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# Assessment of climate change policies in the context of the European Semester

## Country Report: Latvia



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The report provides an overview of current emission trends and progress towards targets as well as policy developments that took place over the period May 2012 to January 2013.

The content of the report represents the state of knowledge in February 2013, specific updates were made adding the latest official greenhouse gas emission data by the European Environment Agency (EEA).

Please feel free to provide any comments or suggestions to the authors through the contacts listed above.

## Short summary

- **Background:** Climate change is not a priority topic in political discussion, however the security of energy supplies is a key concern.
- **GHG target:** The 2011 non-ETS emissions were below of the 2013 emission allocation but according to the latest national projections Latvia is expected to meet the 2020 target only with additional measures.
- **Policy development:** A comprehensive national climate change strategy is currently not in place, however the government launched an energy strategy for 2030 and a „Renewable Energy Law“ is expected to be adopted. The latter has been passed by the Latvian Parliament, but has not yet been adopted.

## I Background on climate and energy policies

Climate change is not a priority topic in Latvian policy-making. Security of energy supply is currently the key concern, with the country being rather isolated from EU energy networks and highly dependent on Russian gas.

A comprehensive national climate change strategy is currently not in place, but Latvia receives support from international donors on projects to develop a national policy framework and improve its emissions inventories. The *Energy Strategy 2030* was launched in September 2012 and sets long-term actions to ensure energy supply, competitiveness, energy efficiency, and the use of renewable energy. A draft *Renewable Energy Law* has been passed by the Latvian Parliament, but has not yet been adopted.

Current energy priorities are described in another government guidance document, titled *Energy Development Guidelines for 2007-2016*. These focus largely on hydropower, which makes up over 70% of Latvia's domestic electricity generation. The electricity sector is still dominated by the state-owned national electricity company LATVENERGO, which also controls the Latvian transmission grid. However, Latvia's electricity pricing zone is slated to participate in power market trading on the spot market of Nordic electricity exchange NordPool starting 3 June 2013.

In terms of green growth, most of the environmentally beneficial job opportunities occur in the building sector. Latvia's significant support for energy efficiency in buildings, from residential housing to municipal and industrial facilities, implies potential for skilled workers in construction, plumbing and heating, insulation specialists and manufacturers as well as installers of energy efficient products and appliances. The share of Latvian employment in the renewable energy sector accounted for just more than 1% of total employment in 2010.

## 2 GHG projections

### Background information

In 2011, Latvia emitted 11.5 Mt CO<sub>2</sub>eq (UNFCCC inventory 2011). Total emissions declined by over 50% between 1990 and 2011, reflecting the economic transition in the early 1990s driven by the transition to a market economy. Particularly the emissions from energy use, energy supply and agriculture have been reduced significantly in this period. Emissions from industrial processes dropped in the early 1990s but were back to 1990 levels in 2010. The only sector that showed an emissions increase was transport due to an increase in the number of vehicles. As a result, transport sector emissions rose 5% between 1990 and 2011 (UNFCCC inventory 2011, EEA 2012c, UNFCCC 2012).

### Progress on GHG target

There are two sets of targets to evaluate: 1) the Kyoto Protocol targets for the period 2008-12 (which has just ended) and 2) the 2020 targets for emissions not covered by the EU ETS.

Under the Kyoto-Protocol the emission reduction target for Latvia for the period 2008-2012 has been set to minus 8 % based on 1990 for CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O and on 1995 for F-gases. An evaluation of the latest complete set of greenhouse gas data (for the year 2011) shows that Latvia's emissions have decreased by 55.6% from the Kyoto base year to 2011 (EEA 2013a). Therefore, Latvia is going to meet its Kyoto target through domestic emissions reductions directly.

