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2007 information report pursuant to Article 4(1) of Directive 2003/30/EC of the European Parliament and of the Council of 8 May 2003

Pursuant to Article 4(1) of 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 (hereinafter 'the Directive'), Member States are required to report to the Commission before 1 July of each year on the measures taken to promote the use of biofuels or other renewable fuels to replace diesel or petrol for transport purposes, on the national resources allocated to the production of biomass for energy uses other than transport, and on the total sales of transport fuel and the share of biofuels (pure or blended) and other renewable fuels placed on the market.

In accordance with § 40(2) of Decision No 24 by the Cabinet of Ministers of 15 April 2008, the Ministry of Economic Affairs has been designated as the competent authority for implementing the Law on biofuels.

1. Measures to promote the use of biofuels or other renewables

The Law on biofuels has been in force in Latvia since 15 April 2005, its aim being to promote the circulation of biofuels and thus to encourage the use of environmentally friendly, renewable energy resources that can be supplied safely.

2 February 2007 saw the approval of Cabinet Order No 100 'Amendments to Cabinet Order No 783 of 11 October 2006 'on the biofuels development advisory board'. 20 March 2007 saw the approval of Cabinet Regulation Nr 187 'Amendments to Cabinet Regulation No 830 of 10 October 2006 'Statute of the biofuels development advisory board'.

The purpose of the biofuels development advisory board (hereinafter 'the advisory board') is to coordinate the work of the agencies involved in implementing the Law on biofuels. The remit of the advisory board is to promote the development and implementation of a uniform national policy in the biofuels sector, participate in the framing and implementation of European Union and national biofuels policy, help define national interests in connection with draft EU legislation in the biofuels sector and promote the development of the biofuels sector and the competitiveness of Latvian businesses on the international market.

The advisory board is responsible for analysing the status of the biofuels sector at national level, drafting recommendations on the development of the biofuels sector, preparing proposals for the requisite laws and regulations in the biofuels sector, providing opinions (where called for) on the relevant draft legislation, examining policy documents relating to the development of the biofuels sector and giving its views on these.

In order to promote the use and application of biofuels, on 24 July 2007 Cabinet Regulation No 515 'Amendments to Cabinet Regulation No 772 of 18 October 2005 on regulations on biofuel quality requirements, conformity assessment, market supervision and consumer information arrangements' (hereinafter Regulation No 515) was approved. Regulation No 515 confirms biofuel quality requirements, conformity assessment, market supervision and consumer information arrangements for the following types of biofuels and mixtures thereof:

- pure rapeseed oil and other pure unrefined and refined vegetable oils obtained from oilseeds suitable for use as fuel in certain types of internal combustion engines;
- unleaded petrol to which dehydrated bioethanol (at least 99.5% alcohol by volume) has been added (85% by volume of the total end product, hereinafter 'E85');
- biogas.

In order to encourage the production of energy from renewable resources, the European Union has set up an aid scheme that provides for payment of aid to farmers who grow crops with a high energy value. Crop producers are eligible for such aid in addition to existing area payments. In Latvia, implementation of the energy crop aid scheme is regulated by Cabinet Regulation No 269 of 17 April 2007 'on the procedure governing the allocation of national and European Union aid to agriculture under direct aid schemes' and Cabinet Regulation No 746 of 6 November 2007 'on the procedure governing the allocation, administration and supervision of European Union aid for crops with a high energy value'. By 15 May 2007 applications for energy crop aid had been received for 57 000 ha, but by October 2007 these had fallen to 49 000 ha. The planned payment for 2007 was €45 per hectare, but the areas under energy crops declared for this payment exceeded the areas in Europe for which aid was guaranteed (2 million ha), so the level of support per hectare was reduced by 30% to €31.65 per hectare.

In the Law 'on the State budget for 2007', subprogramme 21.06.00 (Ministry of Agriculture's budget) entitled 'Aid to promote the production of biofuels' earmarked and fully disbursed LVL 3 719 880 of resources for State aid for the production of the requisite annual minimum quantity of biofuels.

