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## **Information report on the implementation in 2008 of 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**

Under 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 Directive 2003/30/EC), Member States are required to report to the Commission before 1 July each year on: the measures taken to promote the use of biofuels or other renewable fuels to replace diesel or petrol for transport purposes; the national resources allocated to the production of biomass for energy uses other than transport; the total sales of transport fuel; and the share of biofuels, pure or blended, and other renewable fuels in transport fuel placed on the market.

In accordance with the Cabinet decision of 15 April 2008 (No 24 40.§2), the Ministry of Economic Affairs has been designated as the competent authority for the implementation of the Biofuel Law.

### **1. Measures taken to promote the use of biofuels or other renewable fuels**

To facilitate the production of biofuels, the Ministry of Agriculture has drawn up and implemented the State aid programme "Atbalsts biodegvielas ražošanai" ['Aid for the production of biofuels'] (No 540/2005; as amended by N 254/2007), under which direct State aid is provided.

On 24 April 2008, Cabinet Regulation No 280 of 15 April 2008 concerning **rules on biofuel production quotas eligible for financial support** entered into force. This Regulation establishes quotas for the various types of biofuel eligible for financial support, and the time limits and procedures relating to the submission each year until 31 December 2010 of the overall estimate of the requisite aid and the justification for it.

In the Law on the 2008 State Budget, LVL 7 439 760 were set aside under the Agriculture Ministry's budget sub-programme 21.06.00 „Atbalsts biodegvielas ražošanas veicināšanai” ['Support for the promotion of biofuel production'] as State aid for production of the minimum requisite amount of biofuel per annum. LVL 6 377 221 of this aid has been paid out.

Meanwhile, pursuant to Cabinet Regulation No 269 of 17 April 2007 on the procedure for granting State and European Union aid for agriculture under direct aid schemes, European Union (EU) aid for energy crops has been provided for under direct aid schemes. This aid has been anticipated under the Agriculture Ministry's budget sub-programme 29.05.00 „Eiropas Savienības fondu pasākumu finansēšana” [‘Financing of measures under European Union funds’].

In addition, indirect State aid is anticipated in the form of a reduced rate of excise duty.

The following rates of excise duty were applied to mineral oil/biofuel blends in 2008:

- for unleaded petrol, its substitute products and components, to which dehydrated ethanol obtained from agricultural raw materials has been added (of at least 99.5% alcohol by volume), where the absolute alcohol content is 5.0% of the total product volume – LVL 217 per 1000 litres;
- for unleaded petrol, its substitute products and components, to which dehydrated ethanol (of at least 99.5% alcohol by volume) obtained from agricultural raw materials has been added and where the absolute alcohol content is 70-95% of the total product volume, the rate for unleaded petrol (LVL 228) was reduced proportionate to the amount of absolute alcohol, i.e. from LVL 68.4 to LVL 11.4 per 1000 litres;
- for diesel fuel (gas oil), its substitute products and components, to which rapeseed oil or biodiesel obtained from rapeseed oil has been added and which comprise from 5% up to (but not including) 30% by volume of the total product volume – LVL 184 per 1000 litres;
- for diesel fuel (gas oil), its substitute products and components, to which rapeseed oil or biodiesel obtained from rapeseed oil has been added and which comprise at least 30% by volume of the total product volume – LVL 136 per 1000 litres;
- for rapeseed oil and biodiesel that has been obtained entirely from rapeseed oil – LVL 0 per 1000 litres.

To promote the use of biofuels, the Ministry of the Environment implemented the following measures in 2008:

- ‘Recommendations for the facilitation of green procurement in central government and local authorities’ were drawn up as part of the project „Zaļā publiskā iepirkuma pilotprojekts” [‘Green procurement pilot project’]. The recommendations cover a total of seven groups of goods and services, including transport, and provide ‘ready-to-use’ environmental criteria for procurement;

- on 13 May 2008, the Ministry of the Environment organised a seminar on aspects of biofuels use. The seminar was attended by representatives of central government and local authorities, industry, and journalists.

