities (Baltic Business Weekly, September 29-October 5, 1997, Klaipeda lowers fuel exports, accessed February 4, 1998, at URL http://www.alkhemy.com/latv/LAT.html).

Construction of an offshore petroleum and petroleum products loading terminal was underway at the Baltic seaport of Butinge. The first stage was completed in 1995. The terminal is to have a designed cargo handling capacity of 8 Mt/yr of crude oil and 2.5 Mt/yr of petroleum products. The terminal was designed with the assistance of the U.S. firm Fluor Daniel Williams Brothers and was being built by Lithuanian companies with credit being extended by the U.S. Export-Import Bank.

Construction of the Butinge offshore terminal has aroused environmental opposition in nearby countries. One of the chief opponents of the project, the Latvian Environmental Protection

Club, was winning international recognition for its opposition to the terminal's construction. The Club's president said his Club had won the support of the Bund fur Umwelt und Naturschut Deutschland's Baltic Sea Program leaders, who promised that their organization would aid the Latvian Club's fight against the terminal. The Latvian Club was supported by environmental protection organizations in Bonn, Bremen, and Munich as well as the Aktion Konferenz Nordsee. The opponents of the project believed that the projected plans for the terminal, which included tankers loading at a distance of 8 kilometers from the coast, could result in damaging oil spills (Baltic Business Weekly, October 13-20, 1997, Lithuania—Latvian greens win int'l support against Butinge, accessed February 5, 1998, at URL http://www.alkhemy .com/latv/LAT.html).

The U.S. steel-processing company Penninox was planning to build a metal-processing plant in the free economic zone of Klaipeda's seaport to produce finished stainless steel products. Penninox is planning to start building the plant in spring 1998. The company reportedly will invest about $50 million in the new plant, which will create about 200 jobs (Newsfile Lithuania Weekly, September 26-October 3, 1997, U.S. steel processing company to invest in Klaipeda free economic zone, accessed April 8, 1998, at URL http://www.waw.pdi.net/~litwaamb/NEWSF503 .htm).

Lithuania planned to announce the first open tender for oil-prospecting licenses for the Baltic Sea shelf in 1998-99. Extractable oil deposits in Lithuania's economic zone in the Baltic Sea are estimated to be more than 20 Mt. Lithuania's extractable mainland oil deposits were estimated to be 60 Mt. Oil was being extracted in Lithuania by the joint Swedish-Lithuanian company Genciai Oil, the joint Danish-Lithuanian company Minija Oil, and the state-owned Geonafta Company, which was to be privatized. Oil production totaled 160,000 metric tons (t) in 1997 and should increase to 450,000 t in 1999. To reach that level of production, however, considerable investments will be required in prospecting for new drilling sites, including those in the Baltic Sea (Baltic Business Weekly, October 20-26, 1997, Lithuania—Oil prospecting licenses to be tendered, February 9, 1998, at URL http://www.alkhemy.com/latv/LAT.html).

Geonafta, the Lithuanian state oil prospecting and extraction firm, in 1993 created the Genciai Oil and in 1995 the Minija Oil joint-venture companies to encourage oil prospecting in Lithuania. Genciai Oil was the major oil-extraction company in Lithuania and has been operating profitably since 1994; 50% of it belonged to the Swedish Svenska Petroleum Company. Minija Oil was founded with the Danish DONG Company, which held 50% of its capital; Minija showed profits for the first time in 1997 (Baltic Business Weekly, October 13-20, 1997, Gov't wants Scandinavians out of oil prospecting, accessed February 2, 1998, at URL http://www.alkhemy.com/latv/LAT.html).

The Lithuanian Government wanted to examine the influence of foreign control of its oil industry. The Permanent Control Commission for the Management of Energy Companies and Projects requested the Government to have the State Control Office clarify whether state interests were being violated in the oil sector by the investments of Swedish and Danish firms. Regarding the Scandinavian firms, Lithuania's Vice-Minister for the Economy stated,"We will not propose that they leave, but it is necessary to create adequate conditions for both sides. It should be clear, how many millions each side will contribute and how much will be received" (Baltic Business Weekly, October 13-20, 1997, Gov't wants Scandinavians out of oil prospecting, accessed February 2, 1998, at URL http://www.alkhemy.com/latv/ LAT .html).

