Assessment of country performance and opportunities from the Energy Union

Latvia shows good performance along two dimensions of the Energy Union:
Energy efficiency: On the basis of the current trend, Latvia is on track to meet its national 2020 target although it still has large untapped potentials for energy savings, in particular via buildings renovation.
Concerning *Decarbonisation*, Latvia is well on track towards its 2020 renewable energy target. Decoupling the renewable energy support scheme from subsidies to fossil-fuel-based co-generation plants could further reduce the overall cost of renewable energy support and contribute to security of supply, especially in the heating sector.

However, **Latvia faces challenges** along the remaining dimensions of the Energy Union:
Energy Security: Third party access rules for the gas grid and the storage facility have not been established. Adopting the necessary gas market opening legislation and resolving the outstanding ownership issues surrounding the strategically important *Inčukalns* underground gas storage are key priorities to be accomplished by 2017 at the latest. Latvia remains fully dependent on gas imports from Russia.
Internal Energy Market: The new LNG terminal in Klaipeda, in Lithuania, can potentially slightly alleviate Latvia's gas dependence. Latvia has not yet fully opened its gas market. This is only to be achieved by 2017. Implementing effective third party access rules in Latvia remain key to allow the regional LNG terminal to fully play its role in the diversification of gas supplies. Better electricity interconnections with (in particular) Estonia could contribute to improving functioning of the Baltic electricity market.
With respect to *research, innovation and competitiveness,* Latvia still suffers from low level of investment in the energy field and limited cooperation between research institutes and businesses. Increasing the regional cooperation in energy research, in particular in renewable energy and energy efficiency technologies, could contribute to best practice sharing, development of regional sustainable energy R&D expertise, and resource pooling in the BEMIP area.

Against this background, the **Energy Union Strategy can provide potential benefits** for Latvia:

- *Energy Security*: Diversification of gas sources, suppliers and routes and better coordination of emergency response mechanisms among Member States will reduce Latvia's dependence on gas supplies from Russia. Newly built Klaipeda LNG terminal in Lithuania already starts to play a regional role, contributing to improved security of supply for gas in the entire Baltic region.
- *Internal energy market*: Better electricity interconnections with, in particular, Estonia will contribute to improving functioning of the Baltic electricity market and could eventually contribute to lower wholesale electricity prices in Latvia. Market opening and emergence of new electricity suppliers could, in a longer term, contribute to lower retail electricity prices. A completed internal energy market will support regional cooperation in the Baltic States and BEMIP area.
- *Decarbonisation*: EU 2030 Framework for Climate and Energy is in line with Latvia's 2030 long term energy strategy and its national indicative targets: increasing the RES share to 50% by 2030 (37% in 2013, 40% to be achieved by 2020) and reducing Latvia's energy imports from current third country suppliers by 50%.
- *Energy Efficiency*: The Energy Union will allow realising its high untapped potential for energy savings, through the implementation of energy efficiency measures, in particular via renovation of buildings. This in turn will contribute to addressing the concerns of security of supply and will help to reduce energy costs for households.
- *Research and innovation*: The Energy Union objective to make the EU number one in renewable energy and improve the cost-effectiveness of EU and MS R&D funding can contribute to new forms of regional cooperation and good practice sharing in the BEMIP area on energy efficiency and renewable energy technologies.