Also in 2008, the Ministry of Transport, in cooperation with VAS "*Ceļu satiksmes drošības direkcija*" [The Road Traffic Safety Directorate] promoted the use of biofuels on the Latvian TV programme "Zebra".

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

To produce biomass for energy for use by industries other than transport, the following types of aid are available:

1) **Aid for energy crops.** In 2008, applications in Latvia for aid under this scheme were made for 18 878.82 ha. According to the Commission's statistics, requests for aid did not exceed the total eligible surface area in the European Union – 2 000 000 ha – in 2008. Therefore it is predicted that the support payment of 45 EUR/ha will not be reduced. Energy crop collectors, primary processors, and growers who have their own processing facilities are recognised pursuant to Cabinet Regulation No 808 of 29 September 2008 on the procedure for recognising EU energy crop collectors, primary processors and growers who use or process energy crops on their holding. The granting of support to farmers who grow energy crops is governed by Cabinet Regulation No 269 of 17 April 2007 on the procedure for granting State and European Union aid for agriculture under direct aid schemes.

2) **Aid for the construction of biogas production facilities** is governed by Cabinet Regulation No 696 of 25 August 2008 on rules concerning the procedure for the allocation of State and European Union aid under the sub-measure 'Energy generation from biomass of agricultural and forestry origin' of the measure 'Aid for the creation and development of enterprises (including the diversification of activities not related to agriculture)'. It is anticipated that during the programming period, which lasts until 2013, the total eligible expenditure by a single aid applicant will not exceed LVL 6 000 000. The first round closed on 3 December 2008. In this round, the total amount that could be applied for was LVL 10 000 000, with the remainder of LVL 7 500 000 being available in the next round. The aid intensity for eligible investments is 40% of the total eligible expenditure.

In 2008, a biogas production pilot project was carried out in Latvia at the Vecauce training and research farm, where manure and green fodder were used to produce biogas for use in electricity and heat production.

### 3. Transport fuels placed on the Latvian market

In the period 1 January to 31 December 2008 the following quantities of mineral oils (fuel), fuel containing bioproducts and biofuel were marketed in Latvia (data provided by the State Revenue Service (VID)):

Table 1

Fuel type	Biofuel marketed in 2008 (m <sup>3</sup> )
unleaded petrol	497 831
diesel (not including marked diesel)	900 323
LPG	42 635
unleaded petrol mixed with ethanol (5 % by volume)	0
unleaded petrol mixed with ethanol (70-95% by volume)	32
diesel (5-30% biodiesel)	0
diesel (at least 30% biodiesel)	0
100% biodiesel	2 486
<b>Total:</b>	<b>1 443 307</b>

\* Including the amount of biodiesel for which the SRS has established the existence of irregularities relating to the movement and inventorisation of excisable products.

The amount of petrol marketed for consumption in 2008 was approximately 5% less than the 2007 figure, whereas the amount of diesel marketed for consumption remained basically the same as in 2007 (the change was less than 1%).

According to data provided by the VID, the amount of biofuel consumed in Latvia in 2008 constituted 0.17% of all petrol, petroleum gas and diesel consumed for transport purposes in the country.

#### 3.1. Current situation in the Latvian biofuel production industry

According to data provided by the Central Statistical Board (CSP), approximately 82.6 thousand hectares of land were sown under rape in 2008. A total of 198.5 thousand tonnes of rape were harvested in 2008.

Table 2

#### Amount of raw materials purchased by Latvian biofuel producers for biofuel production in 2008\*\*

Raw material	Unit of measurement	Purchased in the EU	Purchased outside the EU
Rapeseed oil	t	5688.783	1160.16
Rapeseed	t	2327.14	-
Cereals	t	377532.16	-

\* Information provided by biofuel producers to the Rural Support Service, pursuant to paragraph 3.4 of Cabinet Regulation No 303 of 18 April 2006 on the procedure for monitoring and managing direct State aid for the production of the necessary annual minimum quantity of biofuel.

