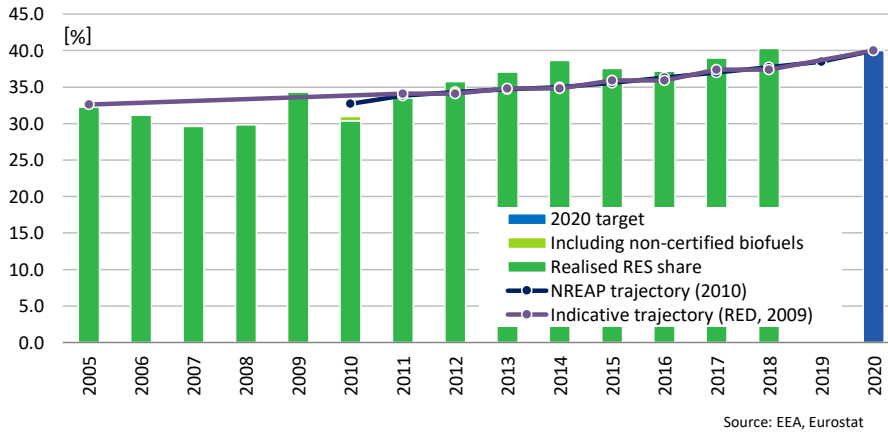


Summary

Electricity from renewable sources of energy is stimulated by a feed-in tariff scheme which includes elements of a renewable quota scheme and tendering. This scheme was introduced in 2011, is currently suspended and is due to be completely phased out by 1 January 2020. It is closed for new RES-E projects. The suspended main RES-E support scheme is being evaluated which is to lead to the introduction of a new technology-neutral RES-E support scheme within short. Small-scale renewable generation, notably PV, is stimulated by net metering. Renewable heating and cooling is promoted by fiscal instruments. To date, renewable transport fuels are promoted through a biofuels quota scheme and a fiscal incentive.



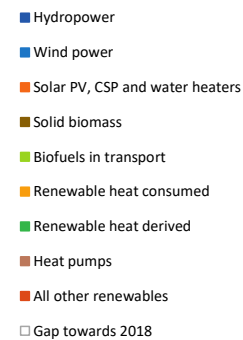
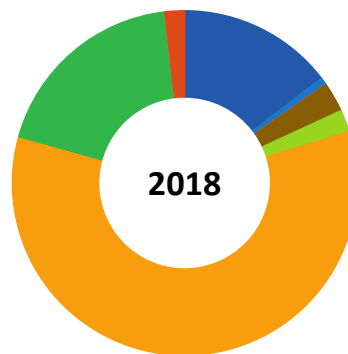
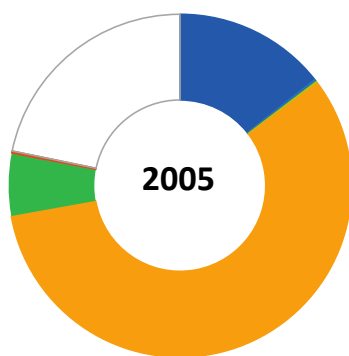
Source: EEA, Eurostat

Abbreviations used:

RES: renewable energy sources
 RES-E: renewable electricity
 RES-H/C: renewable heating/cooling
 RES-T: renewable transport fuels

Data for 2018

Overall RES share:	40.3%	Avoided fossil fuels:	1.6 [Mtoe]
Overall RES 2020 target:	40.0%	Avoided fuel expenses:	0.7 [billion euro]
Share RES-E in electricity:	53.5%	RES Turnover:	1320 [MEUR]
Share RES-T in transport:	4.7%	RES Employment:	34100 [jobs]
Share RES-H/C in heating:	55.9%		



Source: Eurostat, 2020.

	2005		2018		
	Energy		Energy	Employment	Turnover
Hydropower	253.4 ktoe		257.0 ktoe	3300 Jobs	170 MEUR
Wind power	3.9 ktoe		12.9 ktoe	200 Jobs	10 MEUR
Solar PV, CSP and water heaters	0.0 ktoe		0.1 ktoe	200 Jobs	20 MEUR
Solid biomass	0.5 ktoe		49.0 ktoe	24400 Jobs	900 MEUR
Biofuels in transport	2.6 ktoe		36.1 ktoe	4900 Jobs	160 MEUR
Renewable heat consumed	1010.9 ktoe		1042.9 ktoe		
Renewable heat derived	103.9 ktoe		330.9 ktoe		
Heat pumps	0.0 ktoe		0.7 ktoe	<100 Jobs	<10 MEUR
All other renewables	3.1 ktoe		32.2 ktoe	1000 Jobs	50 MEUR
Gap towards 2018	383.4 ktoe				

Source: Eurostat, EurObserv'ER, 2020.

