Updated Policy Factsheet: Energy Communities and Regulatory Framework in LATVIA

1. Introduction and purpose

With the Clean Energy for all Europeans Package, the European Union introduced the right of all EU citizens to produce and consume their own energy as individuals, groups and as legal entities called "energy communities" (hereinafter – ECs).

The updated Renewable Energy Directive (RED II)[1] and the Internal Electricity Market Directive (IEMD)[2] have defined several types of collective action including jointly acting renewables self-consumers, Renewable Energy Communities (RECs) and Citizen Energy Communities (CECs). Jointly acting renewables self-consumers are groups of at least two acting on the building level, including a multi-apartment block, or at a single real estate level. In their turn, RECs and CECs represent a legal form of collective ownership around various energy related activities. They go beyond the boundaries of single buildings and make use of the public grid. Both types of energy communities (ECs) are characterised by open and voluntary participation and autonomy. Their primary purpose is to provide environmental, economic or social community benefits to its participants or to the local areas where they operate rather than to generate financial profits. Both types of ECs are entitled to produce, consume, store, sell and share energy that is produced by the production sites owned by the respective EC.

While the IEMD entitled only CECs to share electricity that is produced by the facilities owned by them [Article 16.3(e)], the revised Electricity Market Design Directive[3] introduced a clear definition of "electricity sharing"[4] and extends this right beyond CECs towards 'active customers' - such as households, SMEs, public bodies and, where a Member State has so decided, other categories of final customer - allowing active customers to share self- or collectively generated electricity, both on-site or off-site, with friends, families, neighbours, communities, vulnerable consumers and households affected by energy poverty. Active customers can share renewable electricity between themselves based on both private agreements or through a legal entity and they may appoint a third party as an energy sharing

[1] Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources, amended by the Directive (EU) 2023/2413, consolidated version 16/07/2024: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02018L2001-20240716

[2] Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market for electricity, basic version: https://eur-lex.europa.eu/eli/dir/2019/944/oj/eng ; amended consolidated version 16/07/2024: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02019L0944-20240716

[3] Directive (EU) 2024/1711 of the European Parliament and of the Council of 13 June 2024 amending Directives (EU) 2018/2001 and (EU) 2019/944 as regards improving the Union's electricity market design: https://eur-lex.europa.eu/eli/dir/2024/1711/oj/eng

[4] "Energy sharing" means the self-consumption by active customers of renewable energy either: (a) generated or stored offsite or on sites between them by a facility they own, lease or rent in whole or in part; or (b) the right to which has been transferred to them by another active customer for a price or free of charge, Article 2(10a). The right of electricity sharing is further detailed in an amending Article 15a "Rights to electricity sharing".

organiser. Customers are entitled to conclude more than one electricity supply contract or energy sharing agreement at the same time and for that purpose they are entitled to have more than one metering and billing point covered by the single connection point for their premises and where technically feasible, smart metering systems may be used for it. The Electricity Market Design Directive also stipulates that Member States shall take appropriate and non-discriminatory measures to ensure that vulnerable customers and customers affected by energy poverty can access energy sharing schemes. Energy sharing projects owned by public authorities shall make a part of the shared electricity accessible to vulnerable or energy poor customers and Member States shall do their utmost to promote that the amount of that accessible energy is at least 10 % on average of the energy shared.

The Energy Efficiency Directive (EED)[5] expands the ECs activities to include energy efficiency measures and underlines the necessity of ECs supporting the implementation of energy saving initiatives, combining them with investment in renewable energy (hereinafter – RE). The EED underlines the role of ECs and other consumer-led initiatives that can actively contribute to the implementation of local heating and cooling projects. In turn, the Energy Performance of Buildings Directive[6] promotes the involvement of citizen-led initiatives and ECs for the delivery of the Buildings Renovation Wave and RE deployment for a new or renovated zero-emission buildings.

However, due to the late transposition of the EU legal framework for ECs and adoption of relevant secondary legislation in Latvia, **ECs in the strict sense of the RED II and IEMD are not yet operating in Latvia.**

This policy factsheet provides a brief overview of the state of promotion and implementation of ECs in Latvia with a focus on RES-based electricity, and in addition, shortly deals with the legislative framework for EC operation in RES-based heat supply. The data on current electricity consumption and renewable electricity production might help to reveal the potential of ECs in Latvia.

2. Basic country information

2.1 Institutional environment related to the development of energy communities

Latvia is a unitary state, currently divided into 42 first-level local governments, with 35 municipalities[7] and seven state cities.[8] There are no second level (regional) self-governments in Latvia. In the beginning 2025, the number of inhabitants was 1.85 million, of which 32.3 % were living in the capital city Riga, 16.6 % - in the other six largest cities, 31.3 % - in other towns and villages, 19.8 % - in rural areas. The second-level planning is performed by the five planning regions (legal status – derived public person). According to the Regional Development Law, the competence of the planning regions is to ensure the planning and coordination of regional development and cooperation between both local governments mutually and local governments and other state (national) administration institutions. The plan-

[5] Directive (EU) 2023/1791 of the European Parliament and of the Council of 13 September 2023 on energy efficiency: https://eur-lex.europa.eu/eli/dir/2023/1791/oj/eng

[6] Directive (EU) 2024/1275 of the European Parliament and of the Council of 24 April 2024 on the energy performance of buildings: https://eur-lex.europa.eu/eli/dir/2024/1275/oj/eng

[7] Latvian: *novadi*.

[8] Latvian: *valstspilsētas*.

ning regions determine the main basic principles, objectives, and priorities for the long-term development of the respective regions. They also determine regional territorial development, create spatial planning documents, and manage and monitor their implementation. The planning regions provide an opinion on the conformity of the long-term development strategy and mid-term development programme at the local level with the regional level's territorial development planning documents, and with the laws and regulations governing the development planning document system. They also draw up and implement the projects within the scope of regional development support measures. As a derived public person, the planning region may elaborate, participate in, and lead different projects— both national and EU-funded— promoting regional development. As such, planning regions are one of the important promoters of ECs (see Table 3 below). In its turn, Latvia's division into five historical regions promotes the preservation and sustainable development of the cultural and historical environment, however, without having political and administrative power.

Thus, the national Parliament (*Saeima*) and government (Cabinet of Ministers, *Ministru kabinets*) have the authority to formulate legislation in the energy sector. The Ministry of Climate and Energy (MCE) is responsible for the energy sector, and thus also for the development of ECs. The responsible state authority for energy policy administration, including EC, is the State Environmental Service of Latvia, operating under the supervision of MCE.[9] In its turn, the State Construction Control Bureau of Latvia continues to be the responsible state authority for information systems related to energy policy, including the Energy Resources Information System (*Energoresursu informācijas sistēma*), with the Energy Communities Register representing a subunit.[10] ECs in Latvia are regulated by the Energy Law and Electricity Market Law and the governmental regulations issued pursuant to these laws.

At the same time, the Ministry of Economics (ME), the Ministry of Smart Administration and Regional Development (MSARD) and the Ministry of Agriculture (MA) must be considered as important players for the promotion of ECs. ME is the responsible authority for national construction policy and housing policy and is also responsible for the improvement of energy efficiency policies and solar energy deployment in buildings, as provided by the new Energy Performance of Buildings Directive. MSARD is responsible for local governments and regional development, territorial development and land use planning. Meanwhile, MA promotes rural development and supervises rural development financial instruments, particularly for Local Action Groups (LAGs), who implement community led-local development strategies in their territories with a "bottom up" approach (LEADER funding). LAGs and their network organisation, the "Latvian Rural Forum", already work for ECs development outside Latvia's cities and thus have the potential to work in cities. The local governments (hereinafter – LG) exert influence on the national legislative process via the Latvian Association of Local Governments (LALG).

LGs have important functions in the field of territorial development planning and spatial planning. They should develop a long-term Sustainable Development Strategy (including the strategy and spatial development perspective), mid-term Development Programme (including programme itself, action plan and investment plan, as well as implementation monitoring system) and Spatial Plan (including Local Plans, Detailed Plans, municipal regulation on the use and building of the territory, as well as voluntary

[9] Starting from the October 1, 2025, the Energy and Environment Agency was integrated with the State Environmental Service.

[10] The website of EC Register can be found at https://data.gov.lv/dati/lv/dataset/energokopienas

Thematic Plans, e.g., designation of suitable zones for RE).[11] Among the mandatory autonomous functions of LGs, the Local Government Law lists the following ones related to RE: organization of heat supply services; assisting inhabitants in resolving housing problems; promotion of the creation, maintenance, and modernisation of the housing fund; determination, in accordance with the spatial plan, of land use and development; facilitation of sustainable management of natural capital; and the providing of contribution to climate change mitigation and adaptation.

Planning in the energy – climate sector can be performed within the general territorial development planning and spatial planning of the LG. The elaboration of a separate integrated municipal sustainable energy and climate plan (SECAP) is not required. Nevertheless, over 20 municipalities (representing more than half of the municipalities in Latvia) have elaborated a SECAP. Due to the late adoption of EC-related legislation in Latvia, the development of ECs is only generally noted as an option in the municipal SECAPs. The overall potential contribution of ECs in local municipal and regional development so far is not considered. We might expect the LGs will pay more attention in the future to ECs and would be one of the key players to enhance their development, particularly as the facilitators and enablers.

