

General information - Part I

Does the information transmitted on this form concern:

Notification pursuant to Article 88 (3) EC Treaty

Please indicate below the reasons why the notifying Member State considers that the measure does not constitute State aid in the meaning of Article 87(1) EC Treaty. Please complete the relevant parts of this form and provide all necessary supporting documentation. A measure will not constitute State aid if one of the conditions laid down in Article 87(1) EC Treaty is not fulfilled. Please provide a full assessment of the measure in the light of the following criteria focusing in a particular on the criterion which you consider not to be met:

(1) According to Article 1(f) of Council Regulation (EC) No 659/1999 of 22 March 1999 laying down detailed rules for the application of Article 93 of the EC Treaty (OJ L 83, 27.3.1999, p.1) (hereafter "Procedural Regulation"), unlawful aid shall mean new aid put into effect in contravention of Article 88(3) of the EC-Treaty.

1. Identification of the aid grantor

1.1. Member State concerned:

Latvia

1.2. Region(s) concerned (if applicable):

1.3. Responsible contact person:

Aija Timofejeva

Address

Brivibas street 55, Riga, LV - 1519, Latvia

Telephone

+37167013227

Fax

+37167280882

E-mail

aija.timofejeva@em.gov.lv

1.4. Responsible contact person at the Permanent Representation:

Ieva Valtmane

Telephone

+3222383101

Fax

+3222383100

E-mail

ieva.valtmane@mfa.gov.lv

1.5. If you wish that a copy of the official correspondence sent by the Commission to the Member State should be forwarded to other national authorities, please indicate here their name and address:

Name

Dace Berkolde

Address

Smilsu street 1, Riga, LV - 1919, Latvia, dace.berkolde@fm.gov.lv

1.6. Indicate Member State reference you wish to be included in the correspondence from the Commission:

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1.7. Please indicate the name and address of the granting authority:

Name	Address
Ministry of Economics	Brivibas street 55, Riga, Latvia
	Telephone
	+37167013227
	Fax
	+37167280882

	E-mail pasts@em.gov.lv
	Web address www.em.gov.lv

2. Identification of the aid

2.1. Title of the aid (or name of company beneficiary in case of individual aid):

Support for energy producers

2.2.1. Brief description of the objective of the aid. Please indicate primary objective:

Environmental protection

2.2.2. Please indicate, if applicable, secondary objective(s):

2.3. Scheme - Individual aid (3)

2.3.1. Does the notification relate to an aid scheme?

Yes

If yes, does the scheme amend an existing aid scheme?

No

If yes, are the conditions laid down for the simplified notification procedure pursuant to Article 4(2) of the Implementation Regulation (EC) No 794/2004 fulfilled?

No. Please continue with this form and specify whether the original scheme which is being amended was notified to the Commission?

If no, please continue with this form and specify whether the original scheme which is being amended was notified to the Commission

No

If yes, please specify:

Aid number:

Date of Commission approval:

Reference of the letter of the Commission (SG(..)D/..):

Duration of the original scheme:

Please specify which conditions are being amended in relation to the original scheme and why:

2.3.2. Does the notification relate to individual aid?

Reference of the authorised scheme:

Title

Aid number

Letter of Commission approval

2.3.3. Does the notification relate to an individual aid or scheme notified pursuant to an exemption regulation? If yes, please make the following appropriate selection:

(3) Please specify sector in point 4.2.

3. National legal basis

3.1. Please list the national legal basis including the implementing provisions and their respective sources of reference:

Title

Energy Strategy 2030 of Latvia
The electricity Market Law
The energy Law
The Law on Public Utility Regulation
The Law on Subsidized Energy Tax
Cabinet Regulation No.262 of 16 March 2010 "Regulations Regarding the Production of Electricity Using Renewable Energy Sources and the Procedures for the Determination of the Price"
Cabinet Regulation No.221 of 10 March 2009 "Regulations Regarding Electricity Production and Price Determination upon Production of Electricity in Cogeneration"