Furthermore, in order to encourage the production and sale of biofuels in Latvia, in 2007 a number of amendments to laws and regulations in the excise duty sector relating to the production and circulation of biofuels were drawn up and adopted.

In order to avoid any application-related misunderstandings, on 1 January 2007 a specific provision entered into force in the Law 'on excise duty' on the repayment of excise duty to agricultural producers. This stipulates that excise duty be repaid not just for diesel but also for diesel containing rapeseed oil or biodiesel obtained from rapeseed oil. In this connection Cabinet Regulation No 528 of 7 August 2007 'on the arrangements governing the repayment of excise duty to farmers for diesel (gas oil) and diesel (gas oil) to which rapeseed oil or biodiesel obtained from rapeseed oil has been added' was drawn up and adopted.

1 July 2007 saw entry into force of the Law 'on excise duty' containing provisions on the application of a reduced rate of excise duty for unleaded petrol containing ethyl alcohol which has been obtained from raw agricultural products and which is dehydrated (at least 99.5% by volume) and which makes up 85.0% by volume of the overall product quantity.

On 8 November 2007 the Saeima adopted amendments to the Law 'on excise duty'. The adopted amendments stipulate that if dehydrated ethyl alcohol obtained from raw agricultural products (with a minimum alcohol content of 99.5%) is added to unleaded petrol, its substitute products or components, then the duty applicable to the relevant products (per 1 000 litres) shall be reduced in accordance with the amount of absolute ethyl alcohol, provided the absolute alcohol content makes up 70 to 95% of total product volume. This makes it possible to make greater and broader use of petrol/ethyl alcohol mixtures. The provisions in question entered into force on 1 January 2008 and replaced the provisions of the law in question on the application of a reduced rate of excise duty for mixtures of unleaded petrol and ethyl alcohol containing 85% ethyl alcohol.

A programme entitled 'Development of the production and use of biofuel 2007-2011' has been drawn up (approved by Cabinet Order No 371 of 14 June 2007). One of the programme's sub-objectives is 'to promote the use of renewable energy resources in the national economy, including the transport sector, thus reducing dependency on fossil energy sources.'

The Latvian Ministry of Economic Affairs commissioned the following studies in 2007:

- **'Evaluation of the possibility of Latvia's achieving biofuel consumption equal to 10% of overall consumption in transport by 2020'**. This study was conducted by SIA 'Baltijas Konsultācijas'. It assessed the likelihood of Latvia's increasing its use of biofuel in transport to 10% by the year 2020 and came up with proposals for promoting the consumption of biofuels as well as looking at the following types of biofuel/fossil fuel mixes:

- diesel fuel (gas oil) to which 5% biodiesel fuel by total volume of end product has been added (hereinafter 'B5');

- diesel fuel (gas oil), to which 50% biodiesel fuel by total volume of end product has been added (hereinafter 'B30');

- biodiesel (hereinafter 'B100');

- unleaded petrol to which dehydrated bioethanol (with an alcohol content of at least 99.5%) has been added, provided the absolute alcohol content is 5% by total volume of end product (hereinafter 'E5');

- E85.

- **'Outlook for biogas and its use as a fuel in transportation'**

This study was conducted by Dr Arnis Kalniņš, Senior Researcher at the Department of Economics at Latvia's Agricultural University. It investigated the possibilities of expanding the use of biogas in transportation, gave an economic evaluation of the characteristics of biogas and provided information on different countries' experiences in the use of biogas in vehicles;

- **'Market analysis of the quality of biodiesel in filling stations and production enterprises'**. This study was conducted by A/S 'Inspecta Latvia' with a view to determining the quality of the biodiesels produced in Latvian production units and sold in filling stations, and provided an objective assessment of the compliance of both of the above-mentioned fuels with the requirements of the relevant laws and regulations. The study also provides answers to the question as to which biodiesel parameters do not comply with standard requirements, what effect these parameters have on the consumer and whether consumers are being provided with the information on biodiesel fuel stipulated in the relevant laws and regulations.

