



**Latvian District Heating
Association**

DH&CHP in Latvia

Edgars Vigants

Latvian District Heating Association

EUROHEAT&POWER
Energy Policy Meeting, Budapest, 11.09.2008.



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Topics

- 1. Introduction**
- 2. Share of DH**
- 3. Share of CHP**
- 4. Fuel balance**
- 5. Legal framework**
- 6. Regulatory framework**
- 7. Key trends**

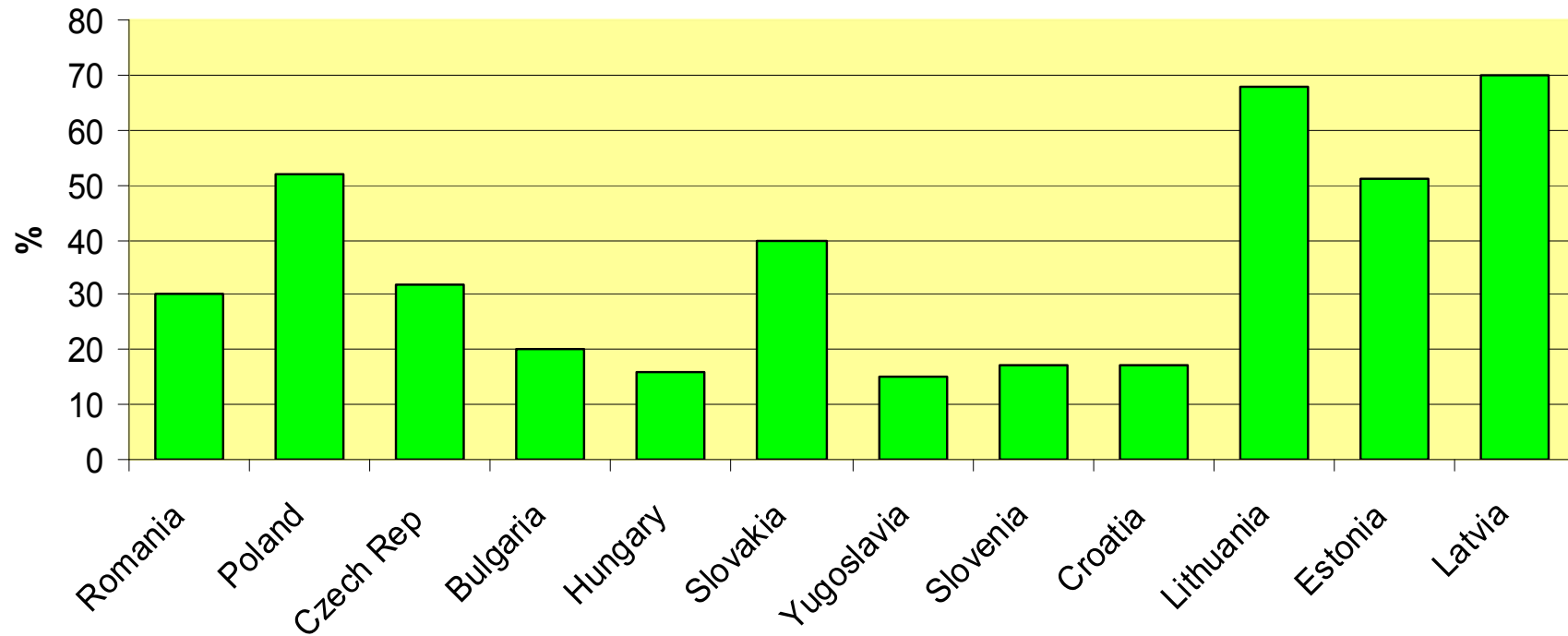
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Comparison of DH shares in CEE

