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Latvian energy policy on energy intensive industries

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Abstract

The manufacturing industry in Latvia is faced with higher energy prices than most of its international competitors. Transition to a zero carbon environment is harming the competitiveness of manufacturing industries especially those with high energy intensity. An appropriate energy policy could ease the transition period by reducing energy costs and facilitating the efficiency of energy usage. Recent energy policy developments in Latvia are targeted to reduce energy costs for energy-intensive companies while imposing an obligation to implement an energy management system, which would increase the overall efficiency of the manufacturing industries.

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1. Introduction

Energy costs are a major factor for the competitiveness of manufacturing industry. Nowadays costs of European Union energy transition as well as new investments in conventional power generation are passed to the consumers mostly via energy prices. Different levies related to support schemes are currently raising the price of electricity and subsequently the energy costs of industries. The most affected are considered to be energy-intensive industries. To limit the burden, the European Commission has adopted harmonized rules on how Member States can relieve energy-intensive companies that are particularly exposed to international competition from charges levied for the energy support schemes [1]. In accordance with the harmonized rules many Member States are introducing national

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regulations on how to relieve energy-intensive industries from financing energy policy costs. Since energy costs are considered to be the factor that threatens competitiveness of manufacturing industries in Latvia, special regulations are adopted in Latvia [2, 3], which shall come into force after clearance by the Directorate General for Competition of the European Union in accordance with EU State aid rules.

2. Electricity price and its components

In Latvia, similarly to other countries, the price of electricity consists of three components:

- Electricity procurement price;
- Network charges;
- Additional state regulated levies and taxes.

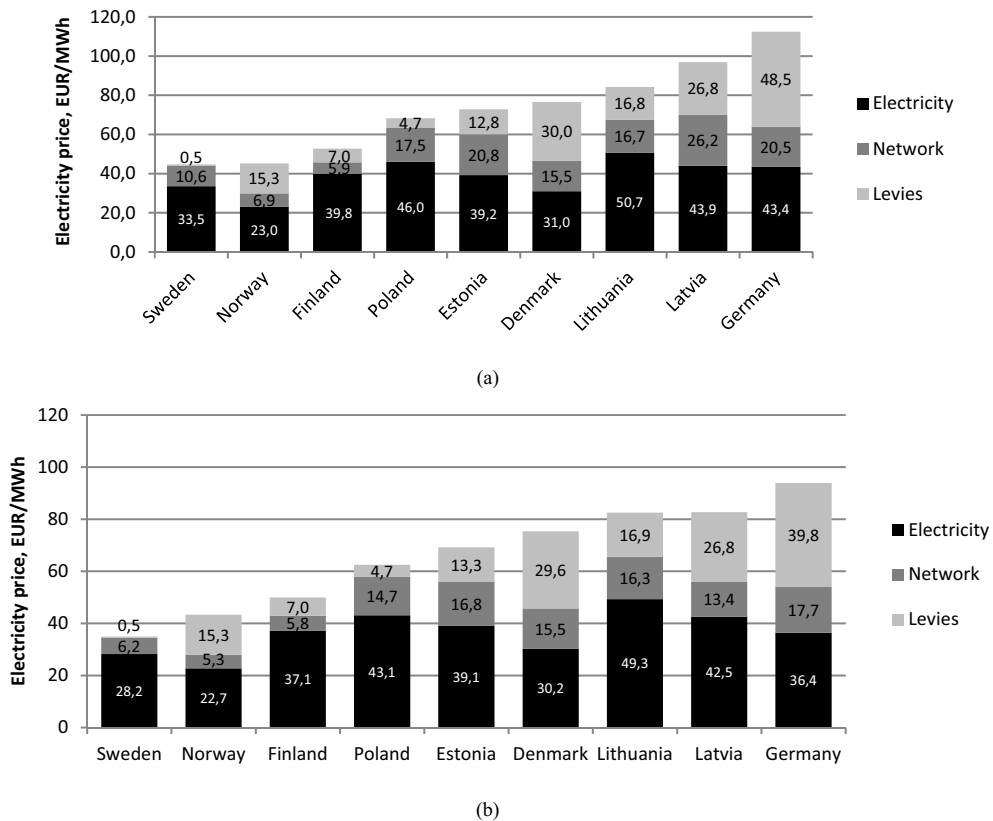


Fig. 1. Electricity price for industrial consumers in Baltic Sea region (2015): (a) consumption 20–70 GWh/annum; (b) consumption 70–150 GWh/annum.

Accurate statistical data about energy prices is essential for analysing and assessing various policy impacts. Different policies create different drivers of energy price and costs. Liberalization of the energy market would have an impact on the commodity prices the most, though policy to support various energy resources would leave an impact on levies. Therefore a detailed and accurate breakdown of the electricity price into components is essential to analyse the impact of energy policy.

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