

ENVIRONMENTAL ADVISORY COUNCIL

Association “Baltic Environmental Forum”, Foundation “Latvian Fund for Nature”, Foundation “Environmental Education Foundation”, World Wide Fund for Nature, Latvian Ornithological Society, Environmental facts, Kemeru National Park Foundation, Environmental Protection Club, Latvian Fishermen's Association, Association “Latvian lakes”, Association “Green Liberty”, Association “Ecodesign Competence Center”, Association “Lake and Swamp Research Center, Association “Latvian Botanical Society”, Latvian Beekeeping Association, Latvian Waste Management Association, Association „Baltic coast”, Association "Zero Waste Latvia", Association “Latvian Environmental Management Association., Foundation “Teiči Nature Foundation”.

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February 24, 2021

On the Recovery and Resilience draft plan for Latvia

The Environmental Advisory Council, as the main social partner to the Ministry of Environmental Protection and Regional Development of the Republic of Latvia, consisting of 20 elected national environmental NGOs as well as other professional organisations, is herewith expressing its concerns regarding the current draft of Latvia's Recovery and Resilience plan (RRP).

We are concerned that the reforms and investments proposed in the current version of the RRP do not turn our economic course towards a green transition that would help to achieve the EU common targets for the climate, nature and society.

The Council concerns relate to the climate chapter of the planned investments regarding Reform and investment direction 1.1: **Emissions reduction in the transportation sector**. Therefore we would like to express our objections and invite you to reconsider the following:

- Currently, the transport sector in Latvia has a very low proportion of electricity-powered vehicles (3.06% in 2018). Thus, significant efforts have to be made to move away from fossil-based means of transport. We believe that the transport sector should transition towards climate neutrality primarily through electrification (while increasing the share of RES in the total energy balance), which is currently the most promising emission-free technology in the transport sector. Technologic opportunities for electrification can be found even for heavy-duty vehicles. Based on our expertise, it is not justified to focus resources primarily on the development of biomethane infrastructure. As a result, it is leaving no funding for electrification and calling it a contribution to the greening of the entire transport sector while auto transportation accounts for the largest share of GHG emissions from the sector and while currently the best alternative is electrification. Total non-ETS segment transport emissions in Latvia are 29% of the total GHG emissions. Road transport contributes to 93.9% of total transport emissions, and passenger vehicles constitute 76% of

these. In other words, passenger vehicles contribute to 76% of road transport emissions and more than 71% of total transport emissions. Hence, any plan with significant expected impact should be targeted at this segment. Therefore, the emphasis on the development of biomethane infrastructure in both the RRP and the Operational Programme for Latvia for 2021-2027, linking it with the greening of the entire transport sector, is unfounded.

- The Council believes that biomethane must undoubtedly be collected where it is produced and used effectively (using it in transportation is not the most effective way), but we oppose a development in which public investment intended for the greening of the transportation sector is directed largely towards the development of biomethane infrastructure, which will bring only marginal results in the total GHG reduction in transportation sector, instead of the much-needed electrification of the transport sector.
- Also, significant concerns for market distortion exist in connection with plans to make it mandatory to purchase certified biomethane (thus ensuring the demand for biomethane) for those who have been supported via the Recovery and Resilience Fund (RRF) in purchasing biomethane-powered vehicles or retrofitting existing vehicles for the use of biomethane (municipalities, the fire service and farmers), since these beneficiaries could end up being obliged to purchase more expensive energy. We believe that these investments would serve the interests of a few enterprises, but would make a very limited contribution to reducing GHG emissions in the transportation sector.
- In addition, research shows that gas-powered vehicles (both biogas and fossil gas) emit even more NO_x and CH_x than diesel-powered vehicles. This makes the plan to develop biomethane even more unreasonable, taking into account the problems of air pollution in urban areas.
- Furthermore, we believe that certain investments – the purchase of vehicles for the State Fire and Rescue Service as well as for ensuring the functions of municipalities (even if low-emission) – do not align with the essence and purpose of this financial instrument. We believe that these measures should be financed by the state budget or EU cohesion funds.
- We underline that this reform and investment direction should include urgent actions, to initiate a ‘snowball’ effect that would increase the proportion of electric vehicles in Latvia. These could include creating favourable conditions for the purchase of electric vehicles via fiscal policy (purchase grants, tax reduction and/or scrappage schemes), and support for the establishment of charging stations close to multi-apartment settlements and public buildings. The establishment of charging infrastructure for the mass introduction of electric cars will take a long time; therefore, no delay in these investments should be allowed. The establishment of charging points will provide additional work for electrical installation companies, an industry where turnover has decreased as a result of the COVID-19 pandemic.
- It is often overlooked, as it is in this case, that converting to electric vehicles also means improvements in energy efficiency, which is the second investment direction.