2. National resources allocated to the production of biomass for energy uses

To encourage the more active use of biomass (mainly wood) in Latvia for heating in both private dwellings and for centralised district heating systems, fuel conversion projects are supported using financial instruments. Those implementing projects may apply for co-funding from the European Union structural funds.

In Latvia, residues from logging and timber processing are a potential source of biomass that have yet to be fully exploited. Use of wood biomass can be expected to

significantly contribute to the increased consumption of biofuels. Around 15-25% of total surface wood is left in Latvian forests after processing representing approximately two to five million tonnes of fuel per year. Industry, mainly in the timber sector, consumes around 25% of wood-processing by-products (bark, sawdust, chippings and offcuts) for technical procedures and essential heating.

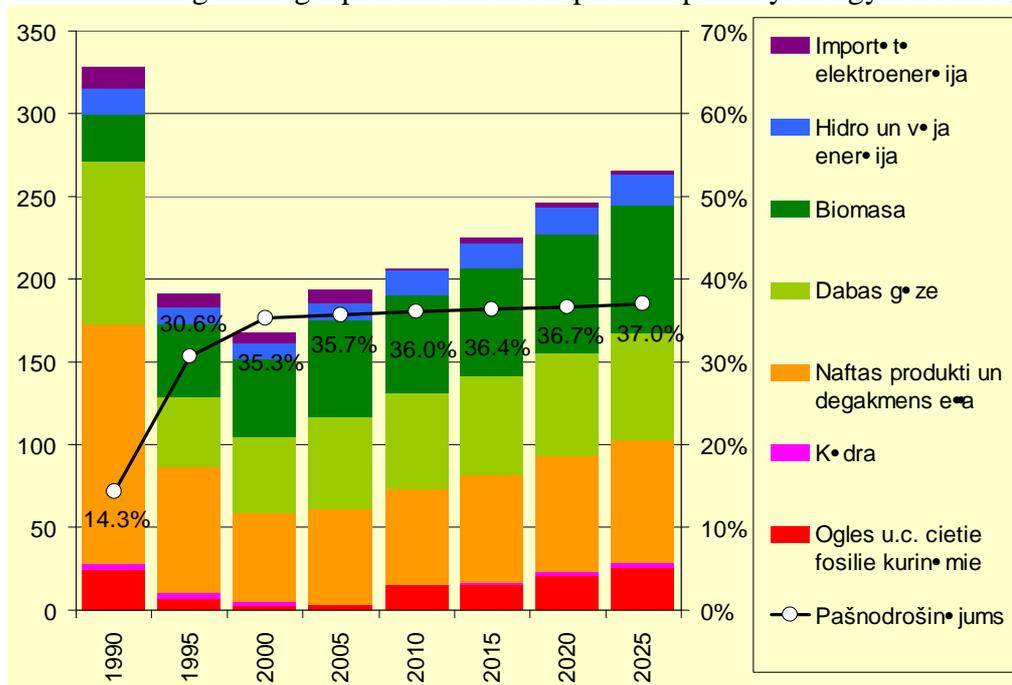
Wood fuel is a stable component of the national energy balance and in Latvia is a significant source of fuel in central, local and individual heating systems. The share of wood in energy production shows a rising trend and in 2006 accounted for 30% of the primary energy balance. This is primarily the result of household consumption, which accounts for over 50%.

Wood is also used to generate electrical energy in Latvia. Although Latvia currently has three wood-fuelled cogeneration plants in operation with an installed electrical capacity of 2 MW, there is still considerable development potential at national level.

In all, renewables accounted for a third of Latvia's primary energy resources balance in 2006.

The use of renewables is set to increase in future, self-supply being maintained at the 35-37% level in the pattern of consumption of primary energy resources (cf. Fig. 1).