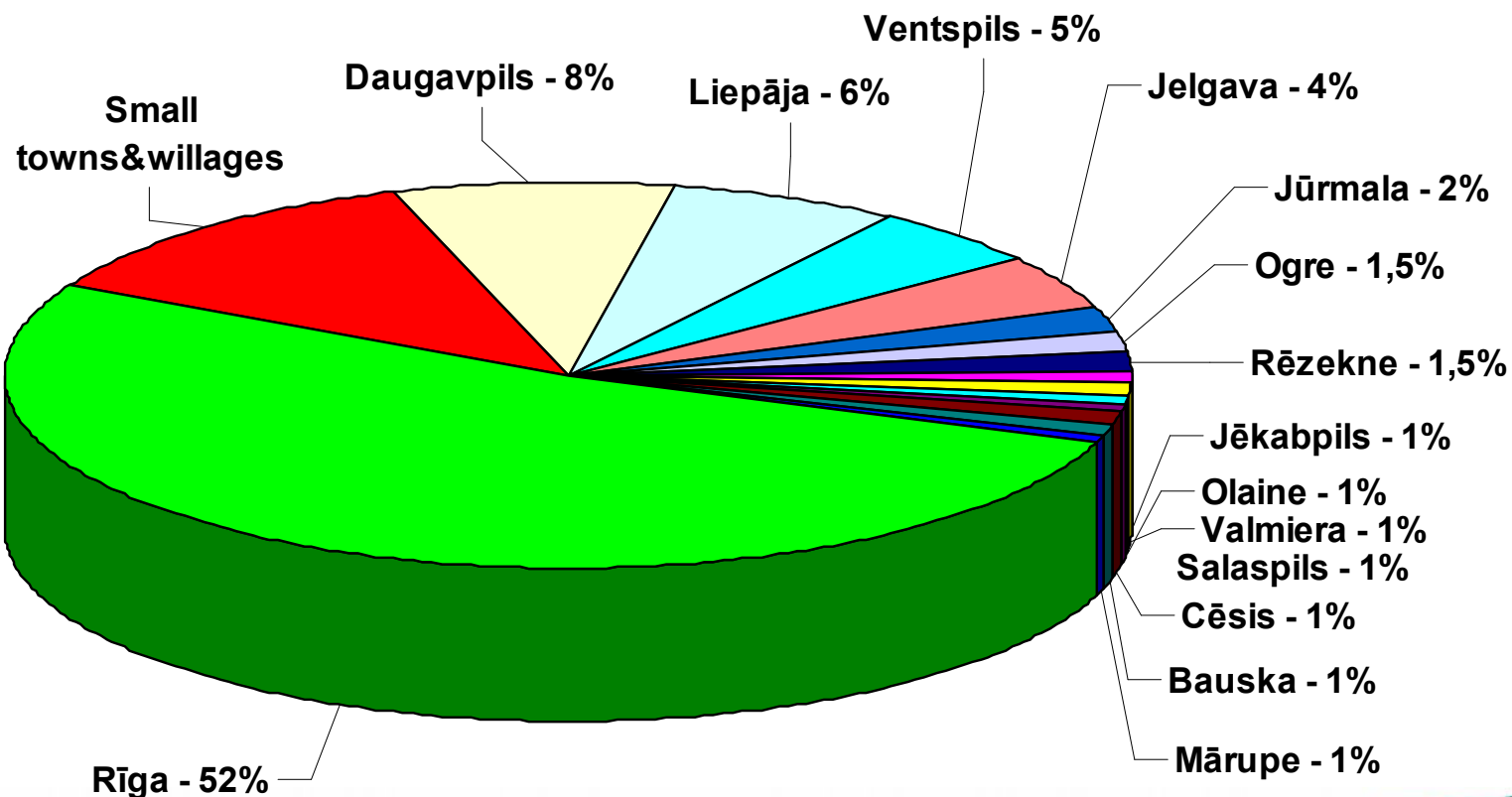
Countries Eastern Europe



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DH Companies structured by capacity



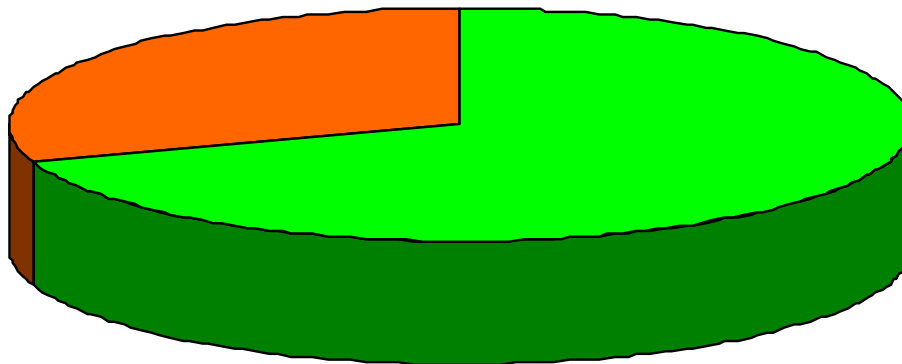


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Heat production in Riga

JSC "Rigas siltums"

