Are the funds of the Emission Allowance Auction Instrument planned in a cost-effective manner?

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Audit report

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Performance audit "Are the funds of the Emission Allowance Auction Instrument planned in a cost-effective manner?"

The audit was performed based on audit schedule No 2.4.1-29/2023 of the Fourth Audit Department of the State Audit Office of Latvia of 5 June 2023.

The Audit Report shall take effect when the decision of the Fourth Audit Department of the State Audit Office of Latvia on approval of the Audit Report is approved.

The cover design includes an image from the website www.depositphotos.com, *Panoramic shot of golden coins with green*, author *VadimVasenin*.

Dear Reader,

Climate change is no longer just a future threat but a real challenge that we all face today. Also in Latvia, various natural phenomena, such as periods of drought and unprecedented heat, destructive storms and rains causing floods, are becoming more and more frequent and intense, causing material losses to the public and the national economy.

Like other European Union Member States, Latvia has committed to the ambitious goal of achieving climate neutrality in 2050 as part of the Green Deal. It also means reaching the challenging intermediate goals already in 2030 and 2040.

Climate policy goals cannot be achieved without financial investments. At the same time, one should be aware that financial resources are limited and therefore it is necessary to evaluate the optimal solutions for investing resources.

One of the instruments that can be used to achieve the goals of the Green Deal is the Emission Allowance Auction Instrument (EAAI), which has been in operation since 2012 and which is aimed at achieving the goals of climate policy exclusively.

Achieving targets in the context of limited funding requires the selection of measured and data-driven climate change mitigation measures such as energy, transport and agriculture.

Already in 2017, the State Audit Office of Latvia assessed whether the funds intended to reduce climate change were planned and spent effectively during a performance audit. It was concluded that we did not appreciate our experience and, accordingly, did not use it to increase the effectiveness of our actions.

The cost effectiveness of the measures of the previously implemented similar financial instrument, the Climate Change Financial Instrument (CCFI), was not evaluated and,

therefore, the experience of the CCFI was not used for the purposeful use of EAAI funds.

In order to assess whether such EAAI measures are chosen that contribute to the achievement of the ambitious goal with the least investment of funds, we have conducted this performance audit and drafted a report.

Unfortunately, one must conclude that no data-based selection of EAAI measures has been carried out yet, seven years after the previous audit.

In the National Energy and Climate Plan, updated in 2024, the measures to be co-financed from EAAI funds are determined but without an evaluation of the cost effectiveness of the measures unfortunately.

Two years have passed since the Ministry of Climate and Energy was established with the aim of improving climate and energy policy. However, the rate of investment of EAAI funding in achieving climate goals is not commensurate with the increase in administrative expenses of EAAI, namely, the Ministry of Climate and Energy has spent almost twice as much from EAAI funds for administration in two years as the MEPRD spent in 11 years.

During the audit, we have found that a balance of about 300 million euros is accumulated out of the available EAAI funding of almost 500 million euros by the end of 2023. I would like to draw your attention to the fact that the current practice of the Ministry of Climate and Energy of not providing the public or the Cabinet of Ministers with

information about the available and remaining EAAI funding but "sitting on this money like a dog on a haystack", should be discontinued, although other ministries also confirm their readiness to engage in targeted investment.

We hope for the genuine involvement of the management of the Ministry of Climate and Energy in eliminating the causes of the problems identified in the audit to ensure real results of the implementation of the recommendations.

We would like to thank the Ministry of Climate and Energy and "*Vides investīciju fonds*" (Environmental Investment Fund) Ltd under its control for their cooperation in the audit, as well as the Institute of Physical Energy, line ministries and environmental non-governmental organizations, who gave their opinion during the audit.

Respectfully
Ms Inga Vilka
Department Director

BACKGROUND INFORMATION

Since 2012, there is

Emission Allowance Auction Instrument (EAAI)

Instrument available in latvia that is the only financial instrument aimed at the achievement of climate policy goals exclusively.

The ministries responsible for the administration (hereinafter referred to as the **Ministry**):

- The Ministry of Environmental Protection and Regional Development before 31 December 2022;
- The Ministry of Climate and Energy from 1 January 2023.