References (if applicable)

https://www.em.gov.lv/files/energetika/EMZino_160513_STRAT_378.doc
http://www.vvc.gov.lv/export/sites/default/docs/LRTA/Likumi/Electricity_Market_Law.doc
http://www.vvc.gov.lv/export/sites/default/docs/LRTA/Likumi/Energy_Law.doc
http://www.vvc.gov.lv/export/sites/default/docs/LRTA/Likumi/On_Regulators_of_Public_Utillities.doc
http://www.vvc.gov.lv/export/sites/default/docs/LRTA/Likumi/Subsidised_Electricity_Tax_Law.doc
http://www.vvc.gov.lv/export/sites/default/docs/LRTA/MK_Noteikumi/Cab_Reg_No._262_-_Production_of_Electricity_Using_Renewable_Energy_and_Determination_of_the

3.2. Please indicate the document(s) enclosed with this notification:

A copy of the relevant extracts of the final text(s) of the legal basis (and a web link, if existing)

Web link (if applicable)

A copy of the relevant extracts of the draft text(s) of the legal basis (and a web link, if existing)

Web link (if applicable)

3.3. In case of a final text, does the final text contain a clause whereby the aid granting body can only grant after the Commission has cleared the aid (stand still clause)?

No

3.4. Access to full texts of schemes - in case of an aid scheme please:

Undertake to publish the full text of the aid schemes on the Internet:

Yes

Please, provide the Internet address

www.em.gov.lv

Confirm that the scheme will not be applied before the information is published on the Internet:

Yes

4. Beneficiaries

4.1. Location of the beneficiary(ies):

In (a) region(s) eligible for assistance under Article 107(3)(a) EC Treaty (specify at NUTS-level 2 or lower)

Specify region(s):

4.2. Sector(s) of the beneficiary(ies):

Sector specific

Please specify according to NACE (4) rev. 2 classification:

D.35.11-Production of electricity

4.3. In case of an individual aid. Name of the beneficiary:

Type of the beneficiary:

Currency

Currency

Annual turnover

Annual balance-sheet

Independence

(please attach a solemn declaration in line with the Commission Recommendation on SME (6) or provide any other evidence to demonstrate the above criteria)

4.4. In case of an aid scheme:

Type of the beneficiaries:

All firms

Name of the beneficiary:

Aid beneficiaries are the merchants that produce electricity from RES as well as in high efficient cogeneration by using biomass or biogas or fossil energy resources and meet the qualification requirements for receiving the rights to sell the produced electricity within the aid mechanisms - receiving the fixed feed-in or fixed amount of payment for installed electric power (CHP above 4 MW).

Estimated number of beneficiaries:

From 501 to 1000

(4) NACE is the Statistical Classification of Economic Activities in the European Community. See Regulation (EC) No 1893/2006 of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 (OJ L 393, 30.12.2006, p.1). NACE Revision 2 comes into force on 1 January 2008.

(5) As defined in the Community Guidelines for rescuing and restructuring firms in difficulties OJCE C288 of 9.10.1999, p. 218.

(6) Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises, OJ L124, 20.5.2003, p.36 and Commission Regulation (EC) No 364 / 2004 amending Regulation (EC) No 70/2001 as regards the extension of its scope to include aid for research and development.

(7) As defined by Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (OJ L124, 20.5.2003, p.36) and Commission Regulation (EC) No 364/2004 amending Regulation (EC) No 70/2001 as regards the extension of its scope to include aid for research and development (OJ L63, 28.2.2004, p.22) or any subsequent legislation replacing it.

5. Amount of aid / Annual expenditure

In case of an individual aid, indicate the overall amount of each measure concerned:

Currency:

Currency:

In case of a scheme, indicate the annual amount of the budget planned and the overall amount (in national currency):

Annual amount, split by year?

Yes

In million(s):	Currency:	Year:
245.74	Currency:	2,014
255.77	Currency:	2,015
259.33	Currency:	2,016
272.55	Currency:	2,017
263.04	Currency:	2,018
263.04	Currency:	2,019
230.83	Currency:	2,020
230.83	Currency:	2,021
183.14	Currency:	2,022
183.14	Currency:	2,023

Overall amount, in million(s):

2,241.33

Currency:

Currency:

For tax measures, please indicate the estimated annual and overall revenue losses due to tax concessions for the period covered by the notification:

Split by year?

