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Assessment of the draft updated National Energy and Climate Plan of Latvia

Accompanying the document

COMMISSION RECOMMENDATION

on the draft updated integrated national energy and climate plan of Latvia covering the period 2021-2030

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1 SUMMARY


1.1 Overview of key objectives, targets and contributions in the draft updated NECP

The European Green Deal, the fast-evolving geopolitical context and the energy crisis have led the EU and its Member States to accelerate the energy transition, and to set more ambitious energy and climate objectives, with a strong focus on diversifying energy supplies. These changes are reflected in the legislative framework adopted under the ‘Fit for 55’ package and the REPowerEU plan.

Latvia submitted its draft updated national energy and climate plan (‘the draft updated NECP’ or ‘the plan’) on 11 December 2023, and the plan partially reflects this new geopolitical and legislative framework.

Table 1: Summary of key objectives, targets and contributions of Latvia’s draft updated NECP

	National targets and contributions	2020	Progress based on latest available data	2030 national targets and contributions	Assessment of 2030 ambition level
	Binding target for greenhouse gas (GHG) emissions compared to 2005 under the Effort Sharing Regulation (ESR) (%)		2021: 0.8% 2022: -2.8%	-17%	NECP: n.a. NECPR: -8.4%
	Binding target for net greenhouse gas removals under the Regulation on Land Use, Land Use Change and Forestry (LULUCF)		Reported net emissions of 2.39 Mt CO ₂ eq. in 2021 and reported approximated net emissions of 4.19 Mt CO ₂ eq. in 2022	-639 Kt CO ₂ eq. (additional removal target) -644 Kt CO ₂ eq. (total net removals)	Insufficient ambition based on the limited information provided
	National target/contribution for renewable energy: Share of energy from renewable sources in gross final consumption of energy (%)		2021: 42.1%	57%	Latvia’s contribution of 57% is below the 61% required level pursuant the formula set out in Annex II of the Governance Regulation
	National contribution for energy efficiency:				
	Primary energy consumption (Mtoe)	5.4 Mtoe	2021: 4.5 Mtoe	3.9 Mtoe	Latvia’s primary energy consumption contribution is 3.9 Mtoe. EED recast Annex I formula results: 3.7 Mtoe.

	Final energy consumption (Mtoe)	4.5 Mtoe	2021: 4.1 Mtoe	3.4 Mtoe	Latvia's final energy consumption contribution is 3.4 Mtoe. EED recast Annex I formula results: 3.28 Mtoe.
	Level of electricity interconnectivity (%)	42.1%	69.4%	15% ¹	

Source: Eurostat; Latvia's draft updated national energy and climate plan

1.2 Summary of the main observations²

Latvia submitted its draft updated NECP more than five months after the deadline of 30 June 2023.³ Therefore, the European Commission had limited time to draft its assessment in this Staff Working Document, in order to enable Latvia to submit its final draft updated NECP by the legal deadline of 30 June 2024.

The draft updated plan is very short and incomplete. It lacks most of the essential elements required under Annex I to the Governance Regulation.

Latvia's draft updated NECP briefly refers to the revised energy and climate targets recently agreed under the 'Fit for 55' package and the REPowerEU plan. However, it does not provide sufficient details on how Latvia will meet these targets.

In terms of reducing greenhouse gas emissions under the **Effort Sharing Regulation (ESR)**, the plan lacks emission projections and a mention of additional policies and measures to reduce emissions. This makes it impossible to assess whether Latvia is on track to meet its national greenhouse gas target of a 17% reduction by 2030 compared to 2005 levels. According to Latvia's projections submitted in March 2023 in the context of the Progress Report, Latvia is set to miss the target by 8.6 percentage points.

In terms of **land use, land use change and forestry (LULUCF)**⁴, the draft updated projections in the plan indicate that Latvia will fall short of the 2030 target, highlighting the need to step up climate action. The draft does not set out any pathway to increase the

¹ Calculated by the European Commission based on the ENTSO-E data (Winter Outlook 2022-2023). The 2030 level represents the general interconnectivity target of 15%. The level of ambition cannot be assessed, because the actual 2030 interconnectivity levels will depend on the implementation of the planned interconnectors and changes in the generation capacity.

² In addition to the notified draft NECP, this assessment also considers informal bilateral exchanges, which are part of the iterative process established under the Governance Regulation.

³ Article 14 (1) of Regulation (EU) 2018/1999 on the Governance of the Energy Union and Climate Action OJ L 328, 21.12.2018, p. 1–77.