Hydropower jobs & turnover only covers 'small hydropower'. PV=Photovoltaics, CSP=Concentrated Solar Power. Biofuels in transport only covers compliant fuels (employment and turnover additionally cover the non-compliant biofuels). Derived heat includes heat produced in main activity producer plants and heat sold produced in autoproducer plants. Its counterpart is the final heat consumption in the final consumption sectors (such as households).



CURRENT RENEWABLE ENERGY POLICY

Energy Development Guidelines 2016-2020 were introduced in 2016 by the Cabinet of the Ministers. The Guidelines foresee an increase of the share of renewable energy sources (RES) in final energy consumption to 40% by 2020 and to 50% by 2030. The guidelines set the goal to develop a new technology-neutral national support mechanism for the electricity production from renewable energy sources until 2018. Its introduction is still in the offing.

Electricity from renewable sources of energy is stimulated by a feed-in tariff scheme which also includes elements of a renewable quota scheme and tendering. In principle, it applies to all renewable electricity generation technologies with the exception of geothermal generation. Introduced in 2011, this scheme is currently suspended and is due to be completely phased out by 1 January 2020. It is closed for new RES-E projects. The current major RES-E support scheme is under review for major reform. In order to boost the efficiency of RES-E support, the Latvian government deems that a new RES-E support scheme should be technology-neutral. For generators/prosumers with a small connection ($\leq 3 \cdot 16A$) a net metering regulation is in place. All small-scale renewable electricity generating technologies are eligible in principle, but mainly households with PV solar installations benefit from net metering.

As for *renewable heating and cooling*, suppliers of heat from biomass or biogas are eligible for a reduced VAT (value added tax). Excise duty is imposed on the (final) delivery of biogas. The excise duty rate is eligible for a reduction when biogas is used for heating purposes.

Renewable transport fuels, i.e. biofuels only, are promoted by way of a biofuels quota scheme. Furthermore, the mineral fuels excise duty is reduced proportionate with the blending proportion of biofuels in gasoline and diesel. The purchase of battery electric vehicles (BEVs) is stimulated by a package of measures, including:

- Exemption from registration tax and ownership tax
- Local incentives include free parking in Riga and Liepaja and permission to use bus lanes
- Company EVs are subjected to a reduced company car tax .

So far, the assessment by the European Commission of draft National Energy and Climate Plans of the Member States is available. The Commission's assessment of the draft integrated National Energy and Climate Plan of Latvia – regarding the targets for year 2030 for the share of renewable energy and gross final energy consumption only¹ – is shown in Table 1 below.

¹ Gross final energy consumption is included as well as its level negatively affects the share of renewables: given a certain level of final consumption from renewable sources, the more total final energy consumption can be reduced, the higher share of renewables can be achieved.

Table 1: Overview of Latvia's actual performance (2018), targets (2020), proposed contributions (2030) under the Governance Regulation, Regulation (EU) 2018/1999 and contribution ambition assessment by the European Commission, regarding the share of renewables and the level of gross final energy consumption

National targets and contributions	2018	2020	2030	Assessment of 2030 ambition level
Share of energy from renewable sources in gross final consumption of energy (%)	40.3	40.0	45.0	Below 50% (result of RES formula)
Final energy consumption (Mtoe)	4.2	4.4	3.6	Modest

Source: European Commission, (2019); Eurostat (2020a, 2020b)

Based on the formula contained in Annex II of the Governance Regulation, Latvia's renewables share would have to reach the level of 50% in 2030 (European Commission, 2019) against the historical rate of 40.3% in 2018 (eurostat, 2020a). The European Commission (2019) considers the proposed RES share by 2030 of at least **45%** to not to fully reflect Latvia's potential and to be below the share of 50 % in 2030 that results from the formula in Annex II of the Regulation. The Commission deems the ambition level of the proposed **3.6 Mtoe** as Latvia's proposed contribution to the EU 2030 target for final energy consumption (as derived from Latvia's proposed contribution of 4.2 Mtoe to the EU 2030 target for primary energy consumption) to show a modest ambition level, considering the level of efforts required at the EU level to collectively reach the Union's 2030 efficiency target. In 2018 Latvia's gross final energy consumption amounted to 174.55 PJ, corresponding to **4.16 Mtoe**.

