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## **Informative report on Directive 2003/30/EC of the European Parliament and of the Council (of 8 May 2003) on the promotion of the use of biofuels or other renewable fuels for transport**

### **I. Measures that have been taken to promote use of biofuels in order to substitute diesel and petrol for transport purposes.**

In order to promote the use of biofuels, the Cabinet of Ministers has developed the programme „Production and use of biofuels in Latvia (2003-2010)” which was accepted in December 19, 2003.

On July 22, 2004, the Cabinet of Ministers issued its decree No. 511 „On the implementation strategy of the programme „Production and use of biofuels in Latvia”, stating the competences of ministries as regards the implementation of the programme „Production and use of biofuels in Latvia” .

During its March 1, 2005 session, the Cabinet of Ministers discussed the promotion of the use of biofuels, the competencies of ministries, and appointed the Ministry of Economy coordinating ministry for the implementation of the Law on Biofuels.

On April 1, 2005, the Law on Biofuels was accepted by the Saeima (Official Journal of the Republic of Latvia No.52)

In cooperation with NGOs a strategy on the implementation of the Law on Biofuels was developed and accepted by the Cabinet of Ministers on June 21, 2005, outlining measures necessary to ensure that by December 31, 2005 biofuels will constitute not less than 2 percent of the total share of fuel for transport in the national economy, and not less than 5,75 percent by December 31, 2010.

In order to promote in Latvia the use of biodiesel fuels acquired entirely from rapeseed oil, and the production and use of fossil fuels blended with biofuels, a reduced excise duty rate has been enforced in the law „On Excise Duties”.

### **II. Volume of biofuels commercialized in the previous year**

In 2004, a total of 35,72 tons of biodiesel fuel entirely acquired from rapeseed oil, and 13695,5 cubic meters of unleaded petrol blended with ethyl alcohol extracted from agricultural raw materials, dehydrated and denaturized (content of absolute alcohol constitutes 4,5 to 5,0 percent by volume percent of the total volume of petroleum products) were issued into free circulation.

In 2004, a total sales volume of 35,72 tons of biodiesel, entirely acquired from rapeseed oil, and 12894,2 cubic meters of unleaded petrol blended with ethyl alcohol extracted from agricultural raw materials, dehydrated and denaturized (content of absolute alcohol constitutes 4,5 to 5,0 percent by volume percent of the total volume of petroleum products) was achieved.

From May 1, 2004 till December 31, 2004 45,52 tons of biofuels were sold in Latvia (35,72 tons of biodiesel and 12894,2 cubic meters (9,8 thousand tons) of unleaded petrol blended with ethyl alcohol extracted from agricultural raw materials, dehydrated and denaturized (content of absolute alcohol constitutes 4,5 to 5,0 percent by volume percent of the total volume of petroleum products).

### III. Resources granted by the state for the promotion of the production and use of biofuels and biofuels blended in fossil fuels

From the year 2003 till May 1, 2004, manufacturers of biofuels dealing with the processing of oil plants and the production of biofuels, have been granted a total compensation of 70,69 thousand lats, in order to cover the price difference in the international market and the internal market of Latvia for oil plants that have been supplied for processing.

The financial aid granted and paid out in 2004 for rapeseed cultivation areas (56438,97 ha) in the form of direct payments constitutes 2312146,68 Ls.

The Environmental Protection Fund has granted funding for the research project „The potential of biofuels, possibilities and obstacles concerning the implementation of EU Directive 2003/30/EC in Latvia”. In result of the research project, existing and potential user groups of biofuels will be determined, an estimation will be made as to what volume of biofuel each group could consume, and measures will be suggested to be taken in order to promote the use of biofuel in Latvia.

Subsidies totaling 500 thousand lats were granted for the development of processing of oil plants grown in Latvia.

In 2004, the Technical department of the Latvian Agricultural University was granted financial aid Ls 5200 „For the acquisition of pilot device and testing of new bioethanol production technologies”.

### IV. Biofuel production measures

Currently the only manufacturer in Latvia of **biodiesel** acquired from rapeseed oil is SIA *Delta* located in Naukšēni, which is the first manufacturer of biodiesel in the Baltic States, operating since 2001. Another two biodiesel manufactories will start operating this year – SIA *Mežrozīte* near Jelgava and SIA *Mamas-D* in Daugavpils.

**Production of bioethanol** in Latvia was started by SIA *Jaunpagasts Plus* in the Iecava precinct. Kalsnava company SIA *Lako* plans to produce bioethanol in the future, as well.

Latvian entrepreneurs are showing considerable interest towards the production of biofuels. Currently there are plans to build 2 to 4 biodiesel factories in Latvia. Eleja based company SIA **ECO DIESEL** intends to build a high-capacity factory, processing approximately 250 000 tons of rapeseed annually and producing about 80 000 tons of biodiesel. It is prospected that the factory will begin operating in 2007.

The next biodiesel production unit project could be carried out by SIA **BioVenta**, in the Ventspils port territory. It is projected that construction work will start in autumn, 2005, the equipment will be set up in spring 2006 and the production will start in the end of 2006. The estimated investment in the establishment of this biodiesel production unit is approximately 20-22 million euro (approx. 15,5 million lats). The initial production capacity will be 100 000 tons of biodiesel annually, processing approximately 300 thousand tons of rapeseed per year. This biodiesel production unit development project has been created very flexible as regards the supply of raw materials, since it provides for an operative change of the suppliable raw materials – rapeseed or rapeseed oil, using both the production of local rapeseed planters and deliveries from abroad.

## **V. Mechanisms for achieving the tentative goals**

The tentative goal of the state is to ensure compliance with the requirements of Directive 2003/30/EC, which establishes that by December 31, 2005 biofuel should constitute at least 2 percent of the total share of fuel for transport in the national economy, and at least 5,75 percent - by December 31, 2010.

In order to provide this volume of biofuels, the necessary normative acts have been established, defining the quality requirements, the procedure for granting support, as well as compliance assessment, consumer notification and market monitoring conditions for biofuels and the blend of biofuels with fossil fuel.

In order to ensure the development of the biofuels market and to solve problems with determining the size of subsidies and fuel quality control for fuels with different content of biodiesel fuel (fatty acid methyl ester), work has been launched in order to develop national standards in accord with the European system of standards, for the determination of biodiesel (fatty acid methyl ester) content in blended fuels with a 30% biodiesel content, by the method of infrared spectroscopy.

In accordance with the developed strategy for implementing the Law on Biofuels, research work on biofuel promotion measures is in progress, in order to achieve the interest of the targeted users of biofuel, public information, education on the advantages of using biofuels and positive influences on the environment.