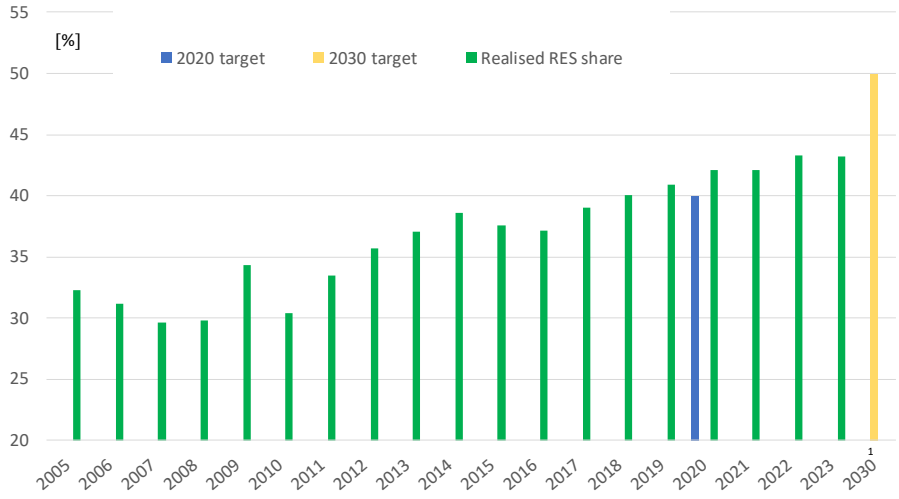
Renewable Energy Policy Factsheet

April 2025

Latvia

Renewable energy status

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



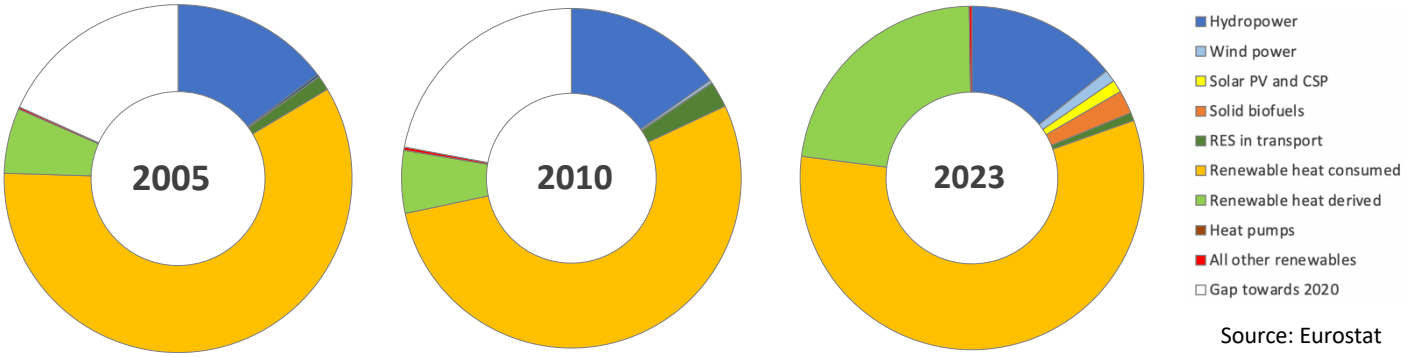
Source: Eurostat

Abbreviations used:

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

Data for 2023

Overall RES share:	43.2%	Avoided fossil fuels:	0.5 [Mtoe]
Overall RES 2020 target:	40.0%	Avoided fuel expenses:	373 [MEUR]
Overall RES 2030 target:	57.0%	RES Turnover:	1 190 [MEUR]
Share RES-E in electricity:	54.3%	RES Employment:	22 500 [jobs]
Share RES-T in transport:	1.4%	RES imports[2]:	87 [MEUR]
Share RES-H/C in heating:	61.4%	RES exports[2]:	11 [MEUR]



Source: Eurostat

	2005	2010	2023		
	Energy in ktoe	Energy in ktoe	Energy in ktoe	Employment in FTE	Turnover in MEUR
Hydropower	253.4	260.8	252.1	500	30
Wind power	3.9	4.8	20.2	100	10
Solar PV, and CSP	0	0.0	20.6	2 700	150
Solid biomass	0.5	0.7	38.6	15 000	770
Ren. energy in transport[3]	23.5	42.3	13.6	3 500	170
Renew. heat consumed	1 010.9	918.1	1 012.3		
Renew. heat derived	103.9	102.5	400.5		
Heat pumps	0	0.0	0.0	<100	<10
All other renewables	3.1	4.9	4.5	600	50

