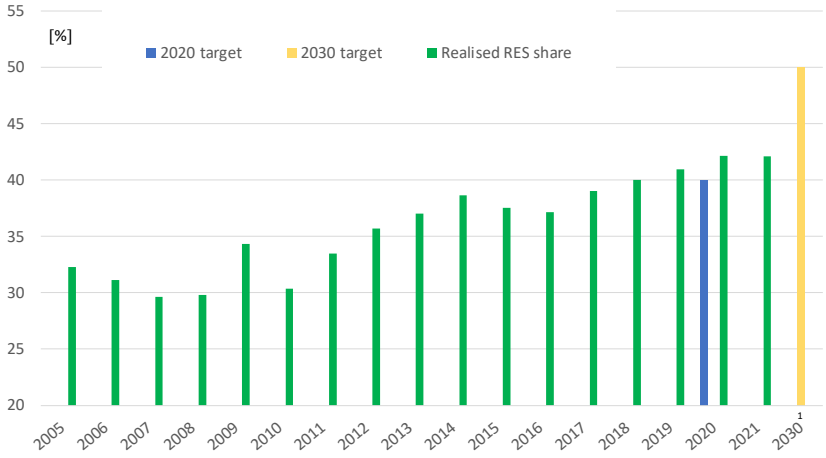
Renewable Energy Policy Factsheet

June 2023

Latvia

Renewable energy status

Share of energy from renewable sources in total gross final energy consumption



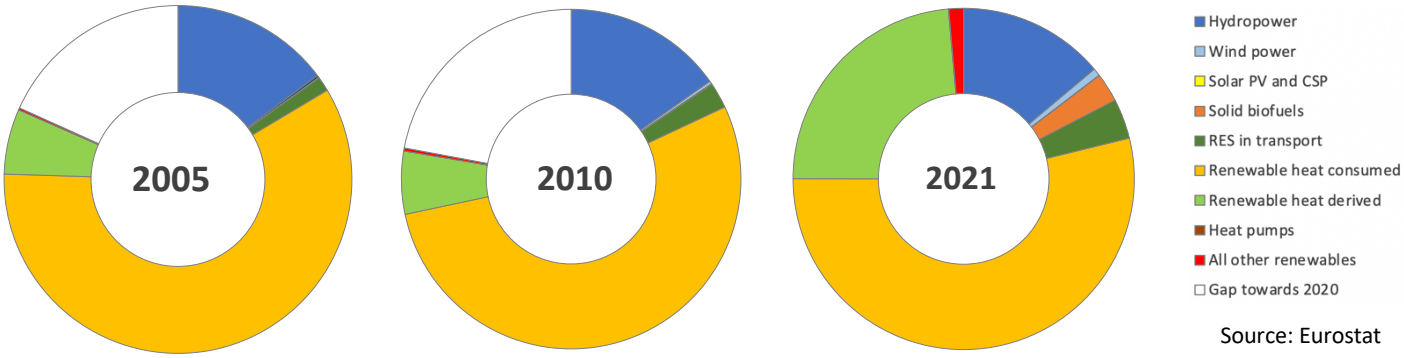
Source: Eurostat

Abbreviations used:

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

Data for 2021

Overall RES share:	42.1%	Avoided fossil fuels:	0.4 [Mtoe]
Overall RES 2020 target:	40.0%	Avoided fuel expenses:	209 [MEUR]
Overall RES 2020 target:	50.0%	RES Turnover:	1 170 [MEUR]
Share RES-E in electricity:	51.4%	RES Employment:	22 700 [jobs]
Share RES-T in transport:	6.44%	RES imports[2]:	27 [MEUR]
Share RES-H/C in heating:	57.38%	RES exports[2]:	8 [MEUR]