⁴ Regulation (EU) 2018/841 of the European Parliament and of the Council of 30 May 2018 on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry in the 2030 climate and energy framework and amending Regulation (EU) No 525/2013 and Decision No 529/2013/EU (OJ L 156, 19.6.2018, p. 1).

land sector's contribution to the EU's higher climate target, nor does it identify policies and measures for action in this area. The draft also lacks information on the status and progress in ensuring higher tier levels and geographically explicit datasets needed to ensure the robustness of net removal estimates.

The plan makes no reference to **carbon capture, use and storage (CCUS)**. It does not identify annual CO₂ emissions that can be captured from the emissions trading scheme (ETS) and non-ETS sources by 2030. It mentions neither current nor future CO₂ storage capacity and lacks projections for annual injection capacity by 2030. The plan does not discuss building domestic or cross-border dedicated CO₂ transport capacities.

The draft updated NECP does not reflect **progress towards international commitments under the Paris Agreement**.

The draft updated NECP is clearly work in progress on **adaptation to climate change and** lacks the information the Commission needs to assess this chapter. The plan does not contain any analysis of climate vulnerabilities or risks to the achievement of national objectives, targets and contributions. It does not provide policies and measures for the individual dimensions of the Energy Union. It does not specify or quantify the link to specific Energy Union objectives and policies to which adaptation policies and measures relate. It does not describe at all adaptation policies and measures to help Latvia achieve its national objectives, targets and contributions under the Energy Union.

On **renewable energy**, the draft updated plan **puts forward the contribution of 57% of renewables in gross final energy consumption**, which is below the 61% share resulting from the formula in Annex II to Regulation (EU) 2018/1999 on the Governance Regulation of the Energy Union and Climate Action ('Governance Regulation'). The updated draft plan does not include trajectories for renewables per sector nor per technology, and lacks the reference points for 2025 and 2027 in line with the EU's higher 2030 renewable energy target of 42.5%. Overall, the plan contains only very generic policy indications that do not enable the Commission to make a complete assessment of how Latvia will achieve the objectives. Latvia states that it will include the necessary detail, including the chapter on policies and measures in the final updated plan.

On **energy efficiency**, Latvia's draft updated NECP is a very **preliminary** update and lacks details on the required policies and measures. It does not reflect the higher target set in Directive (EU) 2023/1791 on energy efficiency and amending Regulation (EU) 2023/955 (recast) ('EED recast') across all provisions. Latvia's draft updated NECP includes national contributions to the EU's 2030 energy efficiency targets of 3.4 Mtoe for final energy consumption, and 3.9 Mtoe for primary energy consumption, neither of which is in line with the EED recast. The **energy efficiency first principle** is not well covered in the plan. It lacks substantial information on the measures planned and fails to provide estimates of financial needs or funding sources.

Similarly, **on buildings**, the draft updated NECP is rather incomplete. It does not provide sufficient information on Latvia's long-term renovation strategy (LTRS) and its key elements, targets and milestones. The plan does not contain any measures related to building renovations but merely specifies that national internal discussions are ongoing.

Latvia's draft updated plan is almost completely empty on the **energy security dimension**, containing only a target to keep the level of energy import dependency broadly stable by 2030. It therefore lacks specific measures to ensure the security of oil

and gas supply, despite the current fragile oil stock system relying mostly on tickets. The draft NECP also lacks projections on future oil or gas consumption, and measures to build further energy storage in the country.

Latvia's draft plan gives only a general explanation of actions to complete the **internal energy market**, with some measures that aim to achieve an efficient use of existing infrastructure, closer regional and EU cooperation and increasing active consumers. However, the draft plan lacks specific policies and measures on the internal energy market and on flexibility. Latvia's plan briefly notes some policy objectives and measures on key infrastructure developments to enable several objectives of the five dimensions of the Energy Union tabled in the plan. On **energy poverty**, the draft updated NECP provides no update or further information, indicating only that national discussions are ongoing internally.

The chapter on **research, innovation, competitiveness and skills** lacks targets or measures to support research, innovation and investments in clean energy technologies, the manufacturing of key components and equipment, and the digitalisation of the energy value chain. The plan does not include a specific breakdown of investment in research and innovation (R&I) specific for the energy sector for 2030 and 2050. Similarly, it lacks clear competitiveness targets and measures for regional cooperation in this area and information on measures and investments to bridge potential skills gaps for the energy transition.

On the **just transition**, the draft updated NECP does not provide any analysis of the social, employment and skills impacts of the energy and climate transition, nor other distributional impacts on vulnerable groups. The plan lacks social measures to support the just transition, evidence related to skills and employment, and elements related to the planned financing. The plan also lacks information on how Latvia will prepare the Social Climate Plan or ensure consistency of the the two plans.