No

In million(s):

Currency:

Currency:

In million(s):	Currency:	Year:
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If the budget is not adopted annually, please specify what period it covers (year of expiry):

1 January 2007 - 31 December 2033

If the notification concerns changes to an existing scheme, please give the budgetary effects of the notified changes to the scheme:

Maximum aid intensity of the individual aid or the aid scheme (%):

6. Form of the aid and means of funding

6.1. Specify the form of the aid made available to the beneficiary (where appropriate, for each measure):

Direct grant

Please give a precise description of its rules and conditions of application, including in particular the rate of award, its tax treatment and whether the aid is accorded automatically once certain objective criteria are fulfilled (if so, please mention the criteria) or whether there is an element of discretion by the awarding authorities.

Interest subsidy

Please give a precise description of its rules and conditions of application, including in particular the rate of award, its tax treatment and whether the aid is accorded automatically once certain objective criteria are fulfilled (if so, please mention the criteria) or whether there is an element of discretion by the awarding authorities.

Reimbursable grant

Please give a precise description of its rules and conditions of application, including in particular the rate of award, its tax treatment and whether the aid is accorded automatically once certain objective criteria are fulfilled (if so, please mention the criteria) or whether there is an element of discretion by the awarding authorities.

Soft loan (including details of how the loan is secured)

Specify details of how the loan is secured:

Please give a precise description of its rules and conditions of application, including in particular the rate of award, its tax treatment and whether the aid is accorded automatically once certain objective criteria are fulfilled (if so, please mention the criteria) or whether there is an element of discretion by the awarding authorities.

Tax advantage

Tax allowance

Please give a precise description of its rules and conditions of application, including in particular the rate of award, its tax treatment and whether the aid is accorded automatically once certain objective criteria are fulfilled (if so, please mention the criteria) or whether there is an element of discretion by the awarding authorities.

Tax base reduction

Please give a precise description of its rules and conditions of application, including in particular the rate of award, its tax treatment and whether the aid is accorded automatically once certain objective criteria are fulfilled (if so, please mention the criteria) or whether there is an element of discretion by the awarding authorities.

Tax rate reduction

Please give a precise description of its rules and conditions of application, including in particular the rate of award, its tax treatment and whether the aid is accorded automatically once certain objective criteria are fulfilled (if so, please mention the criteria) or whether there is an element of discretion by the awarding authorities.

Tax deferralment

Please give a precise description of its rules and conditions of application, including in particular the rate of award, its tax treatment and whether the aid is accorded automatically once certain objective criteria are fulfilled (if so, please mention the criteria) or whether there is an element of discretion by the awarding authorities.

Other

Specify other tax advantage:

Please give a precise description of its rules and conditions of application, including in particular the rate of award, its tax treatment and whether the aid is accorded automatically once certain objective criteria are fulfilled (if so, please mention the criteria) or whether there is an element of discretion by the awarding authorities.

Reduction of social security contributions

Please give a precise description of its rules and conditions of application, including in particular the rate of award, its tax treatment and whether the aid is accorded automatically once certain objective criteria are fulfilled (if so, please mention the criteria) or whether there is an element of discretion by the awarding authorities.

Provision of risk capital

Please give a precise description of its rules and conditions of application, including in particular the rate of award, its tax treatment and whether the aid is accorded automatically once certain objective criteria are fulfilled (if so, please mention the criteria) or whether there is an element of discretion by the awarding authorities.

Other forms of equity intervention.

Please specify:

Please give a precise description of its rules and conditions of application, including in particular the rate of award, its tax treatment and whether the aid is accorded automatically once certain objective criteria are fulfilled (if so, please mention the criteria) or whether there is an element of discretion by the awarding authorities.

Debt write-off

Please give a precise description of its rules and conditions of application, including in particular the rate of award, its tax treatment and whether the aid is accorded automatically once certain objective criteria are fulfilled (if so, please mention the criteria) or whether there is an element of discretion by the awarding authorities.

Guarantee (including among others information on the loan or other financial transaction covered by the guarantee, the security required and the premium to be paid):

Please give a precise description of its rules and conditions of application, including in particular the rate of award, its tax treatment and whether the aid is accorded automatically once certain objective criteria are fulfilled (if so, please mention the criteria) or whether there is an element of discretion by the awarding authorities.