2.2 Renewable energy

The use of renewable energy (RE) has experienced a constant growth in Latvia. The RE share in gross final energy consumption reached 45.54 % in 2024 (in 2020 – 42,13%, in 2005 – 32.26%, in 2010 – 30.38 %).[12] This share is significantly higher than the average EU-27 share of 24.55 % (2023). In 2023, Latvia had the fourth highest RE share in gross final energy consumption among EU-27 countries, behind Sweden, Finland, and Denmark.[13]

The heating sector is the main driver behind this development, with renewable energy sources (RES) providing 61.79 % of heat consumption in 2024, compared to 42.68 % in 2005. The share of RE in buildings in 2022 was 60.6 %. The electricity sector also experienced constant growth of RE, from 43 % in 2005 up to 55.5 % in 2024. Importantly, the share of RES in electricity produced in Latvia exceeds 70% (in 2024 – 73.5 %).

The existing growth trends means high future expectations. The updated National Energy and Climate Plan 2021-2030 (NECP 2030) envisages to reach the following RE shares by 2030: 61 % in final energy consumption, above 80 % in final electricity consumption (where the share of RE in electricity produced for Latvia domestic consumption is 100 %), 66.4 % in heating & cooling, and 65 % in buildings.[14]

In 2024, Latvia's gross final electricity consumption exceeded total RES based electricity production by a half. Latvia's total net final electricity consumption constituted 6,513 GWh in 2024, of which the

[11] Cabinet of Ministers Regulation No 628 (2014) "Noteikumi par pašvaldību teritorijas attīstības plānošanas dokumentiem" (Regulations on local government territorial development planning documents, in Latvian): https://likumi.lv/ta/id/269842

[12] Official Statistics Portal of Latvia (OSPL). The database ENA020 "Share of renewable energy resources": https://data.stat.gov.lv/pxweb/en/OSP_PUB/START__NOZ__EN__ENA/ENA020/, accessed 10th December 2025

[13] Eurostat. Statistics Explained. Renewable energy statistics: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Renewable_energy_statistics

[14] Latvia's Updated National Energy and Climate Plan 2021-2030. Approved by the Cabinet of Ministers Ordinance No 573, 12th July 2024: automatic machine translation, page 22: https://commission.europa.eu/publications/latvia-final-updated-necp-2021-2030-submitted-2024_en ; original version in Latvian: https://tapportals.mk.gov.lv/legal_acts/f0071125-9fe0-4ca1-910b-7b4882c527e0

services sector (both public and commercial ones) consumed around 41 %, industry 26.5 %, households 27%, other sectors (transport, construction sector, agriculture, forestry, fishery) 6 %.[15] Though road transport consumed only 0.85 %, the increase in the number of electric vehicles[16] will result in an increase in electricity consumption in the transportation sector. Annual average electricity consumption of households was around 930 kWh per capita in 2024. For more than 30 % of Latvia's households, the annual electricity consumption exceeds 2,000 kWh.[17] The Daugava River hydro power plant (HPP) cascade is the main renewable electricity producer (Table 1).

During recent years, Latvia has experienced a boom of solar PV generation capacities (Table 2). In September 2025, the total installed capacity of solar PV reached 885 MW, of which solar PV micro-generators (up to 11.1 kW capacity) constituted more than 200 MW (around 24,400 installations) and large/larger capacity solar PV plants 685 MW (more than 1,500 installations). Around 95 % of solar PV microgenerators have been installed by private households (single family buildings), and the rest by legal entities.[18] One important promotional factor for the solar PV installations in single-family buildings was national financial support (**investment grants** through national revenues of auctioning EU ETS allowances) in combination with the possibility for households to participate in a **net metering scheme** (in kWh). The high electricity prices in 2022 were an important external factor. Within the three years 2022-2024, almost 13,000 solar PV microgenerators, with total capacity of 102 MW, were installed (excluding multi-apartment buildings). While the support programme has been extended until 2029 (with 29 MEUR support volume still available in December 2025), the future development is expected to be more modest because the net metering system was closed [19] for new entrants, e.g., the average number of new micro-generators installed per month after closure of the net metering system was 214 in 2025. Important to note that micro-generators are increasingly being installed in conjunction with electricity storage equipment. The power distribution system operator JSC "Sadales tīkls" envisages above 900 MW total solar PV capacity at the end of 2025, however with the dominating new capacity to be provided by ground-mounted solar PV plants.

However, the boom of solar PV has also negative consequences. As noted by the MCE, the price of electricity in summer is inherently lower than in winter, and one of the influencing factors is the imbalance in the type of electricity generation equipment installed. Due to the lower electricity price level in summer caused by the large number and capacity of solar PV installations, the MCE considers that ECs should evaluate the option of installing not only solar PV plants, but also wind power plants,

[15] OSPL. The database ENB060 "Energy balance": https://data.stat.gov.lv/pxweb/en/OSP_PUB/START__NOZ__EN__ENB/ENB060, accessed 10th December 2025

[16] On October 1, 2025, almost 13 thousand electric passenger cars have been registered in Latvia, which constituted 1.75 % of Latvia's total number of passenger cars being in technical order. Compared to October 1, 2024, the number of electric passenger cars has increased by 55 %, https://www.e-transports.org/statistika/elektrotransportlidzekli . Thus, involvement of EC in providing charging services for residents of multi-apartment building districts might be one of EC activities.

[17] OSPL. The database EPM310 "Energy consumption in household 1996-2020 (surveys)": https://data.stat.gov.lv/pxweb/en/OSP_OD/OSP_OD__apsekojumi__energ_pat/EPM310.px/

[18] JSC "Sadales tīkls". Power supply review, September 2025: https://sadalestikls.lv/lv/elektroapgades-apskats

[19] The closure took place on 30th April 2024. For the existing participants the net metering system continues up to February 28, 2029. For new entrants the net payment/accounting (in EUR) system is in place. Continuation of net metering system can be considered as an inhibiting factor for single-family buildings, already having solar PV installations, to join an EC.

which would help to achieve a more balanced generation and the opportunity for the EC to earn equalized revenues from the sale of electricity transferred to the electricity traders.[20]

The Latvian power transmission system currently allows for a maximum connection of 2 GW wind power. To find the best sites for future wind farms, around 50 wind farm project proposals[21] have been submitted in November 2025 to go through the Environmental Impact Assessment (EIA) procedure. The EIA procedures for around 2 GW wind energy capacity have been already completed.[22] However, these wind farms can be regarded as large-scale investor-driven projects with no explicit involvement of local citizens. In August 2024, the government adopted a regulation which envisages mandatory payments of new wind farm operators to promote local community development.[23]

Latvia's updated NECP 2030 does not envisage a future development of electricity generation by utilising solid and gaseous biomass. Promotion of biogas production is conditional upon its upgrade to biomethane quality and injection into natural gas grid. In July 28, 2025, the first regional biomethane injection point to natural gas grid has been opened in Džūkste (Tukums municipality) allowing to inject 100 GWh biomethane annually, biomethane is compressed and transported in containers from various producers in the region to the entry point, this approach allows for the participation of multiple suppliers, including smaller ones for whom it is not economically feasible to build an autonomous direct connection to the gas grid system. At least two new entry points are planned in Rēzekne (Latgale region) and Ragana (Riga region), the government has established the EU/state support programme for biomethane production, transportation and injection. This might encourage **future cooperation of farmers** in this field, although this is beyond the scope of this policy factsheet.

[20] Explaining information (*Izziņa*) accompanying the Amendments to the Cabinet of Ministers Regulation No 808 (10th December 2024) "Energokopienu reģistrēšanas un darbības noteikumi" ("Rules for registration and operation of energy communities"), of May 27, 2025, see below.

[21] This number does not include the projects for which EIA procedure has been terminated.

[22] For instance, in the 2nd half 2025 construction of wind farms "Latflora" (109 MW) and "Pienava"(147 MW) have started..

[23] Cabinet of Ministers Regulation No 577 (2024) "Vēja elektrostaciju maksājumu kārtība vietējās kopienas attīstībai" ("Wind power plant payment arrangements for local community development", in Latvian): https://likumi.lv/ta/id/354566

Table 1. Electricity production in Latvia[24], 2023 and 2024

Type of plant	Produced electricity, GWh		Installed capacity, MW	
	2023	2024	2023	2024
The Daugava River Hydro Power Plants cascade	3,725	3,143	1,558	
	annual average 2010-2024 = 2,822 GWh			
Small hydro power plants (< 10 MW)	69	67	29	
Solid biomass and biogas utilizing plants	659	621	128	125
Wind power plants	271	276	128	131
Solar PV	239	536	319	660
Total RES plants	**4,963**	**4,643**	**2,162**	**2,503**
Natural gas CHP plants	1,422[25]	1,678		
Gross final electricity consumption	6,659	6,877		

Table 2. Electricity produced by solar PV facilities

	2021	2022	2023	2024	2025
Produced power, GWh	7	75	239	536	540 (Jan-Sept)
Total capacity, MW	7	43	319	660	> 900 (forecast)

3. Status quo of energy community development in Latvia

Latvia has no tradition of citizens' participation in the energy sector. A system of attractive long-term oriented electricity feed-in tariffs (which was a crucial factor facilitating the emergence of ECs in Western European countries, like Germany) was established in Latvia in 1996. This strongly promoted private investments in small and medium scale RE facilities but did not result in collective investments, e.g., by establishing energy cooperatives. Consequently, Latvia has no historical roots of energy cooperatives on which development of ECs might be based.

