

Energy storage economics latvia

The synchronisation of the Baltic states with continental Europe in 2025 creates the need for balancing reserve capacity. In the opinion of AS Augstsprieguma tīkls (AST), to ensure the availability of reserves, it is necessary to purchase electricity storage facilities, the acquisition of which was approved by the Cabinet of Ministers on 21 September 2021.

The priority objective of AST is to successfully implement the synchronisation project, which envisages connecting the Baltic electricity system in 2025 in synchronous operation with the continental European electricity system. One of the essential preconditions is to introduce the frequency regulation capacity of the electricity system, which will need to provide reserves for balancing and frequency regulation, which do not exist in the Baltic energy system to date.

"It is planned to attract European Union co-financing to acquire electricity storage facilities, which will enable AST to significantly reduce the negative impact on the transmission tariff, which in turn, is to be expected in the context of meeting AST's obligation to provide balancing reserve capacity. In view of the above, AST intends to apply for European Union co-financing," said Gatis Junghans, Member of the Board of AST.

The results of the Study revealed that in the Baltics, with the existing capacity resources, it will not be possible to provide full balancing reserve capacity, and that, while concerns regarding the availability of new resources for the implementation of the synchronisation project in 2025 exist, jeopardise the successful implementation of synchronisation.

As a transmission system operator, AST is fully aware of the importance of developing the reserve capacity market and fostering competition. Therefore, AST primarily links the acquisition and operation of electricity storage facilities to the need to successfully synchronise the Baltic states with continental Europe, however, in the future, for the further development of the balancing reserve capacity market, AST foresees the gradual dismantling of purchased electricity storage facilities as a long-term solution.

The electricity sector is dominated by renewables, but more decarbonisation is needed in other sectors. Latvia has already made inroads on the share of renewable energy in its fuel mix, with sizeable shares of bioenergy and hydropower. Renewable energy sources dominate its electricity mix, accounting for around three-quarters of domestic generation.

Other sectors, notably transport and buildings, continue to consume large amounts of energy and rely on dated infrastructure that hinders stronger reductions in energy consumption and greenhouse gas (GHG) emissions. The government should, therefore, prioritise energy efficiency and fuel switching in these sectors.

Sectoral roadmaps would clarify pathways to meeting climate targets. Latvia's national target is to reduce total

GHG emissions (without land use, land-use change and forestry [LULUCF]) by 65% from 1990 levels by 2030. Latvia is still on track toward this goal as emissions had fallen by 59% in 2021, though most of this was achieved between 1990 and 1995, based on economic shifts after independence from the Soviet Union. Emissions in recent years have, in fact, been growing.

Unusually for an EU country, most of Latvia's emissions fall outside of the EU Emissions Trading Scheme (ETS). As Latvia looks toward achieving its 2050 climate neutrality target, actions taken today will inform the pace and scale of the country's energy transition. Notably, energy-related sectors would benefit from detailed sectoral roadmaps that clarify the government's envisioned pathways to achieving 2030 and 2050 climate targets, including detailing policy levers, technology penetration and financing requirements.

These changes have created new vulnerabilities that Latvia needs to manage carefully. In electricity, Latvia will need to move forward with efforts to synchronise with the European grid on an accelerated timeline. For natural gas, Latvia will become heavily reliant on liquefied natural gas (LNG) supply as well as (soon to be expanded) gas storage. Meanwhile, Latvia will remain fully dependent on oil imports, and will have to manage supply diversification efforts (without Russian supply) accordingly.

Latvia's energy system is largely based on renewable resources, primarily hydropower from the Daugava River, supplemented by wind, solar, and biomass. While natural gas imports cover energy shortages, the country aims to increase wind and solar energy capacity, with significant progress already made in 2022.

Country is connected to European and Baltic energy networks, making import and export of electricity possible. In cities, biomass fuels district heating, while rural areas often rely on wood, coal, or gas.

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