

Assessment of Latvia's operational programme

Introduction

As this assessment is being published, Latvia's operational programme for 2021 to 2027 has just been approved by the European Commission. Overall, this operational programme contributes to reaching climate goals and does not pose a great risk of harmful projects. However, it lacks ambition in certain areas of great urgency, such as energy efficiency for residential buildings, not only from the perspective of too little funding, but also the lack of new, innovative ways to speed up decarbonisation. Latvia's operational programme demonstrates good intentions for the climate, but also the inability to make decarbonisation an actual priority, which would require allocating the available budget accordingly.

Breakdown of the operational programme budget

Latvia's allocations under the EU's cohesion policy for 2021 to 2027 amount to approximately EUR 4.4 billion (without national co-financing). Latvia has one operational programme, which includes investments from the Cohesion Fund, the European Regional Development Fund and the Just Transition Fund, and covers six policy goals:

1. A more competitive and smarter Europe, fostering innovative and smart economic change and regional information and communication technology connectivity. *Total amount of EU funding: EUR 851 801 939*
2. A greener and more resilient, low-carbon Europe with a transition to a carbon-free economy in net terms; promoting a just, clean energy transition; green and blue investments; circular economy; climate change mitigation and adaptation; risk prevention and management; and sustainable mobility in urban environments. *Total amount of EU funding: EUR 1 032 375 613*
3. A more connected Europe, improving mobility (mostly investments in roads, but also in railway modernisation). *Total amount of EU funding: EUR 800 842 691*

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4. A more social and inclusive Europe by implementing the European Pillar of Social Rights. Total amount of EU funding: *EUR 1 288 962 586*
5. Bringing Europe closer to citizens by promoting the sustainable and integrated development of all types of territories and local initiatives. *Total amount of EU funding: EUR 231 344 670*
6. Investments of the Just Transition Fund (recultivation of wetlands disrupted by peat extraction, investments in heating to replace peat burning boilers with renewable alternatives, retraining activities, investments in 'green' public infrastructure to support the development of more climate neutral economy, etc.). *Total amount of EU funding: EUR 191 606 819*

The remaining budget allocation (EUR 4 814 601) is for technical assistance.

This assessment mainly focuses on the second policy goal, which offers the most significant contribution to reaching climate targets. Investment plans under the Just Transition Fund are not analysed in this briefing.

Investment areas under the policy goal for green transition

The second policy goal, which covers measures that implement climate policy, climate change adaptation, environmental protection and nature conservation, includes two main priorities.

The first priority, **Climate change mitigation and adaptation**, includes measures to promote:

- Energy efficiency and the reduction of greenhouse gas emissions by providing funding to building renovation projects and the replacement of boilers with more efficient ones, including changing the heating system to one based on renewable energy and installing renewable energy sources for electricity production.
- Installation of biogas purification (biomethane production) equipment, the creation of the necessary infrastructure for biomethane transportation or filling, including by creating connections to gas transmission or distribution networks.
- Adaptation to climate change by introducing green and blue infrastructure solutions against overheating, flooding and coastal erosion, also improving the capacity of state fire and rescue service (purchasing vehicles, establishing an early warning system, etc.).
- Installation of solar power plants (minimum 1 megawatt (MW)), storage equipment and smart solutions related to their operation, and capacity building (preparing experts on renewable energy source technologies and air pollution).

The second priority, **Environmental protection and development**, includes measures to promote:

- Efficiency of water management services through investments in the renewal of wastewater treatment facilities, including measures to improve energy efficiency and promote the use of renewable sources,

and the replacement of old sewage networks, including the creation of new connections and sewage sludge management (processing) infrastructure.

- Circular economy by supporting changes in the processes and technological solutions of the private sector, promoting reuse, developing product repair services, increasing the capacity of waste processing and regeneration (including biogas extraction, and excluding incineration) facilities and ensuring new capacities, expanding the shared waste collection system, and other measures.
- Rehabilitation of historically polluted areas, preparation of nature conservation plans for specific Natura 2000 areas and species, habitat restoration, awareness raising, educational measures and infrastructure, environmental monitoring system improvement, investments in air pollution reduction, replacement of individual polluting heating systems, connection to district heating, installation of filters for enterprises with air polluting activities, and other measures.
- Introduction of smart technologies that regulate traffic flow to reduce air pollution, 'Park & ride' infrastructure development, the construction of bicycle paths, purchase of rolling stock of electric trains intended for railway passenger service, and the construction of high-power charging points for electric vehicles in the TEN-T core network.