From 2012 to 2023

Revenues	**489 million EUR**	from the emission allowance auction of Latvia	
spent	**169 million EUR**		
including			
51%	**86 million EUR**	8 EAAI calls for projects	***Planned GHG emission saving:*** **14,835** ***tCO_2 -eq per annum***
45%	**76 million EUR**	for a one-off measure (to compensate for the costs of electricity system service)	***GHG emission saving:*** **0** ***tCO_2 -eq***
4%	**7 million EUR**	EAAI administering expenses	***Expenses increasing every year***
Balance	**320 million EUR**	In the State Treasury, of which **29 million EUR** intended to be disbursed in accordance with existing contracts for the implementation of projects	***The value of the unused balance has already decreased by*** **70 million EUR**

Summary

The audit has concluded that the planning of the use of funds for the only financial instrument in Latvia, which is aimed at achieving climate policy goals exclusively, that is, the Emission Allowance Auction Instrument, has not been ensured in an effective manner seven years after the previous audit conducted by the State Audit Office of Latvia, which evaluated the use of funds intended to reduce climate change because:

- The funding of the Emission Allowance Auction Instrument has not been invested in the implementation of the most cost-effective measures;
- The available EAAI funding has not been used for the implementation of climate change mitigation measures for a long time;
- The prerequisites for planning cost-effective EAAI measures have not been created.

Without planning the EAAI in a way that ensures the use of funds in a cost-effective manner, GHG emissions reduction does not occur with the least use of financial resources[1], thus not contributing to the achievement of the GHG emission reduction targets set for Latvia.

Why did we conduct an audit?

Greenhouse gas (GHG) emissions caused by human activities are causing global warming, which can have devastating consequences for the public, the economy, and the environment. The existence of global climate change is evidenced by such observed phenomena as global temperature increases, shifts in precipitation zones, melting of glaciers and snow areas and rising global sea levels[2].

Based on meteorological observations, an increase in the average annual air temperature has also been identified in Latvia, which, according to forecasts, will continue to increase if significant measures to reduce GHG emissions are not implemented[3].

Together with other EU Member States, Latvia has committed to achieving climate neutrality by 2050 which means that only as much GHG emissions will be emitted into the atmosphere as nature such as forests, oceans and soil can absorb. To achieve climate neutrality by 2050, each EU Member State has been set an interim target for reducing GHG emissions by 2030. By 2030, Latvia must reduce GHG emissions in the non-ETS sector by 17% compared to the GHG emissions generated in this sector in 2005.

Promoting climate resilience, which affects the reduction of GHG emissions and the increase in the capacity to absorb carbon dioxide, is also playing an increasingly important role in climate policy. Latvia is committed to reducing the vulnerability of people, national economy, infrastructure, buildings and nature to the impacts of climate change and to facilitating the use of opportunities created by climate change.

Climate change and related issues are becoming increasingly urgent and require urgent solutions by channelling significant public and private financial resources to both GHG emission reduction and climate resilience promotion measures.

Achieving climate policy goals is not possible without financial investments. At the same time, it is necessary to be aware that financial resources are limited and therefore it is necessary to evaluate optimal resource investment solutions.

So far, Latvia has had only two financial instruments aimed solely at achieving climate policy goals: the Climate Change Financial Instrument from 2009 to 2015 and the Emission Allowance Auction Instrument from 2012.

Taking into account the topicality of the climate change issue, the State Audit Office of Latvia conducted a performance audit[4] in 2017 by assessing whether the funds intended for climate change mitigation were planned and used effectively and in accordance with the requirements of laws and regulations. The audit concluded that without conducting an evaluation of the effectiveness of the GHG emission reduction measures[5] implemented so far, the experience gained before has not been used for the targeted use of the EAAI funds.

The Ministry did not implement the recommendation of the State Audit Office of Latvia to define the measures to be supported as a priority by the EAAI based on cost-effectiveness calculations because the priority directions of the EAAI set out in the EAAI Strategy[6] developed in 2021 were not based on cost-effectiveness calculations of climate change mitigation measures.