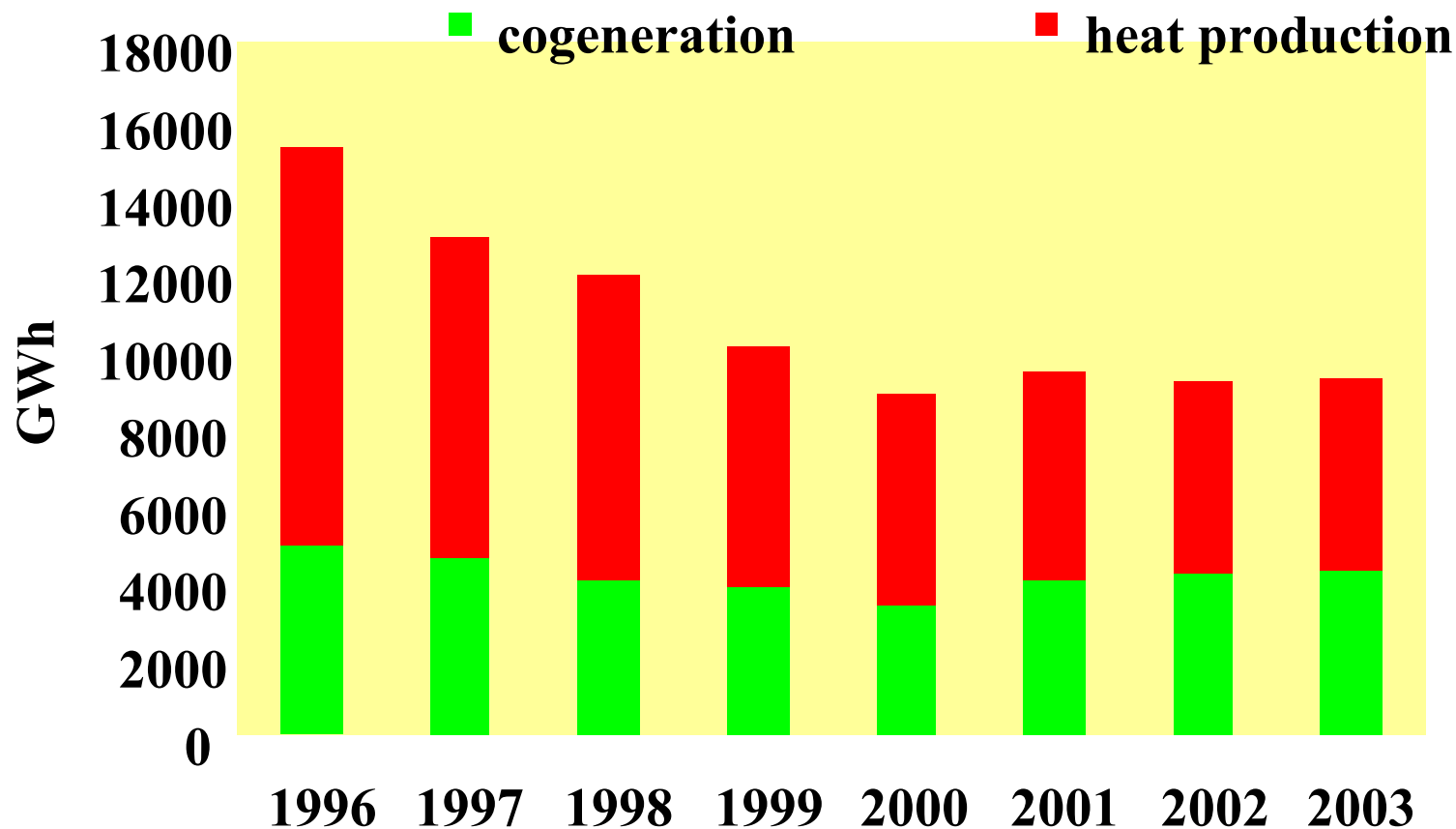
Own heat
production -
1069 GWh



Purchased heat
from CHP -
2470 GWh



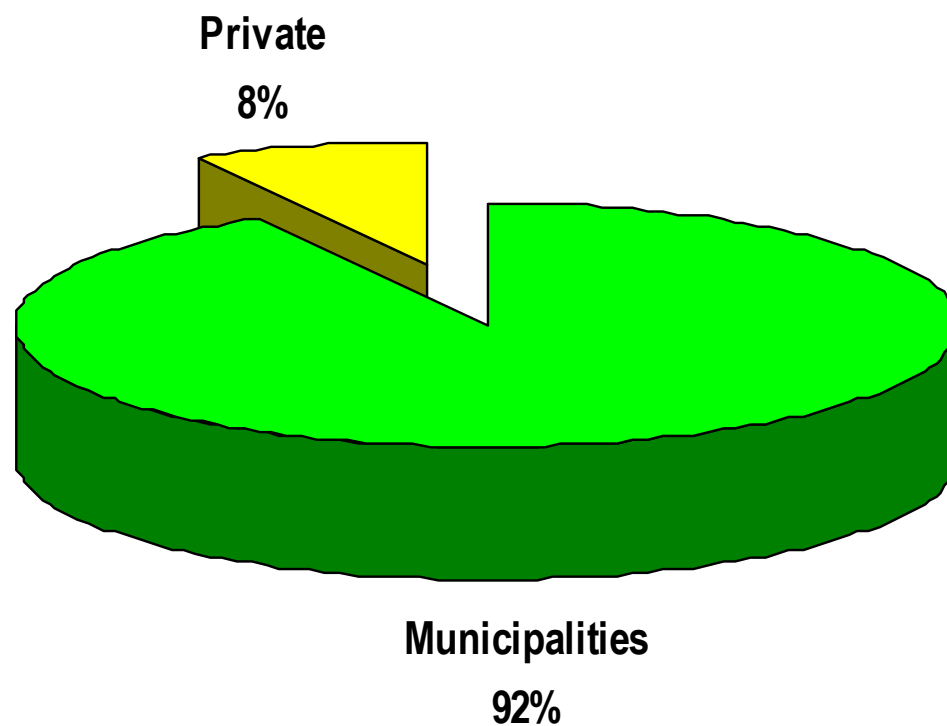
Share of CHP