The process of approval

Negotiations between Latvia's government and the European Commission, as well as between the country's ministries, turned out to be lengthy, with several rounds of discussions and clarifications:

- At the end of 2020, the government first started the consultation process with the European Commission.
- In November 2021, the Cabinet of Ministers was approved to proceed again with submitting the programme to the Commission.
- In June 2022, the Cabinet of Ministers approved the amendments and clarifications to the programme and continued consultations with the Commission for approval.
- In November 2022, the Cabinet of Ministers again approved the updated version of the programme and submitted it to the Commission for the final approval.
- The Commission approved the programme in the last days of November 2022.

The most important recent clarifications made in the programme result from consultations with the responsible services of the European Commission and envisage positive changes, such as doubling the amount of funding available to vulnerable households for energy efficiency improvement measures, widening support for energy communities as a target group (for renewable technology installation for heating and electricity generation), reducing funding for road reconstruction and increasing funding for the promotion of public

transportation. Also, following several clarifications and amendments, the programme now meets the requirements set by the Commission regarding content and scope.

Climate contribution

The level of detail that the operational programme provides does not allow us to evaluate the extent to which the 30 per cent (and 37 per cent for the Cohesion Fund) climate earmarking target is reached, since Annex V of the Common provisions regulation¹ requires that operational programmes disclose the exact division between specific measures only up to the level of the specific support target (SST). The operational programme does provide a table with a more detailed division of funding but uses only codes to distinguish between the exact investment areas, which are not explained. However, if we assume the most probable division of the funding between the more specific measures, it appears that the climate earmarking for all cohesion policy funds (European Social Fund Plus, Cohesion Fund, European Regional Development Fund) is approximately 30 per cent. The fact that this target appears to be barely reached illustrates the modest ambitions of Latvia's current climate policy.

Based on our assumptions, the Cohesion Fund reaches approximately 55 per cent climate earmarking, which is well beyond the required 37 per cent.

Green Deal objectives on climate

The operational programme states that sub-priorities are defined according to the essential challenges in Latvia related to environmental sustainability, including low-carbon, resource-efficient and climate-resilient development to achieve climate neutrality by 2050; energy pollution reduction; water and biodiversity improvement; waste management and circular economy. Together, these will contribute towards the implementation of the European Green Deal.

Although altogether the measures planned in the programme will contribute towards achieving the Green Deal objectives (and, importantly, there are no measures that will significantly delay it), the programme does not always include a clear explanation of to what extent the planned measures will contribute to a specific goal. The operational programme sometimes refers to the goals defined in the National Energy and Climate Plan (NECP), which it will help to achieve; however, it does not provide an assessment of the exact contribution (reduced CO₂ emission equivalent) the measures included in the programme could provide. The current version of the NECP is very modest in its goals, however, as it only set the minimum targets that were accepted from the side of the European Commission at the time of approval.²

¹ [Annex V: Template for programmes supported from the ERDF \(Investment for jobs and growth goal\), ESF+, the Cohesion Fund, the JTF and the EMFAF – Article 21\(3\)](#), Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy, *Official Journal of the European Union* 64 (L 231), 30 June 2021.

² Latvia's current NECP sets the goals of reducing greenhouse gas emissions by 65 per cent in comparison to 1990 by 2030; increasing the share of renewable energy sources in the total energy consumption to 50 per cent by 2030; and increasing cumulative energy savings in the final energy consumption to 20,472.02 gigawatt hours (GWh) by 2030 (for comparison, in 2017 this figure was 5,227.0 GWh).

The ‘do no significant harm’ principle and strategic environmental assessment

In general, Latvia’s operational programme follows the ‘do no significant harm’ principle. At the current level of detail, no measures pose significant harm. All measures include a short reference to the evaluation of the ‘do no significant harm’ principle, although the evaluation is not publicly available (some measures include a reference to the ‘do no significant harm’ assessment already done for similar activities within the recovery and resilience plan).