Fig. 1 Target pattern of consumption of primary energy resources, PJ*



*The primary energy resources structure is taken from the energy development scenario of the '2005-10 climate change programme'

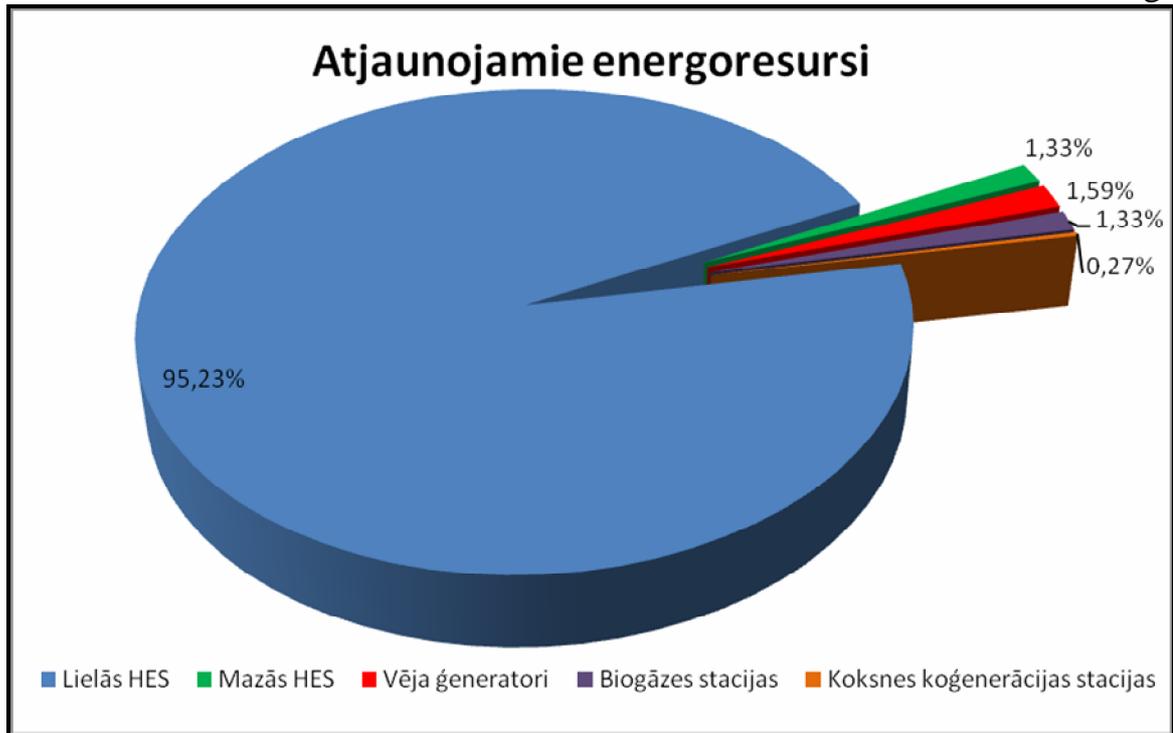
- Key reads, top to bottom:
- Imported electrical energy
 - Hydropower and wind energy
 - Biomass
 - Natural gas
 - Petroleum products and combustible slate oil
 - Peat
 - Coal and other solid fossil fuels
 - Self-supply

Wood and hydropower are the most commonly used renewable energy resources in Latvia. Wind energy and biogas are used much less, and solar energy is currently used on a very small scale in pilot projects.

Renewables as a percentage of overall final energy consumption, including the use of renewables in electricity generation and centralised heating energy, account for 30.2%.

In Latvia, 95.23% of the energy produced from renewables is currently generated by large hydropower plants. Small hydropower plants produce around 1.33%, whilst wind generation, biogas plants and wood-fuelled cogeneration stations produced 1.59%, 1.33% and 0.27% respectively of the overall electrical energy output (cf. Fig. 2).

Fig. 2



Pie chart title reads
Renewable energy resources

Key reads, left to right:

Large hydropower stations, Small hydropower stations, Wind generators, Biogas plants, Wood-fuelled co-generation stations

3. Transport fuel placed on the Latvian market

From 1 January 2007 to 31 December 2007, the following volumes of petroleum products (fuels), fuels containing bioproducts and biofuels were produced in, or imported into, Latvia (SRS figures).