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Ownership of DH enterprises

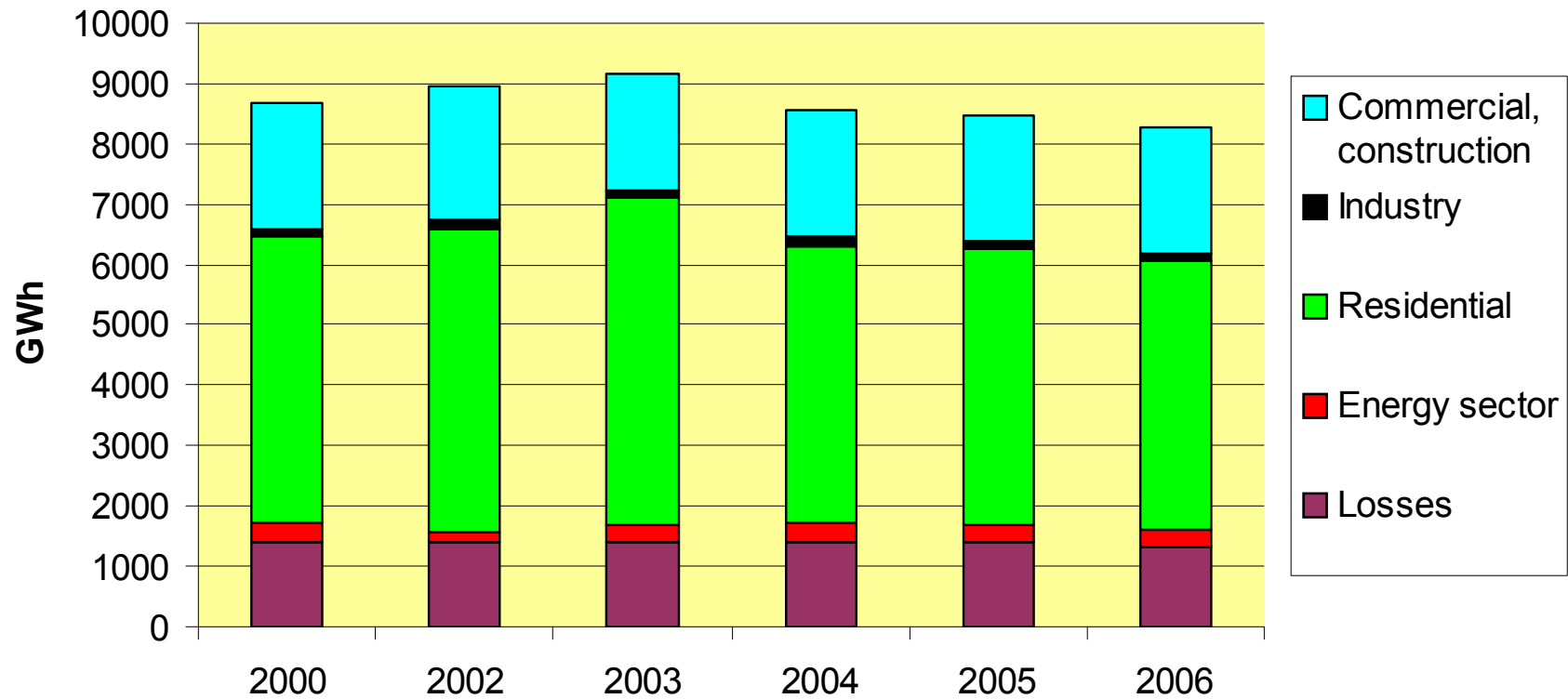


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DH