There are a few measures that will possibly have an indirect negative effect either on the climate or on biodiversity. The reconstruction of roads (conversion of roads into two-lane roads – expressways, under SST 3.1.1.) is described in the programme as one that will reduce greenhouse gas emissions: ‘The reduction in emissions is due to lower fuel consumption resulting from smooth driving on a higher quality road, as well as avoiding idling at the crossings’. However, this evaluation does not consider such indirect effects as the promotion of private vehicle use in general due to more convenient infrastructure. From the biodiversity perspective, the programme includes a set of foreseen irrigation measures in the places where the green and blue infrastructure solutions are considered not sufficient for flood risk prevention. Irrigation projects can be harmful to biodiversity. Since no details at this stage are provided about specific projects and places, this measure must be followed closely.

A strategic environmental assessment³ has been conducted for the programme. For some measures, a high-quality evaluation of potential negative side-effects has been provided (for instance, considering the potential negative effect on climate from the promotion of new small to medium-sized business activity if it promotes higher material and energy consumption). However, this assessment does not identify or analyse the two possibly problematic aspects mentioned in the previous paragraph (road widening and irrigation measures).

The process of public participation

The first draft of Latvia’s operational programme was made public, and the public consultation process was initiated in August 2020. The consultation process consisted of the operational programme’s draft being made available to the public and welcoming written suggestions and comments (in total, more than 50 individual submissions were received). In addition to this, from August to September, six thematic meetings were held remotely with social partners (the Association of Municipalities, Latvian Employers Confederation, Latvian Chamber of Commerce and Industry) and cooperation partners (non-governmental organisations and other actors). During these meetings, ministry representatives presented measures, and the investments suggested by them, and the social and other partners provided their suggestions and views. Almost 100 different organisations took part in these meetings. In November, the public consultation process took place on the strategic environmental assessment of the operational programme (in the form of a recorded video presentation and the possibility to submit written questions and comments).

³ Ministry of Finance of the Republic of Latvia, [Darbības Programma Latvijai 2021.2027. Gadam Stratēģiskais Ietekmes Uz Vidi Novērtē Vides Pārskats](#), Ministry of Finance of the Republic of Latvia, December 2020.

In Latvia, a new monitoring committee for the programme has been formed. The appointment of new committee members has been very formal – the public consultation on the composition of the committee, within which any lawful organisation can apply to be a part, was not widely announced, the information about that was published on the government legislative act portal⁴ as well as a few official government sites, and (most importantly) during this public consultation process direct mention of the possibility to apply to become a member was provided in such a way that it could be easily overlooked (as part of a wider descriptive text, without emphasis). Thus, there was no clear explanation made that that was the time when all interested could have joined. Apart from publication on the portal and a few other government sites, the members of the monitoring committee for the previous EU funds period as well as those who informally showed a proactive interest in becoming members received an invitation to apply for the next period. Great flexibility is employed in the appointment procedure of new committee members – any organisation can leave or join the monitoring committee at any time during its operation (yet, not many know about this due to the lack of a regulation for the appointment of the monitoring committee as well as almost no information about it shared with the wider society).

Out of 66 appointed members of the committee, there are only two representatives of environmental non-governmental organisations, which is not proportional considering the percentage of climate- and environment related investments planned. This is because there is no regulation for the composition or appointing process for the monitoring committee in place and also due to the fact that information about the possibility to apply for the monitoring committee was not well communicated and widely disseminated. Instead, it was kept to a formally acceptable minimum. The monitoring committee's composition does not provide proportional representation of other society groups as well (with some groups not being represented at all, such as youth, LGBTQ+ and others).

Overall, in the previous period, the monitoring committee was a tool to ensure access to information and decision-making, and it will likely continue working in a similar manner for the current planning period. Nevertheless, meetings were rather rare. Regular and well-organised information circulation via email is provided, with the possibility to submit comments in a manner similar to the public hearing process, but it remains rather formal. It would be useful if the monitoring committee's work was planned in a way that ensured regular engagement with the monitoring committee members in discussions and live conversations on several processes regarding planning and implementation, as well.