Latvia's final National Energy and Climate Plan (NECP) raises the target for the renewables share by year 2030 to **50%** compared to 45% proposed in its draft NECP. The 50% target share is in line with the rate resulting from the formula in Annex II of the Governance Regulation. To achieve this target, no direct policies and measures are enumerated. Existing and additional policies Latvia sets out to implement that will incentivise renewables indirectly include (Government of Latvia, 2020):

- *Greening of the tax system* and improving of energy efficiency and RES technologies...
- Improving energy efficiency and *promoting the use of RES technologies in heating and cooling, and industry ...*
- Promoting economically justified *self-generation, self-consumption of energy and RE communities ...*
- [Develop *District Heating*] systems ... that are complex and economically sound and which increasingly use RES technologies (in particular zero-emission technologies)
- [Make *individual heating*] more efficient, with increased use of RES technologies (in particular zero-emission)
- [Tap into t]he potential for generating wind energy in accordance with the available infrastructure capacity ... to a large extent, and [increase...] the share of RES ... in a cost-efficient, market principles-based way...

As for Latvia's contribution to the EU energy efficiency target for year 2030, in its final NECP Latvia sets an indicative interval target for gross final energy consumption of 145 - 149 PJ, corresponding to **3.46 - 3.56 Mtoe**. This is slightly more ambitious than the implicitly proposed 3.6 Mtoe level proposed in Latvia's draft NECP, the ambition level of which the European Commission qualifies as modest.

OVERVIEW OF MAIN SUPPORTING POLICIES

The main RES support measures applied in Latvia are epitomized in Tables 2 and 3 below. See the previous section and the notes to Table 2 for more details.

Table 2: Overview of support schemes to promote renewable energy in Latvia

	NON-FISCAL SUPPORT SCHEMES						FISCAL AND OTHER STATE FUNDED INCENTIVES			
	Feed-in tariffs 1)	Feed-in premium	Tenders 2)	Quota obligation with Tradable Green certificates	Quota obligation without Tradable Green certificates 2)	Net-metering/ net-billing	Investment subsidies	Fiscal incentives for renewable heat 3)	Fiscal incentive for biofuels 4)	Soft loans
RES-E										
- Offshore wind	(x)									
- Onshore wind	(x)					x				
- Solar	(x)					x				
- Hydro	x					x				
- Geothermal										
- Solid biomass	(x)					x				
- Biogas	(x)					x				
RES-H/C										
- Solar thermal										
- Geothermal										
- Biomass								x		
- Biogas								x		
- Small scale installations, e.g. solar thermal collects, heat pumps, biomass boilers and pellet stoves								x		
- Others, i.e. aerothermal, hydrothermal										
RES-T										
- Bio gasoline					x				x	
- Biodiesel					x				x	

1) The prevailing (complex) feed-in tariff scheme is currently suspended and due to be phased out in 2020.

2) Integrated into the currently suspended feed-in tariff scheme

3) Delivery of renewable heat from biomass and biogas is promoted through a reduced VAT rate. Delivery of biogas for heating purposes is promoted by way of a reduced excise duty rate as well.

4) Suppliers of gasoline and diesel blended with biofuels benefit from a proportionate reduction of the mineral oils excise duty.

Sources: RES Legal, EurObserv'ER

Table 3: Overview of instruments used at present in Latvia

<i>Instrument</i>	<i>Description</i>
Feed-in tariffs	Guaranteed sale of electricity at a pre-set preferential price during the support contract period. Since 2011 new projects do not get feed-in support.
Net metering	Possibility for a prosumer operating a small RES-E installation to settle electricity fed into the grid in the course of a calendar year at the retail electricity tariff (including taxes and surcharges) up to a maximum level, i.e. the aggregated volume of electricity absorbed by the operator concerned from the grid during the same calendar year. In Latvia RES-E installations with a small ($\leq 3 \cdot 16A$) connection are eligible to net metering.
Tax credits scheme	Suppliers of heat from biomass or biogas are eligible for a reduced VAT (value added tax). Excise tax is imposed on the (final) delivery of biogas. The excise tax rate eligible for a reduction when biogas is used for heating purposes.
Tax credits scheme	Biofuels are promoted by way of a tax regulation mechanism.

