



2015 Minerals Yearbook

LATVIA [ADVANCE RELEASE]

THE MINERAL INDUSTRY OF LATVIA

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In 2015, Latvia was ranked eighth in the world in peat production, accounting for 3.6% of the world's production. During 2015, steel production was restarted at KVV Liepājas Metalurģs, the Baltic State's only steel mill. Latvia was not a notable producer or consumer of energy and had no domestic oil or gas production capabilities; the country was entirely dependent on imported petroleum products (table 1; Cormack Consultancy Group, 2013; Baltic Course, The, 2014; Apodaca, 2016).

Minerals in the National Economy

Latvia's real gross domestic product (GDP) increased by 2.7% in 2015 compared with an increase of 2.4% in 2014. In 2015, the GDP was \$27.1 billion¹ (Aceves, 2016; Central Statistical Bureau of Latvia, 2016a).

In 2015, total industrial production, in terms of output, increased by 3.8% compared with that of 2014. Mining and quarrying production increased by 7.3%, and that of manufacturing increased by 4.9%. The manufacture of nonmetallic mineral products decreased by 14.2%, and that of fabricated metal products, except machinery and equipment, decreased by 5.8%. In 2015, manufacturing accounted for 10.8% of the GDP, and the mining and quarrying category (which included electricity, gas, steam, and air conditioning supply; and water supply) accounted for 3.8%. Services and taxes on products accounted for approximately 60% of the GDP (Central Statistical Bureau of Latvia, 2016c, p. 23–24; 2016d).

Mineral Trade

In 2015, total exports were valued at \$11.5 billion, which was an increase of 1.1% compared with the value of exports in 2014. Exports to European Union countries were valued at \$8.4 billion and those to countries of the Commonwealth of Independent States (CIS) were valued at \$1.3 billion. Exports of mineral products were valued at \$815 million, which was a decrease of 13.5% compared with the value of exports in 2014. Of the mineral products, 49% was exported to Lithuania, 14% to Poland, and 4% to Estonia (Central Statistical Bureau of Latvia, 2016b).

In 2015, imports were valued at \$13.9 billion, which was a decrease of 1.3% compared with the value of imports in 2014. Imports from European Union countries were valued at \$11 billion, and those from CIS countries were valued at \$1.7 billion. The most significant imports included mineral products valued at \$1.6 billion, which was a decrease of 19.5% from the value of mineral products in 2014. Mineral products were imported mostly from Lithuania (33%), Russia (31%), and Finland (21%). Latvia relied entirely on imported

petroleum products in 2015. Diesel fuel, valued at \$860 million, was imported from Lithuania (43%), Finland (33%), Belarus (13%), and Russia (11%). Gasoline, valued at \$139 million, was imported from Lithuania (66%), Finland, (32%), and Estonia (2%). Fuel oil, valued at \$451,000, was imported from Estonia (57%), Belarus (19%), Poland (6%), Russia (6%), Lithuania (6%), Brazil (5%), and Kazakhstan (2%). Natural gas, valued at \$314 million, was imported only from Russia (Central Statistical Bureau of Latvia, 2016b).

Production

The country had a small mineral industry that produced primarily industrial minerals, including cement, clay, dolomite, gravel, gypsum, lime, limestone, pebbles, and sand, silica, and crushed stone. In 2015, peat production increased by 51% compared with that of 2014; the increase was likely owing to more favorable weather and harvesting conditions in 2015 compared with those of 2014, as well as the commissioning of a new peat-processing facility in eastern Latvia. Steel production was restarted at KVV Liepājas Metalurģs in early 2015. Estimated production of industrial minerals was unchanged from that of 2014, except dolomite, which increased by 25% compared with that of 2014. Data on mineral production are in table 1.

Structure of the Mineral Industry

The Latvian Privatization Agency had privatized almost all small- and medium-sized state-owned enterprises under the Law on Privatization of State and Municipal Property. Only a small number of large state companies were not privatized. Latvian law also designates several "State Joint Stock Companies," which includes Latvenergo (Energy and Mining), that cannot be privatized because they are deemed important to the nation's interests (U.S. Department of State, 2015, p. 5).