On a positive note, in recent years environmental organisations have found a way (due to the work of the non-governmental organisation alliance) to have greater access to information and take part in the thematic discussions with the ministries, when before these would happen only with the social partners behind closed doors.

In Latvia, a new monitoring committee for the programme is being formed. However, it is not actually new: the existing committee is being approved and will continue to work in the same manner as it did in the previous EU

⁴ State Chancellery of Latvia, [Par Eiropas Savienības fondu 2021.–2027. gada plānoš: Projekta ID 22-TA-458](#), State Chancellery of Latvia, accessed 15 December 2022.

funding period. Currently, no plans exist to change the composition of the committee. However, out of 66 members of committee, there are only two representatives of environmental non-governmental organisations (one of whom is passive), which is not proportional considering the percentage of climate- and environment-related investments planned. Overall, in the previous period, the monitoring committee was a tool to ensure access to information and decision-making, and it will likely continue working in a similar manner for the current planning period. Nevertheless, meetings are rare. Regular and well-organised information circulation via email is provided, with the possibility to submit comments in a manner similar to the public hearing process, but it remains rather formal. It would be useful if the monitoring committee work was planned in a way that ensured regular engagement with the monitoring committee members in discussions and live conversations on several processes regarding planning and implementation, as well.

Synergies with or references to the recovery and resilience plan

The operational programme does reference the recovery and resilience plan, mainly in relation to the transition towards a green and digital economy. The investments envisaged in the plan will complement several specific support objectives and measures in the programme. The following important issues envisaged under the recovery plan are complemented in the operational programme:

- Transport sector: Reform in the transport sector by reducing greenhouse gas emissions through the greening of transport in the capital Riga (integrated, environmentally friendly and well-developed public transport system). Investments in the transport system include purchasing zero-emissions vehicles, new electric buses, trams and battery electric trains as well as the development of bicycle infrastructure in Riga and its suburban areas in the length of approximately 60 kilometres.
- Digital innovation
- Residential, public and commercial building renovation with the instalment of renewable energy source technologies, as well as increasing energy efficiency in industrial processes and in centralised, local and individual heating and cooling
- Flood risk reduction measures
- Development of a comprehensive and integrated healthcare system
- Support for the retraining and skills development of the unemployed, jobseekers and those at risk of unemployment
- Construction of regional roads
- Large investment projects in the regions (outside of the Riga agglomeration), development of four national industrial parks

Particularly problematic projects

No particularly problematic projects were identified.

Thematic assessment

Energy efficiency

Energy efficiency improvement measures are planned under SST 2.1.1., including residential, public, educational institution and commercial building renovation projects along with the replacement of boilers or heating sources with more efficient ones; the instalment of renewable energy sources for electricity production; energy efficiency improvements in production and industry processes; and increased energy efficiency in centralised, local and individual heating and cooling. A very positive aspect is that a specific support target for energy efficiency improvement is planned for vulnerable households (during the discussion process with European Commission, the target for this measure was doubled).

The total allocated budget for these measures is EUR 559.57 million. The exact division of this budget among the specific measures at this point is not possible to know (due to reasons laid out in the beginning of the section ‘Climate contribution’); however, since the outcome indicators are provided, we can have an idea of the proportion each specific measure will receive. The number of residential buildings with improved energy efficiency (it can be renovation and/or replacement of heating source) is planned to reach 13,450; the number of vulnerable households with similar improvements is planned to reach 2,017. The area of public buildings with improved energy efficiency is planned to reach 625,060 square metres (m²). If we assume that the average area of one household in Latvia is 63 m², then the funding allocated for the public buildings would cover approximately 9,922 residential households. Even though the number for the residential sector is higher than that for the public sector, the operational programme does not include information about how many of these households (or what area) are planned to be renovated fully and how many will only have their heating source replaced. In general, support for the residential sector should be much higher than for the public sector, because it is generally easier for the state and local governments to borrow funds for such purposes than it is for households to do so.

As a result of the planned measures, annual primary energy consumption (including housing, public buildings, companies and other types of buildings) is expected to drop from 563,570 to 474,599 megawatt hours per year (MWh/year) by 2029, which is a 15.8 per cent decrease.