Other

Yes

Specify other:

- 1) the mandatory procurement mechanism with feed-in;
- 2) the guaranteed payment to the installed electric power (for high efficient cogeneration power plants above 4 MW)

Please give a precise description of its rules and conditions of application, including in particular the rate of award, its tax treatment and whether the aid is accorded automatically once certain objective criteria are fulfilled (if so, please mention the criteria) or whether there is an element of discretion by the awarding authorities.

- 1) The Mandatory Procurement mechanism - payments for sold electricity within the framework of mandatory procurement corresponding to the amount of the sold electricity;
 - 2) Guaranteed Payment for the Installed Electric Power - fixed payments for electric power installed in the station (for high efficient cogeneration power plant above 4 MW).
- A producer of electricity was able to receive the rights to sell electricity before the moratorium was introduced and can be supported during a certain support period (15 or 20 years), if technical criteria are met. Both mechanisms are financed by final customers through the public trader. State resources are involved from 2014 until 2018.

6.2. Specify the financing of the aid: if the aid is not financed through the general budget of the State/region/municipality, please explain its way of financing:

Through parafiscal charges or taxes affected to a beneficiary, which is not the State. Please provide full details of the charges and the products/activities on which they are levied. Specify in particular whether products imported from other Member States are liable to the charges. Annex a copy of the legal basis for the imposition of the charges:

Specify details of how the loan is secured:

Accumulated reserves

Public enterprises

Other

Specify other way of financing:

7. Duration

7.1. In the case of an individual aid:

The aid will be granted in tranches

No

Tranche number	Date of tranche

Indicate the date when the aid will be put into effect:

Specify the duration of the measure for which the aid is granted, if applicable:

7.2. In the case of a scheme:

Indicate the date from which on the aid may be granted:

1/1/2007

Indicate the last date until which aid may be granted:

10/9/2012

If the duration exceeds six years, please demonstrate that a longer time period is indispensable to achieve the objective(s) of the scheme:

Pursuant to the Directive 2009/28/EC the general objective of Latvia is to increase the share of energy producer by using RES from 32,6% in 2005 up to 40% in 2020 in the gross final energy consumption.

8. Cumulation of different types of aid

Can the aid be cumulated with the aid received from other local, regional, national or Community schemes to cover the same eligible costs?

Yes

If so, describe the mechanisms put in place in order to ensure that the cumulation rules are respected:

Some of producers (biomass and biogas power plant) have received support of both the feed-in tariffs (operating aid) and investment grants from EU funds or other financial instruments (relating only to the initial investment cost).

9. Professional confidentiality

9.1. Does the notification contain confidential information which should not be disclosed to third parties?

No. The Commission will publish its decision without asking the Member State

Indicate and explain confidential parts:

9.2. Does the Member State submit a non-confidential version of the notification on a voluntary basis?

Yes. If yes, the Commission may publish this version without further asking the Member State to confirm this content.

10. Compatibility of the aid

10.1. Please identify which of the existing Regulations, frameworks, guidelines and other texts applicable to State aid provide an explicit legal basis for the authorization of the aid (where appropriate please specify for each measure) and complete the relevant supplementary information sheet(s) in part III:

Environmental protection aid

10.2. Where the existing Regulations, frameworks, guidelines or other texts applicable to State aid do not provide an explicit basis for the approval of any of the aid covered by this form, please provide a fully reasoned justifications as to why the aid could be considered as compatible with the EC Treaty, referring to the applicable exemption clause of the EC Treaty (Article 106(2), Article 107(2)(a) or (b), Article 107(3)(a),(b),(c) or (d)) as well as other specific provisions relating to Agriculture and Transport.

10.3. Where the existing Regulations, frameworks, guidelines or other texts applicable to State aid do not provide an explicit basis for the approval and in so far that it is not requested by the relevant supplementary information sheet(s) in part III, please provide the following information concerning the likely impact of the notified measure on the competition and trade between Member States.

This information is necessary to complete the assessment made by the Commission which balances the positive impact of the aid measure (reaching an objective of common interest) against its potentially negative side effects (distortion of trade and competition).

