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Information report on the implementation in 2009 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 and other renewable fuels for transport

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 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, 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.

Pursuant to the Cabinet decision of 15 April 2008 (No 24, Paragraph 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 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 by 31 December 2010 of the overall estimate of the requisite aid and the justification for it.

In the Law on the 2009 State Budget, LVL 2 492 277 were set aside under the Agriculture Ministry's budget sub-programme 21.06.00 "Atbalsts biodegvielas ražošanas veicināšanai" ['Aid for the promotion of biofuel

production'] as State aid for production of the minimum requisite amount of biofuel per annum. All of this aid has been paid out.

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, biofuel producers were granted aid for 17 186 003 litres of bioethanol and 35 855 150 litres of biodiesel in 2009.

In addition to this, on the basis of Cabinet Order No 883 of 16 December 2009 on the allocation of finance from the base State budget sub-programme "Līdzekļi neparedztiem gadījumiem" ["Contingencies"], the Ministry of Agriculture was allocated, by means of Ministry of Finance Order No 954 of 21 December, LVL 3 532 830 from Ministry of Finance base budget Sub-programme 41.02.00 "Līdzekļi neparedztiem gadījumiem" ["Contingencies"] to fully secure direct State aid payments for the biofuel produced in 2007 and part of 2008.

In the light of the above, LVL 6 025 057 of State aid was paid from the State Budget in 2009 to promote the production of biofuel.

Volume of biofuel produced and amount of aid paid for biofuel produced

Table 1

| Beneficiaries | Volume of biofuel (litres) produced in the 2nd half of 2008 for which aid was granted | Aid paid (LVL) in 2009 for biofuel produced in the 2nd half of 2008 | Volume of biofuel (litres) produced in the 2nd half of 2009 for which aid was granted | Aid paid (LVL) in 2010 for biofuel produced in the 2nd half of 2009 |
|-----------------------------|---|---|---|---|
| Bioethanol | 7 695 942 | 958 733 | 17 186 003 | 1 057 865 |
| <i>SIA Jaunpagasts Plus</i> | 7 695 942 | 958 733 | 17 128 868 | 1 054 348 |
| <i>SIA Biodegviela</i> | | | 57 135 | 3 517 |
| Biodiesel | 26 288 632 | 3 533 494 | 35 855 150 | 2 265 105 |
| <i>SIA Mamas D</i> | 707 810 | 95 138 | 1 669 834 | 105 490 |
| <i>SIA Delta Rīga</i> | 1 748 790 | 235 058 | 2 362 643 | 149 257 |
| <i>SIA Mežrozīte</i> | 5 222 574 | 701 974 | 5 691 587 | 359 559 |
| <i>SIA Oniors</i> | 1 142 037 | 153 503 | 2 374 432 | 150 002 |
| <i>SIA Bio-Venta</i> | 17 467 421 | 2 347 821 | 23 756 654 | 1 500 797 |
| Total paid: | | 4 492 227 | | 3 322 969 |

In addition to direct State aid, indirect State aid is also provided for by means of a reduced rate of excise duty. Pursuant to the Law on Excise Duty, petroleum product blends with biofuel had the following reduced rates of excise duty applied from 1 February 2009:

- unleaded petrol, its substitutes and components to which ethanol, obtained from agricultural raw materials and dehydrated (with alcohol content of at

