

To the Ministry of Finance

Proposals for the improvement of Latvia's Recovery and Resilience Plan (RRP) by the association "Zaļā brīvība" (Green Liberty), World Wildlife Fund for Nature, Latvian Fund for Nature and Latvijas Ornitoloģijas biedrība (Latvian Ornithological Society)

The association "Green Liberty", World Wide Fund for Nature, Latvian Fund for Nature and the Latvian Ornithological Society submit the recommendations for the improvement of Latvia's Recovery and Resilience Mechanism Plan.

Instead of using the Recovery and Resilience Mechanism (RRM) funding to address existing short-term budget deficits, the share of climate change funding should ultimately create more favourable conditions for the country's move towards climate neutrality - for example by accelerating the growth of renewable energy production and reducing GHG emissions in the transport sector. This can be done not only through investment, but also by removing administrative barriers and creating positive incentives. RRM offers an opportunity for such reform measures, which in the current version of Latvia's Recovery and Resilience Plan (hereinafter - RRP) are not fully used.

As stated in the European Commission's [guidelines for Member States' recovery and resilience plans](#), in addition to the quantitative target of 37% for climate action, Member States should take a qualitative approach to explaining how their plans contribute to wider environmental goals under the Green Deal, including biodiversity. Thus, Member States should reflect on how the proposed measures will contribute to the objectives, including controls on waste, water quality and pollution, protection of biodiversity, marine and water resources, and support the transition to sustainable food systems and a more resource-efficient economy. We propose to indicate the expected emission reductions for each measure in the climate section in order to ensure the most efficient use of funds. For better governance and investment efficiency, we propose the establishment of a Climate Monitoring Board. At the same time, we call for the RRP to be complemented by a detailed explanation of how it will contribute to the EU's environmental and biodiversity goals.

The draft of Latvia's RRM plan emphasizes the current low level of productivity and proposes to increase them through education, digitization, and investment in research. As the RRP should support the transition to a more resource-efficient circular economy, the productivity criteria need to be extended by adding other indicators. The proposed productivity activities do not include reforms - they are mainly investment-based (GDP per employee). Greater emphasis needs to be placed on investing **in resource productivity, maintaining the value of products, materials, and resources in the economy**, which should go hand in hand with planned support for companies on the road to a circular economy, including the development of industrial symbiosis.

Please see the following sections for detailed suggestions and justifications:

1) Reform and investment direction 1.1: Reducing emissions in the transport sector

Reform 1.1.2.r. Establishment of a system of guarantees of origin for biomethane

- 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. For the transport sector, the transition to climate neutrality is currently most promising through electrification (while increasing the share of RES in the total energy balance). Technologic opportunities for electrification can be found even for heavy-duty vehicles or it is possible to use sustainable hydrogen technologies for this purpose. In our opinion, it is not justified to focus resources primarily on the development of biomethane infrastructure, leaving no funding for electrification, and calling it a contribution to the greening of the entire transport sector, when auto transport accounts for the largest share of GHG emissions from the sector and when 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%¹ 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.
- We believe 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.

¹ GHG Inventory for 2019 [LVGMC | Sagatavotie un iesniegtie ziņojumi \(meteo.lv\)](#)

- Research² shows that gas-powered vehicles (both biogas and fossil gas) emit even more NOx and CHx 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.
- In addition, we believe that the investment - the purchase of vehicles for the State Fire and Rescue Service and for ensuring the functions of municipalities (even if the vehicles have low emissions) - do not align with the essence and purpose of this financial instrument to have far-reaching positive effects and economic recovery. We believe that these measures should be financed by the state budget or EU cohesion funds.
- 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 to carefully selected audiences, thus reducing inequalities and achieving the greatest return on emissions reductions, tax reductions and / or scrappage schemes), and support for the establishment of charging stations close to multi-apartment settlements and public buildings, and cessation of (indirect) subsidies for fossil road transport.** 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.

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**. The reform is needed to phase out fossil fuels and replace obsolete private vehicles, which are mainly privately owned, with environmentally friendly ones, and to significantly improve the availability and convenience of environmentally friendly public transport. In addition, Latvia needs to improve spatial planning in order to reduce unnecessary mobility, and to develop non-motorized transport and micromobility, which would allow to significantly reduce the load caused by transport on the environment.

2) 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

² [2019_09_do_gas_trucks_reduce_emissions_paper_EN.pdf\(transportenvironment.org\)](#) and [2020_06_TE_CNG_particle_report.pdf\(transportenvironment.org\)](#).

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.
- There is great potential for reducing GHG emissions by improving the central heating system³, therefore, it is important to invest in this sector as well, with a special emphasis on improving energy efficiency, promoting new connections and increasing the share of RES in heat supply by promoting zero-emission technologies (heat pumps, solar panels) and storage technologies (storage tanks, electric batteries).
- We propose extending this direction towards more purposeful support for the increase of RES in total energy balance and including such reforms as:
 - Eliminating subsidies for the use of fossil fuels to ensure that climate neutrality goals are met;
 - Improving the net billing system for renewable energy by changing tariffs to more motivating ones, as well as enabling non-governmental organizations - communities - to use the net billing system and sell the remaining unused electricity at exchange prices (thus promoting the development of energy communities and prosumer activity);

³ Central heating - the role of EU investment: https://www.zalabriviba.lv/wp-content/uploads/District_heating_The_role_of_EU_investments.pdf

- o Finding an administrative solution so that the residents of apartment buildings can collectively install and use solar energy technologies;
- o Resolving the issue of merging the connections of several properties of one owner so that a microgenerator built in one property can be used in other properties owned by the same owner.
- o The identification and implementation of administrative measures to promote wind and solar energy development, which is at a very initial stage in Latvia, could potentially bring significant benefit.