Despite questioning foreign involvement in oil development, the Lithuanian Government was calling on foreign investors to participate more actively in the development of the country's petroleum oil storage facilities. At the conference on "Investment and Business Opportunities in Lithuania's Petroleum Sector" held in Klaipeda in October, the Vice-Minister of the Economy stressed the need for foreign investment in the construction of the Butinge Oil import-export terminal. The Vice-Minister said that Canadian and Russian oil companies had expressed interest in becoming partners in the Butinge Oil import-export terminal. The Vice-Minister stated that foreign companies would not necessarily buy new shares issued by Butinge Oil, but rather the Government was considering selling part of its stake in Butinge Oil to foreign investors. The Government had a 70% share in Butinge Oil, but could reduce it to 34%, as permitted by Lithuanian law (Baltic Business Weekly, October 20-26, 1997, Lithuania—Oil prospecting licenses to be tendered, February 2, 1998, at URL http://www.alkhemy.com/latv/LAT.html).

Apart from the Government, the largest investor in Butinge Oil was the German company Preussag Wasser und Rohrtechnik, which had a 21% stake. The total cost of the terminal project was estimated to be more than 260 million litai (Baltic Business Weekly, October 20-26, 1997, Lithuania—GovAEt calls for more active investments in oil sector, accessed February 2, 1998, at URL http://www.alkhemy.com/latv/LAT.html).

As do other Baltic States, Lithuania envisions its future in the mineral industry mainly as a transshipper of minerals, primarily oil, from Russia. Russian experts predict fierce competition among Russian oil companies trying to export crude oil through the Butinge Oil terminal when it is completed. Despite some reports to the contrary, these experts say that the Butinge and Ventspils (Latvian) terminals will not compete because there is enough crude oil on the market for everyone. At the Klaipeda conference, the Director General of the Russian Infotec-Terminal consultancy stated that rivalry among Russian firms for Butinge "Can be felt as early as now. All Russian export terminals have been overflowing, therefore, less crude oil is being extracted than it would be possible to extract. So Butinge is the biggest project in increasing export volumes and is therefore of interest to Russia." The Director General further stated that Russia's current exports are enough to serve as a guarantee that Russia, as well as other FSU countries, will use Lithuania to a greater extent as a gateway to the West (Baltic Business Weekly, October 20-26, 1997, Lithuania—Russians will compete for oil export through Butinge, accessed February 3, 1998, at URL http://www.alkhe my.com/latv/LAT.html).

Reference Cited

Interfax Statistical Report, 1998, Lithuania's economy in 1997: Interfax Statistical Report, v. VII, issue 4, January 16-23, p. 19-22.

TABLE 1
LITHUANIA: STRUCTURE OF THE MINERAL INDUSTRY IN 1997 1/

(Thousand metric tons unless otherwise specified)

Commodity		Major operating companies	Location of main facilities	Annual capacity e/
Ammonia, nitrogen content		Jonava nitrogenous fertilizer plant	Jonava	500.
Cement		Akmyantsementas enterprise	Akmyane	2,500.
Clays (for brick production)	cubic meters	Production at 19 deposits with the largest production facilities: The Daugelskoye plant exploiting the Daugelai deposit,	Daugelai	1,500,000 (total for 19 deposits).
Do		The Ignalinskoye plant exploiting the Dinsa deposit	Ignalina region	
Do.		The Tauragskoye enterprise exploiting the Taurage deposit	Taurage region	
Clays (for concrete aggregates)		Krunay deposit	Krunay region in central Lithuania	500.
Clays (for cement)		Saltiniskiai deposit	Saltiniskiai region	2,000.
Limestone		Karpenai deposit for cement production	Karpenia region	8,000.
Peat		Production at 11 eneterprises exploiting 55 deposits Largest eneterprises are: Siauliai exploiting Didisis-Tiryalis and Sulinkiu deposits	Siauliai region	350.
Do.		Ezherelskoye exploiting Ezherelis and Pales deposits	Ezherelis region	400.
Do.		Ionovskoye exploiting Paraistis and Disisis-Raystas deposits	Paraistis region	300.
Do.		Baltoyi-Bokeskoye exploiting Baltoyi and Vokeskoye deposits	Baltoyi-Boke region	300.
Petroleum. crude		Geonafta	NA	NA.
		Geniciai Oil	NA	NA.
		Minja Oil	NA	NA.
Petroleum, refined		Mazeikiai petroleum refinery	Mazeikiai	13,000.
Sand and gravel	million cubic meters	246 deposits under exploitation. Largest enterprises: Trakaijskoye association exploiting Serapinshkes deposits	Trakai region	20 (total for 246 deposits).
Do.	do.	Rizgonskiy plant and Yurbarkskiy plant exploiting Rizgonys and Kalnenay deposits	Rizgonys region	
Sand (for glass)		Anyksciai deposit	Anyksciai	150.

e/ Estimated NA Not available.

1/ Production may have been curtailed or ceased at a number of enterprises listed as mining industrial minerals as current information has not been available to update enterprise listings.