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, 2024 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
- Latvia has made considerable progress in unlinking its energy dependency from Russian imports in a short period of time by imposing bans on the import of electricity and natural gas from Russia in 2023. In the renewable energy sector, the Daugava Hydropower Plants (HPPs) generated the highest amount of electricity since 2017, which is also the second highest in the last 25 years. Additionally, renewable energy accounted for 60.7% of total electricity generation in the country in 2023.
- The electricity tax law that has been applied in Latvia since 1 January 2007 was amended in 2023. According to this law, the electricity tax is applied to the customers for consumption and where electricity is used for generating thermal energy and electricity supplied for self-consumption. However, starting 2023, the tax exemption is applied to households and electricity used to produce energy for transportation. Moreover, under the Recovery Fund support programme "Modernisation of Electricity Transmission and Distribution Networks, the Latvian electricity distribution system operator “Sadales tīkls," signed an agreement with the Ministry of Economy to allocate EUR 49.1 million for modernizing the electricity distribution grid by 2026. The funding will be used for various project, reconstruction, installation, and the development of a smart electricity accounting system.
- RES-H&C
- Latvia’s objective is to have a considerable increase in the capacity of installed heat pumps and further efforts have been made. Since 9 January 2013, the law on energy and performance of buildings has recommended to use heating and cooling or heat pumps while construction and the heating energy demand shall not exceed 150 kWh per square meter in a year.
- More recently, the Latvia’s National Energy and Climate Plan for 2021-2030 (NECP2030) envisions the share of RES in heating and cooling sector should increase by at least 0.55 % per year to reach indicatively 57.59%, by expanding biomass utilization, use of heat pumps and solar heat collectors.
- RES-T
- With the updated draft of the countries National Energy and Climate Plan (NECP) 2021-2030 in 2023, Latvia targets a 7% share of renewables in the transport sector. While the vehicle tax and the company car tax have been active since 20 December 2010 on registered or possessed vehicle and vehicles in transit. However, it does not apply to heavy vehicles. It is necessary the development of a tax policy that encourages the replacement of the fleet by introducing changes in transport taxation for higher efficiency and low-emission transport.

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

Instrument	*Description*
National Energy and Climate Plan (NECP) 2021-2030	In December 2023, an updated draft of Latvia's NECP 2021-2030 was submitted to the European Union to align with its package Fit for 55 to fulfil energy targets by 2030. The country targets to reach 50% share of renewables in gross final consumption and a 7 % share of renewables in the transport sector.
EU Structural Funds	The Latvian government has offered support with the help if co-financing investments also known as EU Structural Funds for renewables in electricity. Moreover, it has also implemented national green investment schemes, electricity and vehicle tax, feed-in tariffs to boost renewables in the elecricity sector. However, in 2023 along with changes in the electricity law, the government has recently made efforts to explore the options for siting offshore winds for renewables generation.
Ministry of Climate and Energy	The creation of a new Ministry of Climate and Energy in January 2023 will further support Latvia's climate and energy goals by ensuring a systematic approach in government to policymaking and implementation.
Electricity Tax Law	The electricity tax law has been applied in Latvia since 1 January 2007. According to this law, the electricity tax is applied to the customers for consumption and where electricity is used for generating thermal energy and electricity supplied for self-consumption. Since 1 January 2023, the tax exemption is applied to households and electricity used for generating electricty production as well as electricity used for transportation of goods and public passenger transport.
Recovery Fund support programme "Modernisation of Electricity Transmission and Distribution Networks	Under this programme, the Latvian electricity distribution system operator, "Sadales tīkls," signed an agreement with the Ministry of Economy to allocate EUR 49.1 million for modernizing the electricity distribution grid by 2026. The funding will be used for various projects, including the reconstruction of 75km of medium voltage power lines, the replacement of 840 transformers, the installation of solar panels on 700 transformer substations, the construction of 2,060 new connection points for EV charging stations, and the development of a smart electricity accounting system.
Law on the Energy Performance of Buildings	This law which came into force on 9 January 2013, recommends that while contrsucting new buildings, it is recommended to use renewable energy installations such as heating and cooling installations or heat pumps. According to this law, if the heating energy demand of a building exceeds 150 kWh per square metre in a year, then measure to improve energy efficiency must be implemented.
The Vehicle Operation Tax	According to the Law on Vehicle Operation Tax and Company Car tax implemented on 20 December 2010, this tax must be paid annually by those: • Have a registered or possess a vehicle in Latvia except for heavy vehicles. • Have transit number plates

For further information:

National Energy and Climate Plan (NECP) 2021-2030, https://iea.blob.core.windows.net/assets/40d40536-4044-459e-9891-d586f1977bfd/Latvia2024.docx.pdf

Electricity Tax Law, https://likumi.lv/ta/en/en/id/262304

Sadales tīkls, https://em.gov.lv/lv/jaunums/sadales-tikls-paraksta-ligumu-par-419-milj-eiro-sanemsanu-no-es-atveselosanas-fonda

The Vehicle Operation Tax, https://www.vid.gov.lv/en/vehicle-operation-tax

Law on the Energy Performance of Buildings, https://www.em.gov.lv/en/energy-performance-buildings

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