The economy needs to be made more competitive by reducing the socio-economic costs of the green transition. Reductions in both inequalities and emissions should play a major role in the plan. We propose to move towards a green transportation system that **leaves no one behind**. Reform is needed to renew an aging vehicle fleet, which is mostly owned by physical persons. People with average income cannot afford electric vehicles; therefore, sufficient additional support actions are necessary to promote and support the use of electric transport in the private sector.

The Council believe improvements shall be made to Reform and investment direction 1.2: **Improvement of energy efficiency**:

- The updated Latvian National Energy and Climate plan 2030 will raise the goal of renovating at least 2,000 multi-apartment buildings to increase energy efficiency to 3,000. This means that the funding currently earmarked for this purpose from the MFF (370 buildings) and

RRF (182 buildings) would result in renovating only 18.4 % of the 3,000 buildings. We have serious concerns that the target of renovating 3,000 multi apartment buildings by 2030 will not be met if the funding for this purpose remains at the current level. At the same time, the funding for renovating the public sector buildings remains high (EUR 54.9 million euros) relative to the funding for multi-apartment buildings (EUR 36.63 million euros), despite the fact that it is much easier for the state and municipalities to borrow funds for such purposes than it is for resident communities of multi-apartment buildings to do so. Therefore, we believe that the funding available for increasing energy efficiency in multi-apartment buildings should be significantly raised.

- This is relevant not only in the context of reaching climate neutrality, but also for reducing energy poverty, which remains a serious problem that needs to be addressed. For this purpose it is important that the grant part of the whole renovation costs is high enough to renovate multi-apartment buildings in which the less wealthy portion of the population lives. If this is not met, only the wealthy portion of the population will be able to afford to apply for the funding, thus further increasing inequality in society.
- Furthermore, since the funding for energy efficiency measures is limited, it is important to ensure the highest possible return of investment. We emphasize the need to have a clear link between the investment and the energy saved. Thus, we propose that only those projects that will bring at least 30% of energy savings after renovation should be eligible.
- The current version of this reform and investment direction lacks reformative elements. To speed up energy efficiency improvements in the residential housing sector (even without the financial support of EU funds and mechanisms), measures that would remove administrative barriers should be included. For instance, easing the process of making collective decisions for the renovation of the building (in residential buildings which are not divided in apartment properties) as well as widely introducing individual heat meters in multi-apartment buildings for improved energy saving habits.
- Additionally, we propose extending this direction towards more purposeful support for the increase of RES in total energy balance and including such reforms as improving the net billing system for renewable energy (removing administrative barriers for the development of energy communities and the activity of prosumers). The identification and implementation of administrative measures to promote wind and solar energy development, which is at a very initial stage in Latvia, is another considerable proposal.

