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The *Saeima*¹ has adopted
and the President has proclaimed the following Law:

On Participation of the Republic of Latvia in the Flexible Mechanisms of the Kyoto Protocol

Chapter I General Provisions

Section 1. Terms used in this Law

The following terms are used in this Law:

1) **flexible mechanisms of the Kyoto Protocol** – Joint Implementation projects specified in Article 6, the Clean Development Mechanism specified in Article 12 and the International Emissions Trading specified in Article 17 of the Kyoto Protocol to the United Nations Framework Convention on Climate Change (hereinafter – Kyoto Protocol);

2) **assigned amount** – the total amount of greenhouse gas emissions, which has been specified for the Republic of Latvia according to the Kyoto Protocol for the first period of commitment from 1 January 2008 to 31 December 2012 or will be specified for the subsequent periods of commitment;

3) **greenhouse gas emission unit** – a unit equivalent to one tonne of carbon dioxide or an assigned amount of another greenhouse gas expressed in equivalents of carbon dioxide, taking into account the global heating potential of the particular greenhouse gas. Greenhouse gas emission units are assigned in accordance with Articles 6, 12 and 17 of the Kyoto Protocol and Chapter V¹ of the Law On Pollution. Greenhouse gas emission units are units of the assigned amount, emission reduction units, certified emission reduction units, removal units and emission quotas;

4) **assigned amount unit** – a greenhouse gas emission unit assigned to a member state of the Kyoto Protocol, which has been calculated pursuant to the commitments in relation to the reduction or restriction of greenhouse gas emissions;

5) **emission reduction unit** – a unit which is assigned pursuant to Article 6 of the Kyoto Protocol and is equivalent to one tonne of carbon dioxide or an assigned amount of another greenhouse gas expressed in equivalents of carbon dioxide, taking into account the global heating potential of the particular greenhouse gas;

6) **certified emission reduction unit** – a unit which is assigned pursuant to Article 12 of the Kyoto Protocol and is equivalent to one tonne of carbon dioxide or an assigned amount of another greenhouse gas expressed in equivalents of carbon dioxide, taking into account the global heating potential of the particular greenhouse gas;

7) **removal unit** – a unit which is assigned pursuant to Article 6 of the Kyoto Protocol for activities related to the use of land, the change of the use of land and forestry and which is equivalent to one tonne of carbon dioxide; and

¹ The Parliament of the Republic of Latvia

8) **climate change financial instrument** – resources acquired by selling the greenhouse gas emission units owned by the State in accordance with the procedures specified in Article 18 of the Kyoto Protocol and are allocated for the prevention of climate change pursuant to the principles and priorities specified in this Law.

Section 2. Purpose of the Law

The purpose of this Law is to promote the prevention of climate change, adaptation to the consequences caused by climate change and to facilitate the fulfilment of the commitments for the reduction of greenhouse gas emissions assigned to the Republic of Latvia in the Kyoto Protocol by using the flexible mechanisms of the Kyoto Protocol.

Section 3. Scope of Application of the Law

This Law prescribes:

- 1) the basic principles for participation of the Republic of Latvia in the flexible mechanisms of the Kyoto Protocol and the competence of institutions related to this participation; and
- 2) the procedures for planning, utilisation and administration of the resources obtained as a result of sale of the State greenhouse gas emission units.

Chapter II International Trade of Emission Units

Section 4. Ownership Rights of the Assigned Amount

The assigned amount shall be State property, the legal possessor of which is the Ministry of Environment.

Section 5. Participation in the International Trade of Emission Units

- (1) The Republic of Latvia may sell the assigned amount units which are not or will not potentially be used in order to cover the amount of greenhouse gas emission units emitted by the Republic of Latvia.
- (2) Upon receiving a proposal from another state or upon a proposal of the Ministry of Environment, the Cabinet shall take a decision regarding participation in the international trade of emission units and regarding action involving the greenhouse gas emission units owned by the State.
- (3) The Ministry of Environment shall conduct negotiations in relation to the entering into a contract regarding the trade of emission units and prepare a draft contract. Provisions regarding the type, number and price of greenhouse gas emission units and payment procedures shall be mandatorily included in the draft contract.
- (4) The Cabinet shall approve a draft contract regarding the trade of greenhouse gas emission units.
- (5) The Minister for Environment shall sign a contract regarding the trade of greenhouse gas emission units.