10.4. For individual aid:

Impact on competition. Please specify and describe the product markets on which the aid is likely to have a significant impact, the structure and dynamics of those markets and the indicative market share of the beneficiary:

Impact on trade between Member States. Please provide information on the effects on trade (shift of trade flows and location of economic activity):

10.5. For aid scheme:

Impact on competition. Please specify and describe the product markets on which the aid scheme is likely to have a significant impact, the structure and dynamics of those markets:

There is no direct negative impact on the competition.

Impact on trade between Member States. Please provide information on the effects on trade (shift of trade flows and location of economic activity):

There is no direct negative impact on the trade between Member States in the electricity wholesale operations, including the electricity import transactions. Latvia's electricity market was formally liberalized since 2007. Electricity market in Latvia was fully open on 1 January 2015. Latvia has joined Nord Pool Spot and is currently opening under its conditions.

11. Outstanding recovery orders

11.1. In the case of individual aid:

The authorities of the Member State commit to suspend the payment of the notified aid if the beneficiary still has at its disposal an earlier unlawful aid that was declared incompatible by a Commission Decision (either concerning an individual aid or an aid scheme), until that beneficiary has reimbursed or paid into a blocked account the total amount of unlawful aid and incompatible aid and the corresponding recovery interest.

No

11.2. In the case of aid scheme:

The authorities of the Member State commit to suspend the payment of any aid under the notified aid scheme to any undertaking that has benefited from earlier unlawful aid declared incompatible by a Commission Decision, until that undertaking has reimbursed or paid into a blocked account the total amount of unlawful and incompatible aid and the corresponding recovery interest.

Yes

12. Other information

Please indicate here any other information you consider relevant to the assessment of the measure(s) concerned under State aid rules:

The notification is related to the pre-notification SA.37970(2013/PN).

The used currency is EUR.

In order to support electricity production from RES and electricity production in high efficient cogeneration, the Mandatory Procurement mechanism with Feed-in and Guaranteed Payment for the Installed Electric Power are used in Latvia. The eligible producers of electricity receive support in the form of mandatory procurement or guaranteed payments for the installed electric capacity. The expenses of the support are covered by all electricity end-users in Latvia proportionately to their consumption. Since 2014 a part of mentioned expenses is covered by State budget. The feed-in tariff (FIT) rate to end-users is 0.02679 EUR/kWh. The trend of increasing FIT rate poses risk of energy poverty.

For this reason, the proposed support scheme would curb the increase of the overall price of electricity by combining state grant with end-user payments at a fixed FIT rate (0.02679 EUR/kWh).

The support scheme, thus, would include the allocation of budget funds to compensate the difference between the actual FIT rate and the fixed FIT rate. In order to administer these payments and to raise budget funds for the grant, two major changes are planned to be implemented:

(1) Law on Subsidized Energy Tax;

(2) A subsidiary company to the current public service provider JSC "Latvenergo", which will be responsible for administering both the Subsidized Energy Tax and the state support to the eligible electricity producers.

CHP plants that use natural gas, with installed capacity of more than 4 MW no longer be able to acquire the right to sell electricity within the framework of mandatory procurement since 2011, but they have already received the rights will only be eligible for a guaranteed payment for the CHP plant installed capacity.

13. Attachments

Please list here all documents which are attached to the notification and provide paper copies or direct internet links to the documents concerned:

Attachment:	Comment on the attachment:
2015 09 21_Annex I.doc	Description of aid scheme
2015 09 04_Annex II.docx	Development of legal framework
2015 09 04_Annex III.xlsx	List of producers and granted aid amount
2015 09 21_Annex IV.docx	Calculation of electricity generation costs
2015 09 04_Annex V.docx	Support cumulation
2015 09 04_Annex VI.docx	Compliance check
2015 09 04_VIDES_VEIDLAPA__III_10.doc	

14. Declaration

Aija Timofejeva,

Please certify that information in this form is accurate and complete.

I certify that to the best of my knowledge the information provided on this form, its annexes and its attachments are accurate and complete.

Name and position of signing person:

Jurijs Spiridonovs, Deputy State Secretary in Ministry of Economics of Republic of Latvia

Place:

Riga, Latvia

Date:

22/9/2015