KVV Liepājas Metalurģs was the leading industrial enterprise in Latvia and the leading metallurgical company operating in the Baltic States. The enterprise had its own port facility at Liepāja, and it produced steel products for the domestic and international markets. CEMEX SIA was the only cement producer in Latvia, and it also supplied ready-mix cement. It was wholly owned by CEMEX S.A.B. de C.V. of Mexico. Table 2 is a list of major mineral facilities in Latvia.

Commodity Review

Metals

Iron and Steel.—As of the end of 2012, JSC Liepājas Metalurģs employed 2,300 people. In 2013, the company filed for bankruptcy, citing insufficient operating funds, high costs, and weak demand. In October 2014, the KVV Group of Ukraine, a company that specialized in trading scrap-metal,

¹Where necessary, values have been converted from euro area euros (EUR) to U.S. dollars (US\$) at an annual average exchange rate of EUR0.9012=US\$1.00 for 2015.

acquired the company for \$138 million and created a new company, KVV Liepājas Metalurģs. The company resumed production in February 2015 and reported production of 200,000 metric tons for the year. Financial problems persisted, however. In April, the company had just under 900 employees, but by May, the company said that it would cut steel production, citing high production and electrical costs, and reduced the number of employees to below 600. During the course of the year, the company operated at about 30% of capacity owing primarily to high costs for electrical power. By the end of 2015, the company anticipated losses of about \$9 million because of a depressed metals market and the continued high cost of electricity. The company missed its December payment to the state treasury and requested a postponement of payment to creditors for 2 years; it also requested a reduction in the cost of electricity. The company's main export markets were the Baltic States, Scandinavia, and Western Europe (Baltic Course, The, 2014; KVV Liepājas Metalurģs, 2015; Latvian Public Media, 2015; Valdmāns and Rokis, 2015; Rubaltic.ru, 2016).

Industrial Minerals

Cement.—CEMEX SIA was the only cement producer in Latvia. It operated the Broceni cement plant, which had an installed capacity of 1.6 million metric tons per year. The company also operated six ready-mix concrete plants, a mobile pugmill, and an aggregates quarry. The plant exported its products to Belarus, Estonia, Finland, Lithuania, Russia, and Sweden. In September, CEMEX acquired Rudus SIA, giving CEMEX control over several Rudus quarries in Latvia. As of the end of 2014, CEMEX expected to make capital expenditures of about \$8.5 million in its Latvian operations (CEMEX S.A.B. de C.V., 2014, p. 70; 2015).

Dolomite.—Dolomite in Latvia was produced by DSG Karjeri Ltd., Jēkabpils Dolomīts Ltd., Salenieku Dolomīts Ltd., and Saulkalne S Ltd. DSG Karjeri, which was one of the leading companies in Latvia that mined and produced dolomite, extracted dolomite from four deposits—the Ape, the Birzi, the Lecava, and the Saikava. The company expected to start mining a new deposit in 2014 in the Riga District, and it stated that it was planning to open 11 additional dolomite mining locations in Latvia; no further information was available on the status of these activities. In addition to dolomite, DSG Karjeri also mined sand and gravel from several deposits (DSG Karjeri Ltd., 2015).

Minerals Fuels

Peat.—Peatlands cover about 6,400 square kilometers, or about 10% of the territory of Latvia, and contain about 1.5 billion metric tons of peat. The major deposits are located in the eastern plains and near Riga. In Europe, peat is used for fuel (50%) and for agricultural purposes (47%). According to the Latvian World Energy Council Member Committee, the explored peat deposits were estimated to contain 473 million metric tons (Mt) of peat resources, of which 190 Mt was recoverable. In 2015, peat production increased to 1.2 Mt for the year, from an estimated 0.8 Mt in 2014. Peat production was lower in 2014 because of the wet summer, which hindered

extraction, as well as Russian embargo-related transport problems at the end of the year. On average, 2,500 workers were employed in peat extraction in 2015; the number was about 4,000 during the prime season. Peat was exported primarily to Germany and Italy, with lesser amounts exported to other European countries; export partners outside of Europe included China, Japan, the Republic of Korea, Turkey, and the United States (table 1; International Peatland Society, 2014; 2015, p. 35; Krigere, 2015, p. 2, 4, 5, 10, 17).

