Text consolidated by Valsts valodas centrs (State Language Centre) with amending laws of:

28 January 2010 [shall come into force on 3 March 2010];

16 December 2010 [shall come into force on 1 January 2011];

9 November 2017 [shall come into force on 6 December 2017].

If a whole or part of a section has been amended, the date of the amending law appears in square brackets at the end of the section. If a whole section, paragraph or clause has been deleted, the date of the deletion appears in square brackets beside the deleted section, paragraph or clause.

The *Saeima*1 has adopted and

the President has proclaimed the following law:

**On Participation of the Republic of Latvia in the Flexibility Mechanisms under the Kyoto Protocol**

**Chapter I**

**General Provisions**

**Section 1. Terms Used in the Law**

The following terms are used in the Law:

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

2) **Kyoto units** – assigned amount units, emission reduction units, certified emission reductions, removal units, long-term certified emission reductions, and temporary certified emission reductions within the meaning of Article 3(12) of Commission Regulation (EU) No 389/2013 of 2 May 2013 establishing a Union Registry pursuant to Directive 2003/87/EC of the European Parliament and of the Council, Decisions No 280/2004/EC and No 406/2009/EC of the European Parliament and of the Council and repealing Commission Regulations (EU) No 920/2010 and No 1193/2011;

3) **climate change financial instrument** – a financial instrument the funds of which have been acquired by selling the assigned amount units owned by the State in accordance with the procedures laid down in Article 17 of the Kyoto Protocol and are used in accordance with the conditions of this Law.

[*9 November 2017*]

**Section 2. Purpose of the Law**

The purpose of the 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 flexibility mechanisms under the Kyoto Protocol.

**Section 3. Scope of Application of the Law**

The Law prescribes:

1) the basic principles for the participation of the Republic of Latvia in the flexibility mechanisms under the Kyoto Protocol and the competence of authorities related to this participation;

2) the procedures for the planning, use, and administration of the funds obtained as a result of sale of the State Kyoto units.

[*9 November 2017*]

**Chapter II**

**International Trade of Emission Units**

**Section 4. Ownership of Kyoto Units**

The assigned amount units, emission reduction units, certified emission reductions, long-term certified emission reductions, and temporary certified emission reductions which are in the register of Kyoto units and emission allowances opened in the State account of the Republic of Latvia, and also removal units shall be the State property, and the Ministry of Environmental Protection and Regional Development shall be its lawful possessor.

[*9 November 2017*]

**Section 5. Participation in the International Trade of Emission Units**

(1) The Republic of Latvia may sell such Kyoto units which are or will not potentially be used to ensure the fulfilment of the commitments for the reduction of greenhouse gas emissions of the Republic of Latvia.

(2) Upon receipt of an offer from another country or upon a proposal of the Ministry of Environmental Protection and Regional Development, the Cabinet shall decide on participation in the international trade of emission units and on actions involving the Kyoto units owned by the State.

(3) The Ministry of Environmental Protection and Regional Development shall conduct negotiations in relation to the entry into a contract on the trade of Kyoto units, including assigned amount units, and prepare a draft contract. The provisions for the type, number, and price of Kyoto units and payment procedures shall be mandatorily included in the draft contract.

(4) The Cabinet shall approve a draft contract on the trade of Kyoto units.

(5) The Minister for Environmental Protection and Regional Development shall sign a contract on the trade of Kyoto units.

[*16 December 2010; 9 November 2017*]

**Section 6. Greenhouse Gas Emission Unit Register**

[9 November 2017]

**Chapter III**

**Climate Change Financial Instrument**

**Section 7. Planning of the Climate Change Financial Instrument**

(1) Resources which are obtained by selling the Kyoto units owned by the State shall be transferred to the State budgetary revenue account opened in the Treasure in conformity with 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.

[*9 November 2017*]

**Section 8. Use 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 use of such environmental technologies which promote the increase of energy efficiency or the use of renewable energy resources;

d) development and introduction of a policy for the mitigation 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 the use of flexibility mechanisms under the Kyoto Protocol;

e) educational measures and scientific research which shape public awareness of 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 the possibilities for carbon capture and storage.

(2) The Treasury shall ensure the making 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.

(3) The residual resources obtained from the international trade of emission units shall be used in conformity with the conditions referred to in Section 32.2 of the law On Pollution.

[*9 November 2017*]

**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;

5) financial precaution.

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

(1) The Ministry of Environmental Protection and Regional Development 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) evaluate the project applications and approve projects which receive financing from the resources of the climate change financial instrument, and also grant financing for the particular project;

3) [28 January 2010];

4) prepare and submit payment orders to the Treasury;

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

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

(11) *Valsts sabiedrība ar ierobežotu atbildību “Vides investīciju fonds”* (State limited liability company Environmental Investment Fund) (hereinafter – the Environmental Investment Fund) shall:

1) organise calls for proposals, perform analysis of project applications, and prepare proposals for the project application evaluation commission in accordance with the laws and regulations regarding the evaluation criteria of climate change financial instruments and projects, and also prepare proposals for the Ministry of Environmental Protection and Regional Development regarding approval of projects and granting of financing;

2) supervise the project implementation and the execution of the contracts on the project implementation;

3) examine the reports submitted by project implementers on the progress of project implementation and monitoring of project results and submit the aggregated information to the Ministry of Environmental Protection and Regional Development.

