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Actualities of the ministry and peat industry

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What has recently happened in the general policy of mineral resources of Estonia?

- Approval of „**The principles of Earth’s Crust policy until 2050**“ by Parliament (Riigikogu) in June 2017
- Ministry of Economic Affairs and Communications has taken a bigger role in mineral-policy making
- Old state owned company, **Estonian Geological Centre** (internationally, Geological Survey of Estonia) being liquidated, new State Survey starts operation on 1 January 2018

General principles of Earth's Crust policy until 2050

General principles of Earth's crust policy: framework strategy for development plans and legislation related to the field; basis for issues related to Earth's crust in preparing development documents and legislation related to other fields.

Provides long-term vision and direction for managing the field, addresses the full potential of Earth's crust, including:

- 1) mineral resources
- 2) Earth's crust as base
- 3) Earth's crust as construction environment
- 4) groundwater
- 5) geothermal energy

- Earth's crust and its natural resources are explored and used in a way which creates as much value for Estonia as possible, considering simultaneously the environmental, social, economic, geological, and security aspects of these activities
- Most of extractable land resources in Estonia **belong to state**. Thus it is appropriate for state to benefit from their use. At the same time, use of resources also affects local governments and population. Thus it is fair to share the benefits with them
- State interests related to the field of Earth's crust must be clearly defined. The state should have the main competence and initiative in decision-making regarding the

- State receives fair income from use of extractable land resources. To ensure this, state implements mechanisms for permitting exploration and exploitation of resources, and receiving state revenue
- State actively introduces the Estonian extractable land resources and related data and studies to potential investors
- State implements solutions for distribution of public revenues from exploitation of extractable land resources
- Negative external costs related to use of extractable land resources compensated based on

What has recently happened in the peat industry of Estonia?

- Peat included as fuel source in Estonian National Development Plan for Energy Sector until 2030 (ENMAK 2030) – Ministry of Economic Affairs and Communications responsible for this strategic Document
- Peat extraction limited by annual utilization rate (2,850,000 t), mining permit issued under open procedure
- Permit for peat extraction issued by Environmental Board, meaning that fee paid for the permit remains in the area
- New Earth Crust Act: mining permit must be issued at the latest within a year, giving businesses greater certainty for future plans

- Extension of mining permits up to 30 years
- Proposed changes ([The Draft of Amendments](#)) to [District Heating Act](#) – need yet to be approved by Parliament
- List of areas where peat mining both economically and ecologically acceptable: 266 mires 145,429 ha in area in total
- Peatlands affected by drainage or other human activities without no significant conservation value included into list of perspective peat extraction sites, no pristine peatlands included
- „There is permissible to apply for an extraction permit only for extraction from the areas entered into the list of damaged and endangered peatlands or the peat areas suitable for

- Mining fee (mineral resource extraction charge) of well-decomposed peat was substantially reduced and linked to price of quoted chipped wood of State Forest Management Center
- Application for renovation of district heating boilers was opened (through Environmental Investment Centre)
- State as a biggest resource holder, including peat, has taken responsibility to ease and contribute peat processing paying attention to environmental-friendliness

Prices of quoted chipped wood of the State Forest Management Center (excluding VAT) €/m³	Mining fee €/t
more than 34	2,20
33 - 34	1,91
31 - 32	1,27
28 - 30	0,64
less than 28	0,29

The policy of Ministry of Economic Affairs and Communications regarding the peat industry

- We support widespread use of peat as local primary energy fuel, with favorable and stable price
- In particular, we see increase in proportion of peat in small scale boiler houses (not subject to the European Emissions Trading Scheme), and also in CHP-s
- One goal to overlook and reduce environmental charges, including mineral resource extraction charges and their distribution
- We believe that energy peat production should be subsidized equally with wood

- Goal of Ministry: responsible management of peat as state-owned mineral resource
- We co-operate with Ministry of the Environment, and with colleagues from corresponding foreign ministries, because larger scale changes of peat use in energy sector have to be achieved at EU level
- We support establishing a discussion [Forum](#) for energy peat at European level
- Ministry of Economic Affairs and Communications has proposed changes to the [District Heating Act](#), which have reached Parliament and hopefully will be approved there

Draft of Amendments of the District Heating Act

- Local government required to draw up a heat energy development plan for district heating networks by 31.12.2017
- Draft provides for a regulation, whereby the heat company increases promised return on capital invested if the investment reduces the heat sales price
- Reference price regulation: efficient and reasonably priced network areas do not need to co-ordinate for the price of district heating with the Competition Authority
- Regulation of reference price allows heat producer to use **cheapest** solutions for production and distribution of heat
- Reference price shall be established by Competition Authority

Main problems for peat industry at the moment

- Directive of the European Parliament and of the Council doesn't list peat as renewable non-fossil resource, hence peat is considered as non-recoverable mineral resource, and in Estonia its use competes mainly with oil shale
- Energy peat cannot compete with wood chips whose combustion is subsidized
- Decomposing and releasing CO₂ into air – as a result of decomposition state loses a large part of its energy peat resources
- Volume of energy peat use decreased significantly in recent

The management of peat producer thinking what to do with these piles of sod peat



A standby field of well-decomposed peat



Possible solutions for resolving problems

- Energy peat production has to be subsidized equally with wood
- Acknowledging that energy peat plays an important role in energy security as local energy source, and creates jobs
- Degraded peatlands should be taken into account as areas of renewable energy, or peat should be considered CO₂ neutral when produced from drained peatlands
- Alternative ways of using peat
- We need to acknowledge that energy peat issue is a regional and important strategic matter
- Adding peat to list of renewable energy source

Marimetsa bog (Marimetsa Nature Reserve)





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Thank you for your attention!

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