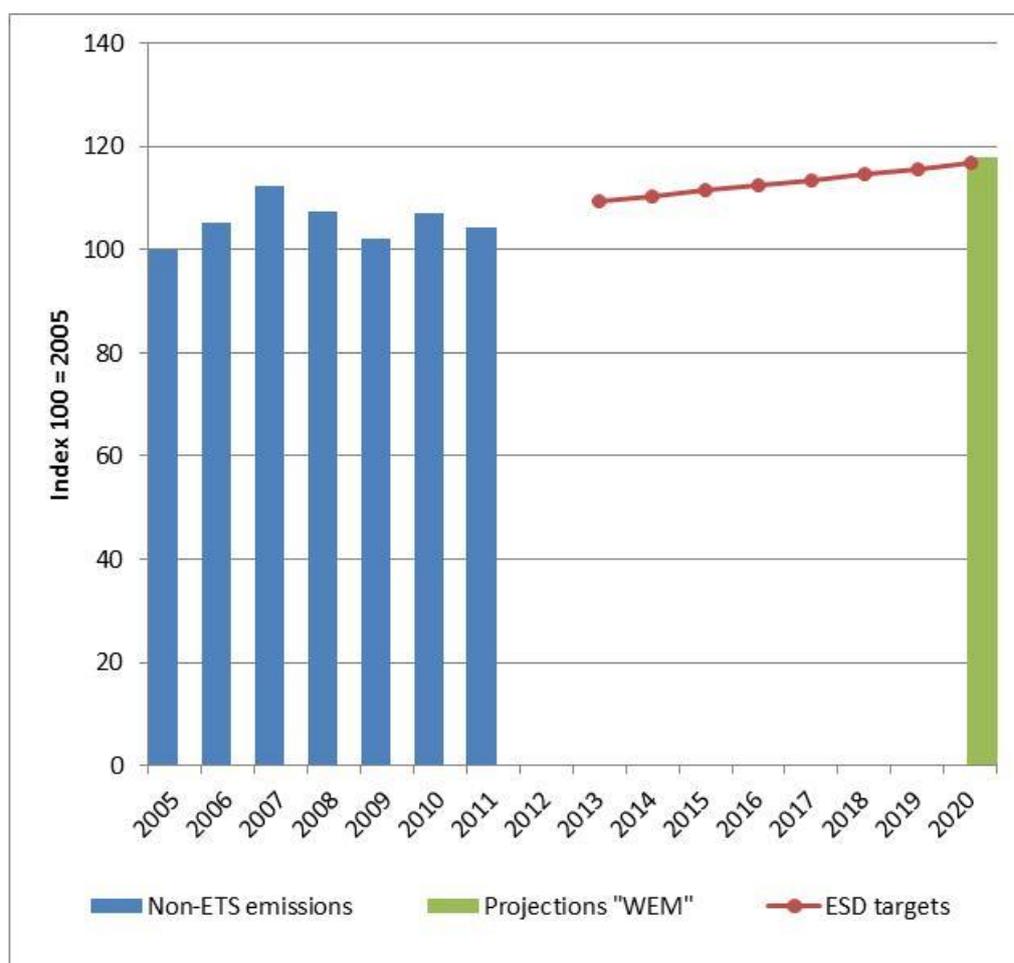
By 2020, Latvia can increase its emissions not covered by the EU ETS by 17% compared to 2005, according to the Effort Sharing Decision (ESD) <sup>(1)</sup>. The latest data suggest that Latvia is currently almost on track to meet this target. According to the 2011 inventory data, emissions in 2011 were 5% below of the Annual Emissions Allocation (COM 2013) for the year 2013. Up to 2020, national projections show that Latvia is expected to increase its non-ETS by 18% compared to 2005 in scenarios with existing measures, thus not meeting its 2020 target while under the projections with additional measures the targets will be met with emission increases of 13% by 2020 compared to 2005 <sup>(2)</sup> (EEA 2012d, 2013b).

Figure 1 shows Latvia's non-ETS emissions until 2011, targets under the ESD for the period 2013-2020 and the projections with existing measures for 2020.

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<sup>1</sup> Decision No 406/2009/EC of the European Parliament and of the Council of 23 April 2009 on the effort of Member States to reduce their greenhouse gas emissions to meet the Community's greenhouse gas emission reduction commitments up to 2020.

<sup>2</sup> Calculations are based on domestic emissions only, without accounting for possible use of flexibility options. The 2020 targets and 2005 non-ETS emissions are all consistent with 2013-2020 ETS scope, i.e. they take into account the extension of the ETS scope in 2013 and the unilateral inclusion of installation in 2008-2012.