- least 99.5% by volume), has been added, if the absolute alcohol content comprises 5.0% by volume of the total quantity of product – LVL 256 per 1000 litres;
- unleaded petrol, its substitutes and components to which ethanol, obtained from agricultural raw materials and dehydrated (with alcohol content of at least 99.5% by volume), has been added, if the absolute alcohol content comprises 70-95% by volume of the total quantity of product – the unleaded petrol rate (LVL 269 per 1000 litres) was reduced proportionally in line with absolute alcohol content, to a rate of between LVL 13.45 and LVL 80.7 per 1000 litres;
 - diesel (gas oil), its substitutes and components to which rapeseed oil or biodiesel obtained from rapeseed oil has been added in an amount between 5% and 30% (not inclusive) by volume of the total quantity of product – LVL 223 per 1000 litres;
 - diesel (gas oil), its substitutes and components to which at least 30%, by volume of the total quantity of product, of rapeseed oil or biodiesel obtained from rapeseed oil has been added – LVL 164 per 1000 litres;
 - rapeseed oil sold or utilised as heating oil or fuel, and biodiesel obtained totally from rapeseed oil – LVL 0 per 1000 litres.

Standard rates of excise duty for petroleum products (from 1 February 2009):

- unleaded petrol, its substitutes and components – LVL 269 per 1000 litres;
- diesel (gas oil), its substitutes and components – LVL 234 per 1000 litres.

Additionally, to encourage the use of biofuel, the Ministry of Transport, through the Road Traffic Safety Directorate, is taking the opportunity to promote it via the TV programme "Zebra".

2. National resources allocated for the production of biomass for energy uses other than transport

Pursuant to Cabinet Regulation No 269 of 17 April 2007 on the procedure for allocating State and European Union aid for agriculture within the framework of direct aid schemes, European Union aid for energy crops is provided for under direct aid schemes.

LVL 539 120 of aid was paid for energy crops in 2009.

As of 2009, applications had been made for 20 589 ha under the aid scheme in Latvia, with EUR 45 paid per hectare. As of 1 January 2010, applications for aid for energy crops were discontinued. Recital 42 of the

preamble to Regulation 73/2009 states that specific support for energy crops was established with a view to assisting the development of the sector. Owing to recent developments in the bio-energy sector and, in particular, to the strong demand for such products on international markets and the introduction of binding targets for the share of bio-energy in total fuel by 2020, there is no longer sufficient reason to grant specific support for energy crops.

3. Transport fuels placed on the Latvian market

According to State Revenue Service (hereinafter – SRS) data, the following quantities of oil products (fuel), fuel containing bio-products and biofuel were sold in Latvia from 1 January to 31 December 2009 (see Table 2):

Table 2

| Quantity of fuel sold in Latvia in 2009 | |
|--|---|
| Fuel type | Amount of fuel delivered for consumption in 2009 (m³) |
| Unleaded petrol | 309 620 |
| Unleaded petrol, if ethanol has been added and the added ethanol content makes up 5% by volume of the total quantity of product (E5) | 112 422 |
| Unleaded petrol, if ethanol has been added and the added ethanol content makes up between 70% and 85% by volume of the total quantity of product (E85) | 31 |
| Diesel (gas oil), excluding labelled (tagged) diesel | 719 606 |
| Diesel (gas oil) with rapeseed oil or biodiesel added, making up between 5% and 30% by volume (not inclusive) of the total quantity of product (B5 and above B5) | 18 048 |
| Diesel (gas oil) with rapeseed oil or biodiesel added, making up at least 30% by volume of the total quantity of product (B30) | 0 |
| Biodiesel (B100) | 1 286 |
| Total: | 1 161 013 |

In 2009, the quantity of biofuel consumed in Latvia was 0.48% of the total amount of petrol and diesel consumed for transport.

In 2009, the following amounts of biofuel were transferred to other EU Member States or exported:

Table 3

| Fuel type | 2009 (t)* |
|---|------------------|
| Products transferred to other EU Member States | |
| Petrol bio (E5) | 6 912 |
| Bio-petrol (E85) | 0 |
| Biodiesel (B100) | 61 049 |
| Exported | |
| Biodiesel (B100) | 5 139 |

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* State Revenue Service data

3.1. Description of the current situation in Latvia's biofuel production sector

According to Central Statistical Bureau data, the area under rape was around 93 300 ha in 2009, and the total rape harvest in 2009 was 208 000 tonnes.