The Council have significant objections regarding Reform and investment direction 1.3: **Adaptation to climate change**. Therefore we invite The European Commission to reconsider the following:

- We believe that the investment under name ‘Adaptation of the disaster management system to climate change, coordination of rescue and rapid response services’, which would build new fire stations (even if these buildings fit passive house criteria), does not align with the essence and purpose of this financial instrument. These measures should be financed using the state budget or EU cohesion fund.
- ‘Investments in flood risk reduction infrastructure, including renovation of polder pumping stations, renovation of protective dams, renovation of regulated sections of rivers’ may end up contradicting the preservation of biological diversity, e.g. the renovation of regulated sections of rivers. In turn, renovation of polder pumping stations is often linked to the private economic interest depending on land ownership, and this must be a matter of national financing and legislative regulation – not a measure included in the RRF plan.
- ‘Investments in attracting GHG emissions and promoting forest sustainability – replacement of unproductive forest stands, afforestation, care of young stands’ raises some serious unanswered questions regarding the measures’ impact towards biodiversity.

- Pre-commercial thinning and replacement of unproductive stands is an economic measure aimed at increasing the economic value of forest stands. It primarily reflects the interests of the forest owner, which, we believe, should not be a component of the RRF. Pre-commercial thinning is most frequently performed after clear-cutting and is a clear-cutting forest management measure; the use of clear-cutting creates significant CO₂ emissions and negatively impacts the preservation of biological diversity. Support for pre-commercial thinning measures promotes clear-cutting forest management – a harmful model for the environment and nature. Pre-commercial thinning is a matter of national legislation, not a measure that should be supported with EU public funding. In turn, the replacement of unproductive forest stands mentioned in the plan poses risks to the preservation of biological diversity through the felling of forest stands of high biological value.
- These activities would grant long-term CO₂ absorption from the atmosphere only if it was granted that the wood cut down would be used exclusively for building materials and furniture; however, there is no guarantee that the wood will not end up being used for activities that result in absorbed CO₂ returning back into the atmosphere more quickly.
- The whole direction lacks any reformative element, which would bring long-lasting positive impacts.

Instead of using the RRF funding to address the existing short-term budget deficit, the climate part of the funding ultimately should create more favourable conditions for the country's progress towards climate neutrality – for example, by accelerating the growth of renewable energy production and GHG emissions reductions in the transport sector. This can be done not only through investments, but through removing administrative barriers and through creating positive stimuli. The RRF offers an opportunity for such reformative measures, which is not used in the current version of the Latvian RRF.

As stated in European Commission's '[Guidance to Member states Recovery and Resilience plans](#)', besides the quantitative target of 37% for climate-related measures, Member States should use a qualitative approach to explain how their plans contribute to the broader environmental objectives of the green transition, **including biodiversity**. As such, Member States should outline how the proposed measures will help to meet objectives including waste, water and pollution control and the protection of marine and water resources, as well as support transitions to sustainable food systems and a more resource efficient and circular economy.

Latvia's draft plan emphasises current low productivity levels and proposes to raise them through education, digitalisation and investment in research. Since the recovery and resilience plan should support the transition to a more resource efficient and circular economy, the criteria for productivity must be broadened. Proposed productivity activities do not include reforms – they are mostly based on investments (GDP per employee). Greater emphasis is needed on investments in **resource productivity**, which should go hand in hand with planned support for businesses towards a circular economy, including the development of industrial symbiosis.

We would like to draw additional attention to the lack of public participation and involvement of relevant social partners during the elaboration of Latvia's draft RRF.

The Environmental Advisory Council, which often submits suggestions to the ministries, was invited to become acquainted with the ministries' plans regarding the use of RRF funds and to join discussions for the first time at the beginning of December 2020 only, when other selected social partners had already been involved in consultations. No specific procedure for submitting proposals regarding RRF was introduced at that time. Only after a detailed draft plan was prepared, approved by the Cabinet of Ministers and submitted to European Commission for the first review,

the wider public, including environmental NGOs, was invited for a formal public consultation process.

Discontent with the lack of meaningful public consultations is widely shared among most organisations and social partners.

Sincerely,

Juris Jātņieks, the President of the Environmental Advisory Council

Also signed by:

Inese Vaivare, the President of the Civic Alliance – Latvia

Raivis Šķērstens, the Chairman of Latvian Solar Collectors Association