**Figure I: Non-ETS emission trends and projections compared to the ESD targets**

Source: EEA. Projections are based on 15/04/2013 draft GHG inventory submissions under the UNFCCC and MS projections submitted

**Table I: GHG emission developments, ESD-targets and projections (in Mt CO<sub>2</sub>eq)**

	1990	2005	2010	2011	ESD target*		2020 Projections**	
					2013	2020	WEM	WAM
Total	26.3	11.1	12.0	11.5				
Non-ETS emissions (% from 2005)		8.2	8.8	8.6 4%	9.0 9%	9.6 17%	9.7 18%	9.3 13%
Energy supply (% share of total)	6.3 24%	2.1 19%	2.3 19%	2.1 18%				
Energy use (w/o transport) (% share of total)	9.5 36%	2.8 25%	2.8 23%	2.5 22%				
Transport (% share of total)	3.0 11%	3.1 28%	3.3 27%	3.1 27%				
Industrial processes (% share of total)	0.6 2%	0.3 3%	0.6 5%	0.7 6%				
Agriculture (% share of total)	6.0 23%	2.2 20%	2.3 19%	2.3 20%				

Source: UNFCCC inventories, EEA (2012c, 2013b); COM (2013), Calculations provided by the EEA and own calculations.

\* The ESD target for 2013 and for 2020 refer to different scopes of the ETS: The 2013 target is compared with 2011 data and is therefore

consistent with the scope of the ETS from 2008-2012; the 2020 target is compared to 2020 projections and is therefore consistent with the scope of the ETS from 2013-2020. Non-ETS emissions in the year 2005 for the scope of the ETS from 2013-2020 amounted to 8.2 Mt CO<sub>2</sub>eq. \*\* 2011 projections with existing measures (WEM) or with additional measures (WAM).

Legend for colour coding: green = target is being (over)achieved; orange = not on track to meet the target

Total greenhouse gas emissions (GHG) and shares of GHG do not include emissions and removals from LULUCF (carbon sinks) and emissions from international aviation and international maritime transport.

National projections of GHG emissions up to 2020, summarised by the EEA, need to be prepared by the Member States in accordance with the EU Monitoring Mechanism <sup>(3)</sup> every two years, and the latest submission was in 2013. However, Latvia has not handed in new projections since 2011.

The projections need to be prepared reflecting a scenario that estimates emissions reductions in line with policies and measures that have already been implemented (with existing measures, WEM), and an additional scenario that reflects developments with measures and policies that are in the planning phase (with additional measures, WAM) may also be submitted. In the following two tables, these measures - as outlined by Latvia as basis for the projections as of April 2011 - have been summarised with a focus on national measures and those EU instruments expected to reduce emissions the most <sup>(4)</sup>. An update on the status of the policies and measures is included in order to assess the validity of the scenarios. Below the tables you will find a summary assessment.

**Table 2: Existing and additional measures as stated in the 2011 GHG projections**

Existing Measures (only important national measures; w/o EU legislation)		Status of policy in January 2013
Energy	Latvian Rural Support Program 2007-2013 activity: "Support for establishment and development of enterprises (including differentiation of operations not related to agriculture)" sub-measure "Energy production from agricultural and forestry biomass"	In force
	Climate Change Financial Instrument: Supporting renewable energy technologies and resources to reduce GHG emissions from households, municipalities and business	Implemented in 2012, currently there are no open tenders
	CO <sub>2</sub> -tax stipulated by the "Law on Natural Resources Tax"	In force
	Excise tax on natural gas, introduced by the "Law on Excise Tax"	In force
Energy Efficiency	Operational program "Infrastructure and services" of Latvian National Development Plan 2007-2013 provides support from the EU Cohesion Fund for „Measures to increase efficiency of district heating systems"	Implemented in 2012, there are no open tenders
	Climate Change Financial Instrument: Energy efficiency improvement in public buildings and in commercial buildings	A third tender of this programme is expected in 2013

<sup>3</sup> Decision No 280/2004/EC of the European Parliament and of the Council of 11 February 2004 concerning a mechanism for monitoring Community greenhouse gas emissions and for implementing the Kyoto Protocol.

<sup>4</sup> The implementation of the EU-ETS has not been included. Other EU Directives have only been considered if they have been outlined in the projections as one of the main instruments to reduce GHG emissions.