As regards its **strategic alignment with other planning tools**, the draft updated NECP does not outline any of the reforms or investments included in the **recovery and resilience plan** ("RRP") nor reflect the Territorial Just Transition Plan commitments regarding peat for energy generation. The national objectives and targets set out in the draft updated NECP are broadly in line with the **European semester country specific recommendations** ("CSR"), with the exception of the skills needed for the green transition.

Finally, the plan lacks an assessment of the **investment needs**. Given the lack of concrete policies and measures it is also not clear how investments will be financed. Moreover, the plan does not provide an **analytical base** nor include projections exception for baseline figures for 2030. The methodologies used to make these projections are not described. The draft NECP also lacks an impact assessment of policies and measures. Furthermore, there is no macro-economic assessment provided, which under the Energy Union Regulation is a mandatory requirement.

2 PREPARATION AND SUBMISSION OF THE DRAFT UPDATED NECP

2.1 Process and structure

Latvia submitted its draft updated NECP on 11 December 2023. The plan is not well developed, as many relevant sections in the Annex I template of the Governance Regulation are empty.

The draft plan describes the national context in which the draft updated plan was developed, in the form of energy and climate policy roadmaps. These roadmaps describe the main challenges and advantages related to Latvia's climate and energy transition, with links to both the historical and the geographical features of the country. The draft plan also describes the private and public financing landscape. However, it does not describe how climate change is affecting Latvia, nor any specific challenge related to adaptation.

Latvia mentions that, in line with the whole-of-government approach, it will use the draft plan to consult line ministries and other relevant institutions. However, it does not provide sufficient details in terms of how, when and at what level such consultations will take place nor how it will factor in synergies and trade-offs across different portfolios. The draft plan makes no clear reference to the role of local authorities and cities.

2.2 Public consultation

The procedure for public participation is not explained in the plan, which only states that Latvia will publish the draft plan for discussion with the public authorities and stakeholders from December 2023 to January 2024. A public consultation on the legislative portal will take place after receipt of the Commission's recommendations and after the draft plan is updated to incorporate the Commission's recommendations and the views of stakeholders, including the public.

The draft plan does not explain whether a multilevel energy and climate dialogue was held. The draft plan does not mention if a Strategic Environmental Assessment (SEA) was conducted or if there are plan to do so.

2.3 Regional national consultations for preparing the draft updated NECP

The draft plan does not describe any consultations held with neighbouring countries with whom Latvia cooperates on energy policy under regional cooperation fora, such as the High-Level Group on the Baltic Energy Market Interconnection Plan in Energy (BEMIP HLG).

3 ASSESSMENT OF THE AMBITION OF OBJECTIVES, TARGETS AND CONTRIBUTIONS AND ADEQUACY OF SUPPORTING POLICIES AND MEASURES

3.1 Decarbonisation

3.1.1 Greenhouse gas emissions, removals and storage

The draft updated plan recognises the new and revised climate targets included in the ESR and LULUCF Regulation, as part of the Fit for 55 legislative package. However,

Latvia did not submit most of the required information and therefore a thorough assessment could not be carried out.

The draft updated plan confirms Latvia’s commitment to achieve climate neutrality by 2050. It does not, however, include specific pathways to 2030 and to 2050, in line with the national long-term strategies and with the climate-neutrality objective set out in the European Climate Law. The plan does not include emissions projections to 2050 under either a with-existing-measures (WEM) or with-additional-measures (WAM) scenario. The projections submitted in March 2023 under Article 18 of the Governance Regulation show that Latvia's net GHG emissions (including LULUCF and excluding international aviation) are set to reach 12 million tonnes of CO₂ equivalent by 2050 with existing measures and 11 million tonnes of CO₂ equivalent with additional measures. This is equivalent to projected reductions by 2050 of 14% and 19% from 1990 levels, respectively.

The information provided in the draft updated plan does not enable the Commission to fully assess whether Latvia's progress is consistent with the EU's climate-neutrality objective. However, based on all the available information, progress by Latvia towards the EU's climate-neutrality objective appears to be largely insufficient.

The draft updated NECP does not provide sufficient information to assess whether it reflects the higher target under the ESR. The ESR sets a target to reduce Latvia’s emissions by 17% from 2005 levels by 2030. The draft updated NECP only provides a baseline projection value to reduce ESR emissions by 6.6% compared to 2005 levels. The plan states that the objective of the updated plan is to meet Latvia’s ESR target, but it includes neither projections nor policies.