Although both the auditors and the Ministry[7] believe that cost-effectiveness is one of the crucial criteria in the selection of EAAI measures, all available EAAI funding cannot be allocated only to measures with the lowest cost-effectiveness, as both the capacity and the scope of measures that can be taken to reduce GHG emissions are limited. Similarly, the selection of EAAI measures must be coordinated with the social and economic situation in the country, the funding available for climate targets in other support programmes and the priorities set.

The EAAI Strategy[8] developed by the Ministry sets out seven[9] selection conditions[10] for the selection of priority support areas of the EAAI (including cost-effectiveness); however, the Ministry was unable to submit information on the progress of the selection of priority areas of the EAAI[11] proposed so far, that is, an assessment against the selection conditions[12] set out in the strategy, including calculations of the GHG emission reduction potential with the lowest possible GHG emission reduction costs.

Taking into account that Latvia has ambitious climate targets set for 2030 but public funding for the implementation of GHG emission reduction targets is limited, and the recommendation made by the State Audit Office of Latvia in 2017 on determining priority measures to be supported based on cost-effectiveness calculations has not been implemented, the State Audit Office of Latvia launched an audit in 2023 to verify whether the EAAI funds were planned and spent in a cost-effective manner, that is, with the least use of financial resources.

During the audit, the Ministry indicated to the State Audit Office of Latvia[13] that the priority areas of EAAI would be specified in the new EAAI Strategy which would be drafted by 30 June 2024.

To be able to assess how the EAAI funds are planned, the State Audit Office of Latvia suspended the audit temporarily. When resuming the audit, the Ministry informed[14] that the deadline for developing the EAAI Strategy was postponed again. Currently, the strategy is planned to be submitted to the Cabinet of Ministers for approval in the second half of 2024, that is, by 31.12.2024.[15]

Main conclusions

Cost-effectiveness of the implemented EAAI measures

In this audit, cost-effectiveness is defined as the cost of reducing one tonne of GHG emissions per year (euro/t CO2 eq. per year).

The State Audit Office of Latvia already concluded in its performance audit conducted in 2017[16] that the first two EAAI calls for projects for GHG emission reduction in protected architectural monuments of national significance and low-energy buildings had low cost-effectiveness, that is, the annual reduction of one ton of GHG emissions had cost 19,470 euros and 41,791 euros, respectively.

Despite the low cost-effectiveness in the first two EAAI calls for projects, the Ministry continued the implementation of cost-ineffective measures after the audit by announcing the second round of the call for projects for the reduction of GHG emissions in architectural monuments and the call for projects for the construction of low-energy buildings, in which the reduction of one ton of GHG emissions cost 128,173 euros and 345,865 euros, respectively.

Compared to the first two EAAI calls for projects, the cost-effectiveness of these calls for projects was seven times lower on average.

At the same time, when comparing the cost-effectiveness of all eight EAAI calls for projects implemented so far with the cost-effectiveness of other climate change mitigation measures, one can conclude that all EAAI calls for projects implemented so far have relatively low cost-effectiveness, that is, they are 14 to 88 times more expensive than other climate change mitigation measures.

Although the Ministry promises to conduct a cost-effectiveness assessment of the climate change mitigation measures implemented so far, as well as to determine the future EAAI priority measures in *the new EAAI Strategy* whose development has already been postponed several times (currently until 31 December 2024), the measures to be co-financed from EAAI funds have already been determined in the *Updated National Energy and Climate Plan 2024*[17].

In addition, the Cabinet of Ministers has determined[18] that when developing EAAI policy planning documents and laws and regulations, the measures set out in the *Updated National Energy and Climate Plan 2021–2030*[19] and their implementation deadlines in 2024 should be taken into account.

Although the most cost-effective measures were planned to be identified during the updating of *the National Energy and Climate Plan*[20], the Ministry did not submit information[21] on the cost-effectiveness of the measures included in the plan to be co-financed from EAAI funds.

