



**European Bank**  
for Reconstruction and Development

The Council  
National Energy Regulatory Council  
Verkių st. 25C-1, LT-08223 Vilnius,  
Lithuania

23 September 2021

Dear members of the Council,

I am writing in regards to the public consultation process of the proposed amendments to the methodology for determining the price ceiling for electricity transmission, distribution and public services.

We would like to express our belief that any change in the methodology should take due account of any commercial consequences arising from a material change in the methodology especially given the status of Ignitis Group (the “Group”) as a listed company in the stock exchange.

We are concerned that the changes proposed will lead to a significant increase in the Group’s cost of capital, as well as significantly increase the leverage on the Group’s subsidiary holding the electricity distribution network assets. Furthermore, we are deeply concerned that some of the proposed changes are going to be applied retroactively, which we believe will negatively affect investors’ confidence in the stability and attractiveness of the investment climate in Lithuania.

As you are aware, Ignitis Group listed its shares on the stock exchange last year in one of the most successful Initial Public Offerings (IPO) in the region and as a result was able to attract a number of high level institutional and retail investors. The European Bank for Reconstruction and Development (the “EBRD” or the “Bank”) played a key role in this IPO and became the second largest shareholder in the Group after the Ministry of Finance. The investments made in the context of the IPO were based on a stable and predictable regulatory framework, and accordingly maintaining this stability of the regulatory framework is crucial to further attract capital for the Group, the energy sector and other sectors in Lithuania relying on a regulated framework. This will be key to ensuring an attractive investment environment in the country.

Therefore, a change in regulations, especially retroactive changes, without sufficient regard to commercial expectations may damage investor confidence in Lithuania.

We trust that you will take this into consideration before approving the final methodology. We would be happy to discuss this in more detail with you and your colleagues if this would be helpful.

Yours sincerely,

Ian Brown  
Head of the Baltics  
European Bank for Reconstruction and Development (EBRD)