3) **Reform and investment direction 1.3. Adaptation to climate change**

- We believe that the **investment 1.3.1.1.i. ‘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.
- **Investment 1.3.1.2.i. “Investments in flood risk reduction infrastructure, including renovation of polder pumping stations, renovation of protective dams, renovation of regulated sections of rivers” (RRP paragraphs 24, 98, 180 - 189).** Directive 2009/147 / EC of the European Parliament and of the Council on the conservation of wild birds (hereinafter the Birds Directive), Council Directive 92/43 / EEC on the conservation of natural habitats and of wild fauna and flora (the Habitats Directive) and the Ramsar Convention “On Wetlands of International Importance, especially as Waterfowl Habitats” imposes an obligation on the Member States to ensure the conservation of wetlands, including floodplain meadows and mire habitats, and to ensure a favourable conservation status. The European Union allocates funds for the restoration of irrigated areas and straightened river sections, restoration of wetland habitats such as freshwater habitats, floodplains, mires and bogsthrough various funds (for example, the LIFE program). Irrigation activities are therefore often at odds with EU nature protection and biodiversity policy in terrestrial and aquatic ecosystems. Wetlands and mire habitats also play an important role in carbon sequestration. Therefore, any draining activities need to be carefully assessed in the context of climate change and biodiversity protection. Although paragraph (189) of the RRP contains a general reservation that flood protection measures will not harm ecosystems and biodiversity, we consider that this investment is not eligible under the RRP.
- **Investment 1.3.1.3.i. “Investments in attracting CO₂ emissions and promoting forest sustainability – replacement of unproductive forest stands, afforestation, care of young stands” (RRP paragraphs 23, 52, 99, 190 - 197).** This investment and related measures are not in line with GHG reduction targets, pose a serious threat to biodiversity and are not eligible under the RRP, as:

- 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 owners, which, we believe, should not be a component of the RRP. 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. Thus, in general, the measure promotes the **subsidized maintenance of the forestry model, which is harmful to the environment and nature**, as well as poses a direct threat to **biological diversity, as biologically valuable forest stands are cut down, incl. forest habitats of EU importance**.
 - Old forest stands are important protected habitats of European importance and habitats of protected species of European importance. Therefore, we do not support inclusion of such investment in the RRP as it is in conflict with Directive 2009/147/EC of the European Parliament and of the Council on the conservation of birds, Council Directive 92/43 / EEC on the conservation of natural habitats and of fauna and flora, biodiversity, Law on Conservation of Species and Habitats Habitats , and Latvia's international obligations in the field of biodiversity conservation.
 - These activities would ensure 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.
 - Taking into account the unfavourable protection status of meadow habitats of European importance in Latvia, afforestation must be a carefully assessed measure, which cannot be supported within the framework of the RRP for Latvia.
- The European Commission's Guidelines for the Development of RRP emphasize **the need for RRP to contribute to the EU's environmental goals, and the need for protection and restoration of healthy ecosystems, including forests, wetlands, peatlands and coastal areas**. The RRP should promote measures that strengthen the natural capital. EU Member States should take a qualitative approach to explain how the RRP will contribute to the achievement of EU objectives, incl. biodiversity. The EC notes that actions to protect and restore biodiversity contribute to a wide range of impacts, in terms of carbon sequestration, resilience to climate change and disease, and the promotion of sustainable rural development. The EC Guidelines provide examples of activities to be included in the RRP, such as the development and management of the Natura 2000 network, protection and restoration of species and habitats, reduction of pesticide use, control of invasive species, improvement of infrastructure in protected nature areas, investment in nature tourism, greening of cities, and creation of green and blue infrastructure.

- Emphasizing the need to include a biodiversity conservation component in the context of all RRP activities, we ask to provide for RRP investments and support measures for the following activities:
 - 1) Development and management of the Natura 2000 network and ensuring the connectivity of Natura 2000;
 - 2) Restoration, maintenance and improvement of the quality of habitats of European importance, and habitats of protected species of European importance;
 - 3) Creation and restoration of wetlands, restoration of watercourses;
 - 4) Restoration of degraded areas by creating new nature territories;
 - 5) Combating invasive species by involving local governments in the development and implementation of support measures;
 - 6) Promotion of sustainable management of private land;
 - 7) Construction of nature tourism infrastructure and development of existing infrastructure objects in protected areas of European importance Natura 2000 and beyond them;
 - 8) Development of nature tourism and support for the promotion of the recognition of Latvia as a nature tourism destination.

- We draw your attention to the fact that for some of the above-mentioned biodiversity conservation measures it would be possible to develop the approach of the voluntary “Payments for Ecosystem Services” system in Latvia. Following the EC guidelines on the reform-oriented approach to investment in the development of RRP, we encourage the use of available RRM funds to introduce a voluntary system of payments for ecosystem services in Latvia. Such a mechanism ensures that businesses are given the opportunity to make voluntary contributions to the climate change mitigation scheme, and that funds are directed to landowners, municipalities, businesses or NGOs that implement climate change mitigation measures and support biodiversity. The range of measures is country-specific, and can include wetland restoration measures to improve CO₂ sequestration, green infrastructure measures to improve climate resilience, and measures to combat invasive species, among others. Such an innovative approach is already used in a number of EU Member States, and within the framework of the RRM it would be possible to transfer the experience from other EU countries, develop a mechanism and implement it in Latvia. **The implementation of such a mechanism in Latvia would be an innovation and would directly correspond to the goals of the European Green Deal and the goals set in the EU Biodiversity Strategy 2030.**

Sincerely,

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