

Taxing Energy Use 2018

Latvia

This note describes the taxation of energy use in Latvia. It contains the country's energy tax profiles, followed by country-specific information to complement the general discussion in *Taxing Energy Use 2018* (OECD, 2018). The note contains four energy tax profiles for Latvia:

Figure 1: Effective tax rates on energy use in EUR/GJ, 2015, including electricity output taxes and energy use from biomass

Figure 2: Effective tax rates on energy use in EUR/tCO₂, 2015, including electricity output taxes and energy use from biomass

Figure 3: Effective tax rates on energy use in EUR/tCO₂, 2015, excluding taxes on electricity output, including carbon emissions from biomass

Figure 4: Effective tax rates on energy in EUR/tCO₂, 2015, excluding taxes on electricity output and carbon emissions from biomass

The main insights from the second vintage of the *Taxing Energy Use* database, including a systematic comparison of patterns of the taxation of energy use across countries, sectors and fuels are available in *Taxing Energy Use 2018* (OECD, 2018) at: <http://oe.cd/TEU2018>.

1. Energy tax profiles for Latvia

Figure 1. Effective tax rates on energy use in EUR/GJ, 2015, including electricity output taxes and energy use from biomass

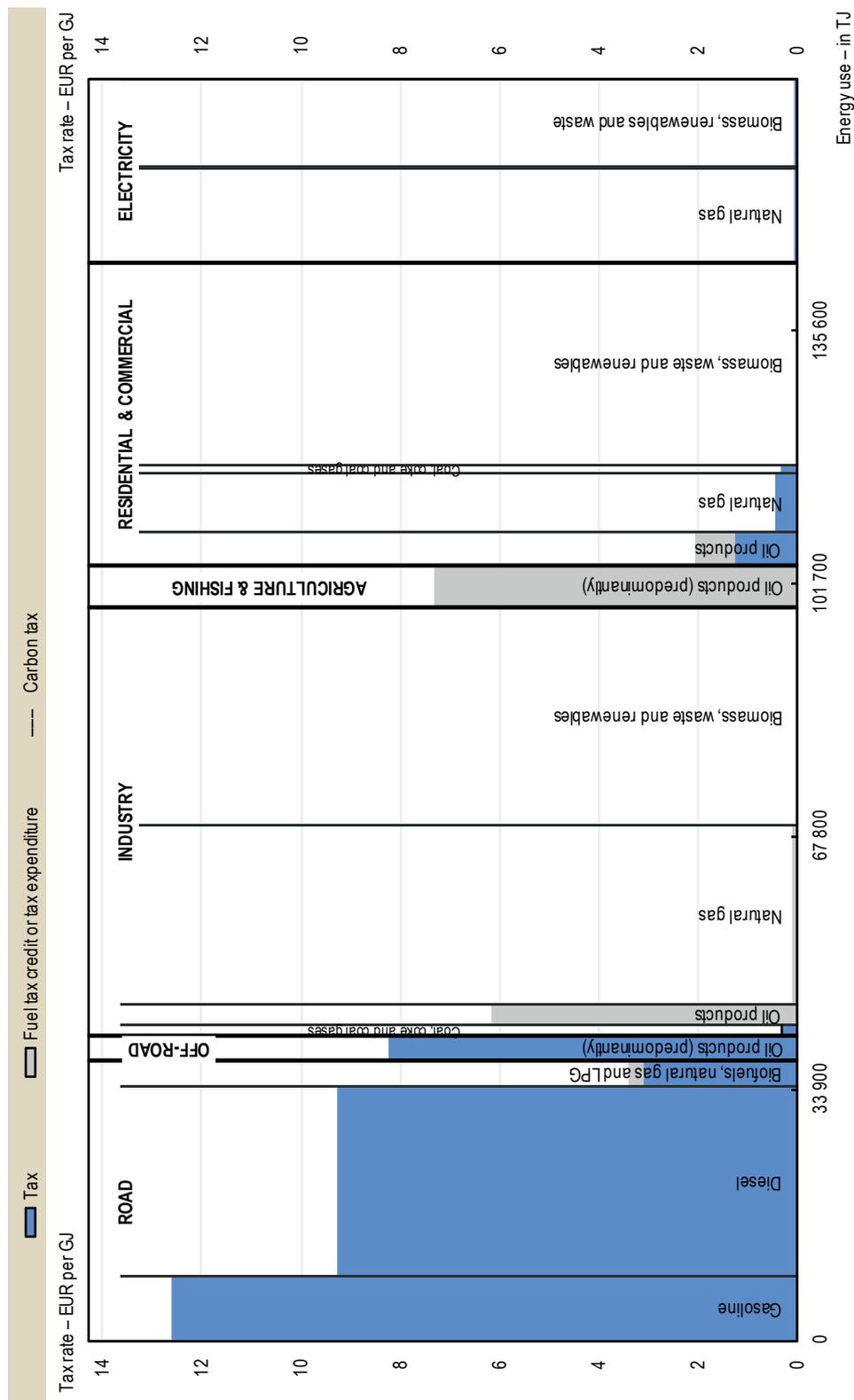


Figure 2. Effective tax rates on energy use in EUR/tCO₂, 2015, including electricity output taxes and carbon emissions from biomass

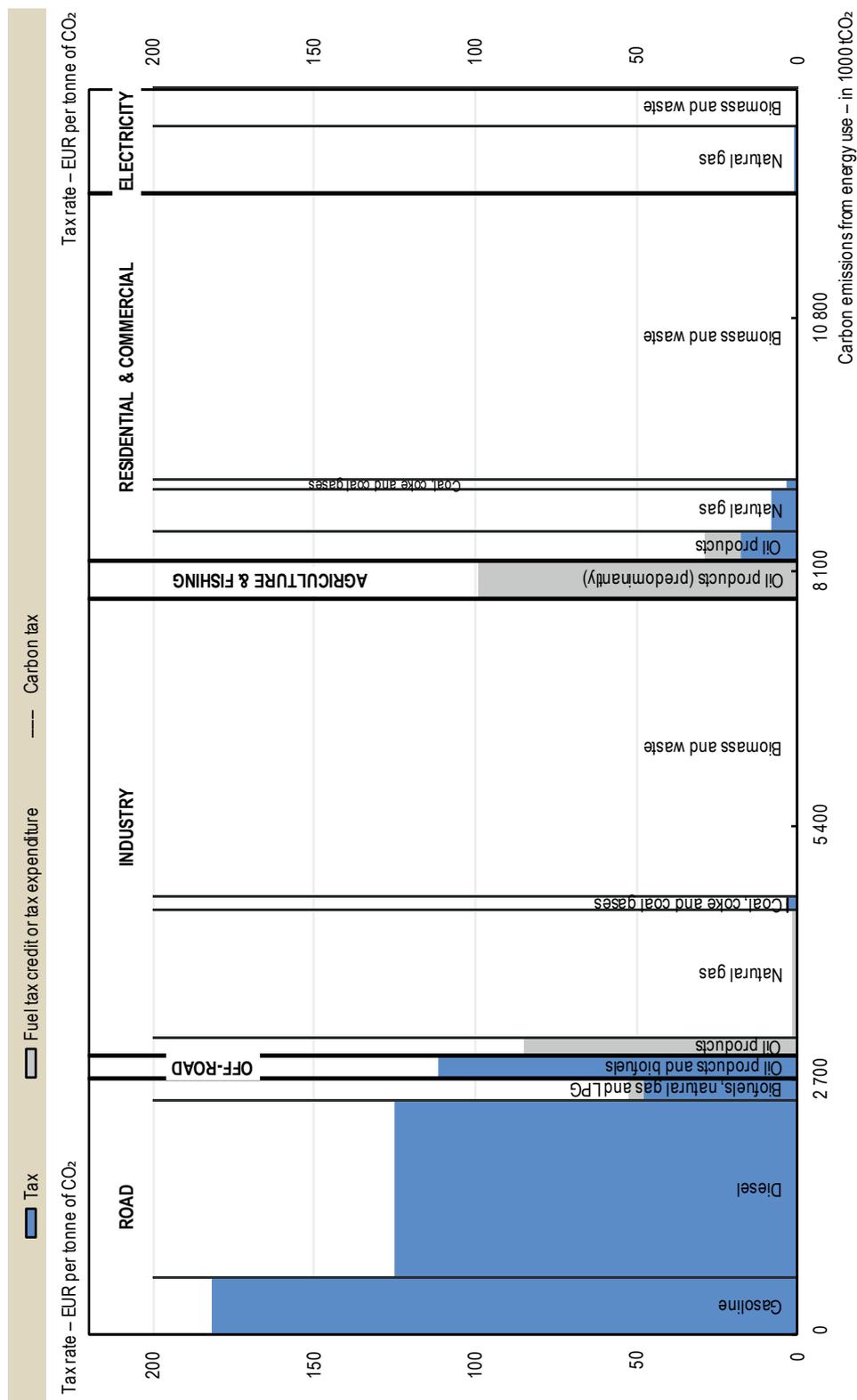


Figure 3. Effective tax rates on energy use in EUR/tCO₂, 2015, excluding taxes on electricity output, including carbon emissions from biomass