Unfortunately, there is no support for deep renovation, which would ensure the greatest return of energy saved per invested euro. Existing measures will strive to reach only the minimum target of 30 per cent saved energy. Given the development and most recent knowledge of the renovation sector, the target should be at least 50 per cent (with some exceptions for specific building types – for some lower, for some higher than 50 per cent), which in practice is already the result of most full renovation cases. The higher target could provide a positive stimulus for the sector, setting the expected standard higher.

In Latvia, the renovation of multi-apartment buildings is a huge challenge. More than 23,000 multi-apartment buildings need to be renovated⁵, but only 1,600 buildings have been insulated since 2009. Approximately 182 multi-apartment buildings will be renovated using the Recovery and Resilience Facility. The situation illustrates that when it comes to the residential building stock, not only is the funding an urgent need for more renovation, but also different, more innovative approaches need to be employed. As an example, local governments need a programme to receive support for increasing their capacity. It could include measures such as education and employment of project and energy managers who would help the communities or residents to go through the renovation project application and implementation processes successfully, or a measure that would promote implementing a standardised approach where possible.

District heating

The operational programme does include measures to support households to connect to the district heating (under SST 2.2.3.), to support municipal public heat supply service providers equipping heat energy production and cogeneration equipment (those using biomass) with air pollutant emissions treatment equipment (e.g. filters) (under SST 2.2.3.), and to increase the energy efficiency of the district heating by promoting the use of renewables and zero-emission technologies in centralised heat supply and increasing the energy efficiency of heat energy transmission networks (under SST 2.1.1).

The support for the district heating provided in the operational programme can be evaluated as comprehensive, including all necessary elements to promote the expansion of district heating, as well as increase its energy efficiency and reduce greenhouse gas emissions. However, no indicators are included, which would allow us to evaluate the scope and impact of the specific investments planned. Also, the exact amount of funding allocated for these measures cannot be identified at the level of detail currently included in the operational programme.

Renewable energy sources

Renewable energy is being promoted rather widely under several strategic development aims of the operational programme. The following measures/investments promoting renewables are planned:

- Increasing the use of renewable energy sources in buildings and installing zero-emission technologies (both for heating/cooling and electricity production) alongside energy efficiency measures (SST 2.1.1.)
- Modernisation and improvement of the infrastructure of educational institutions and colleges, including investments in smart energy management, environmentally friendly long-term management solutions for energy saving or renewable energy production (SST 2.1.1.)
- The use of renewable energy sources and zero-emission technologies in the centralised heat supply (SST 2.1.1.)

⁵ [Informatīvais ziņojums LongĒku atjaunošanas ilgtermiņa stratēģija](#). European Commission: Energy, 2020.

- Competence and capacity building in renewable energy and air pollution issues (educated/prepared project writers, availability of experts, project managers) (SST 2.1.2. and 2.1.4.)
- To expand the circle of people involved in the production of electricity, it is essential to provide an appropriate regulatory framework that encourages such initiatives (SST 2.1.2. and 2.1.4.)
- Conditions to be developed to facilitate procedures for self-consumers acting together (e.g. residents of an apartment building), as well as a regulation for renewable energy communities, will be developed (SST 2.1.4.)
- Installation of biogas purification (biomethane production) equipment to activate the conversion of biogas into biomethane and thus reduce the use of fossil energy resources. Creation of the necessary infrastructure for biomethane transportation or filling, including by creating connections to gas transmission or distribution networks. The total target is 16 MW (SST 2.1.2.)
- Installation of solar power generation equipment (at least 1 MW), storage equipment and smart solutions related to their operation. The total target is 13 MW (SST 2.1.4.)
- To reduce local air pollution, as well as to promote the spread of zero-emission technologies and progress towards the achievement of renewable energy goals, investments are intended for the replacement of combustion equipment in residential buildings, which use individual heat supply systems (apart from other energy efficiency improvements measures) (SST 2.2.3.)
- To improve the efficiency of water management services by ensuring adequate infrastructure capacity, improving operational efficiency and energy efficiency, and reducing pollution (among other things, energy efficiency improvement and renewable energy source use (SST 2.2.1.)
- Purchase of rolling stock of electric trains intended for railway passenger service. The target is 360 passengers (SST 2.3.1.)
- Construction of high-capacity charging points (14 in total) for electric vehicles in the TEN-T core network (SST 2.4.1.)

