

Modernisation fund annual report for Latvia for the preceding year 2021

May 2022

Submitted by:
Ministry of Environmental Protection and
Regional Development of the Republic of Latvia
Peldu iela 25
Riga, LV-1494
Latvia

Governing bodies

The Ministry of Environmental Protection and Regional Development of the Republic of Latvia (hereinafter – the Ministry) is the main governing body of the Modernisation fund in Latvia.

In addition, the Ministry collaborates with the Ministry of Economics of the Republic of Latvia – the main body responsible for national energy policy – on the development of the multi-annual operational programme including investment priority areas.

In accordance with the adopted amendments to the Law “On Pollution”, certain tasks related to the performance of the investment functions will be delegated. The authorities responsible for these tasks will be identified in the multiannual operational programme. Based on the previous experience, some of the tasks arising from the investment functions could be performed by the state-owned development finance institution “Altum” or the society with limited responsibility “The Latvian Environmental Investment Fund”. Altum has an extensive experience in implementing various financial instruments in different sectors, including the promotion of energy efficiency and use of renewable energy, while the Environmental Investment Fund has an extensive experience in promoting the implementation of environmental protection and climate change projects.

Implementation modalities

In order to implement at national level the *Commission Implementing Regulation (EU) 2020/1001 of 9 July 2020 laying down the detailed rules for the application of Directive 2003/87/EC of the European Parliament and of the Council as regards the operation of the Modernisation Fund supporting investments to modernise the energy systems and to improve energy efficiency of certain Member States*, changes in the Latvia’s national legal acts became necessary.

To establish the legal framework for the implementation of the Modernisation fund, amendments to the Law “On pollution” were needed. With the amendments to the Law “On pollution”, a new chapter "Modernisation fund" was created. This includes three new articles, which set out the framework for the Modernisation fund, the use of funding, as well as the reporting conditions. The amendments allow the Cabinet of Ministers [the Government of the Republic of Latvia] to develop a multiannual operational programme, which determines investment priority areas to be supported by the Modernization fund as well as the governance processes and bodies. With the multiannual operational programme in place, future investment proposals can be developed and submitted to the European Investment Bank.

Overall progress and next steps

The necessary amendments to the Law “On pollution” were approved by the Cabinet of Ministers on May 17th 2022. The draft text was prepared through several rounds of consultations and received feedback from the sectorial ministries and social partners. On May 19th 2022, the amendments to the Law “On pollution” were submitted to the Saeima [the Parliament of the Republic of Latvia] and will be reviewed in the near future for the final approval.

When the amendments to the Law “On Pollution” will enter into force, the Cabinet of Ministers will have the rights to approve the multiannual operational programme of the Modernisation fund. Once that has been approved by the Cabinet of Ministers, the Modernisation fund can be regarded as fully operational in Latvia and the Ministry can start to prepare the investment proposals.