Apartment owners' joint decisions for renovating multi-apartment buildings are presently one dominating form of citizens' cooperation. In Latvia around 70 % of dwellings are apartments in multi-apartment buildings. After re-establishing Latvia's independence in 1991, the dominant share of flats of multi-apartment buildings, which had been built during the Soviet period, were privatised by their residents. Thus, the issue of how to organise co-operation among flat owners has appeared. Several options are possible: the community of apartment owners

[24] OSPL. The database ENA040 "Electrical capacity and produced electricity from renewables": https://data.stat.gov.lv/pxweb/en/OSP_PUB/START__NOZ__EN__ENA/ENA040/, accessed 26th May 2025.

[25] OSPL. The database ENB140 "Fuel consumption, heat and electricity production in CHP plants": https://data.stat.gov.lv/pxweb/en/OSP_PUB/START__NOZ__EN__ENB/ENB140/, accessed 11th August 2025.

(1) constitutes a legal entity and acts according to the Law on Residential Properties;[26]
(2) registers a society, according to the Association and Foundation Law[27];
(3) establishes a cooperative society according to the Cooperative Societies Law.[28]

The registered housing associations are strong promoters of energy efficient renovations of apartment buildings. During 2016-2024, in total around 23,000 apartments (>620 buildings) were renovated in Latvia. Importantly, around 57 % of these buildings were renovated by the registered housing associations[29], specifically collective management legal types of residents.

Registered housing associations can be considered strong bottom-up initiatives of the building's residents and can serve as the important pre-condition to further establish ECs. However, two limitations must be overcome in Latvia: (1) until now, housing associations act at the building level, not at the neighbourhood level[30], and (2) joint rooftop solar heat collectors' and PV panels' installation in multi-apartment buildings, in combination of energy efficient renovation of the building, is still a (very) rare practice.

A strong impulse for ECs development was provided by the Co2mmunity project[31], implemented by the Riga Planning Region in the municipality of Mārupe (Riga region), including concept dissemination through broad stakeholder involvement and the first two operating pilot projects in 2020 at single apartment building scale.[32] In turn, the COME RES project[33] provided important impetus for the creation of a national policy and legal framework and helped to promote best practice knowledge transfer. Several pilot projects promote the concept of ECs at regional and local level (see Table 3).

As one of the recent initiatives we would like to mention the on-going project implemented by the Kurzeme planning region. Within Latvia's Territorial Just Transition Plan framework, planning regions

[26] Dzīvokļa īpašuma likums (Law on Residential Properties): https://likumi.lv/ta/id/221382

[27] Biedrību un nodibinājumu likums (Associations and Foundations Law): https://likumi.lv/ta/id/81050 . There is no separate law on housing associations, so they act under this umbrella law.

[28] Kooperatīvo sabiedrību likums (Cooperative Societies Law): https://likumi.lv/ta/id/298656 . Again, there is no separate law on apartment owners' cooperative societies, so they act under this umbrella law, which states the cooperative society as the voluntary associations of persons the purpose of which is to promote efficient implementation of the joint economic interests of members thereof.

[29] I. Kudrenickis, R. Ernsteins, L.Biezina, R. Ikstena. Energy Efficient Renovation of the Multi-Apartment Buildings: Management, Economic and Engineering Aspects. Proceedings of the 23rd Int. conf. "Engineering for Rural Development", Jelgava, Latvia, 22-24 May 2024, article TF198, pages 978-990: https://www.iitf.lbtu.lv/conference/proceedings2024/Papers/TF198.pdf

[30] It is worth noting that the ongoing energy-efficient renovation programme for multi-apartment buildings, financed under Latvia's Cohesion Policy Programme 2021–2027, provides a higher support intensity of 50% when renovations are carried out at the apartment block level—that is, when at least three nearby buildings are renovated simultaneously. The general support intensity is 40 %. Cabinet of Ministers Regulation No 880 (17.12.2024), Article 34, in Latvian: https://likumi.lv/ta/id/357498

[31] The project "Co2mmunity: co-producing and co-financing renewable community energy projects" and its follow-up extension project "Energize Co2mmunity: real-life implementation of renewable community energy projects" (INTERREG Baltic Sea Region programme 2014-2020): https://co2mmunity.eu/pilots/latvia .

[32] Summarised analysis of the projects implementation and results see in: Kudrenickis I., Klāvs G., Zučika A. Energy communities in apartment buildings (LV). In: Maleki-Dizaji P., Rueda F. (lead authors). Synthesis Report based on in-depth assessment of 10 transferable best practices. Horizon 2020 programme COME RES project, Deliverable 5.3, 2022, pp.92-99. Available at: https://zenodo.org/records/7640694

[33] „COME RES: Community Energy for the uptake of RES in the electricity sector. Connecting long-term visions with short-term actions" (Horizon 2020 programme). 09.2020 – 02.2023. https://cordis.europa.eu/project/id/953040 ; https://come-res.eu/

can implement regional projects to improve the skills of specialists of municipalities and planning regions in the issues of climate-neutral economy and mitigating the socio-economic impacts of climate change, the planning regions might choose how to focus the project. The Kurzeme planning region has chosen to focus on RES and their sustainable management, including development of ECs. The capacity building activities include development of handbooks, videos, on-line webinars, in-person meetings, international exchange of experience and will be finalized by development of pilot projects. Another new project is ENERCRACY (Energy plans and communities towards energy democracy for green transition, March 2025 – February 2028), implemented in Latvia by the Zemgale Regional Energy Agency. The NGO "Green Liberty" has organized several expert discussions, public events and prepared recommendations on enabling frameworks for the development of ECs' renewable energy projects in Latvia. Modelling work on ECs operation is actively provided by the researchers of Riga Technical University. For instance, a recent study[34] analyses actual (hourly real) electricity consumption data from 31 dwellings in typical 5-storey 60-apartments building in Riga. The authors provided a detailed analysis of both household electricity consumption data and household characterizing parameters (household size, population, etc.) to predict household load and ensure the optimal design of a multi-apartment building scale PV system. Findings indicate that a rooftop PV system on such a building can cover up to 77 % of annual electricity consumption. In turn, the international PERSIST project (2024-2027), in which RTU researchers participate[35], aims to achieve a better understanding of how socio-economic, socio-cultural, and socio-political factors shape Positive Energy Districts and their interrelations with technological, regulatory, and investment aspects across different geographical, cultural, and economic contexts. These are only two examples of research work to promote ECs operation in Latvia.

Table 3. Recent and currently on-going pilot projects for energy communities' promotion, best practices transfer and pilot projects implementation

Pilot project	Partner in Latvia	Time frame
Co2mmunity / Energize Co2mmunity	Riga Planning Region, Mārupe municipality	2017-2021
COME RES: Community energy for the uptake of RES in the electricity sector	Institute of Physical Energetics, Latvian Environmental Investment Fund	September 2020 - February 2023
Energy community for smart living: workshops & discussions within the SMART LIVING project (Interreg Estonia-Latvia programme)	Vidzeme Planning Region	March 2020 - December 2022
POWER POOR: Empowering Energy Poor Citizens through Joint Energy Initiative (Horizon 2020 programme)	Zemgale Region Energy Agency	September 2020 – August 2023
ENERCRACY: Energy plans and communities towards energy democracy for green transition	Zemgale Region Energy Agency	March 2025 – February 2028
Regional and municipal experts' capacity building on sustainable management of renewable energy resources, including ECs	Kurzeme Planning Region	ongoing, 2025 - 2029

[34] Borodinecs A., Lebedeva K., Odineca,T. Evaluation of household electricity consumption in multi-apartment buildings for optimization of rooftop PV systems. Energy and Buildings, vol.325, 2024, 114971.