	Operational program "Infrastructure and services" with its „Measures for improvement of heat resistance of multi-apartment houses" and „Measures for improvement of heat resistance of social residential houses"	In force
	Taxes and charges for highways	In force
Transport	Mandatory addition of biofuels to gasoline and diesel used in road traffic according to the Cabinet of Ministers Regulation No. 648	In force
	Annual tax on vehicles, differentiated mass of vehicle, engine volume and maximum capacity of engine	In force
	Registration tax for passenger cars in Latvia, differentiated by CO <sub>2</sub> emission factor per 1 km.	In force
	Reduced fuel tax rates for biofuels	In force

Source: Reporting of MS in accordance with Decision No 280/2004/EC about their GHG emission projections up to 2020, April 2011.

Additional Measures (only important national measures; w/o EU legislation)		Status of policy in January 2013
Energy	Renewable energy support	A draft of the Renewable Energy Law was submitted to the Latvian Parliament in April 2011, but the legislature has not acted on it yet
	Subsidies: Investments in Renewable Technologies for Heat and Electricity Production to Reduce CO <sub>2</sub> emissions	New projects to be approved in 2013. A third tender of this program is expected in 2013
Energy Efficiency	Subsidies: Investments in Municipal Public Buildings' Energy Efficiency to Reduce CO <sub>2</sub> Emissions	New projects to be approved in 2013. A third tender of this program is expected in 2013
	Subsidies: Investments in Industrial Buildings' Energy Efficiency to Reduce CO <sub>2</sub> emissions	planned

Source: Reporting of MS in accordance with Decision No 280/2004/EC about their GHG emission projections up to 2020, April 2011.

With the exception of some expired subsidies, the measures from the "with existing measures" (WEM) scenario are still in place in Latvia. Further energy efficiency subsidy programmes as well as a potential law on renewable energy are additional policies that will likely be adopted. However, the latter do not imply significant emission reduction – in order to achieve its ESD target by 2020, Latvia will need measures that cut emissions in the transport sector, through for instance, the introduction of electric vehicles and public transport. The margin under the scenario with additional measures, under which Latvia is projected to meet the target, is too narrow to be counted upon as secured with the current state of implementation.

### 3 Evaluation of National Reform Programme 2012 (NRP)

In April of each year, Member States are required to prepare their National Reform Programmes (NRPs), which outline the country's progress regarding the targets of the EU 2020 Strategy. The NRPs describe the country's national targets under the Strategy

and contain a description of how the country intends to meet these targets. For climate change and energy, three headline targets exist: 1) the reduction of GHG emissions, 2) the increase of renewable energy generation, and 3) an increase in energy efficiency (<sup>5</sup>).

In the following table, the main policies and measures as outlined in the NRP of April 2012 (<sup>6</sup>) have been summarised, and their current status (implemented, amended, abolished, or expired) is given, with specifics on latest developments.

**Table 3: Main policies and measures as outlined in the NRP, April 2012**

<b>Building insulation: support measures and new instruments</b>	
Status as stated in the NRP	Implemented in 2012.
Status as per Jan 2013	Ongoing subsidy for energy efficiency in multi-family buildings – implementation until foreseen budget (€67 million) is exhausted. New instrument: updated <i>Law on Energy Performance of Buildings</i> entered into force on 9 January, 2013.
Description of policy or measure	Support mechanism: green building subsidy - up to 50% of eligible costs (up to a maximum of €50 per square meter) of energy efficiency upgrades are subsidised, persons satisfying certain social can get up to 60% of costs subsidised. Policy instrument: Law on Energy Performance of Buildings sets building energy performance requirements and requires certification of heating and air-conditioning systems.
<b>Increasing energy efficiency in public and industrial buildings through financial support</b>	
Status as stated in the NRP	Implementation of projects funded by the existing grant programme was expected to be completed by the end of 2012.
Status as per Jan 2013	A third tender of this program is expected to take place in 2013 – as yet no information on its budget, the budget of the second tender was €25 million.
Description of policy or measure	Financial support is available to those intending to switch building energy sources from fossil to renewable, including biomass heating and co-generation. The funds can also support reconstruction and renovation that increases building energy efficiency as well as electricity management and control systems.
<b>Introducing efficient lighting infrastructure in public territories of municipalities</b>	
Status as stated in the NRP	Implementation planned through mid-2012.
Status as per Jan 2013	This programme was implemented in 2012 and ended when its budget was exhausted.
Description of policy or measure	Available budget for this subsidy was €3 997 179. The amount of support was 70% of eligible costs up to a maximum of €500 000 per project.