According to the Ministry's explanation[22], GHG emission savings were not calculated by measure but only in an aggregated form. However, the State Audit Office of Latvia points out that in a *Draft Environmental Review*[23] developed within the framework of the Strategic Environmental Impact Assessment of the *Updated National Energy and Climate Plan*[24], there are GHG emission savings calculated by measures identified in the *Updated National Energy and Climate Plan*[25].

Using this data as the best available information, the analysis of the overall cost-effectiveness of climate change mitigation measures shows that the *Updated National Energy and Climate Plan*[26] does not select the most cost-effective measures to be implemented by 2030 and co-financed from

the EAAI, as the selected measures have relatively low cost-effectiveness, that is, they are 120 to 317 times more expensive than other climate change mitigation measures.

Use of EAAI funding

By the end of 2023, only 34% or 169 million euros of the available EAAI funding of 489 million euros had been spent.

Although the Ministry has emphasized that faster implementation of GHG emission reduction measures is more cost-effective, the audit has concluded that EAAI funding is used only within four to six years of its receipt, thus, 320 million euros of EAAI funding have been accumulated by the end of 2023.

The State Audit Office of Latvia indicates that the value of money decreases due to inflation. Auditors have calculated that the value of this funding has already decreased by 70 million euros due to the long-term non-use of the available EAAI funding from 2012 to 2023. Thus, the opportunity to implement measures that would reduce GHG emissions by an average of 9,012 tons per year has not been used.

Although EAAI funding is aimed solely at achieving climate policy goals[27] and Latvia is moving towards the goal of achieving climate neutrality by 2050, only half, that is, 86 million euros of the used EAAI funding, or 18% of the revenue from the auctioning of emission allowances have been invested in the implementation of GHG emission reduction measures that contribute to the achievement of this goal, which is four times less than in the EU Member States as a whole. The EU Member States have used 76%[28] of the revenue from emission allowance auctions[29] for climate, renewable energy and energy efficiency-related goals.

At the end of 2021, a provision was included in the Law on Pollution, which determined the directions for the use of EAAI funding by stipulating that EAAI funding could also be used for a one-time measure, compensating for the costs of electricity system services to end-users of electricity[30].

The Law[31] stipulates that EAAI funding may also be used to cover administrative expenses, for example, for the fulfillment of international obligations in the field of GHG emission reduction and also for the expenses of ensuring the administrative activities of the Ministry of Climate and Energy[32] from 2023[33].

Almost half of the EAAI funding, or 76 million euros, has been spent to support electricity end-users, but this use of EAAI funds has not contributed to the achievement of climate policy goals, as this one-time measure has not resulted in a reduction in GHG emissions.

When analysing the use of administrative expenses, one has detected that 4.2 million euros have been used from the EAAI funds to cover administrative expenses from 2012 to the end of 2022 when the EAAI was administered by the MEPRD. Since the administration of the EAAI has been taken over by the Ministry of Climate and Energy, it intends to spend 7.7 million euros[34] from the EAAI funds on administrative expenses within two years which is almost twice as much as the MEPRD spent over 11 years.

The rapid increase in the EAAI administration expenses is mainly related to the increase in expenses for the administration of EAAI projects, the provision of support functions to the Ministry of Climate and Energy, as well as the payment of positions that were not financed from EAAI funds until the end of 2022. The Ministry of Climate and Energy pays for 10 more positions

from EAAI funds in 2023 and 2024 than it paid for in 2022 before the establishment of the Ministry of Climate and Energy. In the Ministry of Climate and Energy, remuneration is paid from EAAI funds, for instance, to a Head of the Minister's Office, a Parliamentary Secretary and a State Secretary, whose job descriptions also include performing duties unrelated to climate policy.

Although the administrative expenses of the Ministry of Climate and Energy covered by EAAI funds have increased significantly, including by increasing the number of positions paid from EAAI funding, the Ministry has not ensured the timely and targeted use of EAAI funds both by not conducting a cost-effectiveness assessment of the climate change mitigation measures implemented so far and by delaying the determination of EAAI priority measures and the preparation of new calls for projects. In the opinion of the State Audit Office of Latvia, EAAI administration expenses should be linked to the EAAI funding used, rather than using the previous practice of linking them to the revenues from the emission allowance auctions.