consumer structure

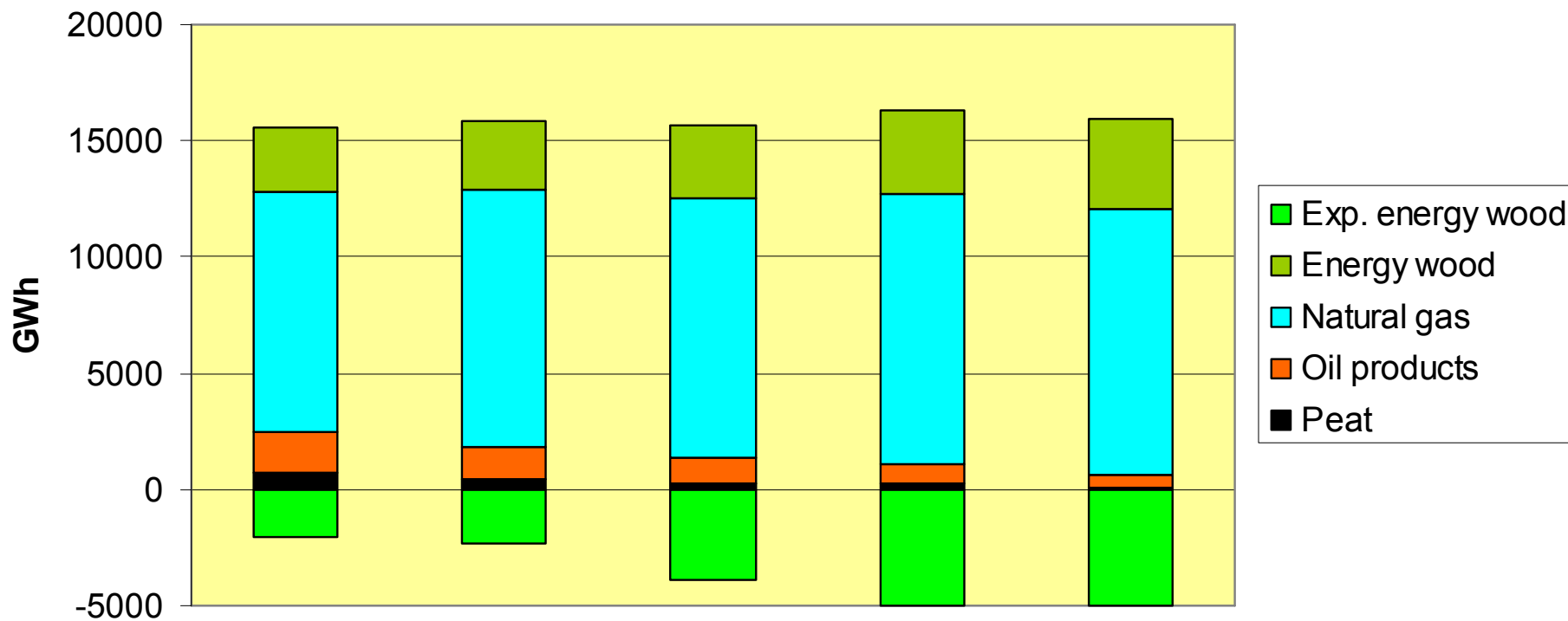
DH consumer structure





Total fuel balance in Latvia

Total fuel balance (GWh)