<sup>5</sup> There are specific targets for all MS by 2020 for non-ETS GHG emission reductions (see section 2) as well as for the renewable energy share in the energy mix by 2020 (see section 4, renewable energies). Specific energy efficiency targets will be defined (or revised) by the MS until the end of April 2013 in line with the methodology laid out in Article 3 (3) of the Energy Efficiency Directive (Directive 2012/27/EU).

<sup>6</sup> All NRPs are available at: [http://ec.europa.eu/europe2020/documents/related-document-type/index\\_en.htm](http://ec.europa.eu/europe2020/documents/related-document-type/index_en.htm)

### Improving energy efficiency in heating, modernizing heat supply systems through the EU structural funds

Status as stated in the NRP	Implementation in 2012.
Status as per Jan 2013	This programme was implemented in 2012 and completed, as the entire budget was allocated to projects.
Description of policy or measure	By the end of 2012, contracts for EU heating modernisation funds amounting to €28 079 684 had been signed.

### Adjusting the legal basis for renewable energies to promote a broader use of renewables

Status as stated in the NRP	Ongoing
Status as per Jan 2013	Laws/regulations continue to be adapted to the EU Directive. New renewable energy law is under development.
Description of policy or measure	Laws and regulations related to energy and renewable are adapted to ensure their consistency with the requirements of the Directive 2009/28/EC of the European Parliament and of the Council of April 23, 2009 on the promotion of the use of energy from renewable sources. The draft <i>Renewable Energy Law</i> has been submitted to the Parliament for consideration, but has not been adopted yet. This draft includes provisions on intended net-metering, but does not affect the existing feed-in tariff.

### Ensuring availability of financial resources for the production of renewable energy to promote its use at the local level

Status as stated in the NRP	Implementation is foreseen for 2012.
Status as per Jan 2013	Existing support mechanism (feed-in tariff) is on hold. A new initiative (net metering) has been suggested and is planned: the Ministry of Economy proposed net metering amendments to Latvia's <i>Electricity Market Law</i> in November 2012 but these have not been adopted yet.
Description of policy or measure	Latvia's feed-in tariff for renewable electricity is currently being assessed and revised due to concerns about transparency and corruption (see description below). The draft <i>Renewable Energy Law</i> foresees introduction of net-metering in Latvia in 2013: grid-connected households or facilities that generate electricity can sell it to the utility and pay only for their net power usage, which encourages small scale renewable installations like photovoltaics on rooftops. All renewable technologies with a maximum capacity of ≤6,4 kW would be eligible.

### Promoting biofuels in the transport sector

Status as stated in the NRP	In force and planned to continue.
Status as per Jan 2013	Still in force
Description of policy or measure	The government plans to keep the existing mandatory biofuel addition, excise tax allowances for biofuels and biofuel blends with fossil fuel containing at least 30% biofuel, as well as to increase availability of biofuels to all consumers.

### Financing programs to reduce GHGs in non-ETS sector

Status as stated in the NRP	Existing grant programmes were being assessed.
Status as per Jan 2013	Electric vehicle and charger programme is planned.
Description of policy or measure	The grant programme would subsidise up to 85% of the cost of electric cars and their chargers.

## 4 Policy development

This section covers significant developments made in key policy areas between May 2012 and January 2013. It does not attempt to describe every instrument in the given thematic area. The time-frame was chosen based upon the release of the National Reform Programmes (in the section above) in April 2012, which contain the status quo for policy on most topics.

### Environmental Taxation

The Latvian economy's implicit tax rate on energy is among the lowest in the EU, equalling a mere €69.6 per tonne of oil equivalent in 2010. Latvia also exhibits one of the highest energy intensities in the EU (6<sup>th</sup> highest in 2010) (Eurostat, 2013). Revenues from energy and environmental taxation were 2.0% and 2.4% of GDP respectively, which rank Latvia relatively low (16<sup>th</sup> and 12<sup>th</sup>, respectively) in the EU in 2010.