Compaqpeat SIA was involved in the extraction and processing of peat; it employed 120 workers, although the numbers were dependent on the season. Almost all the production was exported to countries of Asia, the Middle East and the European Union. In September 2014, Compaqpeat SIA had commissioned a new, fully automated peat-processing plant at Balvi in the Latgale region of eastern Latvia; the plant had a maximum annual production capacity of 600,000 cubic meters, and two production lines. The company's first peat-processing plant opened in 2009 in Rucava municipality in southwestern Latvia (Petraņe, 2014).

Outlook

During the past several years, Latvia has been one of the fastest growing economies in the European Union owing largely to increases in domestic demand. Industrial output rebounded strongly in 2015 following decreases in the past 2 years. The restart of the KVV Liepājas Metalurģs plant resulted in renewed steel production in 2015; however, continued and expanded production will depend on positive operating and market conditions. The production of peat in Latvia also increased significantly following a downturn in production in 2014. Peat production is likely to increase in the future because of Compaqpeat's new processing facilities in the eastern part of the country and allow Latvia to maintain its role as one of the world's leading peat producers. Increases in consumer demand may foster continuing growth in the construction sector, which could lead to increases in industrial mining and cement production (Focus Economics, 2016).

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TABLE 1
LATVIA: PRODUCTION OF MINERAL COMMODITIES¹

(Metric tons)

Commodity ²	2011	2012	2013	2014	2015
METALS					
Steel, rolled bars	100,000 ^e	315,000 ^e	712,000 ^e	--	200,000
INDUSTRIAL MINERALS					
Cement thousand metric tons	752	901	1,000	1,200 ^e	1,200 ^e
Dolomite, crude (excluding calcined, crushed dolomite aggregate)	930,000 ^e	930,000 ^e	1,062,964	800,785 ^{r,p}	1,000,000 ^e
Gravel, pebbles, shingle and flint of a kind used for concrete aggregates, for road metaling, or for railway and other ballast	5,641,510	6,040,668	5,274,024	9,333,246 ^{r,p}	9,300,000 ^e
Sand and gravel	2,337,916	2,425,667	2,270,275	2,300,000	2,300,000 ^e
Stone, crushed	2,050,976	2,072,775	2,664,580	1,150,665 ^{r,p}	1,200,000 ^e
MINERAL FUELS AND RELATED MATERIALS					
Peat	1,387,689	1,160,292	1,716,411	800,000 ^e	1,206,700

^eEstimated; estimated data are rounded to no more than three significant digits. ^pPreliminary. ^rRevised. -- Zero.

¹Table includes data available through April 8, 2016.

²In addition to the commodities listed, Latvia produced clay, gypsum, lime, limestone, industrial sand, and silica, but output was not reported, and available information was not sufficient to make reliable estimates of output.

TABLE 2
LATVIA: STRUCTURE OF THE MINERAL INDUSTRY IN 2015

(Thousand metric tons)

Commodity	Major operating companies and major equity owners	Location of main facility	Annual capacity
Cement	CEMEX SIA (CEMEX S.A.B. de C.V., 100%)	Plant in Broceni	1,600
Dolomite	DSG Karjeri Ltd.	Ape, Birzi, Levaca, and Saikava in Riga	NA
Do.	Jēkabpils Dolomīts Ltd.	Birzi, Salas Novadas	NA
Do.	Saulkalne S Ltd.	Kranciems, Tinuzi, Ikske District	NA
Do.	Salenieku Dolomīts Ltd.	Ritupes, Malnavas District	NA
Gravel, pebbles, shingle and flint of a kind used for concrete aggregates, for road metaling, or for railway and other ballast	do.	Kalnags, Ciblas District, and Cirma, Cirmas District	NA
Do.	Jēkabpils Dolomīts Ltd.	Leimani, Zasa, and Osukalni-Cekules, Kraslava	NA
Sand	Saulkalne S Ltd.	Grinvaldi, Malpils District	NA
Do.	Jēkabpils Dolomīts Ltd.	Saulejas, between Rezekne and Daugavpils; Peleci, Preili, and Viski; Draudavas, Koknese, and Madona	NA
Steel	JSC Liepājas Metalurgs (KVV Group, 100%)	Plant in Liepaja	850
Peat	Klasmann-Deilmann GmbH	SIA LV-Zilaiskalns	NA
Do.	Compaqpeat SIA	Balvi, Latgale region	240 ¹

Do., do. Ditto. NA Not available.

¹Annual production capacity given as 600,000 cubic meters (240,000 metric tons) of dry peat.