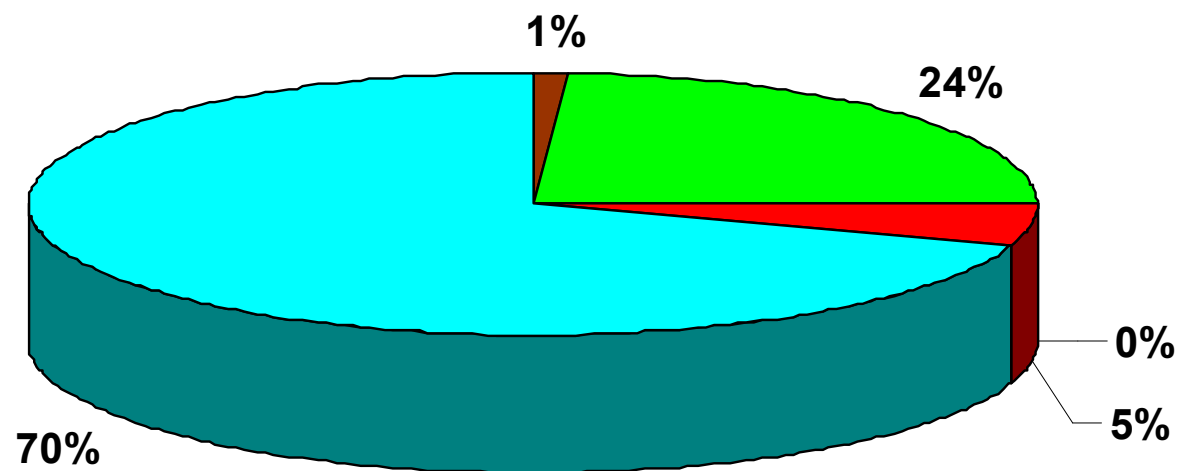




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Fuel for DH outside Riga

■ Coal ■ Wood ■ Peat ■ Heavy fuel oil ■ Natural gas



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Legal framework

Energy Law

- *Foreseen energy sector liberalization*
- *Power, natural gas supply is under supervision of Multi-Sector Regulator*
- *Heat supply is responsibility of municipalities Multi-Sector Regulator*
- *Municipalities have a right to determine zones for DH*

Electricity Market Law

- *Amended to implement the EC Electricity Directive (2003/54/EC)*
- *Open electricity market from 1 July 2007*

Law On Regulators of Public Utilities

- *Multi-Sector Regulator – Public Utility Commission - regulate power and natural gas prices, feed in and heat tariffs from CHP > 4 MWeI*
- *Municipal regulators approve only heat production, transmission, distribution tariffs*

VAT Law

- *5% for private energy end users*
- *18% for juridical bodies*



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Regulations

Regulations of the Cabinet of Ministers:

- Regulations on Supply and Use of Natural Gas**
- Regulations on Supply and Use of Heat Energy**
- Energy production in small scale CHP < 4 MWe**
- Power production from RES**
- Methodology of Calculating and Setting Tariffs for Communal Services incl. Heat energy tariffs**
- NAP (Emission Quota's distribution) 2005-2008; 2008-2012**



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Main Interactions

DH enterprises mainly supply heat till building (heat substation)

Housing companies divide total heat consumption between apartments

Heat tariffs have to be approved by Regulator for each DH company

For small scale CHP < 4 MWeI and CHP on RES feed in tariffs are set by formula tied to NG price (now ~ 0.16 €/kWh)