Latvia has a longstanding excise tax for energy resources and charges fees for polluting activities, including emissions, via its Law on Natural Resources Tax that has been in force for over a decade. More recently, the country instituted a fee for vehicles on the basis of CO<sub>2</sub> emissions rather than weight, age of vehicle, or other factors. That measure entered into force in 2010 and applies to vehicles undergoing registration for the first time - current tax rates range from 0.45€/g/km for vehicles with CO<sub>2</sub> emissions up to 120 g/km to 7,11€/g/km for vehicles with CO<sub>2</sub> emissions over 350 g/km.

### Energy Efficiency

Though the energy intensity of the Latvian economy is high, it has been dropping steadily since 2005 and reached the equivalent 2005 levels by 2009 and sustained them in 2010. This occurred amid increasing overall energy consumption, with end-use consumption increasing 12.8% from the 2001-2005 average in 2010, mainly due to the transport sector (Eurostat, 2013).

The Law on Energy End-Use Efficiency was adopted in January 2010. The main objective is to ensure the efficiency of end-use energy consumption (EEEL, 2010). For 2010, total energy savings of 67 GWh are planned, of which 52 GWh should come from the household sector. The target energy savings for 2016 are 3.483 GWh. The largest share of savings must be achieved in the household sector (77.5%), followed by the tertiary (11.7%), transport (5.9%), and industry (4.6%) sectors. The smallest share of savings is expected to be reached in the agriculture sector (0.3%) (EM, 2013).

The government has fostered initiatives to increase energy efficiency – especially in buildings – for the past several years using e.g. EU funds to encourage and subsidise retrofit and efficiency upgrade projects at housing units and municipal facilities. In parallel, this effort has culminated in passage of a new Law on Energy Performance of

Buildings, which entered into force in January 2013. The law states exploitable minimum building performance requirements as well as building energy, heating and air-conditioning systems certification requirements.

In addition to the new law, the Latvian government subsidises both energy efficiency in multi-family residential buildings and certain non-fossil energy projects at public and industrial facilities. The multi-family residence support covers up to 50% of eligible costs (to a maximum of €50 per square meter) and up to 60% for low-income individuals. Support made available to public and industrial buildings that intend to switch from technologies using fossil energy to renewable energy sources includes biomass heating technologies, co-generation stations, photovoltaic systems and solar water heating systems. This measure also supports reconstruction or renovation that increases the facility's energy efficiency via more effective heat storage systems, lighting, and electricity management and control.

### **Renewable Energy**

Due to its strong reliance on hydropower, Latvia is in a good position to meet its 2020 target of 40% of total energy use from renewable. Renewable energy accounted for 32.6% of total energy consumption in 2010. In the electricity sector, nearly half (48%) of final consumption was produced from renewable sources in 2010 (Eurostat, 2013). Over 90% of Latvia's renewable electricity is hydropower.

A draft Renewable Energy Law was submitted to the Latvian Parliament in April 2011, but the legislature has not acted on it. Some of the key measures mentioned in this draft proposal refer to net-metering, further subsidies, and a share of 75% of electricity generated from renewable energy sources in gross electricity consumption to be achieved by 2030.

A proposed "net metering" plan would constitute a measure to promote renewable energy at the local level. Households or facilities with renewable technologies (including photovoltaic arrays) that have a maximum capacity of  $\leq 6.4$  kW and are connected to the grid could sell the power they generate back to the utility, meaning they pay only for their net use of power – which can even be negative. The measure requires some tracking adjustments on the part of utilities and has been implemented successfully in e.g. parts of the United States – it encourages households, small businesses, and other facility owners to acquire small scale renewable technologies because these directly lower their power bills. A cabinet meeting in November 2012 saw the approval of net metering amendments that Latvia's Ministry of Economy had prepared to the country's Electricity Market Law. Amending that law is the first step toward net metering implementation – the Cabinet of Ministers is currently working out specifics including the legal rights of those participating in the net metering system as well as deadlines and other conditions.