(12) When carrying out the tasks laid down in this Law, the Environmental Investment Fund shall be under functional subordination of the Ministry of Environmental Protection and Regional Development.

(13) If financing has been granted to the project from the resources of the climate change financial instrument, the project implementer shall enter into a trilateral agreement on the project implementation with the Ministry of Environmental Protection and Regional Development and the Environmental Investment Fund.

(2) Expenditures for the implementation of a climate change financial instrument and for 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 the implementation of a climate change financial instrument, evaluation criteria and the procedures for the application, examination, approval, and financing of projects;

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

[*28 January 2010; 16 December 2010; 9 November 2017*]

**Section 10.1 Decisions to Approve or Reject Projects**

(1) If a project applicant is a private individual, the decision of the Ministry of Environmental Protection and Regional Development to approve or reject a project shall be an administrative act.

(2) If a project applicant is an institution of direct or indirect administration, another State institution, or derived public person, the decision of the Ministry of Environmental Protection and Regional Development to approve or reject a project shall be an administrative decision.

(3) The decision of the Ministry of Environmental Protection and Regional Development to approve or reject a project shall be taken not later than within four months from the end of the time period for the submission of project applications.

[*16 December 2010*]

**Section 10.2 Appeal of Decisions**

The decisions referred to in Section 10.1 of this Law may be appealed to a court if the addressee of the decision is the person referred to in Section 10.1, Paragraph one of this Law. The appeal of the decision shall not suspend the operation thereof.

[*16 December 2010*]

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

(1) If a project has received the financing from the resources of a climate change financial instrument, the project implementer shall, in accordance with the laws and regulations regarding the implementation of the climate change financial instrument, provide reports to the Environmental Investment Fund on the progress of the project implementation, including on the use of the allocated financing and the monitoring of project results, also on the achieved improvement of environmental quality.

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

(3) [28 January 2010]

[*28 January 2010*]

**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 – the Advisory Council) shall be to promote the transparency of use of the resources of the climate change financial instrument and the conformity thereof to the objectives and requirements of this Law, and also 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 Environmental Protection and Regional Development.

(3) The Advisory Council, upon its own initiative or the initiative of the Ministry of Environmental Protection and Regional Development, 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 Chairperson of the Advisory Council shall be the Minister for Environmental Protection and Regional Development or a representative appointed by the Minister for Environmental Protection and Regional Development. The following persons shall be included in the Advisory Council:

1) one representative from the Ministry of Environmental Protection and Regional Development, the Ministry of Economics, the Ministry of Agriculture, the Ministry of Transport, and the Ministry of Education and Science each;

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;

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

(6) Representatives delegated by a party of a contract on the trade of assigned amount units may also participate in meetings of the Advisory Council according to the conditions 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 personnel of the Advisory Council shall be approved by the Minister for Environmental Protection and Regional Development. The Ministry of Environmental Protection and Regional Development shall ensure the work of the Advisory Council.

[*16 December 2010; 9 November 2017*]

**Chapter IV**

**Mechanisms under the Kyoto Protocol**

**Section 13. Implementation of the Mechanisms under the Kyoto Protocol**

(1) The mechanisms under the Kyoto Protocol shall be:

1) the Joint Implementation project – a project of the mechanism laid down in Article 6 of the Kyoto Protocol which is carried out by a country included in Annex 1 to the Convention with the commitments laid down in Annex B to the Kyoto Protocol in another country included in Annex 1 to the Convention with the commitments laid down in Annex B to the Kyoto Protocol and as a result of which emission reduction units may be allocated;

2) the Clean Development Mechanism – a project of the mechanism laid down in Article 12 of the Kyoto Protocol which is carried out by the country included in Annex 1 to the Convention with the commitments laid down in Annex B to the Kyoto Protocol in a country which is not included in Annex 1 to the Convention and as a result of which certified emission reductions, long-term certified emission reductions, and temporary certified emission reductions may be allocated.

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

[*9 November 2017*]

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

The Cabinet shall determine the procedures by which:

1) projects mechanisms of the Kyoto Protocol shall be implemented in the Republic of Latvia, including Kyoto units shall be allocated;

2) a certification for the implementation of the mechanisms under the Kyoto Protocol outside the territory of Latvia shall be issued.

[*9 November 2017*]

**Transitional Provisions**

1. The Cabinet shall, by 1 May 2008, issue the regulations referred to in Section 10, Paragraph three, Section 12, Paragraph four, and Section 14 of this Law.

2. Section 10, Paragraph one, Clause 6 of this Law shall come into force on 1 January 2009.

3. Until the coming into force of the Cabinet Regulation referred to in Section 14 of this Law, but not later than until 31 January 2018, Cabinet Regulation No. 510 of 7 July 2008, Procedures for the Implementation of the Kyoto Protocol Mechanisms, shall be applied, insofar as it is not in contradiction with this Law.

[*9 November 2017*]

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

President V. Zatlers

Rīga, 29 November 2007