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# Biofuels Market Outlook in Latvia, 2016

**Report Categories:**
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**Approved By:**
Russ Nicely, Agricultural Attaché
**Prepared By:**
Piotr Rucinski, Agricultural Specialist

**Report Highlights:**
The most used Renewable Energy Sources (RES) in Latvia are wood and hydro-energy resources as well as the wind energy and energy from waste. In 2014 the share of RES in overall energy supplies amounted to 38.6 percent and it is estimated that in 2015 it reached 39 percent. It is estimated that in 2015 production of biodiesel amounted to 85,000 MT, a 7 percent increase compared to 2014. In 2014 and 2015 bioethanol was not produced in Latvia.
Please Note: This report is to be read in conjunction with the Annual EU28 Consolidated Biofuels Report (Biofuels Annual_The Hague_EU-28_6-29-2016 ) and provides further information on Latvian market of biofuels.

**General Information:**

Latvia is actively developing renewable energy sources (RES) from biomass and wind to increase the level of self-sufficiency in energy generation. In 2014 the share of RES in overall energy supplies amounted to 38.6 percent and it is estimated that in 2015 it amounted to 39 percent.

Share of RES in energy supplies in Latvia (%)

| | 2013 | 2014 | 2015* |
|---|---|---|---|
| RES in heating and cooling | 49.7 | 52.2 | 53.0 |
| RES in electricity production | 48.7 | 51.1 | 52.0 |
| RES in transport | 3.1 | 3.2 | 3.3 |
| Overall share of RES | 37.1 | 38.6 | 39.0 |

Source: National Report on RES to the EU, 2015
*FAS Warsaw estimate

**Mandatory EU targets for renewable energy**

The RES share in 2013 and 2014 exceeded the indicative target of 34.8 percent defined in the Annex I to Directive 2009/28/EC. The increase in the RES share in the electricity sector was possible due to the implementation of the mechanism of mandatory procurement of electricity. Although the gross final consumption of electricity generated from RES and use of RES in heating and cooling in 2014 exceeded the planned indicators, the use of RES in transport lagged behind the planned indicator.

Production of electricity from different sources of RES (MW)

| Type of RES | 2013 | 2014 |
|---|---|---|
| Hydro | 1,589 | 1,590 |
| Wind (onshore) | 67 | 69 |
| Biomass | 108 | 121 |
| • Solid biomass | 55 | 63 |
| • Biogas | 53 | 58 |
| Total | 1,764 | 1,780 |

Source: Source: National Report on RES to the EU, 2015

In 2014 the actual installed electrical capacity of the power plants with RES technologies exceeded the capacity planned in the National Action Plan by 67 MW.

Use of different sources of RES in heating and cooling (ktoe)

| Type of RES | 2013 | 2014 |
|---|---|---|
| Biomass | 1,165 | 1,224 |
| • Solid biomass | 1,143 | 1,198 |
| • Biogas | 22 | 27 |
| Total | 1,165 | 1,224 |

Source: Source: National Report on RES to the EU, 2015

In 2014 natural gas was the main resource for generation of heat energy (78 percent) followed by woodchips (14 percent), firewood (2 percent), heavy fuel oil (1 percent) and other types of fuel (4 percent).

Use of different sources of RES in transport sector (ktoe)

| Type of RES | 2013 | 2014 |
|---|---|---|
| Bioethanol | 6.3 | 6.1 |
| Biodiesel | 12.4 | 15.9 |
| Renewable electricity | 4.8 | 4.5 |
| Total | 23.5 | 26.5 |

Source: Source: National Report on RES to the EU, 2015

**Bio-fuels**

Rapeseed oil is the basic feedstock for biodiesel production in Latvia. In Latvia biodiesel is used only from May to September (5 months) because of climate limitations. In Latvia there is one big biodiesel plant and a few smaller plants. According to the European Biodiesel Board data, the capacity of biodiesel production is 156,000 MT while actual use in 2015 is estimated at 70,000 MT. Use of bioethanol in Latvia is very low, even smaller than in Lithuania because of the smaller population. In Latvia the number of biogas plants is greater than in Lithuania but here biogas is produced solely for production of electricity.

Production of biodiesel and bioethanol (000 MT)

| | 2013 | 2014 | 2015* | 2016* |
|---|---|---|---|---|
| Bioethanol | 2.6 | 0 | 0 | 0 |
| Biodiesel | 66.0 | 75.0 | 80.0 | 85.0 |

Source: Source: National Report on RES to the EU, 2015
*FAS Warsaw estimate

In Latvia average annual fuel consumption amounts to 200,000 MT of gasoline and 1.0 million MT of diesel per year. According to the data of Central Statistical Bureau the produced quantities of biofuels have increased in 2014. Although bioethanol was not produced in Latvia in 2014 and 2015, the overall quantities of produced biofuels have increased.

It is estimated that in 2015 production of biodiesel amounted to 80,000, 7 percent more compared to the previous year. It is estimated that in 2014 and 2015 almost 50 percent of the harvested rapeseed was used for production of biodiesel.

Quantity of raw materials purchased by Latvian producers for the production of biodiesel

(000 MT)

| | Rapeseed | | | | Rapeseed oil | | | |
|---|---|---|---|---|---|---|---|---|
| | Latvia | EU | Outside of EU | Total | Latvia | EU | Outside of EU | Total |
| 2012 | 64 | 2 | 18 | 84 | 3 | 1 | 50 | 54 |
| 2013 | 64 | 4 | 10 | 78 | 4 | 5 | 33 | 42 |
| 2014 | 52 | 11 | 23 | 86 | 4 | 6 | 45 | 55 |

Source: Source: National Report on RES to the EU, 2015

A reduction of prices for regular fuels made biofuels less competitive. In addition there are still only a small number of biofuel using vehicles in the country. The harsh winter condition and very low temperatures in Latvia makes use of high ethanol blends dangerous to car engines. A third reason is market limitations. Lithuanian blending companies can purchase bio-components from other EU producers who offer more competitive prices. Therefore, local producers are finding it a challenge to sell their higher cost biofuels.

**Policy**

Latvia, as a member of the European Union, has implemented EU law on biofuels with a number of regulations. The basic requirements are two EU directives: Renewable Energy Directive (RED) (2009/28/EC) and Fuel Quality Directive (2009/30/EC).

RED obliges Member States to achieve a general target of 20 percent renewables in all energy used by 2020 and a sub-target of 10 percent renewables in the transport sector. Fuel suppliers are also required to reduce the greenhouse gas intensity of the EU fuel mix by 6 percent by 2020 in comparison to 2010. According to the new regulations, biofuels produced from wastes and non-food products will get a bonus on the basis of sustainable development.

**End of Report**