Table 2: ESR target and projections in Latvia’s draft updated NECP

ESR target and projections⁵					
	2030 target*	2021 performance (inventory data) *	2022 performance (approximated data) *	2030 WEM projection*	2030 WAM projection*
Latvia	-17%	+0.8%	-2.8%	-6.6%	n.a.
EU	-40%	-14.5%	-16.9%	-27%	-32%

*Compared with the 2005 emissions as set out in Annex I to Commission Implementing Decision (EU) 2020/2126.

The draft updated NECP does not reflect the higher target set in the LULUCF Regulation, in particular the 2030 national target requiring Latvia to deliver additional - 639 Kt CO₂ eq. net removals to reach the total value -644 Kt CO₂ eq. in 2030. Although the plan hints that Latvia considers the LULUCF sector problematic in terms of the targets for both the first (‘no-debit rule’) and the second period, it fails to provide any details on policies and measures that are proposed to bridge the gap.

⁵ The comparison between the ESR target and emission projections does not take into account the flexibilities available for Member States under the ESR to comply with their 2030 targets. The ESR emissions will be comprehensively reviewed in 2027 (for the years 2021-2025) and 2032 (for the years 2026-2030).

Referring to forests covering more than 50% of the land, the plan explain the potential of the LULUCF sector to remove CO₂ through sustainable forest management, by promoting the use of wood in construction and by using biomass for energy. The plan does not mention the restoration of previously drained peatlands which constitute an important source of emissions in particular for agricultural lands. Overall, the plan does not provide projections, therefore it is not possible to make a comprehensive assessment.

The draft updated NECP fails to set any pathway to increase the contribution of Latvia's land sector to the EU's higher climate target. Latvia does not include any policies and measures and thus does not show how the LULUCF sector will contribute to the long-term transition to climate neutrality by 2050.

On decarbonising the transport sector, the draft updated NECP has significant gaps, though it does report on the revised Renewable Energy Directive II aligned broad goals and targets and highlights the link between the shift to electric forms of transport and energy efficiency. It does not provide adequate information on road transport measures nor on the roll-out of zero-emission vehicles, the deployment of the corresponding recharging and refuelling infrastructure, public transport, the modal shift to low-carbon transport, shared and active mobility. The plan mentions the ReFuelEU aviation Regulation only in the context of the Fitfor55 package and fails to explicitly mention the legal obligations imposed by ReFuelEU aviation Regulation on the uptake of sustainable aviation fuels and synthetic fuels supply. The plan does not provide information on policies and measures related to the maritime sector.

The draft updated NECP does not quantify the annual CO₂ emissions that can be captured from ETS emitters and non-ETS sources, nor does it mention building dedicated CO₂ transport capacity. It does not estimate Latvia's geological CO₂ storage capacity.

The shortcomings in the draft updated plan on tackling non-CO₂ emissions are problematic, as agricultural methane and N₂O emissions accounted for 25% of all greenhouse gas emissions from the Effort Sharing sectors in 2021. The draft updated plan acknowledges that **agriculture** poses a particular problem due to its high greenhouse gas emissions, especially methane and N₂O emissions. However, the plan does not provide any information on policies and measures to tackle this problem. Similarly, the plan lacks information on methane and N₂O emissions from the LULUCF sector.

The draft updated NECP does not reflect Latvia's progress towards the international commitments made under the Paris Agreement. The plan does not include a commitment or measures to phase out solid fossil fuels in the power sector. It does not mention phasing out fossil fuel subsidies at all.

The draft updated NECP does not include an analytical basis, nor an assessment of the impact of policies and measures on the achievement of the GHG mitigation targets contained in the plan. The few policies and measures mentioned in the plan are not described in sufficient detail in terms of their scope, timing and likely impact.

On 27 December 2019, Latvia submitted to the Commission its national long-term strategy. The strategy includes the goal of achieving climate neutrality by 2050. The goal is not enshrined into law. In March 2023, Latvia reported on progress on its initial

NECP, in which it confirms the climate-neutrality objective. It reiterates the goal of climate neutrality in the draft updated NECP.

3.1.2 Adaptation

The draft updated NECP also lacks sufficient detail on adaptation to climate change. The plan does not include adaptation goals and does not identify relevant climate vulnerabilities and risks that may threaten the achievement of national objectives, targets or contributions to the various aspects of the Energy Union. It does not report any current or planned policies and measures (nature-based, nature restoration or others) to tackle climate risks. The draft plan also lacks a mention of innovative approaches such as insurance policies or fiscal measures to close the climate protection gap.