Latvia has a feed-in tariff system for renewably generated electricity, but it is currently under revision and may be scrapped altogether. Since 2007, generators of renewable power in Latvia have been able to apply for the right to sell electricity at a guaranteed price – this is done via a competitive bidding process. However, the system of choosing winners of bids for the tariff was not transparent, with budgets for the tariff and the per kWh rate each firm was getting classified as confidential information by the government. In May 2011, Economy Minister Daniels Pavluts published some of this data and closed the bidding process on tariffs until the government has clarified the tariff granting process or developed a new strategy to support renewable energy. Meanwhile, the Economy

Ministry is in favour of scrapping the tariff, saying in a 2012 paper that it makes implementation of renewable energy projects too slow and unpredictable (<sup>7</sup>). The paper finds that the tariff rate was given to too many entities, creating a risk of price increases for power consumers that would lead to a loss of competitiveness for energy-intensive companies.

### Energy Networks

The Kurzeme project, which aims to connect Latvia's electricity network to those of Estonia and Finland, has been delayed due to lengthy authorisation processes and infrastructure problems (<sup>8</sup>). When the connection is completed, Latvia will be part of a larger power market, meaning electricity will be available not only from domestic retailers, but also from foreign retailers - this will promote competition and is expected to reduce power prices for end-users. Latvia's Ministry of Economy announced that power generated in Latvia will be traded in the spot market on the Nordic electricity exchange Nord Pool starting on 3 June 2013. With this step, Latvia hopes to foster further integration with the electricity market of Scandinavian countries.

### Transport

Greenhouse gas emissions from the transport sector slightly increased from 2005 to 2010 to drop back to 2005 level in 2011. The emissions made up about 27% of total emissions over the same period (see Table 1). Revenues from taxation of transport (excluding fuels) are low in comparison to other EU Member States, equivalent to only 0.3% of national GDP and ranking 17<sup>th</sup> in the EU in 2010 (Eurostat 2012). New cars in Latvia have the second-highest emissions per km in the EU in 2011: they emitted 154.4 gCO<sub>2</sub>/km, 11% above the EU average (EEA 2012e).

The aforementioned tax on new vehicles by CO<sub>2</sub> emissions per km is designed to combat Latvia's poor record on vehicle fuel efficiency. Another programme to reduce emissions from vehicles is Latvia's subsidisation of electric cars: the Ministry of Environmental Protection and Regional Development allocates grants for electric cars and chargers for electric cars. The grant amount for purchase of an electric car and charger is up to 85% of the purchase price. Since Latvia's power sector is relatively clean due to the prevalence of hydroelectricity, vehicle electrification can contribute significantly to decarbonisation of the country's transport sector.

## 5 Policy progress on past CSRs

As part of the European Semester, Country Specific Recommendations (CSRs) for each MS are provided by the EU Commission in June of each year for consideration and

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<sup>7</sup> The paper characterises the tariff as inefficient, unsustainable and not conducive to a free electricity market. Ministry of Economy (2012): Information on Feed-in Tariff. Online available: <http://www.em.gov.lv/em/2nd/?cat=30440>. Also see Ministry of Economy (2012b): Atbalsta mehānismi elektroenerģijas ražošanai, izmantojot atjaunojamos energoresursus. Online available at: <http://www.em.gov.lv/em/2nd/?cat=30170>.

<sup>8</sup> According to project executive Andis Riza from "Latvenergo" the second stage of the project should be finished by mid-2014.

endorsement by the European Council. The recommendations are designed to address the major challenges facing each country in relation to the targets outlined in the EU 2020 Strategy. In the following table, those CSRs that are relevant for climate change and energy that were adopted in 2012 are listed, and their progress towards their implementation is assessed.

Existing Country Specific Recommendations	Progress
Shift taxation away from labour to consumption, property	The <i>Law on Cars and Motorcycles Tax</i> , in force since 01.01.2010, established a new approach for taxation of cars undergoing first time registration in Latvia. It is based on the car's CO <sub>2</sub> emissions/km.
Encourage energy efficiency by providing incentives for reducing energy costs and shifting consumption towards energy-efficient products, including vehicles, buildings and heating systems	<p>The updated <i>Law on The Energy Performance of Buildings</i> entered into force in January 2013.</p> <p>Energy efficiency projects in the residential housing sector continue to receive investment support in the form of subsidies and loans.</p> <p>The subsidy for electric cars encourages energy efficient vehicles.</p>
Competition in major energy networks and improve connectivity with EU energy networks	Little progress identified, as planned connection projects have been delayed. However, the electricity price zone of Latvia is expected to be established on June 2013 (see Policy Development).

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