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With the introduction of the State aid programme, **biofuel production in Latvia has expanded. Since 2005, the number of undertakings engaged in biofuel production has increased, as has their production capacity.**

In 2008 there were two bioethanol-producing undertakings in Latvia (SIA „Jaunpagasts Plus” and SIA „Biodegviela”, which started producing biofuel at the end of 2008), with an aggregate production capacity of 25 500 000 litres per year, and seven biodiesel-producing undertakings (AS „Baltic Holding Company”, SIA „Bio-Venta”, SIA „Delta Rīga”, SIA „Mamas D”, SIA „Mežrozīte”, SIA „Oniors” and SIA „VL Bunkerings”), with an aggregate production capacity of 185 250 283 litres per year.

The biofuel-producing undertakings produced 14 784 626 litres of bioethanol and 31 991 264 litres of biodiesel in 2008 (see Table 3).

Pursuant to Cabinet Regulation No 303 of 18 April 2006 on the procedure for monitoring and managing direct state aid for the production of the necessary annual minimum quantity of biofuel, the biofuel producers were granted aid for 7 695 941.60 litres of bioethanol and 26 517 792 litres of biodiesel in 2008 (see Table 3).

Table 3

**Characteristics of biofuel-producing undertakings in 2008**

<b>Name of the biofuel producer</b>	<b>Production capacity (litres)*</b>	<b>Quota for biofuel production in 2008, eligible for financial support (**)</b>	<b>Amount of biofuel produced (litres) for which aid has been granted ***</b>	<b>Aid granted for biofuel produced in 2008 (LVL)****</b>
<i>Bioethanol producers</i>				
<i>SIA „Jaunpagasts plus”</i>	17 500 000	17 500 000	14 784 626	1 893 179.90
<i>SIA „Biodegviela”</i>	8 000 000	-	-	-
<b>Total</b>	<b>25 500 000</b>	<b>17 500 000</b>	<b>14 784 626</b>	<b>1 893 179.90</b>
<i>Biodiesel producers</i>				
<i>AS „Baltic Holding Company”</i>	5 000 000	-	-	-
<i>SIA „Mamas D”</i>	7 000 000	888 600	888 600	92 377.50
<i>SIA „Delta Rīga”</i>	15 000 000	5 930 233	3 625 590	585 767
<i>SIA „Mežrozīte”</i>	18 000 000	5 948 052	5 948 052	529 483.50
<i>SIA „Oniors”</i>	15 000 000	1 349 876	1 349 876	128 082.75
<i>SIA „Bio-Venta”</i>	113 250 283	17 467 421	17 467 421	1 164 302
<i>SIA „VL Bunkerings”</i>	12 000 000	234 000	234 000	16 485
<b>Total</b>	<b>185 250 283</b>	<b>31 818 182</b>	<b>29 513 539</b>	<b>2 516 497.75</b>

\* Information provided by the biofuel producers themselves.

\*\* Pursuant to Cabinet Regulation No 280 of 15 April 2008 on rules on biofuel production quotas eligible for financial support

\*\*\*Ministry of Agriculture data

### **3.2. Measures to achieve the minimum target for biofuels and other renewable fuels placed on the market**

In 2008, the Working Party on the Resolution of Biofuel-Related Issues, comprising representatives of the ministries involved and industry NGOs, drew up a draft concept document on the possibility of stipulating the mandatory addition of 5% of biofuel (by volume) to fossil diesel and E-95 petrol.

To increase the share of biofuels used for transport, the stipulation that 5% by volume of fossil diesel and E-95 petrol must be biofuel will become effective in Latvia as of 1 October 2009.

To increase new drivers' knowledge of biofuels, in 2009 the Ministry of Transport plans to recast Cabinet Regulation No 131 of 15 February 2005 on requisites for training establishments, driver trainers and driver training programmes, and incorporate mandatory questions on biofuels in driving school programmes.

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