[35] https://pedeu.net/projects/persist/

(Latvia's TJTP financing)		
Feasibility study "Energy Communities Promotion in Rural Areas" (DBU)	Latvian Rural Forum	September 2022 – January 2023
'Strengthening Energy Communities in Rural Areas" (bilateral Germany & Latvia project, DBU)	Latvian Rural Forum	January 2024 – September 2025 (extended to October 2025)
StartSun (Interreg Baltic Sea Region programme)	Zemgale Region Energy Agency, NGO "Green Liberty", Jelgava city municipality, Jekabpils municipality	November 2023 – October 2026
POWERYOUTH: Empowering youth for energy community actions (LIFE 2022, Clean Energy Transition sub-programme)	Riga Planning Region	January 2024 – December 2026
Advocacy work on energy democracy and energy communities (grants from European Climate Foundation)	NGO Green Liberty	November 2021 – July 2024
Proactive Strategies and Policies for Energy Citizenship Transformation (EnergyPROSPECTS, (Horizon 2020 programme)	University of Latvia	May 2021- April 2024
Modelling work on energy community projects (A. Mutule, A. Kamenders, A. Blumberga, A. Borodiņecs and others)	Riga Technical University	ongoing

4. Policy and regulatory framework for energy communities (December 2025)

4.1 General situation

As presented above, when the recast Renewable Energy Directive RED II took effect, Latvia had no legal definition of "energy community" or "energy cooperative" in place. Only in **July 2022, a definition of ECs was introduced in the national legal framework** provided by:
(1) Amendments to the Energy Law[36], and
(2) Amendments to the Electricity Market Law.[37]
Both amendments came into force on 1st January 2023.
Two and a half years later, in December 2024, the next step was completed: the adoption of the Governmental Regulation on the Rules for Registration and Operation of ECs (hereinafter – Rules).[38] This

[36] Enerģētikas likums (Energy Law), the Chapter II.[1.] „Energy Communities": https://likumi.lv/ta/id/49833

[37] Elektroenerģijas tirgus likums (Electricity Market Law), the Chapter VIII.[2.] „Active Customers and Energy Communities for Electricity": https://likumi.lv/ta/id/108834.

[38] Cabinet of Ministers Regulation No 808 (10th December 2024) "Energokopienu reģistrēšanas un darbības noteikumi" ("Rules for registration and operation of energy communities", in Latvian): https://likumi.lv/ta/id/357125

regulation transposes key provisions of the revised Electricity Market Directive (EU) 2024/1711 on energy sharing. It provides the rules for **energy communities** as well as for **jointly acting renewables self-consumers** and for **associated active self-consumers**.[39]

In turn, the amendments to the Electricity Market Law (adopted on March 27, 2025) include a new provision – starting from July 1, 2025, electricity traders shall include the **universal service of the EC** in their electricity trading offers. This universal offer provides the guaranteed rights of an EC to transfer the surplus electricity produced at its facilities to an electricity trader at a clearly comparable and transparent price.[40] The conditions of this universal offer, including the minimum price of the universal service of the EC, shall be determined by the government pursuant to the amendments to the Rules of May 27, 2025. The following box summarizes the main features of ECs in Latvia, which will be further specified below.

Box 1: Key features of Latvia's legislation for energy communities

- **Wide spectrum of eligible activities,** in accordance **with** the REDII
- **Wide spectrum of eligible participants**
- **Great diversity of eligible legal forms** (in practice all legal forms are eligible)
- **No formal restrictions for connection to the power distribution grid,** energy communities may connect facilities up to 14.99 MW
- **No territorial restrictions for participation in citizens energy (electricity) communities**
- **The national legal framework provides for the model - the energy community participates in the electricity market by concluding an agreement with an electricity trader**
- **Principle of internal agreements among the participants of an energy community**
- **Flexible approach regarding the self-consumption shares in produced electricity**
- **Renewable energy communities can implement heat energy sharing in facilities (areas) which are not technically and economically connected to district heating systems.**

4.2 Legal definition of energy communities

The definition of energy communities is aligned with the provisions of the RED II. The Energy Law introduced the single concept of "energy community", an umbrella term for the two related concepts, "renewable energy community" and "energy community for electricity" (i.e. the Latvian analogy for the concept of "Citizen Energy Community" laid down in the IEMD). An EC may comply with the conditions of one or both types. While the activities of an "EC for electricity" relate only to the electricity sector, the activities of "renewable energy communities" may relate both to the electricity sector and heat sector.

Participants of an EC may be natural persons, SMEs and local governments. Other public entities may be participants of an EC for electricity. In accordance with Article 15.a.5 of the revised IEMD, the amendments to the Energy Law of June 19, 2025, with the new Article 17.^{1}(8^{1}), stipulate that also large

[39] The number of associated active self-consumers does not exceed five persons, and they carry out electricity sharing in electricity sharing facilities owned or used by them, provided that their total installed production capacity does not exceed 50 kW. The concept of "**Associated active self-consumers" can be considered as an equivalent to 'peer-to-peer trading as defined in the RED II, Article 2(18).**

[40] Amendments to the Electricity Market Law, the Articles 2.29 and 37.^{7}(7): https://likumi.lv/ta/id/108834

enterprise can be member of EC provided that the related electricity production capacity does not exceed 6 MW and electricity sharing takes place on the territory of Latvia.

There is a broad variety of **legal forms** ECs can take: association, foundation, cooperative society, partnership, capital company as well as other civil liability society.[41]

The legal definition of an EC includes the principles of **autonomy**, as well as **voluntary** and **open participation**. Members or shareholders of an EC shall participate in such decisions which ensure the decisive influence or actual control in an EC, particularly in decisions which apply to:

(1) the rights of ownership or the right to use all assets of an EC or the determinant part thereof,
(2) the rights or legal transactions which grant the decisive influence in relation to the composition, votes, or decisions of the administrative bodies of an EC.

At the same time, there are no quantitative thresholds stated, such as a minimum share of voting rights to be held by natural persons, or a maximum share of voting rights for the single participant of an EC. Also, the concepts of "open" and "voluntary" participation, laid down in the RED II, have not been further specified.

Important provisions shall be included in the statutes of an EC (Rules, Article 53), such as the objective of operation, areas of activity, decision-making procedures, procedure for admitting and exclusion of participants and the relationship between members and shareholders, procedure for the following distribution (sharing) of electricity not used for immediate consumption and thus transferred to the power distribution system, procedure for distributing revenues from the sale of electricity (if applicable), objectives for using the profit made by an EC (if EC plans to make a profit).

Meeting the primary purpose of the energy community

The Energy Law specifies the primary purpose of an EC pursuant to RED II. Namely, "the objective of an EC operation is the production of energy for its members or shareholders by providing economic benefits, social benefits, and benefits related to improvement of the environmental quality for its members, shareholders, or territories of the operation thereof. The primary objective of an EC is not to make profits. If an EC has the legal form of a capital company, it does not distribute the profit obtained thereby and does not disburse it in dividends but invests it in the achievement of the objectives specified in the statutes, these objectives shall conform to the above objectives of an EC".

The above-mentioned Rules (Articles 36, 37) formulate two criteria on how to meet the specified primary purpose:

1. An EC ensures that at least 80 % of electricity produced in its facilities, which is not used for immediate consumption and thus is transferred to the power distribution grid, is consumed by EC participants within the term of one calendar year;
2. If an EC shares below 80 % of the electricity transferred to the power distribution grid, the transfer of 51 % of the annual earned profit (in case there is a profit) should be ensured for the purposes, as stated by the Energy Law.

Compliance is checked by the State Environmental Service (SES) once a year by June 30. If the SES concludes that the EC has not used the profit obtained in accordance with the above-mentioned condition, the SES requests an explanation regarding the use of the profit and requests the EC to eliminate the identified non-compliance within three calendar months.

[41] According to the Civil Law, https://likumi.lv/ta/id/225418

If EC shares below 80 % electricity transferred to the grid, an EC is considered a commercial company within the meaning of the Law on Control of Aid for Commercial Activity[42] and is subject to the regulation on commercial activity aid if an EC is granted public funding. Tax payments shall be made by an EC for the profit referred above in accordance with the Enterprise Income Tax Law.[43] The profit earned by an EC in the current calendar year shall be calculated from the revenues from the electricity sales, minus the expenses of EC participants for the consumed electricity and system services, as well as minus other expenses that comply with the purpose of an EC as stated by the Energy Law (Rules, Articles 38, 41-43).

Proximity

There is no explicit proximity criterion for the EC operating in the electricity sector. As a "weak proximity" criterion (Rules, Article 7), the electricity facilities of the EC shall be connected to the single power distribution system operator (hereinafter – PDSO). There is no option for simultaneous connection to two and more PDSOs. However, at present, the JSC "Sadales tīkls" is the dominating PDSO in Latvia (with more than 790,000 customers, the distribution network covers 99 % of Latvia's territory) while other PDSOs operate local grids. So, this restriction is unlikely to severely impact EC development in Latvia. The electricity facilities of the EC shall be sited in Latvia (Rules, Article 8), with no option of cross-boundary electricity sharing.

If a REC is active in the heating sector, heat energy sharing shall be provided in an area (objects) where it is technically and economically not justified to connect it to a district heating system, and the facilities of the EC shall be sited in the same administrative territory (municipality) or in several functionally connected administrative territories.

Possible market activities of energy communities

The Energy Law provides for a wide scope of activities for ECs, in compliance with RED II. Namely, "an EC can engage in generation of, trade in energy, mainly electricity obtained from RES and renewable energy of other types, sharing, consumption, and accumulation of electricity, provision of the demand response service, provision of the electric vehicle charging service, the energy efficiency service, or other energy services."