Source: Eurostat

	2005	2010	2021		
	Energy in ktoe	Energy in ktoe	Energy in ktoe	Employment in FTE	Turnover in MEUR
Hydropower	253.4	260.8	249.1	500	30
Wind power	3.9	4.8	12.9	200	10
Solar PV. and CSP	0	0.0	0.6	100	<10
Solid biomass	0.5	0.7	49.0	17 700	890
Ren. energy in transport[3]	23.5	42.3	68.0	3 300	170
Renew. heat consumed	1 010.9	918.1	966.0		
Renew. heat derived	103.9	102.5	422.2		
Heat pumps	0	0.0	0.6	100	<10
All other renewables	3.1	4.9	25.1	800	50
Gap towards 2020	312.4	377.5			

Source: Eurostat, EurObserv'ER

FTE = Full time equivalent, 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 auto-producer plants. Its counterpart is the final heat consumption in the final consumption sectors (such as households).

[1] From Integrated National Energy Climate Plan

[2] Referring to the International Trade chapter from the publication: EurObserv'ER - *The State of Renewable Energy in Europe, 2022 edition*

[3] Employment and turnover are only referring to biofuels in transport.

CURRENT RENEWABLE ENERGY POLICY

In response to the Covid-19 pandemic and economic crisis, the government of Latvia issued their recovery and resilience plan, aiming for a long-term and green recovery. Two components relate to the energy sector:

- Component 1.1: Reducing emissions from the transport sector (EUR 295 million)
- Component 1.2: Improving energy efficiency (EUR 248 million)

RES-E

The previous feed-in tariff scheme has been suspended and was phased out in 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 (≤3*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 part of the national Recovery and Resilience Plan, EUR 80 million are assigned to the modernisation of electricity and distribution networks.

RES H&C

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. In the national Recovery and Resilience Plan, the following budgets have been set:

- Improving the energy efficiency of apartment buildings and the transition to the use of renewable energy technologies (EUR 57.3 million)
- Increasing energy efficiency in business, which is planned to be implemented nationally in the form of a combined financial instrument (EUR 120.6 million)
- Improving municipal buildings and infrastructure by facilitating the transition to renewable energy technologies and improving energy efficiency (EUR 29.3 million)
- Improving energy efficiency in public sector buildings, incl. in historic buildings (EUR 24.0 million)

RES-T

With its national Recovery and Resilience Plan, Latvia looks to tackle the transport sector with three major investments:

- Competitive railway passenger transport in the common public transport system of the city of Riga (EUR 147.1 million)
- Environmentally friendly improvements in the public transport system of the city of Riga (EUR 113.9 million)
- Improved bicycle infrastructure (EUR 34.5 million).

Currently, Latvia has a number of incentives and legislation aiming to increase the uptake of alternative fuels, vehicles and infrastructure:

- Registration tax benefits: Electric vehicles are exempt from the registration tax

- Ownership tax benefits: Electric vehicles, including cars, goods vehicles, buses, and motorcycles, are exempt from payment of the Vehicle Operation Tax
- Company tax benefits: EVs have a reduced company car tax
- Local Incentives: Electric vehicles are permitted to travel along public transport lanes, parking for free in Rīga and Liepāja parking lots, and entering Jūrmala without a fee

Table 1: Brief description of key policy instruments aimed at promoting RES in Latvia

Instrument	*Description*
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 (≤3*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:

European Commission: European Alternative Fuels Observatory: Latvia; Incentives and Legislation, https://alternative-fuels-observatory.ec.europa.eu/transport-mode/road/latvia/incentives-legislations, last accessed June 2022

International Energy Agency (IEA): Country Dossier Latvia, https://www.iea.org/countries/latvia

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

National Energy and Climate Plans (NECPs), https://ec.europa.eu/energy/en/topics/energy-strategy-and-energy-union/governance-energy-union/national-energy-climate-plans

REN 21 (2022): Renewables Global Status Report 2022, https://www.ren21.net/gsr-2022/, last accessed June 2022

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 degression", 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 degression 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.

Funded by the European Commission