For further information:

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http://www.ceer.eu/portal/page/portal/EER_HOME/EER_PUBLICATIONS/CEER_PAPERS/Electricity/2017/C16-SDE-56-03%20Status%20Review%20RES%20Support%20Schemes.pdf

European Alternative Fuels Observatory, <https://www.eafo.eu/countries/latvia/1741/incentives>

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EEA, 2019. Progress towards renewable energy source targets at member State and EU-28 levels. Copenhagen, 19 December https://www.eea.europa.eu/data-and-maps/daviz/actual-res-progress-indicative-trajectory-9#tab-chart_3

European Union, 2018. Regulation (EU) 2018/1999 on the Governance of the European Union and Climate Action, OJEU L328/1, Brussels, 21 December <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018R1999&from=EN>

Eurostat, 2020a. Renewable energy statistics; Share of renewable energy almost doubled between 2004 and 2018. Luxembourg, January https://ec.europa.eu/eurostat/statistics-explained/index.php/Renewable_energy_statistics

Eurostat, 2020b. Energy consumption in 2018. Primary and final energy consumption still 5% and 3% away from 2020 targets. Luxembourg, 4 February <https://ec.europa.eu/eurostat/documents/2995521/10341545/8-04022020-BP-EN.pdf/39dcc365-bdaa-e6f6-046d-1b4d241392ad>

Government of Latvia, 2020. Latvia's National Energy and Climate Plan 2021-2030. Riga https://ec.europa.eu/energy/sites/ener/files/documents/lv_final_necp_main_en.pdf

International Energy Agency (IEA) database on policies and measures <https://www.iea.org/policies?topic=Renewable%20Energy>

Member State Progress Report, available at the Renewable Energy pages of the European Commission, <http://ec.europa.eu/energy/en/topics/renewable-energy>

REN21, 2020. Global Status Report 2020. Paris, 16 June https://www.ren21.net/wp-content/uploads/2019/05/gsr_2020_full_report_en.pdf

RES Legal database, <http://www.res-legal.eu/search-by-country/latvia/>

https://ec.europa.eu/commission/sites/beta-political/files/energy-union-factsheet-latvia_en.pdf (European Commission/ DG ENER, Energy Union Factsheet Latvia, November 2017)

What is meant by ...?

Auctions for granting renewable energy support	An auction is a process of granting production or investment support to renewable energy projects based on the lowest bids by eligible project developers.
Feed-in tariff (FiT)	A support scheme which provides for a technology-specific remuneration per unit of renewable energy payable to eligible renewable energy producers. A proper, periodic review of FiT rates is often undertaken with the aim to prevent both too high FiTs so as to minimise regulatory rents, i.e. supra-normal returns and too low FiTs to preclude below-target market uptake because of FiT levels that are perceived by market participants to be less attractive. In addition, feed-in tariffs often include "tariff depression", a mechanism according to which the price (or tariff) ratchets down over time.
Feed-in premium (FiP)	A scheme which provides for a support level per unit of renewable energy to eligible renewable energy producers, typically for a period of 10-20 years, at a pre-set fixed or floating rate. The premium is typically adjusted periodically to exactly offset change in the average energy wholesale market price, based on a pre-specified benchmark market price. A floating FiP may move freely or may only be allowed to move within a pre-set interval.
Grants	Grants are non-repayable funds disbursed by one party (grant makers), often a government department, corporation, foundation or trust, to a recipient, often (but not always) a non-profit entity, educational institution, business or an individual. (Source: Wikipedia.org)
Green public procurement	In Green public procurement contracting authorities take environmental issues into account when tendering for goods or services. The goal is to reduce the impact of the procurement on human health and the environment. (Source: Wikipedia.org)
Renewable quota scheme (RQS)	A RQS mandates certain market actors (typically retail suppliers or large energy end-users) to respect a pre-set minimum share or amount of their total energy procurements from renewable sources of energy. Typically a tradable green certificate (TGC) scheme is operated to enable the obligated parties to prove their compliance with the prevailing renewable quota target by means of TGCs.
Sliding feed-in-tariff	A FiT scheme which pre-sets technology-specific declining feed-in tariffs for certain prospective vintages in line with the technology-specific learning curve, as projected by the National Regulatory Agency (NRA). Often a depression rate is used indicating the %/annum decrease in the rate level.
Soft loans	Loans at concessional (below market-based) terms, for example at sub-market-conform interest rates, made available in several Member States to stimulate certain renewable energy technologies.
Tax credits	These are amounts a tax paying entity is allowed to deduct when declaring payable taxes, for example company tax or income tax, to the tax authorities, for example the producer tax credits (PTCs) used in the United States to stimulate among others wind energy deployment.

Disclaimer

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