The relations between the EC (or jointly acting renewables self-consumers) and the shareholders/members, as well as, if necessary, with other electricity or heat end-users and electricity traders, the PDSO or the heat supply system operator shall be settled through a written agreement setting out the rights and obligations of the parties (Rules, Article 54).

Thus, sharing electricity within an EC by using the public power distribution grid is possible. The term "electricity sharing objects" includes the facilities for electricity production, storage and consumption in ownership or use of EC. However, in practice electricity sharing will mean the selling of electricity, produced by EC facilities, to electricity trader according to the guaranteed price without physical sharing of electricity among the participants of EC, see explanation below.

In its turn, an EC is not entitled to obtain or hold ownership, establish, purchase, or lease power distribution networks or to administer them autonomously.[44] Likely, this restriction will not provide any serious barrier for EC development, at least for the nearer future. However, this provision does not

[42] Komercdarbības atbalsta likums (Law on Control of Aid for Commercial Activity): https://likumi.lv/ta/id/267199

[43] Uzņēmumu ienākuma nodokļa likums (Enterprise Income Tax Law): https://likumi.lv/ta/id/292700

[44] Electricity Market Law, Article 37.[7](4): https://likumi.lv/ta/id/108834

allow to establish the local power distribution grid, owned by EC, connecting several buildings of a small urban (micro)region. At the same time, the economic feasibility and fulfilment of related procedures for electricity sharing have not been tested yet in practice.

Below we take a closer look at the legal framework for EC operation in the electricity sector and electricity sharing as the most promising sector for EC development in Latvia. In general, the provisions for EC also apply to jointly acting renewables self-consumers.

4.3 Electricity Sharing

The maximum capacity of an EC's single electricity production unit is 14.99 MW, which corresponds to the maximum capacity to be connected to the power distribution grid. The same capacity limit also relates to the jointly acting renewables self-consumers. There is no possibility for an EC to set up a larger-scale electricity production facility and connect it to the power transmission grid. At the same time, an EC can install several electricity production facilities and connect them to the power distribution grid. For the time being, we consider the capacity limit acceptable, thus not representing a major barrier for ECs development in Latvia.

In principle, the establishment of an EC does not exempt from the **obligation to register as an electricity producer** if the capacity of the single installed generating unit of an EC is 1 MW or larger.

For the sale of electricity produced at one (single) electricity facility, which is not immediately consumed and thus is transferred to the power distribution grid, an EC shall enter an electricity sharing agreement (hereinafter – ESA) with one electricity trader. There is no possibility for entering into different agreements simultaneously with different electricity traders. In case an EC has another electricity production facility, an ESA might be concluded with another electricity trader, for instance, in the case that one generating facility has two power distribution system connection points and two commercial metering devices, the generating facility would be classified as two facilities.

In the ESA, the EC agrees with the electricity trader on the terms of selling and sharing the produced electricity or on the participation in energy efficiency schemes. Before concluding an ESA with the electricity trader, an **internal agreement among all participants/members** of the EC should be concluded. The **ESA shall include information on the**

(1) agreement period, electricity sharing starting date and period (the electricity sharing period begins on the date of the current billing period specified by the electricity trader); the procedure for ESA termination (including the procedure for early termination and the early termination fee, if any),
(2) the fee for providing the electricity sharing service by the electricity trader and the price at which the electricity transferred to the power distribution system is sold to the electricity trader,
(3) list of electricity sharing objects; later additional objects might be added or particular objects excluded,
(4) conditions that allow withdrawal from the concluded ESA before the commencement of electricity sharing,
(5) the procedure for handling questions and complaints,
(6) mutual settlement procedures between the EC and electricity trader.

Upon termination of the ESA, the parties shall make a final settlement for the electricity transferred to the power distribution system and other services in accordance with the provisions of the ESA. An electricity trader requires the consent of an EC to receive information from the PDSO regarding the

amount of electricity not used for immediate consumption in the EC's electricity sharing facilities and thus transferred to the power distribution system.

Universal Offer of Electricity Traders for Energy Communities

From July 1, 2025, electricity traders shall include the "**universal service of the EC"** in their electricity trading offers. The Rules (Article 34.[1]) specify this universal offer in the following way:

1. an EC has the **right to use the universal service** if its installed electricity generation capacity does not exceed 0.999 MW;[45]
2. the **purchase price of electricity produced by an EC** is in accordance with the electricity trading interval price of the Latvia's trading area of the electricity exchange "Nord Pool" (published on the electricity exchange website), applying a reduction not exceeding 20 EUR per MWh;[46]
3. the purchase price **must not be negative** (below 0 EUR per MWh);
4. the duration period of the universal service contract is at least 12 months;
5. an EC has the right to terminate the universal service contract before the end of the contract term without applying an early termination fee;
6. the electricity trader has the right to charge an EC a fee for servicing the contract which does not exceed the trader's expenses for providing the universal service.[47]

The electricity trader shall publish on its website the description of the universal service offer and of rights and obligations of an EC within the framework of the universal service contract.

We analysed the **universal offers** of **two well-known Latvian electricity traders** (1) ***Tet***[48], and (2) ***Enefit.***[49] Both offer the abovementioned *Nordpool* exchange price minus 20 EUR/MWh, while there is a difference referring to the monthly servicing cost, namely 100 EUR/month, including VAT (*Tet*) and 50 EUR/month (no transparency regarding VAT application, *Enefit*). For an EC with a small number of members these servicing costs might be considered as rather high.

[45] ECs with the capacity of a single electricity production facility of 1 MW and above have the status of "regulated electricity producers". However, if the EC, for instance, has two production facilities of 0.6 MW each, EC shall not have the duty to register as a regulated producer, even if in this case total capacity exceeds 1 MW.

[46] The MCE explains, that the 20 EUR/MWh price reduction condition has been included in order to balance the interests of electricity market participants, also referring to the information provided by electricity traders, namely, such a reduction in the price of electricity within the framework of the universal service could cover the minimum costs of implementing and providing the universal service by the electricity trader, as well as part of the financial risks that electricity traders assume in providing the universal service. See the explanatory information (*Izziņa)* to the legal amendments: https://tapportals.mk.gov.lv/legal_acts/e47c6c42-35fe-47b7-ae47-5dcf8b5c19ff

[47] Starting from 1st July 2025, all electricity traders shall cover the balancing costs applied by the PDSO to ensure the stable operation of the electricity system. The MCE explains, taking into account that (i) electricity traders will apply the relevant costs in the invoices issued to electricity users, and (ii) the amount of balancing costs may be variable and cannot be precisely determined at present, it is essential to provide for such a flexible condition in the universal service conditions, which allows electricity traders to include the actual costs of the service in these contracts. The MCE also notes that such a cost element could in practice also serve as a competitive element of electricity traders in the offers of universal service contracts, since the balancing costs of each trader depend on the trader's ability to forecast the consumption of its electricity users. See the explanatory information (*Izziņa)* to the legal amendments.

[48] https://www.tet.lv/biznesam/citi-pakalpojumi/elektriba

[49] https://www.enefit.lv/lv/biznesam/elektriba

Thus, the universal service of EC is adjusted to the general principles of the electricity net payment/accounting system (NPS) for self-producers with up to 50 kW of RES electricity generating capacity and several electricity consumption objects, introduced already in the first half of 2024.[50] Thus, on the one hand, it ensures equal treatment of all active customers in the electricity market, producing electricity for self-consumption. On the other hand, **there is the option for an active customer to act at individual level or to join (establish) an EC. However, currently, the benefits for an active customer in joining an EC are not clear.** Particularly, the minimum price is the same as for an EC and for individual active customers. Joining an EC might in some cases be beneficial:

- participation in an EC with an electricity generation capacity above 50 kW;
- no formal threshold for the maximum surplus of produced electricity, which might be transferred to the grid within a 12-month period, is stated for the EC. Such a threshold applies for the individual active customer, depending on the installed capacity; however, this threshold is quite large - in case of installing 40-50 kW generation capacity this annual surplus electricity is respectively 17.52 MWh (solar PV, around 35 % of annually produced solar electricity), 30.66 MWh (wind) and 52.56 MWh (other RES electricity),
- an individual active costumer has also a shorter minimum duration period (6 months) of universal service contract.

Another challenge of the universal service offer relates to the cost of electricity received from the power grid. Applying the universal offer, the electricity is always sold to the electricity trader, not physically shared among the EC participants within the trading interval. One could say, this is contrary to the overarching principle of an EC, as the purpose of self-generation and sharing is to provide an alternative to purchasing electricity as well as contrary to the competition principle.[51] Referring to this concern, the MCE argues as follows:

(1) Physical electricity sharing within the trading interval is not possible on a larger scale as it requires manual work on the electricity trader's side,

(2) the relevant EC operating model has been established by balancing the interests of all electricity market participants and it follows the basic principle to ensure equal and non-discriminatory treatment for all system users and all electricity market participants,

(3) the EC operating model has been discussed with representatives of the European Commission, who have recognized it as a successful mechanism for integrating new market participants into a fully functioning electricity market, and the European Commission has not recognized the

[50] The NPS is a procedure for making payments between an electricity trader and an active customer for the electricity transferred to the power distribution system and received from the system at the objects of the respective active customer. If, when making an offset for the electricity generated at the object of an active customer, the value (in EUR) of the electricity received from the system within the scope of the connection is less than the value of the electricity transferred into the system, the corresponding value of electricity may be taken into account in the payments for the electricity consumed at another object of the same active customer. The NPS shall not be applied to payments for the system services received or other payments provided for in laws and regulations, except when requested by the active customer (Article 30.[5] of the Electricity Market Law). Regarding individual active customers, the detailed provisions of the universal service offer of NPS have been included in the Cabinet of Ministers Regulations regarding the Trade and Use of Electricity by 2024 April Amendments (Section III.[1]).

