

Summary of recent developments on emission trading in Latvia

Existence and implementation status of domestic emissions system

The directive 2003/87/EC establishing a scheme for GHG emission allowance trading within the Community and amending Council Directive 96/61/EC is implemented in the following National Laws and Ordinances:

- three laws (<http://www.vidm.gov.lv/vide/darbJom/Lemis.htm>)
 - a Amendments to the Law "On Pollution" (adopted on 18.12.2003);
 - b Amendments to the Law "On Natural Resources Tax" (adopted on 06.04.2004);
 - c Amendments to the Latvian Administrative Violation Code (adopted on 09.09.2004);
- three Regulations of Cabinet of Ministers, (<http://www.vidm.gov.lv/vide/darbJom/Lemis.htm>)
 - a Regulations of the Cabinet of Ministers No.400 "Order for Application and Issuing of GHG Emissions Permit" (adopted on 22.04.2004), amendments to the regulation adopted on 26.07.2005 (<http://www.vidm.gov.lv/vide/LIK/piesarn/L400.htm>);
 - b Regulations of the Cabinet of Ministers No.661 "Order for Actions with Allowances and Establishment of the Pools" (adopted on 03.08.2004);
 - c Regulations of the Cabinet of Ministers No.778 "Order for Monitoring of Greenhouse Gas Emissions, as well as Verification and Approval of Annual Reports regarding Greenhouse Gas Emissions" (adopted on 07.09.2004).

Competent Authority:

- NAP, Allocation of allowances and Coordination of Directive – Ministry of the Environment (www.vidm.gov.lv);
- Registry – Latvian Environment, Geology and Meteorology Agency (<http://www.lva.gov.lv/lva>). Establishment of registry still in process;
- Verification – Latvian National Accreditation Bureau (<http://www.latak.lv/>);
- authority responsible for issuing of the GHG emission permits is Regional Environmental Boards. There are 8 boards in Latvia;
- State environmental service (<http://www.vvd.gov.lv>) controls.

Several participants expressed interest to sell emission reduction units.

Coverage and projected reductions in emissions from base year

Installations mentioned in Annex 1 in the Directive are concerned. The list of installations is included in Table 3 of the National Allocation Plan (<http://www.vidm.gov.lv/vide/darbJom/emis/2005-2007.zip>):

Number of installations total	91
• energy	79
• iron & steel, incl. coke ovens, roasting & sintering plants	1
• cement	1
• lime	1
• glass	2
• ceramics	6
• paper	1

The total quantity of allowances in 2005-2007, including the reserve, is 13 731 286. A more detailed breakdown of allowances is given in Table 1 of NAP.

	2005	2006	2007	TOTAL
Total allowances (reserve not included)	4064898	4044569	4024508	12133975
Potential emissions reduction (only for combustion installations which do not use the energy produced for their own needs)	-23865	-69922	-112620	-206406

It has been estimated that the potential for reducing CO2 emissions from combustion installations which deliver the heat they produced for the final consumer is 1% in 2005 (compared with the base year), 2% in 2006 (compared with the year 2005) and 2% in 2007 (compared with the year 2006), making in total 206 406 allowances.

Allocation mode (including choice of base year, if grandfathering was chosen), treatment of new entrants, and plant closures

All allowances to operators will be allocated free of charge. In addition, a reserve will be formed for new installations in the time period 2005-2007. The allowance for the new entrants will be allocated free of charge from the reserve fund. To quantify the allowances necessary for each installation for the period 2005-2007, the following assumptions are made:

- For combustion installations 1997 is taken as the base year. For installations which began operating after 1997, the base year

chosen is 2001 or 2002. All data are recalculated to heating degree days of 1997;

- For combustion installations which use the produced heat energy for manufacturing purposes only, another base year is fixed, selected accordingly to the specifics of the activity and the economic development;
- For installations corresponding any other activities set out in Directive 2003/87/EC, some of the historical year is selected as the base year, taking into account the specifics of the enterprise and changes in production volume.

Access of entities to the international market, including project-based mechanisms

JI in Latvia:

- Solid Waste management Project in Liepaja (see Joint Implementation Strategy <http://www.vidm.gov.lv/vidm/Epub.htm>);
- The Strategy for the realization the JI projects under the UNFCCC Kyoto Protocol for the time period from 2002 to 2012. Accepted by the Cabinet of Ministers Order No.653 (07.11.2002);
- Implementation of Joint Implementation Projects (UNDP) (Strategy <http://www.vidm.gov.lv/vidm/Epub.htm>).

Work on implementation of Directive 2004/101/EC amending Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading within the Community, in respect of the Kyoto Protocol's project mechanisms in national legislation is in process:

- Amendments to the Law "On Pollution" (adopted on 27.01.2005, in to force from 01.03.2005);
- Amendments to the Law "On UNFCCC Kyoto Protocol" (adopted on 15.09.2005)
- Several regulations of Cabinet of Ministers under preparation - on JI and CDM project realization, allocation of ERU, CER, RMU, AAU, use of ERU and CER in European ET scheme, society information about JI projects and CDM.

Government's intentions to participate in the emissions trading market (including via Green Investment Schemes) and plans to purchase CDM/JI Credits

Conception for Latvia participation in International emission trading (Project) will be reviewed by Cabinet of ministers end of 2005. The document provided to options: A) not participate in first commitment period, B) participation with potential selling assigned amount units in first commitment period 40 000 Gg and earned means planned to recycle in projects with contribute feather GHG emission reduction.

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