1) Volume of petroleum products (fuel), fuel containing bioproducts and biofuel put into free circulation and consumed:

Table 1

Fuel type	2007
Unleaded petrol (m ³)	522 756
Diesel fuel (not including marked diesel) (m ³)	900 155
LPG (m ³)	52 047
Total:	1 474 958
E5 (m ³)	7
E85 (m ³)	5
B5 (m ³)	0
B30 (m ³)	0
Total:	12
B100 (including imported) (m ³)	2 203
Total:	2 203
Grand total:	1 477 173

2) Production volume of biofuel and of fuel containing biofuel:

Table 2

Fuel type	2007
B100 (m ³)	10 149
E5m ³)	7 812
E85 (m ³)	10
B5 (m ³)	0
B30 (m ³)	0
Bioethanol – dehydrated alcohol denatured with petrol (1 000 litres absolute alcohol)*	437

3) Volume of biofuel imported from other countries, put into free circulation and consumed in Latvia:

Table 3

Fuel type	2007.gads
B100 (m ³)	134

In the figures on the circulation of excisable goods they submit to the SRS, commercial traders have not declared fuel containing bioproducts which has been imported into Latvia from other countries and put into free circulation.

4) Volume of biofuel and fuel containing biofuel exported to other countries (including imported):

Table 4

Fuel type	2007
B100 (m ³)	61 224
E5 (m ³)	7 846
Bioethanol – dehydrated alcohol denatured with petrol (1 000 litres absolute alcohol)*	27

* of which 413 000 litres of bioethanol in the form of absolute alcohol produced as an additive for unleaded petrol

In 2007, 14 323 000 litres of dehydrated alcohol (with an alcohol content of at least 99.5% by volume) was produced in the form of absolute alcohol, 13 604 000 litres of which was exported to other EU Member States.

The 2007 year-on-year growth in consumption of solid fossil was 18.05% for petrol and 14.99% for diesel fuel.

SRS figures show that, in 2007, biofuels represented 0.14% of the total combined energy content of the petrol and diesel placed on the market to meet transportation needs.

3.1. Fuel sales points

In 2007, E5 and B100 fuels were available at several filling stations in Latvia. Since September 2007, E85 has been available at one filling station in Latvia.

3.2. Description of the current situation in the biofuels production sector in Latvia

In 2007 there were 99.2 thousand hectares under rape, total production of rape being 196.9 thousand tonnes according to CSB figures.

Summary of raw materials used in biofuel production in 2007

Table 5

Materials	Unit of measurement	Volume*
Volume of rapeseed purchased	t	13 120.12
Volume of cereals purchased	t	493.57
Rapeseed oil purchased	t	6823.07

* Central Statistical Bureau data

In accordance with the provisions of Cabinet Regulation No 303 of 18 April 2006 'on the procedure for monitoring and managing direct State aid for the production of the requisite annual minimum quantity of biofuel', biofuel producers were granted the following amounts of aid for the production of biofuels in 2007:

Table 6

Aid granted to biofuel producers for biofuel produced			
Name of biofuel producer	Aid allocated (LVL)	Volume of biofuel produced (litres):	
		biodiesel	bioethanol
"Mamas D"	471077.38	3 376 328	-
"Delta R•ga"	926 134.60	4 004 370	-
"Mežroz•te"	816 559.30	4 000 000	-
"Jaunpagasts plus"	3 696 589.87	-	14 166 149
Total	5910361.15	11380698	14166149

According to SRS figures, in 2007 Latvia produced 10 149 000 litres of biodiesel, which represents 40.60% of the requisite annual minimum quantity of biofuel.

In 2007 the requisite volume of bioethanol was 21 505 000 litres. According to SRS figures, in 2007 Latvia produced 14 323 000 litres of bioethanol, which represents 66.60% of the requisite annual minimum quantity of bioethanol. 13 604 000 litres of bioethanol (or 94.98% of bioethanol production) was exported to other European Union Member States.

3.3. Measures to achieve the minimum target for biofuels and other renewables placed on the market

The biofuels development advisory board and its working group on biofuel policy issues are looking into the possibility of introducing an obligatory 5% biofuel admixture for fossil diesel and fossil petrol in Latvia.