[51] See the summary of concerns, expressed by the NGO "Green Liberty" (Zaļā Brīvība). NGO "Green Liberty" referred the agreement with the electricity trader should relate only to the part of the non-shared (excess) electricity, see https://tap-portals.mk.gov.lv/reviews/resolutions/07cb3967-535e-4646-84bf-956f73894c99

relevant regulation as too restrictive or distorting competition (explaining information, May 27, 2025 Amendments to the Rules[38]).

On the other hand, EC might negotiate an individual agreement with the electricity trader, without reference to the above-described universal offer. However, the conclusion of such individual agreement is based on the negotiation between EC and electricity trader only, as the Rules do not provide any framework related to technical and economical details which could be used and help to EC within such a negotiation process. Time will show whether such individual agreements will be concluded.

It is important to note, that EC members are not prevented from choosing their own electricity trader. In case of applying the universal service, a member of an EC receives, through the EC or energy sharing organizer, the renumeration from one trader and can buy the needed electricity from another trader.

The change of electricity traders and electricity users of an EC shall take place in accordance with the regulations on the trade and use of electricity. If the ESA is unilaterally terminated by the electricity trader, this shall be notified at least one month in advance. If the electricity trader, without prior agreement with the EC changes the terms of the ESA during the first two years of the electricity sharing period, the EC has the right to terminate the ESA without the application of an early termination fee. If an electricity trader with whom the EC has a valid ESA ceases to provide the electricity trading service, the supplier of the last resort is not obliged to conclude an ESA with the EC.

An electricity trader may offer electricity sharing services so that the purchase price of electricity, transferred to the power distribution system, can be differentiated depending on the user's power system connection and the technical parameters of the electricity generation equipment. However, this is optional and not a mandatory provision.

An EC has the right to make settlements for the electricity consumed by its members and electricity system services.

New draft amendments to the Electricity Market Law introduce **general organisational principles for electricity sharing**. Namely, the active customer of renewable electricity may conclude the contract with the organizer or another third party for electricity sharing. The electricity sharing organizer shall ensure non-discriminatory provision of services and transparent prices, tariffs and terms of service provision. At the same time, the sharing organizer shall not be considered as an electricity EC or an active customer acting jointly with others if the total installed electrical capacity of the electricity generation and storage facilities owned or managed by the sharing organiser does not exceed 6 MW, except in cases where a third party is one of the active customers participating in the energy sharing project. An EC can be the organiser of electricity sharing.[52] In turn, proposed amendments to the Government Regulation on the Trade and Use of Electricity include a new section III.[2] "Organization of electricity sharing".[53]

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[52] Draft Amendments to the Electricity Market Law. New Articles 37.^{6}(7), 37.^{6}(7^{1}) and 37.^{4}(4^{1}): https://tapportals.mk.gov.lv/legal_acts/a3c59e9a-b835-4452-b2bb-1e51c22d61e7, accessed 10th December 2025.

[53] Cabinet of Ministers Regulation No 635 (7th November 2023) "Elektroenerģijas tirdzniecības un lietošanas noteikumi" ("Regulations regarding the Trade and Use of Electricity", in Latvian): https://likumi.lv/ta/id/347235. Draft Amendments see https://tapportals.mk.gov.lv/legal_acts/2c87f454-eda8-40ee-8bf8-757f85b37e80, accessed 10th December 2025. Namely, the contract between the active customer and the energy sharing organizer (or another third party) may include the following delegations to the energy sharing organizer: (i) communication on electricity sharing arrangements with other parties involved in sharing, such as electricity traders and PDSO, (ii) management of renewable electricity generation or storage equipment, including installation, operation, accounting and maintenance, (iii) providing support to manage and balance

Renewable energy communities (RECs) may also be active in the heating sector by implementing **heat energy sharing** in areas which are not technically and economically connected to district heating systems. In this case, the produced heat energy shall not be transferred to heat energy users who are not participants of the REC. The heat energy sharing objects (facilities) include the facilities for renewable heat production, storage and consumption, as well as renewable heat energy distribution network, both being in the ownership or use by the EC. The participants of the REC conclude an agreement on sharing the heat energy produced in facilities of the EC.

4.4 Elements of an enabling framework for energy communities

Pursuant to the RED II, Member States shall provide an enabling framework to promote and facilitate the development of renewable ECs. RED II lists several elements such an enabling framework should include. In the following, we refer to those elements and briefly describe to what extent these elements are in place.

Fair, proportionate and transparent procedures, including registration and licensing; removal of unjustified barriers.

The responsible state authority – State Environmental Service (SES) - assesses the compliance of ECs with the provisions stated by the Energy Law and the Government Regulation on the Rules for Registration and Operation of ECs and takes care of the registration, re-registration and exclusion of ECs from the Energy Communities Register (ECR) as part of the Energy Resources Information System. The SES also ensures that the information provided in the ECR is continuously being updated. The electricity sharing objects of an EC shall be registered in the ECR. The duty to register does not apply to jointly acting renewable self-consumers and associated active self-consumers. The EC informs the SES on the start and termination of electricity sharing.

Also, renewable **heat energy sharing objects** of a REC shall be registered in the ECR. A REC shall submit information regarding the amount of renewable energy (excluding electricity) produced and consumed (in kWh) in renewable energy sharing facilities in the previous calendar year by March 1 of the current year.

The data of ECs shall be published on an Open Data Portal, specifying the capacity (MW) and year of installation of energy production facilities, their addresses, the annual amount of electricity transferred to the power distribution grid, and the annual amount of produced heat energy.

As the ECs registration rules were adopted only recently, it is not possible yet to anticipate the extent of "bureaucratization" of the registration procedure.

The MCE aims to improve the ECR software, to create an Energy Contact Point portal and to digitalize the permitting process. To this purpose, funding from the Recovery and Resilience Facility has been allocated amounting to 582 thousand EUR (without VAT) while implementation shall be completed by May 31, 2026.[54]

On the other hand, attention should be paid not only to the processes' technical digitalization, but also to the provision of professional support to ECs. Importantly, provisions shall be included in the statutes of an EC and the creation of Model Statutes for ECs might be helpful to facilitate ECs establishment.

flexible loads behind the meter, to manage distributed renewable electricity generation and storage facilities included in the sharing, (iv) contracting and invoicing active customers participating in electricity sharing.

[54] Recovery and Resilience Facility financed project "Digitalisation of the Energy Communities' Processes": https://tapportals.mk.gov.lv/structuralizer/data/nodes/0e1bf4ca-b19a-4018-8032-cdde4e34240a/preview

However, such a tool is currently lacking. The same applies to potential Model ESAs which might be an effective means to facilitate successful EC cooperation with the electricity trader.

Measures providing cooperation of power distribution system operators with ECs, facilitation of energy sharing

The above-mentioned Government rules provide only for a formal and (very) limited involvement of the PDSO in the operation of EC. Prior to the ESA, the PDSO issues a permit for the connection of each electricity generation facility to be included in the ESA, for their parallel operation with the power distribution system. In the electricity production facility, the PDSO shall install a commercial electricity metering device with a remote reading function which records the electricity (in kWh) received from and transferred to the power distribution system in each electricity trading interval. This metering device shall be the property of the PDSO. Moreover, PDSO records the amount of electricity (in kWh) transferred to and received from the power distribution system by EC participants in each electricity trading interval. The same relates to jointly acting renewables self-consumers and associated active self-consumers. PDSO submits this information to the electricity trader and SES.