Section 6. Register of Greenhouse Gas Emission Units

(1) The Latvian Environmental, Geological and Meteorological Agency shall open accounts in the register of greenhouse gas emission units for accumulation of greenhouse gas emission units owned by the State.

(2) Upon the order of the Ministry of Environment the Latvian Environmental, Geological and Meteorological Agency shall transfer the greenhouse gas emission units sold to a purchaser of greenhouse gas emission units in accordance with the contract entered into regarding the trade of greenhouse gas emission units.

(3) The Cabinet shall determine the procedures by which the national system for accounting of greenhouse gas emission units is established and maintained, the procedures and activities for quality control and quality assurance, as well as the notification procedures in accordance with the requirements of the United Nations Framework Convention on Climate Change and the Kyoto Protocol.

Chapter III Climate Change Financial Instrument

Section 7. Planning of the Climate Change Financial Instrument

(1) Resources which are obtained by selling the greenhouse gas emission units owned by the State shall be transferred to the State budgetary revenue account opened in the Treasure pursuant to the classification of State budgetary revenue.

(2) Financing for the implementation of projects related to a climate change financial instrument shall be provided for in the State basic budget for the current year according to the amount of financial resources obtained in the preceding years and not used for this purpose.

Section 8. Utilisation of Resources Obtained as a Result of the International Trade of Emission Units

(1) Resources of a climate change financial instrument shall be used for the financing of such projects in the field of agriculture, transport, energy, forestry, waste management, manufacturing and other fields of national economy:

1) which have a significant impact on State greenhouse gas emission or removal thereof and which promote the reduction or restriction of emission of greenhouse gases and other polluting substances by the following measures:

- a) increase of energy efficiency,
- b) increase of renewable energy resources, especially biomass,
- c) development and utilisation of such environmental technologies which promote the increase of energy efficiency or the utilisation of renewable energy resources,
- d) development and introduction of a policy for the reduction of climate change in order to ensure the fulfilment of commitments included in the Kyoto Protocol and the conformity of operation of the Republic of Latvia to the conditions for utilisation of the flexible mechanisms of the Kyoto Protocol,
- e) educational measures and scientific research which shape public awareness regarding climate change,
- f) development and introduction of such measures which promote the adaptation to climate change;

2) which significantly improve the environmental quality, including the reduction of transnational air pollution, water pollution and pollution dangerous to human health, increase of the collection of carbon dioxide and possibilities of storage.

(2) The Treasury shall ensure the execution of payments of a climate change financial instrument according to the Law On Budget and Financial Management and the Law On the State Budget for the current year.

Section 9. Principles for the Management and Implementation of a Climate Change Financial Instrument

The climate change financial instrument shall be managed and implemented according to the guidelines of the European Union for State support and international principles of good practice in the administration of expenditure of environmental protection, including:

- 1) transparency;
- 2) traceability;
- 3) efficiency of the environmental protection;
- 4) economic efficiency; and
- 5) financial precaution.

Section 10. Management and Implementation of a Climate Change Financial Instrument

(1) The Ministry of Environment shall be the executor of the budgetary programme of the climate change financial instrument and shall perform the following functions:

1) prepare a financial and working plan of the climate change financial instrument for the current year;

2) organise project tenders, evaluate the projects according to the regulatory enactments regarding the criteria for evaluation of projects for implementation of the climate change financial instrument and grant financing for these projects;

3) supervise the implementation of projects and execution of financing contracts;

4) prepare and submit payment orders to the Treasury;

5) compile information regarding the projects which receive financing from the climate change financial instrument; and

6) prepare and submit an informative report by 1 April of the current year to the Cabinet regarding operation of the climate change financial instrument in the preceding year, including regarding the utilisation of finances and regarding improvement of the environmental quality, which has been achieved by implementing the respective projects.

(2) Expenditure for implementation of a climate change financial instrument and examination of reports shall be covered from the resources of the climate change financial instrument.

(3) The Cabinet shall determine:

1) the tender regulations for project applications for implementation of a climate change financial instrument, evaluation criteria and the procedures for application, examination, approval and financing of projects; and

2) the procedures for implementation of projects financed by the climate change financial instrument, for submission and examination of reports.