The amount of EAAI funds that could be directed to achieving climate policy goals is reduced by expanding the use of EAAI funding in the Law on Pollution to include support for end-users of electricity and by stipulating that EAAI funding could also be used to cover the expenses of ensuring the administrative activities of the Ministry of Climate and Energy, which is also responsible for the energy sector.

Regarding the elaboration of new calls for projects, the Ministry has indicated limited capacity that hinders the use of EAAI funding. However, the Ministry of Climate and Energy has not offered the opportunity to use the available EAAI funding and engage in the development of calls for projects regulations to the line ministries, although the latter have indicated their readiness to engage in the development of new calls for projects regulations for the areas under their responsibility.

Prerequisites for planning cost-effective EAAI measures

From the audit findings, one can conclude that the identification of cost-effective EAAI measures is also limited by the fact that the Ministry has not shaped the prerequisites for a long time that would facilitate the identification of cost-effective measures.

Although the Ministry committed to ensure that EAAI priority supported measures would be based on cost-effectiveness calculations by 2018 after the previous audit conducted by the State Audit Office of Latvia[35], the Ministry has not performed such calculations for more than six years, and has also postponed the deadline for the identification of EAAI priority measures for 2024–2027 repeatedly for a year and a half, which it plans to include in the new EAAI Strategy.

In addition, both the State Audit Office of Latvia and the industry expert believe that the Ministry has missed the opportunity to use the data of the Climate Change Financial Instrument measures implemented in 2009–2015 (for 196.3 million euros) in cost-effectiveness calculations because the assessment of measures 15 years after the start of the implementation of the first projects has lost relevance given the increase in the costs of implementing the measures.

The postponed deadline for the development of the new EAAI Strategy, that is, 31 December 2024, is no longer coordinated with the deadline for the development of the *Updated National Energy and Climate Plan 2021–2030,* id est, 30 June 2024. The State Audit Office of Latvia considers that if a timely assessment of climate change mitigation measures (including EAAI measures) were carried out and the most cost-effective EAAI measures were determined, including these measures in the National Energy and Climate Plan 2021–2030 during its updating would have been possible.

Choosing the most cost-effective measures would ensure that GHG emission reduction goals were achieved with the least use of resources.

For more than seven years[36], the Ministry has been indicating that one should take into account both the direct reduction and the indirect reduction of GHG emissions resulting from the demonstration, innovation and multiplier effect of projects when assessing the effectiveness of measures; however, the Ministry has still not developed a methodology for determining the reduction of indirect GHG emissions.

Despite the fact that the Ministry had instructed the development of a method for assessing measures for assessing indirect GHG emissions within the framework of the contract[37], even an industry expert was unable to develop such a methodology by indicating that the accuracy and uncertainty would be too high due to the lack of information necessary for the calculations[38].

Disregarding the above-mentioned problems, the Ministry has not considered determining either the tasks to be performed, deadlines, or the responsible persons for the assessment of climate change mitigation measures (including EAAI measures) necessary.

The audit findings allow us to conclude that decisions on the use of EAAI funding are made without ensuring the balance of various public interests in the decision-making process. It is indicated by the fact that public involvement in improving the effectiveness of EAAI is formal because even though the EAAI Advisory Council has been established with the aim of promoting the transparency of the use of EAAI funds and involving public representatives in monitoring the management and implementation of EAAI, the meetings of the Advisory Council have not been convened for more than six years since 1 January 2018.

Key recommendations

Based on the conclusions of the performance audit, four recommendations have been provided to the Ministry of Climate and Energy, as the responsible state administrative institution for the planning of the use of the funds of the Emission Allowance Auction Instrument, which, when implemented, will:

- Provide the necessary prerequisites for the planning of EAAI-financed measures in a cost-effective manner;
- Ensure targeted achievement of climate goals is promoted, as well as efficient and transparent use of public funds by selecting priority EAAI measures based on cost effectiveness calculations;
- Ensure the largest possible and most timely channelling of EAAI funding to the achievement of climate goals.