We would like to draw attention to the efforts to simplify the procedure for technical connection to the power distribution system. The Amendments of Electricity Market Law (April 2024)[55] simplify the cost sharing mechanisms for new connections to the power distribution grids from May 1, 2024. Accordingly, the PDSO shall cover 50 % of the cost for new connections, both up to 100 A and above 100 A. In turn, the Amendments to the Public Utilities Regulator's Regulation on Connection to Power Distribution System, being in force from May 1, 2025, provide for further simplification of the cost calculation for connections to the low-voltage (0.4 V) grid with the capacity up to 100 A. This simplified calculation, depending on the distance to connection point, is applied for the distance of 300 metres (until 1st May 2025 – only 50 metres). It allows to avoid the performing of complex, individual calculations, stipulated by the previous regulation, to determine the construction costs for connections located further than 50 meters from the power line - accordingly, the only way to get an idea of the construction costs was by receiving the developed technical regulations, and this prolonged the provision of the connection service to customers in general. The website of the PDSO JSC "Sadales tīkls" provides information on the cost of connection up to 100 A in the interactive new connection cost map.[56]

Transparent cost-benefit analysis (CBA) of distributed energy sources developed by national competent authorities. To our knowledge, no CBA has been developed so far. Article 37.[7](6) of the Electricity Market Law states the EC (as well as active self-consumers) shall make payments for the system services received in full amount. Currently, there is no reduction of grid tariffs, taking into account the distance between energy sharing (consumption) and energy production sites. The MCE explains that the PDSO must treat all system participants equally and in a non-discriminatory manner. The re-distribution of costs from one group of electricity end-users to other electricity end-users is not permissible, which means that the costs of system services applied to all system end-users are calculated equally, and a reduction in the costs of system services for one group of end-users, like ECs, is not permissible (see the explanatory information, May 27, 2025 Amendments to the Rules[38]). However, to our

[55] Grozījumi Elektroenerģijas tirgus likumā (Amendments to Electricity Market Law, in force 1st May 2024, in Latvian): https://likumi.lv/ta/id/351332

[56] https://karte.sadalestikls.lv/lv/jauna-piesleguma-maksa

knowledge, performing such a CBA might allow to evaluate whether there is the option for reducing grid service payments for EC without impacting the costs of other electricity end-users.

Non-discriminatory treatment of energy communities as market participants

Article 17.[1](9) of the Energy Law states that members or shareholders of an EC shall retain all rights and obligations of a final customer and active user of energy, and they are not subject to unreasonable or discriminatory conditions or procedures that prevent the participation of energy end-users in an EC. Similarly, Article 37.[8](4) of the Electricity Market Law stipulates electricity sharing shall be implemented without prejudice to the rights and obligations of the parties involved as final customers, producers, suppliers, or aggregators, as well as operators of electricity storage units. Moreover, the above-mentioned proposed amendments to the governmental regulations regarding the Trade and Use of Electricity (FN 52) transpose (in the new Article 24.[1]) the provision of the revised IEMD ruling that the electricity end-users with a fixed electricity price contract have the right to engage in energy sharing, flexibility services or energy efficiency schemes (while such a right does currently not exist). Thus, the general norms are in place, however they have not yet been explicitly tested in practice.

Accessibility of energy communities for low-income and vulnerable households

The Energy Law does not address this issue, while the above-mentioned Rules[38] provide for an **indirect involvement** of low-income and vulnerable persons and households. In cases where a municipality is member of an EC for electricity, the municipality must allocate at least **10 % of the electricity it annually produces**[57] to support socially vulnerable groups of society. To fulfil the 10 % obligation, municipalities may choose any of the 16 vulnerable groups specified in the Government Regulation on Socially Vulnerable Groups.[58]. With regards to energy poverty, Latvian legislation[59] stipulates that a **household is at risk of energy poverty if it spends more than 30 % of the household income on housing expenses.** The approach is based on the OECD definition of affordable housing.

This illustrates that municipalities have free choice in channelling the support as the rules do not determine a specific distribution of electricity among different groups of socially vulnerable persons.[60]

[57] It must be underlined that the 10 % obligation relates to the produced metered electricity, not to the electricity transferred to the power grid. For instance, if the solar PV panels will be installed on the roof of social apartment building or kindergarden and all electricity will be used within the building (not transferred to the grid), the municipality can easily prove the compliance with this obligation by submitting the electricity production data.

[58] Cabinet of Ministers Regulation No 32 (11th January 2005) "Noteikumi par sociāli mazaizsargāto personu grupām" ("On the socially disadvantaged persons groups"): https://likumi.lv/ta/id/99488 . The vulnerable groups are: (1) families raising three or more children, (2) families raising a disabled child, (3) single-parent families, (4) children (in general), (5) disabled people, (6) persons over working age (currently, 2025+, retirement age in Latvia is 65 years), (7) young people aged 15–25, (8) long-term unemployed, (9) homeless people, (10) victims of violence, (11) victims of human trafficking, (12) politically repressed persons of the Communist and Nazi regime (June 17, 1940 – August 21, 1991), (13) persons who have suffered damage due to natural disasters or calamities, or their families, (14) persons affected by the Chernobyl nuclear power plant (CheNPP) accident and participants in the liquidation of the consequences of the CheNPP accident, and their families, (15) persons with alcohol, narcotic, psychotropic, toxic substance, gambling or computer game addiction problems and their families, (16) persons released from prisons.

[59] Cabinet of Ministers Regulation No 592 (3rd September 2024) "State aid rules for energy supply costs" ("Energoapgādes izmaksu valsts atbalsta noteikumi"): https://likumi.lv/ta/id/354715 .

[60] Moreover, the MCE considers that in case of an educational institution (roof-top electricity generation equipment) no proportional calculation of the amount of electricity transferred in accordance with the number of students and the number of teachers and technical personnel should be carried out and the entire amount of electricity that is transferred to ensure the institution's own consumption is considered.

Once a year, the affected EC shall inform the SES about compliance. If the SES concludes that this obligation has not been fulfilled, it shall request the EC to resolve the issue within 30 days.
However, households receiving social transfers might face serious difficulties if they want to become participants of an EC (direct participation). But this problem has not been explicitly addressed so far, also Latvia's Social Climate Plan has its focus on energy efficiency improvements, not on involvement of vulnerable groups in collective production of renewable energy.

Access to finance

It can be expected that grant-based savings business model (BM) will emerge as the most likely one for ECs, considering existing legislation and support policy. The grant-based savings BM relies on national policy support for investments. The investment co-financing-based BM derives its revenues from substituting power purchase by self-production on the EC facility. The main benefit is reducing electricity bills for EC's participants. At the same time, the BM creates also certain remuneration streams due to selling surplus of produced (not-shared) electricity through the grid to the electricity trader. The grant provides not only for co-financing, but also helps ECs to increase their technical, economic, and financial literacy before taking on investment project. Important, by making the project economically viable, grant-based BM facilitates access to market finance to cover the rest of investments. The shortcoming of the grant-based BM is that the grants only support one or few single projects, but to expand EC activities further grants will be required.
Solar PV systems can be considered as the first option of future ECs in Latvia. Financial support (investment co-financing) for ECs shall be provided within the framework of the **Modernization Fund's** multiannual operational programme.[61] It defines, as one of the priorities, the promotion of the use of RES in multi-apartment buildings, state and municipal buildings and **energy communities**, including support for the creation of the necessary infrastructure related to their operation. The Draft Open Tender Rules[62] are currently undergoing inter-ministerial coordination. The total support volume for ECs shall amount to 9.2 MEUR, the maximum support for a single EC project 0.2 MEUR. Maximum support intensity – 70 % of project's total eligible costs. Only ECs, registered in the Energy Community Register, can apply. Support is provided for the purchase and installation of the following zero–emission technologies including

(i) solar PV panels including inverters and electricity storage equipment as well connection to power distribution system,
(ii) solar heat collectors with storage tanks,
(iii) heat pumps.[63]

Renewable energy shall be produced for self-consumption, namely, at least 80 % of the annually produced electricity shall be self-consumed (shared) by the participants of the EC. Electricity storage equipment shall annually store at least 50 % of the electricity from the directly connected renewable

[61] Cabinet of Ministers Regulation No 396 (13.07.2023) "Modernizācijas fonda darbības kārtības noteikumi un daudzgadu darbības programma" ("Rules of Procedure and Multiannual Operational Programme of the Modernisation Fund", in Latvian), Article 12.3: https://likumi.lv/ta/id/343812

[62] Draft Cabinet of Ministers Regulation "Modernizācijas fonda finansēto projektu atklāta konkursa "Atjaunīgo energoresursu izmantošanas veicināšana daudzdzīvokļu ēkās, valsts un pašvaldību ēkās un energokopienās" nolikums" (Rules of the Modernisation Fund Open Call on RES use promotion in multi-apartment buildings, state and municipal buildings and energy communities", in Latvian): https://tapportals.mk.gov.lv/legal_acts/531a294f-c9d0-43a6-b719-96c41f88c877, accessed 10th December 2025.

[63] Wind turbines are not among the eligible technologies.

electricity generation facility. Also, the costs of the establishment of necessary infrastructure, including construction works, for RES technologies operation, costs of smart energy management and control systems in buildings (including necessary software and services) are eligible. The costs of construction of a heat distribution system to connect heat energy facilities of EC are eligible as well. Costs of elaboration of project's technical documentation and project management costs (in total) are eligible up to 10 % of project total eligible costs. Costs are eligible from the effective date of the Rules. The EC shall calculate future CO_2 emission reductions and achieve the projected savings. The project implementation period is up to 36 months from the effective date of the project implementation contract. The deadline for submitting project applications shall be not less than 40 working days after the announcement of the Open Call. The responsible organisation for programme administration is the Latvian Environmental Investment Fund. In addition, 10 MEUR are envisaged for multi-apartment buildings, which would be used by jointly acting renewables consumers (maximum support for a single project of 50 thousand EUR, maximum support intensity – 70 % of project's total eligible costs). The same eligible activities are stated. The project can be submitted by the registered apartments owners' society or another person authorized by apartment owners. Projects can be implemented in multi-apartment buildings with an average energy performance corresponding to at least "D" energy efficiency class[64] (namely, higher than minimum requirements of "E" class), at the same time this condition does not apply for the projects of ECs.

