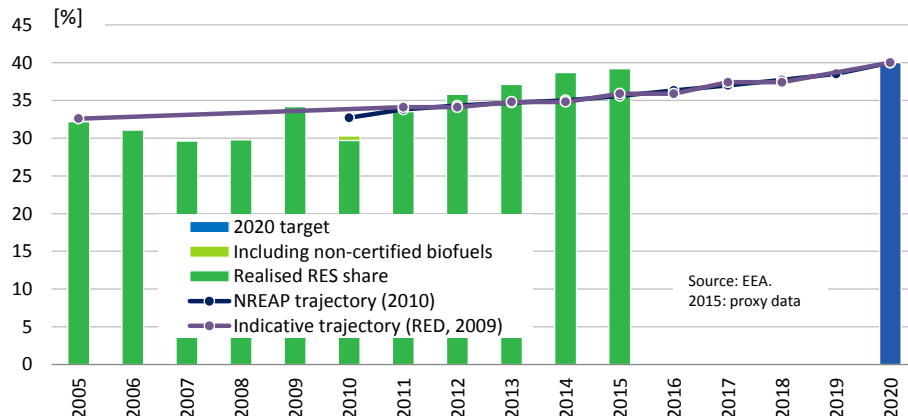


Summary

Electricity from renewable sources of energy is stimulated by a feed-in tariff scheme which includes elements of a renewable quota scheme and tendering. Since 2011 this scheme only applies to pre-existing RES-E installations and is closed for new RES-E projects. Moreover, the present main RES-E support scheme is being evaluated which may result in reforms within short. Small-scale renewable generation, notably PV, is stimulated by net metering. On the other hand, since January 2014 a tax for subsidised electricity generators is in place. Renewable heating and cooling is promoted by fiscal instruments. To date, renewable transport fuels are promoted through a tax mechanism as well.



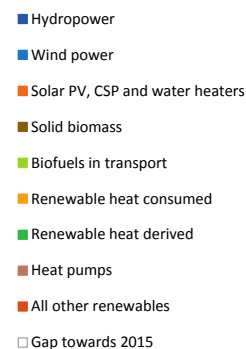
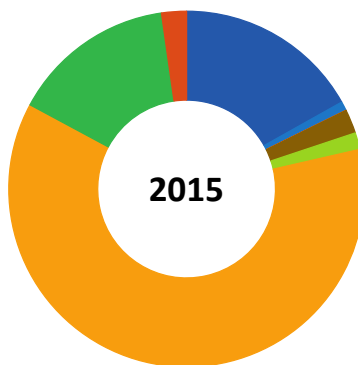
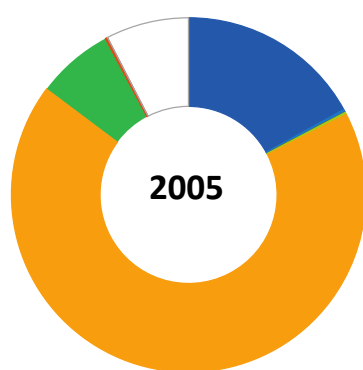
Source: EEA.
2015: proxy data

Abbreviations used:

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

Data for 2015

Overall RES share:	37.6%	Avoided fossil fuels:	2.0 [Mtoe]
Overall RES 2020 target:	40.0%	Avoided fuel expenses:	0.7 [billion euro]
Share RES-E in electricity:	52.2%	RES Turnover:	640 [MEUR]
Share RES-T in transport:	3.9%	RES Employment:	6600 [jobs]
Share RES-H/C in heating:	51.8%		



Source: Eurostat, 2017.

	2005		2015		
	Energy		Energy	Employment	Turnover
Hydropower	253.4 ktoe		251.6 ktoe	150 Jobs	1 MEUR
Wind power	3.9 ktoe		12.5 ktoe	50 Jobs	1 MEUR
Solar PV, CSP and water heaters	0.0 ktoe		0.0 ktoe	100 Jobs	1 MEUR
Solid biomass	0.5 ktoe		32.5 ktoe	6000 Jobs	580 MEUR
Biofuels in transport	2.6 ktoe		22.8 ktoe	100 Jobs	25 MEUR
Renewable heat consumed	1010.9 ktoe		916.3 ktoe		
Renewable heat derived	103.9 ktoe		222.0 ktoe		
Heat pumps	0.0 ktoe		0.0 ktoe	0 Jobs	0 MEUR
All other renewables	3.1 ktoe		33.7 ktoe	200 Jobs	32 MEUR
Gap towards 2015	113.0 ktoe				

Source: Eurostat, EurObserv'ER, 2017.

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

Electricity from renewable sources of energy is stimulated by a feed-in tariff scheme which includes elements of a renewable quota scheme and tendering. Since 2011 this scheme only applies to pre-existing RES-E installations and is closed for new RES-E projects. Furthermore, early 2014 a tax for subsidised electricity generators has been introduced. 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 ($\leq 3 \times 16\text{A}$) a net metering regulation is in place.

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 tax regulation mechanism. Introduction of a new biofuels support scheme is being considered.

OVERVIEW OF MAIN SUPPORTING POLICIES

The main RES support measures applied in Latvia are epitomized in Table 1 below. See the previous section and the notes to Table 1 for more details.

Table 1: Overview of support schemes to promote renewable energy

		REGULATORY POLICIES					FISCAL INCENTIVE AND PUBLIC FINANCES			
	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	Tax credits mechanism I 3)	Tax credits mechanism II 4)	Soft loans
RES-E										
- Offshore wind	x									
- Onshore wind	x					x				
- Solar	x					x				
- Hydro	x					x				
- Geothermal	x									
- 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										
- Others, i.e. aerothermal, hydrothermal										
RES-T										
- Bio gasoline									x	
- Biodiesel									x	

1) As of 2011 closed for new installations generating renewable electricity

2) Integrated into the feed-in tariff scheme

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

4) Suppliers of bio gasoline and biodiesel benefit from a tax regulation mechanism.

Sources: RES-Legal Europe (2017), EurObserv'ER, GSR/REN21

Table 2: Overview of instruments used at present

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 ($\leq 3 \times 16A$) 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:

CEER, 2017. Status Review of Renewable Support Schemes in Europe.

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

EEA, 2017 <http://www.eea.europa.eu/data-and-maps/daviz/actual-res-progress-indicative-trajectory-2>

Eurostat, 2017. Energy from renewable sources. http://ec.europa.eu/eurostat/statistics-explained/index.php/Energy_from_renewable_sources

REN21, Global Status Report 2017 http://www.ren21.net/wp-content/uploads/2017/06/170607_GSR_2017_Full_Report.pdf

IEA/IRENA Joint Policies and Measures database

<https://www.iea.org/policiesandmeasures/renewableenergy/?country=Latvia>

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

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

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 depreciation 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

This document was prepared by the EurObserv'ER consortium, which groups together Observ'ER (FR), the Energy research Centre of the Netherlands (ECN, NL), the Renewables Academy (RENAC, DE), Frankfurt School of Finance and Management (DE), Fraunhofer-ISI (DE) and Statistics Netherlands (CBS, NL). The information and views set out in this publication are those of the author(s) and do not necessarily reflect the official opinion of the Commission. The Commission does not guarantee the accuracy of the data included in this study. Neither the Commission nor any person acting on the Commission's behalf may be held responsible for the use which may be made of the information contained therein.



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