Section 11. Examination of Improvements of the Environmental Quality and Utilisation of Finances within the Framework of a Climate Change Financial Instrument

(1) An implementer of a project who has received financing from a climate change financial instrument, in accordance with the regulatory enactments regarding procedures for

implementation of the climate change financial instrument shall submit reports to the Ministry of Environment on the improvement of the environmental quality achieved as a result of implementation of the project and the utilisation of the allocated financing.

(2) Information regarding the implementation of projects, utilisation of finances and achieved improvement of the environmental quality shall be available to the public.

(3) The Ministry of Environment shall examine the reports of project implementers and, on the basis thereof, shall prepare the report referred to in Section 10, Paragraph one, Clause 6 of this Law.

Section 12. Advisory Council of a Climate Change Financial Instrument

(1) The objective of operation of the Advisory Council of a Climate Change Financial Instrument (hereinafter – Advisory Council) shall be to promote the transparency of utilisation of the resources of the climate change financial instrument and the conformity thereof to the objectives and requirements of this Law, as well as to involve representatives of the public in the supervision of the management and implementation of the climate change financial instrument.

(2) In order to improve the efficiency of introduction of a climate change financial instrument, the Advisory Council shall examine the financial and working plan thereof for the current year and submit proposals to the Ministry of Environment.

(3) The Advisory Council, upon its own initiative or the initiative of the Ministry of Environment, shall also examine other issues related to the management or implementation of a climate change financial instrument.

(4) The Cabinet shall approve the by-law of the Advisory Council.

(5) The Chair of the Advisory Council shall be the Minister for Environment or a representative appointed by the Minister for Environment. The following persons shall be included in the Advisory Council:

1) one representative from each of the following ministries: the Ministry of Environment, the Ministry of Economy, the Ministry of Agriculture, the Ministry of Transport, the Ministry of Education and Science and the Ministry of Regional Development and Local Government;

2) two representatives delegated by associations and foundations which operate in the fields referred to in Section 8, Paragraph one of this Law, on a rotational basis for one year; and

3) two representatives delegated by the Environmental Advisory Council of such associations or foundations, the objective of which according to the statutes is environmental protection.

(6) Representatives delegated by a party of a contract regarding the trade of emission units may also participate in meetings of the Advisory Council according to the provisions of the contract.

(7) Members of the Advisory Council shall not receive a remuneration for participation in the work of the Advisory Council.

(8) The Minister for Environment shall approve the personnel of the Advisory Council. The Ministry of Environment shall ensure the work of the Advisory Council.

Chapter IV

Project Mechanisms of the Kyoto Protocol

Section 13. Implementation of the Project Mechanisms of the Kyoto Protocol

(1) The project mechanisms of the Kyoto Protocol shall be the Joint Implementation projects specified in Article 6 of the Kyoto Protocol and the Clean Development Mechanism specified in Article 12 of the Kyoto Protocol. Implementation of the project mechanisms of the Kyoto Protocol shall be activities, which are related to the preparation and approval of applications for the referred to projects, introduction and supervision of projects.

(2) Approval of the project mechanisms of the Kyoto Protocol submitted in foreign states by legal persons registered in the Republic of Latvia shall be ensured according to the memoranda of understanding entered into by the Republic of Latvia and other states in respect of the joint implementation of the project mechanisms of the Kyoto Protocol.

Section 14. Competence of the Cabinet in the Implementation of the Project Mechanisms of the Kyoto Protocol

The Cabinet shall determine:

- 1) the procedures for the implementation of the project mechanisms of the Kyoto protocol;
- 2) the procedures by which the Kyoto Protocol is assigned emission reduction units, certified emission reduction units, removal units and assigned amount units; and
- 3) the procedures by which emission reduction units and certified emission reduction units are used in the trade system of European Union emission quotas.

Transitional Provisions

1. The Cabinet shall issue the regulations referred to in Section 10, Paragraph three; Section 12, Paragraph four and Section 14 of this Law by 1 May 2008.
2. Section 10, Paragraph one, Clause 6 of this Law shall come into force on 1 January 2009.

This Law has been adopted by the *Saeima* on 8 November 2007.

President V. Zatlers

Riga, 29 November 2007