Multi-apartment buildings can apply for the support of RES technology installations also within the already ongoing above-mentioned investment grants programme financed by the national revenues of auctioning EU ETS allowances. On December 2025, the total support envelope of 29 MEUR is still available, both single-family, two-dwelling and row houses and multi-apartment buildings.[65]

Providing start-up financing and risk capital like through the citizen energy fund (*Bürgerenergiefonds*) in the federal state of Schleswig-Holstein in Germany could be an important driver facilitating the future development of ECs. However, such an option is not yet publicly discussed in Latvia.

Another well-known business model for ECs in West European countries is the **power purchase agreements (PPA)** based business model. Although the amendments of the Electricity Market Law of March 27, 2025, stipulate that an "electricity producer, registered in the electricity producers register, can sell its generated or stored electricity" and all end users have the right to conclude a renewable electricity purchase agreement with a registered electricity producer[66] this model presently suits only mature ECs.

Tools to facilitate access to information.

This is currently provided only at project level, see the Table 3 above.

[64] Heat energy consumption does not exceed 130 kWh per m^2 per year for buildings with a floor area od 120-250 m^2 (namely, apartment buildings containing few flats) and not above 100 kWh per m^2 per year for buildings with a floor area above 250 m^2. For comparison, the minimum requirements (E class) do not exceed 150 and 125 kWh per m^2 per year, respectively.

[65] Latvian Environmental Investment Fund. Programme website: https://ekii.lv/index.php?page=konkursi_lv&konkursi=EKII-6 , accessed 10th December 2025.

[66] Articles 32(1^1) and 32 (7).

Regulatory and capacity building support for public authorities

This is not explicitly addressed so far. Although the Energy Law, Article 17.[1](12), states that guidelines for the establishment of ECs should be developed by the MCE in cooperation with the MSARD, including recommendations for public entities regarding the support to and participation in ECs, these have not been outlined yet. Also, there are still no activities on harmonisation of ECs legislation with the municipal legislation and public procurement legislation. This relates to the use of municipal ownership (e.g., municipal building roofs) for the needs of EC. Also, current legislation in Latvia on public procurement does not envisage preferential treatment of ECs and citizen-led initiatives. For example, the current version of the governmental regulation on green public procurement, in the section "Voluntary criteria for electricity procurement" does not include any reference to the electricity produced by the ECs.[67,68]

5. Consideration of RECs in support schemes for renewable energy

Article 22(7) of the RED II stipulates that Member States shall take into account the specificities of renewable energy communities when designing support schemes for renewable energy in order to allow them to compete for support on an equal footing with other market participants. However, for the near future, feed-in premiums and auctions with competitive bidding are not applied for renewable electricity producers in Latvia, and no political support can be expected for the introduction of preferential price schemes (of any type) for electricity produced by small scale renewable electricity facilities. Thus, this option is not available for Latvia's ECs.

The Amendments[69] to the Electricity Market Law (adopted March 27, and effective from April 24, 2025) open the way to the system of guarantees of origin for electricity also for ECs and active customers, while the minimum amount for origin certification is one MWh. In turn, a REC, if active in the heating sector, may receive the certificate of origin for renewable heat. Considering that REC may establish and manage the heating systems in small-scale areas, not connected to district heating systems, and-sharing of heat energy is possible only among the REC participants, the relevance of this new provision[70] for REC development will be rather limited.

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[67] Cabinet of Ministers Regulation No 353 (2017) "Prasības zaļajam publiskajam iepirkumam un to piemērošanas kārtība" ("Requirements for Green Public Procurement and Procedures for the Application Thereof"), Annex 2, Section 4: https://likumi.lv/ta/id/291867

[68] The revised Renewable Energy Directive (RED III) stipulates that public buildings fulfil an exemplary role as regards the share of renewable energy and Member States may allow that obligation to be fulfilled by, inter alia, providing for the roofs of public or mixed private-public buildings to be used by third parties for installations that produce energy from RES. Where deemed to be relevant, Member States may promote cooperation between local authorities and renewable energy communities in the building sector, particularly using public procurement. As known, the installation of roof-top solar PV panels on the roofs of public buildings by citizens-led initiatives, like energy cooperatives, is well known practice, e.g., in Germany or Belgium (Flanders). However, to encourage Latvian municipalities, the relevant provisions should be adjusted, or at least strong guidance shall be provided by both municipal legislation and public procurement legislation.

[69] Electricity Market Law, Article 29[4](2) and (3): https://likumi.lv/ta/id/108834 Electricity Market Law, Article 29[4](2) and (3): https://likumi.lv/ta/id/108834

[70] Introduced by the June 19, 2025, Amendments to the Energy Law, the new section XV[2]: https://likumi.lv/ta/id/361604

6. Level of digitalization and smart meter rollout

A key pre-requisite facilitating the development of ECs is already well-established in Latvia: smart electricity metering. In the period 2014-2022, the extensive replacement of customer meters had been performed by the PDSO JSC "Sadales tīkls". In May 2023, the programme was finished providing 99.78 % of total customers with the smart metering option. A new generation smart meter is installed for all[71] JSC "Sadales tīkls" customer connections. The PLC technology (data transmission via power lines) is primarily utilized (80 % of cases), thus effectively using the PDSO infrastructure, and the rest is provided by the GPRS technology (20 % of cases). Expected lifetime of new smart meters is 12 years. Smart metering provides billing data collection > 99 %, 100 % bill issuing, daily energy data for previous day on 8.00 > 96 %.[72]

7. Perspective of energy communities

The MCE sees the industry and commercial sector as the main participants of Latvia's ECs. The MCE anticipates establishment of up to 116 ECs by 2030, of which up to 100 ECs may be formed by participants from the industry and commercial sectors, and up to 16 ECs formed by the residents of multi-apartment buildings. It is assumed 100 kW solar PV capacity for industrial and commercial sector based EC (4 participants * 25 kW).[73] Currently, industrial park development is being actively pursued across municipalities in Latvia.[74] On August 2025 more than 70 projects are contracted to develop industrial parks, and it might be expected this number will double during the Calls announced in Autumn 2025. Thus, these new industrial parks can be promoters to establish EC as well. In turn, the interest of multi-apartment buildings residents to participate in the registered EC might be limited as there is targeted Modernisation Fund and EAAI funding available for the installation of RES technologies in multi-apartment buildings and in such a case the residents can act as jointly acting renewables self-consumers. An important provision is that an EC can install electricity storage equipment allowing to sell the electricity to the electricity trader at a time when electricity prices are high. On the other hand, the installation of electricity storage equipment may open the establishment of the convenient electric vehicle charging service for the residents of urban neighbourhood. As presented above, there are still no activities on harmonisation of ECs legislation with the municipal legislation and public procurement legislation.

8. Needs for further policy action

Much progress in adjusting the legal framework was made particularly during 2024. However, there are still some gaps and shortcomings which deserve attention and policy action:

- Complement the 'target architecture' for the energy transition by adding quantitative targets for renewable energy communities.

[71] Except for some privately owned objects, which were repeatedly unable to be accessed.

[72] Information provided by the website of PDSO SC "Sadales tīkls" (2023).

[73] See the project "Digitalisation of the Energy Communities' Processes" financed under the Recovery and Resilience Facility, Annotation, https://tapportals.mk.gov.lv/annotation/7682233b-f097-4c8c-bb0c-7366adda4e4b

[74] For more information see the EU-wide energy efficiency measures database MURE, particularly measure IND-LV1288 "Investments in the public infrastructure of businesses: development of industrial parks, EU 2021-2027 planning period": https://www.measures.odyssee-mure.eu/energy-efficiency-policies-database.html#/search

- Put in place the national financial support programme for energy communities ASAP.
- To test the new Latvia's legislative framework by the development of ECs pilots.
- Elaborate model documents for ECs, e.g., model statutes and model agreement between EC and electricity traders.
- Provide information, advice and capacity building for citizens.
- Elaborate guidelines and recommendations for public persons (public entities) regarding the support to and participation in ECs.
- Accelerate harmonisation of ECs legislation with public procurement legislation and municipal legislation, particularly establish a clear legal framework and elaborate the relevant guidelines to ensure that the roofs of public buildings may be used by ECs and include ECs in (green) public procurement legislation related to electricity procurement.
- Consider the benefits which might be provided by ECs to local, municipal and regional development, promote the ECs as an integral part of municipal and regional Sustainable Energy and Climate Action Plans (SECAPs).
- Carry out a transparent cost-benefit analysis of distributed sources of ECs (as required by Article 22.4 of the RED II) and based on it consider the option of reduced grid charges or other economic support for ECs.

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