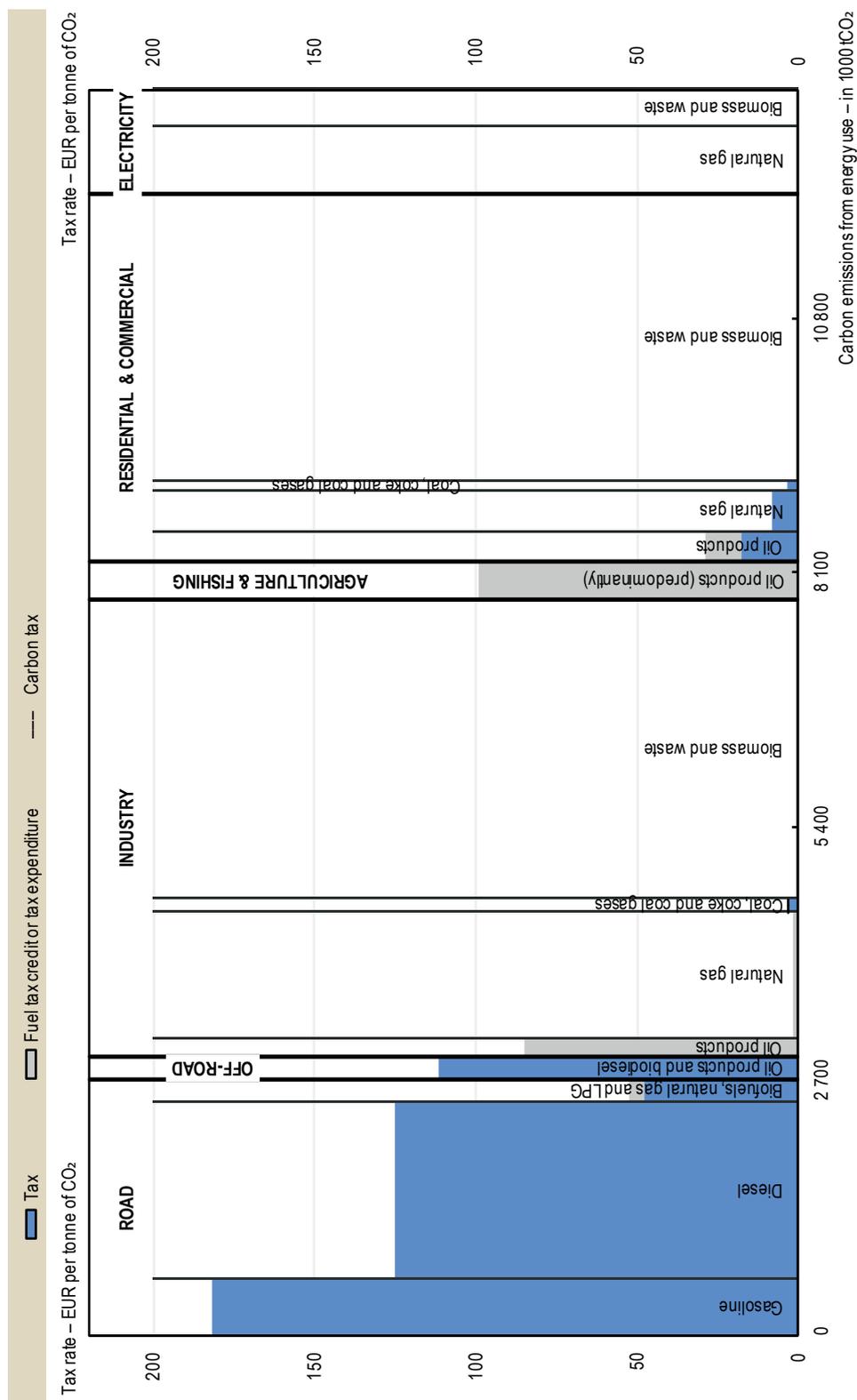