As a result of the implementation of audit recommendations, the State Audit Office of Latvia expects that:

- The amount of administration expenses to be paid from EAAI funding will not exceed 7% of the funding paid out in EAAI project tenders per year;
- The funds obtained from auctions of emission allowances are used within three years on average;
- 100% of the selected priority EAAI measures will be implemented based on cost-effectiveness calculations;
- The cost-effectiveness of the selected priority EAAI measures will improve by 30% to 50% compared to the previous cost-effectiveness[39].

In total, the audit provides four recommendations, which, when implemented, will ensure that EAAI funds are invested in cost-effective measures in the most timely and largest manner possible, thus contributing to the achievement of climate goals.

References

[1] Section 3.1 of the Law on Prevention of Squandering of the Funds and Property of a Public Entity; Section 2.8 of the Law on Pollution.
[2] IPCC 4th Assessment Report: Climate Change. Available at: http://www.ipcc.ch/publications_and_data/ar4/syr/en/contents.html [viewed on 3 September 2024]; IPPC. 5th Assessment Report. Climate Change 2013: The Physical Science Basis. Available at: http://www.ipcc.ch/report/ar5/wg1/#.Uqbv7tziVoI [viewed on 3 September 2024]
[3] Environmental Policy Guidelines 2021–2027 (approved by Cabinet Order No 583 of 31 August 2022), p. 32.
[4] Audit report "Are the funds intended for climate change mitigation administered by the Ministry of Environmental Protection and Regional Development planned and spent effectively and in accordance with the statutory requirements?" of 22 February 2017 of performance audit No 2.4.1-16/2016 of the State Audit Office of Latvia "Are the funds intended for climate change mitigation planned and spent effectively and in accordance with the statutory requirements?".
[5] Measures financed from the Climate Change Financial Instrument
[6] EAAI Strategy (approved by Cabinet Order No 1-2/84 of the MEPRD of 7 June 2021).
[7] E-mail from the Ministry of Climate and Energy dated 10 August 2023.
[8] EAAI Strategy (approved by Cabinet Order No 1-2/84 of the MEPRD of 7 June 2021).
[9] (1) Without financial support from the EAAI, they are not commercially viable; (2) have the highest possible GHG emission reduction potential and the lowest possible GHG emission reduction costs; (3) are aimed at reducing GHG emissions in non-ETS activities; (4) have potentially wide application to promote climate change mitigation and adaptation; (5) are not primarily aimed at achieving any already established, mandatory standards or fulfilling requirements; (6) a demarcation between other sources of funding is ensured; (7) promote changes in consumption and lifestyle habits and the transfer (multiplication) of acquired knowledge, skills and positive results in the field of climate change mitigation and adaptation.
[10] EAAI Strategy (approved by Cabinet Order No 1-2/84 of the MEPRD of 7 June 2021), p.19.
[11] EAAI Strategy (approved by Cabinet Order No 1-2/84 of the MEPRD of 7 June 2021), p. 20.
[12] EAAI Strategy (approved by Cabinet Order No 1-2/84 of the MEPRD of 7 June 2021), p. 19.
[13] E-mail from the Ministry of Climate and Energy dated 10 August 2023.
[14] E-mail from the Ministry of Climate and Energy dated 28 May 2024.
[15] Section 35, Part One of Draft Environment Law. Available at: https://tapportals.mk.gov.lv/structuralizer/data/nodes/7c506f4f-e3e7-4646-bbfe-29f42e46472e/preview [viewed on 8 August 2024].
[16] Audit report "Are the funds intended for climate change mitigation administered by the Ministry of Environmental Protection and Regional Development planned and spent effectively and in accordance with the statutory requirements?" of 22 February 2017 of performance audit No 2.4.1-16/2016 of the State Audit Office of Latvia "Are the funds intended for climate change mitigation planned and spent effectively and in accordance with the statutory requirements?".
[17] Updated National Energy and Climate Plan 2021–2030 (approved by Cabinet Order No 573 of 12 July 2024).
[18] Paragraph 8 of Cabinet Order No 573 of 12 July 2024 "Updated National Energy and Climate Plan 2021–2030".
[19] Updated National Energy and Climate Plan for 2021–2030 (approved by Cabinet Order No 573 of 12 July 2024).
[20] Meeting of the Saeima Sustainable Development Committee on 10 January 2024 (audio recording of the meeting: 1:22:29–1:22:54). Available at: https://titania.saeima.lv/livs/saeimasnotikumi.nsf/0/E692F8DE16EAC0E4C2258A8_C00315808?OpenDocument&prevCat=14|Ilgtsp%C4%93j%C4%ABgas%20att%C4%ABst%C4%ABbas%20komisija [viewed on 12 August 2024].
[21] E-mail from the Ministry of Climate and Energy dated 19 July 2024.
[22] E-mail No 1-13/2076 from the Ministry of Climate and Energy dated 28 August 2024.
[23] The revised draft Environmental Review of the Updated National Energy and Climate Plan (August 2024) was submitted for repeated public consultation until 11 September 2024. Available at: https://www.kem.gov.lv/lv/jaunums/pazinojums-par-aktualizeta-nacionala-energetikas-un-klimata-plana-2021-2030-gadam-strategiska-ietekmes-uz-vidi-novertejuma-vides-parskata-projekta-sabiedrisko-apspriesanu-0 [viewed on 15 August 2024].
[24] Updated National Energy and Climate Plan for 2021–2030 (approved by Cabinet Order No. 573 of 12 July 2024).
[25] Updated National Energy and Climate Plan for 2021–2030 (approved by Cabinet Order No. 573 of 12 July 2024).
[26] Updated National Energy and Climate Plan for 2021–2030 (approved by Cabinet Order No. 573 of 12 July 2024).
[27] EAAI Strategy (approved by Cabinet Order No 1-2/84 of the MEPRD of 7 June 2021), p. 2.
[28] European Environment Agency: *Use of auctioning revenues generated under the EU Emissions Trading System*. Available at: https://www.eea.europa.eu/en/analysis/indicators/use-of-auctioning-revenues-generated [viewed on 13 September 2024].