Planned activities for the promotion of renewables can be evaluated positively – not only larger projects will be supported, but also households and energy communities; adequate attention has been given to renewable energy sources in heating, especially zero-emission heating. Another positive aspect is that attention has been given to put in place the necessary regulatory framework (e.g. for microgeneration and self-consumers in multi-apartment buildings). Again, the exact amount of funding allocated for these measures cannot be identified with the existing level of detail. The total produced renewable energy (including electricity and thermal energy) because of measures implemented in 2029 is planned to reach 13.1 gigawatt hours per year (GWh/year), which constitutes 0.18 per cent of the renewable energy produced in 2018 (which increased more in the following years), proportionally a very small increase. Nevertheless, indirectly these measures could lead to a greater increase by mainstreaming renewable energy solutions, promoting the growth of the renewables industry and producing know-how and experience.

Gas and fossil fuels

No direct support for fossil gas and other fossil fuel infrastructure is included in the operational programme.

Support for biogas production and infrastructure is included as part of other renewable energy sources: 'Installation of biogas purification (biomethane production) equipment to activate the conversion of biogas into biomethane and thus reduce the use of fossil energy resources. Creation of the necessary infrastructure for biomethane transportation or filling, including by creating connections to gas transmission or distribution networks' (under SST 2.1.2.). A speculative concern exists that investments in gas infrastructure for the purpose of biogas production promotion could indirectly also prolong the reliance on fossil gas and its infrastructure (because biogas will never be produced in such volumes that justify the existence of fossil gas infrastructure without the fossil gas).

Hydrogen

Hydrogen has not been addressed directly, but only as part of 'alternative' fuels under these measures:

- Development of research in the field of the Green Deal (CO₂ modelling, monitoring, information and communication technology, infrastructure and types of alternative fuels, inclusion of road transport in ETS, SUMP) (under SST 2.3.1.).
- The development of the public infrastructure of large ports, including the development of environmentally friendly port infrastructure, the availability of alternative fuels, power grid connections to piers and ensuring safe shipping conditions (under SST 3.1.1.).

The definition of alternative fuels (as Latvia's regulatory acts state) also includes hydrogen and natural gas, and hydrogen can be any type (produced by renewables or fossil fuels). The measures above, however, will not directly support the use of any of these types of fuels. The second measure – the development of the public infrastructure of large ports – could ultimately support renewables-based hydrogen, or hydrogen produced by fossil fuels, including by natural gas with carbon capture and storage.

Energy communities

Latvia's operational programme contains three measures that intend to provide direct support for energy community development by mentioning energy communities as recipients.

First, direct support can be found under SST 2.1.1., 'Promotion of energy efficiency and reduction of greenhouse gas emissions', which among other things intends to provide support for the installation of renewable energy technology for electricity generation in combination with building renovation, as well as replacement of heating sources. Along with the latest amendments, energy communities have been included as the target group. Even though the written description does not clearly state that support will be provided also for installation of renewable energy sources for electricity generation separately from the building renovation,

during the formal communication with the Ministry of Finance it has been asserted that such support will be provided under the specific measure.

Second, direct support can be found under strategic support target 2.1.4., ‘Promotion of energy from renewable energy sources - solar energy, etc. RES [renewable energy source] electricity’. Among other things, the measure intends to provide support in the form of financial instruments (loans, guarantees) in combination with a grant for the installation of solar power generation equipment (at least 1 MW), storage equipment and smart solutions related to their operation. Energy communities are listed as one of the recipients. The minimum capacity of 1 MW for solar installations, however, means that the support is intended only for large projects, since 1 MW for a solar plant is industrial scale. Even though energy communities are listed among the recipients (and, surprisingly, also households), it is likely that the measure is mostly intended for businesses and agricultural cooperatives.