The area under cereal crops was 540 800 ha in 2009, and the total cereal crop harvest was 1 663 000 tonnes.

With the implementation of the State aid programme, biofuel production in Latvia has developed. Since 2005, both biofuel production and the number of undertakings have increased, as has production capacity.

In 2009, there were two bioethanol production undertakings operating in Latvia (SIA Jaunpagasts Plus and SIA Biodegviela) with a total annual production capacity of 35 900 000 litres, and seven biodiesel production undertakings (SIA Bio-Venta, SIA Delta Rīga, SIA Mamas D, SIA Mežrozīte, SIA Oniors, SIA VL Bunkerings and LPKS Latraps), with a total annual production capacity of 251 080 282 litres.

Table 4

Description of biofuel-production undertakings in 2009

| Name of biofuel producer | Production capacity (litres)* | Quota for biofuel production in 2009, eligible for financial support (litres)** | Volume of biofuel produced (litres), for which aid was allocated *** |
|-----------------------------|-------------------------------|---|--|
| <i>Bioethanol producers</i> | | | |
| SIA Jaunpagasts plus | 24 500 000 | 24 500 000 | 17 128 868 |
| SIA Biodegviela | 11 400 000 | 1 057 135 | 57 135 |
| Total | 35 900 000 | 25 557 135 | 17 186 003 |
| <i>Biodiesel producers</i> | | | |
| LPKS Latraps | 34 090 909 | 1 023 559 | - |
| SIA Mamas D | 7 954 545 | 1 669 834 | 1 669 834 |
| SIA Delta Rīga | 15 330 000 | 3 218 022 | 2 362 643 |
| SIA Mežrozīte | 45 454 545 | 7 198 864 | 5 691 587 |
| SIA Oniors | 15 000 000 | 2 374 432 | 2 374 432 |
| SIA Bio-Venta | 113 250 283 | 23 756 654 | 23 756 654 |
| SIA VL Bunkerings | 20 000 000 | 531 362 | - |
| Total | 251 080 282 | 39 772 727 | 35 855 150 |

* Information received from biofuel producers

** Pursuant to Cabinet Regulation No 280 of 15 April 2008 on financial assistance quotas for biofuel production 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

To promote biofuel consumption in Latvia and, pursuant to the Law on Biofuel, ensure that biofuel consumption makes up no less than 5.75% of the total quantity of fuel in the economy designated for transport by 31 December 2010, the obligatory admixture of 5% biofuel to fossil fuels was introduced on 1 October 2009.

Cabinet Regulation No 648 of 25 June 2009 amending Cabinet Regulation No 332 of 26 September 2000 on conformity assessment of petrol and diesel entered into force on 3 July 2009 and laid down that, as of 1 October 2009, only diesel (including A, B, C, D, E, and F category diesel for use in temperate climatic conditions, in compliance with LVS EN 590:2005 standard 'Motor fuels – Diesel – Requirements and testing methods') with biodiesel (obtained from rapeseed oil) content of 4.5-5% by volume of the total quantity of end product was permitted to be sold in Latvia. Additionally, petrol whose Research Octane Number (RON) is 95 or greater, but less than 98, and Motor Octane Number (MON) is 85 or greater, but less than 89, and whose alkenes (olefins) do not exceed 18% of the total volume of petrol (95 octane petrol), may only be sold if bioethanol content of 4.5-5% by volume of the total volume of petrol has been added.

The obligatory admixture of 5% of biofuel does not, however, apply to Class 0, 1, 2, 3 and 4 diesel for use in Arctic and severe winter conditions. Nevertheless, the Economic, Agricultural, Environmental and Regional Policy Committee of the Latvian Parliament (Saeima) has recommended that the obligatory admixture of 5% of biodiesel be laid down for Arctic diesel in the period from 1 November to 31 March.

Currently research and consultations concerning the compatibility of biofuel with Class 0 and 1 diesel for use in Arctic and severe winter conditions are in progress.