[29] Between 2013 and 2022.
[30] Part 4^8, Section 32^2 of the Law on Pollution (valid from 24 December 2021).
[31] Paragraph 3 and 4, Part 4^4, Section 32^2 of the Law on Pollution.
[32] Paragraph 4, Part 4^4, Section 32^2 of the Law on Pollution (in wording valid from 22 March 2023).
[33] Section 2 of the Amendments to the Law on Pollution (valid from 22 March 2023).
[34] In 2023, 3.1 million euros were actually spent, and 4.7 million euros are planned to be spent in 2024.
[35] Audit report "Are the funds intended for climate change mitigation administered by the Ministry of Environmental Protection and Regional Development planned and spent effectively and in accordance with the statutory requirements?" of 22 February 2017 of performance audit No 2.4.1-16/2016 of the State Audit Office of Latvia "Are the funds intended for climate change mitigation planned and spent effectively and in accordance with the statutory requirements?".
[36] E-mail No 1-22/1533 of the MEPRD to the State Audit Office of Latvia dated 22 February 2017.
[37] Procurement contract No IL/1/2023/KEM of the Ministry of Climate and Energy and State Scientific Institute "Institute of Physical Energetics" of 30 January 2023 for the development of a mathematical model for the identification and analysis of measures to reduce greenhouse gas emissions and promote carbon dioxide sequestration in various sectors of the national economy at the regional level where the total contract amount is 95,602 euros (including value added tax).
[38] E-mail from Dr.sc.ing. Gaidis Klāvs, Director of the Institute of Physical Energetics, dated 4 July 2024.
[39] So far, the average total cost effectiveness of EAAI-financed projects is 14,377 euro/t CO2-eq while the average cost effectiveness of EAAI is 7,785 euro/t CO2-eq. For projects implemented by the public sector, the average total cost effectiveness will be used while for projects implemented by the private sector, the average EAAI cost effectiveness will be used.