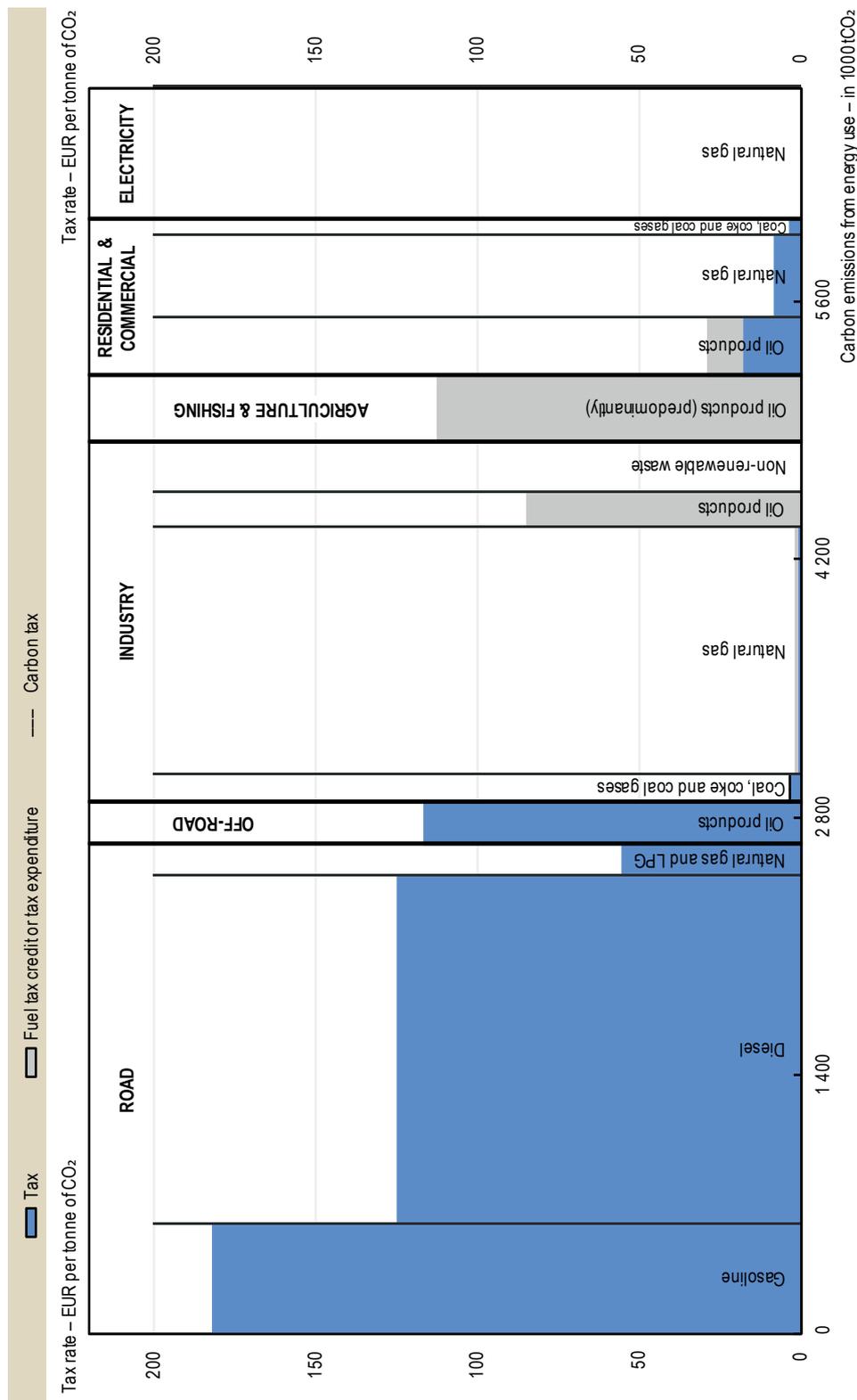