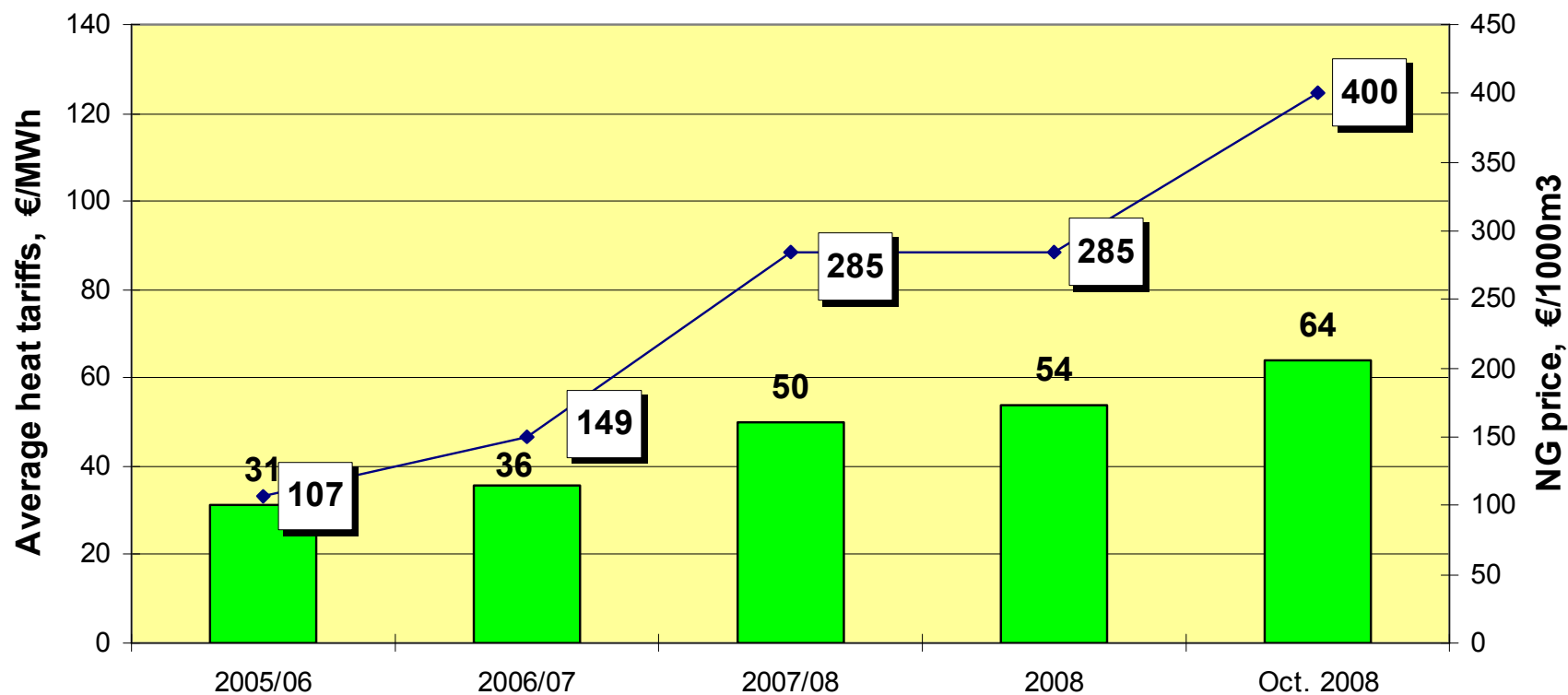
For CHP > 4 MWeI feed in tariffs has to be set by Multi-Sector Regulator

Natural gas prices depend from consumption (now 374 – 431 EUR/1000 m3)



Heat tariffs

Natural gas and heat tariff's corelation





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Breaking factors

- ***Heat bills overcome 20% of average income***
- ***Extra investments needed for diversification of fuel***
- ***Lack of emission quotas (~30%)***
- ***Too little state support for faster DH development and switch to RES***

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Key trends

Development documents:

- **Energy sector development guidelines 2006-2016**
- **RES implementation strategy 2006-2013**
- **First energy efficiency plan –(under development)**

Key trends for DH:

- **Transfer to efficient use of local fuel**
- **Increase share of CHP**
- **Improve efficiency**

General key trends of state:

- **To increase energy efficiency for buildings**
- **Support of CHP developments**
- **Support for use of local RES**



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**Thank you
for attention!**

Edgars Vigants
Latvian District Heating Association
E- mail: edgars.vigants@apollo.lv
Phone: +371 29212789

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