The third SST that mentions energy communities as recipients is 2.1.2., ‘Promotion of energy from renewable energy resources – biomethane’, which, among other things, intends to provide support for the installation of biogas purification (biomethane production) equipment, as well as the creation of the necessary infrastructure for biomethane transportation or filling, including by creating connections to gas transmission or distribution networks. Energy communities are listed as one of the recipients. The support measure is clearly designed for expanding existing biogas production activities to promote production and distribution of biomethane that could be used more widely by replacing fossil gas. While such activities are positive, they are limited to only existing biogas production facilities, and therefore do not promote the creation of new energy communities that did not exist in any form before.

Overall, based on the extent of information that is currently available, the support for energy communities in Latvia’s operational programme can be assessed positively.

Conclusion and recommendations

Latvia’s operational programme will support the further deployment of renewables (solar, wind, biogas and heat pumps), improvements to energy efficiency and contributions to the decarbonisation process. The most recent amendments are very welcome from the perspective of reaching climate goals and ensuring social cohesion.

The measures planned could potentially have a significant, positive impact. However, one significant shortcoming is the modest ambition in the budget allocation for the purpose of climate goals, fulfilling only the bare minimum of 30 per cent of the budget allocated for decarbonisation measures, which leaves the feeling that the business-as-usual approach still dominates.

Room for improvement exists for the energy efficiency measures in residential buildings. Latvia faces great challenges regarding multi-apartment renovation needs; therefore, not only is more funding needed for providing support for renovations, but also different approaches are needed to speed up the whole renovation process as well as make it more efficient (for instance, programmes for municipalities to raise their capacity to provide greater support to multi-apartment building residents, the implementation of a district approach as well as a

standardised approach for the same type of buildings). Also, the energy efficiency goal of building renovations should be higher to promote deep renovations instead of smaller improvements.

Regarding the implementation of the programmes, the main concern remains the specific conditions that will be laid out later – eligibility criteria, financial support schemes (financial instruments, grants or a combination of both) and other conditions.

One concern exists regarding the financial support schemes for measures that will support households in building renovation, replacement of heating sources with renewable ones, connecting to district heating and the instalment of renewable energy sources. We do not recommend having a scheme that requires beneficiaries to first invest fully with their own resources and receive the grant only after all works have been concluded. Although understandably attractive for the administration of the funds, such a condition would exclude or disincentivise a significant portion of households from applying. Even though a specific measure for vulnerable households is planned, most probably the vulnerability of households will be defined by fitting the definition of a household exposed to the risk of energy poverty. However, the definition of energy poverty is rather narrow⁶ in Latvia's regulatory acts and would not apply to households belonging to the lower middle class. Thus, such a financial support scheme risks supporting largely higher income households or, in the case of multi-apartment building renovation, having a high rate of drop-out projects.

Another recommendation is to clearly prioritise zero-emission heating solutions within the eligibility criteria as well as to consider the greenhouse gas emissions reduction potential of available technologies, so that heat pumps or solar collectors receive higher support than biomass heating solutions, as that would create a greater positive impact on the climate.

The existing support programmes⁷ for energy-efficiency improvements for buildings and the replacement of heating sources have certain unnecessary limitations for potential applicants; for instance, a household is not eligible to receive funding if a freelancer or an enterprise has been registered to do work from the exact address (since that is categorised as commercial activity), even though it is also home for such a person and their family. Another limitation is demonstrated in the programme administered by the Ministry of Environmental Protection and Regional Development supporting only households with children, which means that the official owner must have children under 18 years of age. In reality, situations regarding ownership of property and marital status are diverse, therefore requiring recipients to fit the 'ideal' family situation and creating an additional bureaucratic hurdle for those who do not. Future programmes should be designed to exclude such limitations by respecting the diversity of life situations.

⁶ Households subject to energy poverty are defined as those that are either recognized as poor or low-income households and that receive material support to cover expenses related to the use of housing or rent a residential space or a social apartment owned or leased by the municipality. See here: [Enerģētikas likums \(likumi.lv\)](https://www.energetika.gov.lv/energetika/likumi/energetikas_likums).

⁷ Lilija Alpine, '[Financial support for renewables in Latvia](#)', CEE Bankwatch Network, 28 October 2022.



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