Figure 4. Effective tax rates on energy use in EUR/tCO₂, 2015, excluding taxes on electricity output and carbon emissions from biomass



2. Country-specific notes

This note describes the taxation of energy use in Latvia. It contains the country's energy tax profiles, accompanied by country-specific information to complement the general discussion in *Taxing Energy Use 2018* (OECD, 2018). Tax rates are those applicable in April 2015, energy use data are for 2014.

The data shown in the energy tax profiles is from the OECD's *Taxing Energy Use* (TEU) Database. More detail on the TEU Database, the calculation of effective tax rates on energy use and the interpretation of the energy tax profiles can be found in *Taxing Energy Use 2018* (OECD, 2018).

Latvia participates in the European Union emissions trading system (ETS), not shown in the energy tax profiles.¹

Energy and carbon taxes

Energy and carbon taxes in Latvia are levied within the framework of the 2003 EU Energy Tax Directive, which sets minimum rates for the taxation of energy products in member states. Within this framework, the main taxes on energy use in Latvia are the following:

- Excise duties apply to oil products and natural gas. Coal and coke are taxed via the natural resource tax, which includes a carbon component of EUR 3.5 per tCO₂.²
- Electricity output is taxed (per MWh), except if generated from renewable energy sources, when used for combined heat and power (CHP) generation or by households.

The rates at which these taxes apply can further differ across fuels and different users, as described below.

These taxes are included in the energy tax profiles of Latvia, but the tax on electricity output is only included when separately indicated (see below). Where more than one tax rate applies to an energy user or fuel, the energy tax profile shows their sum.

Effective tax rates on energy use for different fuels and users

The tax rates on different fuels and uses are linked to Latvia's energy use³ to calculate effective tax rates on energy use (in EUR/TJ) or CO₂ emissions from energy use (in EUR/tCO₂). Energy use and the CO₂ emissions associated with it are shown for six economic sectors: road transport, domestic offroad transport, industry, agriculture and fishing, residential and commercial, and electricity.

The energy tax profiles (Figures 1 and 2) for Latvia show effective tax rates for different fuels and uses in terms of the fuels' energy and carbon content, respectively. Figures 1 and 2 include energy use and carbon emissions from biomass and they show output taxes on electricity. Figure 3 is identical to Figure 2, except that taxes on electricity

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1. The OECD's [Effective Carbon Rates](#) contains information on emissions trading systems.
 2. Central heating, electricity producers and industrial users that do not participate in the European Union Emissions trading system are subject to a carbon tax of EUR 3.5 per tCO₂, as part of their natural resource tax liability.
 3. Data on energy use is taken from the IEA's *Extended World Energy Balances*, see Chapter 1 of *Taxing Energy Use 2018* (OECD, 2018) for additional detail.

output are excluded. Figure 4 excludes carbon emissions from biomass and taxes on electricity output.

- Of the six economic sectors, the **road** sector is taxed at the highest rates, both in terms of the fuels' energy and carbon content. Within the road sector, gasoline is taxed at the highest effective tax rate, diesel is taxed at a lower rate in terms of TJ and in terms of CO₂.

LPG and biogasoline are taxed at lower statutory and effective rates. Biodiesel fully obtained from rape seed oil is untaxed. For the TEU database it has been assumed that all biodiesel used in Latvia is generated from rape seeds, and it is thus included as untaxed.

- In domestic **off-road** transport, only diesel used in railway transport is taxed. Marine and aviation fuels are untaxed.
- Fossil fuels consumed in **industry** are taxed at lower statutory and effective rates than the fuels used in road transport.
- Fossil fuels used in the **agriculture and fishing** sector are untaxed.
- Fuel use in the **residential and commercial** sector is taxed at lower rates than fuels for road use, but at higher statutory and effective rates than fuel use in industry.
 - Diesel, fuel oil and kerosene used for heating with at least a 5% biofuel blend are subject to a reduced statutory rate. It is assumed that all fuels used in the residential and commercial sector comply with this requirement;
 - Oil products and natural gas used for purposes other than heating are untaxed.
- Fuels used to generate **electricity** are untaxed. **Electricity output** is taxed (per MWh), except when used for combined heat and power (CHP) generation, or by households. The rate is relatively low, so it is barely visible in the energy tax profiles.

Assumptions and caveats

Latvian legislation sets the CO₂ component under the natural resource tax per tCO₂. Since effective tax rates are calculated based on per-unit rates, standard conversion factors have been used convert the CO₂ rates into per unit rates.

Reported tax expenditures and rebates

The following tax expenditures are included in the *Taxing Energy Use* data for Latvia:

- A reduced tax rate applies to biogasoline, as well as to diesel, kerosene and fuel oil when composed of at least 5% biofuels. Biodiesel is untaxed.
- Fuels used for agriculture and fishing activities, as well as for domestic navigation and aviation, are untaxed.
- A reduced rate applies to natural gas used in the industry sector.
- LPG used for residential and commercial heating are untaxed.

Sources

The main insights from the second vintage of the *Taxing Energy Use* database are analysed in:

OECD (2018), *Taxing Energy Use 2018 – Companion to the Taxing Energy Use Database*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264289635-en>.

Apart from the general sources included in OECD (2018) and consultation with national delegates, no country-specific sources were used.