Similarly, the plan does not cover investments to minimise environmental impacts, such as biodiversity loss, when contributing to climate adaptation. The plan does not mention adaptation goals or objectives for specific sectors of the national adaptation strategy including agriculture, environmental management, natural resources, transport, infrastructure, industry, energy and forestry.

3.1.3 Renewable energy

Latvia's renewable energy contribution proposed in the draft NECP is to reach a share of 57% of the national gross final consumption of energy by 2030. This is based on the WAM scenario and includes absolute values in terms of energy in GWh. This contribution is below the 61% share resulting from the formula in Annex II to the Governance Regulation. The draft plan does not provide a scenario with yearly overall renewable energy contribution trajectories and a breakdown by technology up to 2030, nor to 2040. It only mentions that Latvia plans to increase the production of electricity from renewable energy by installing wind and solar power capacity. It also lacks information on the indicative trajectory to reach the 57% contribution in 2030 with the specific reference points for 2025 and 2027 in line with the EU's higher renewable energy target of 42.5%⁵ by 2030, as required by the Governance Regulation.

The share of renewable electricity generation in Latvia was above 63% in 2020; however, the draft updated plan does not specify the total projected share of renewable electricity by 2030 or give a breakdown by technology. The updated draft plan does not include information on the innovative target for renewable energy deployment.

The use of renewable energy in the heating and cooling sector is projected to reach 66.4% by 2030. While it is not clear whether the corresponding increase is below the new mandatory average annual increase of 1.1 and 0.8 percentage points calculated for the periods of 2021-2025 and 2026-2030 respectively set in the revised RED II, Latvia's share is above 50% and may count that as fulfilling half of the mandatory increase. It is unclear what the role of waste heat and cold will be, how renewable electricity is included in the trajectory and its impacts on setting and achieving the target.

The use of renewable energy in the **industry** will reach an average of 64.9% over the 2021-2030 period while the renewable energy share in **buildings** is expected to reach 68% in 2030. No information is provided on the increase in the share of renewable energy in district heating and cooling over the 2021-2030 period. Latvia plans to promote

waste heat to achieve this target, but does not provide further detail on how it will be accounted for, nor on whether renewable electricity will be used to achieve this target.

The draft updated plan sets a target to reduce the emission intensity of transport energy consumption with 15% by 2030. It does not set an energy-based target. Latvia recognises that the transport sector should play a key role in decarbonisation, given its high share of fossil fuel consumption contributing to greenhouse gas emissions, notably from road transport. Latvia aims to bring in an obligation for fuel suppliers to achieve a specific GHG intensity reduction that will significantly increase the share of renewable energy in transport, in particular through the uptake of advanced biofuels/biomethane and electrification. Latvia plans to further accelerate the roll-out of electric transport as a solution to boost sustainable transport, energy efficiency and renewable energy. However, it lacks information on whether Latvia intends to set a target for electric cars by 2030, or plans measures to accelerate the uptake of electric transport (both relating to vehicles and charging infrastructure). It includes a merged target for renewable fuels of non-biological origin (RFNBO) and for advanced biofuels to reach a combined share of 5.5% in 2030, of which 1% is RFNBOs. It also includes a target for RFNBOs in aviation. However, the draft plan lacks details on reducing the share of conventional biofuels.

The draft updated NECP lacks information on the pathway for substituting oil-based transport fuel by electrification and **renewable hydrogen** in land transport. The draft plan does not provide information on the planned capacity of electrolyzers by 2030 nor on the measures for RFNBO use in demand sectors, notably transport and industry. It does not set a target for RFNBO use in industry. The plan does not contain any information on planned **international partnerships** to facilitate imports of renewable hydrogen via an agreement, memorandum of understanding or by engaging in bilateral talks with other countries on potential imports.

Latvia's draft plan lacks an entire chapter on **policies and measures** to underpin the proposed renewable energy objectives and on how Latvia will contribute to the EU's renewable energy target. The draft plan contains only very general policy indications, stating that the government is preparing policies and measures to be included in the final updated plan. In the **electricity sector**, Latvia's objective is to increase the production of electricity from renewable energy, notably from wind and solar power, but the draft plan it lacks detail on how this will be achieved. No information is provided either on the use of reverse auctions or on promoting long-term power purchase agreements. The draft updated plan does not contain information on how Latvia will use guarantees of origin to improve the current system of consumer information, and no information is provided on the framework for joint projects with other Member States. Likewise, the draft plan lacks information on measures to accelerate the deployment of solar energy, on individual and collective self-consumption of renewable energy, or on promoting renewable energy communities. Latvia does not make any reference in its plan to **energy system integration** including the regulatory framework for encouraging demand response, or using innovative technologies and electricity storage in batteries.

The draft plan indicates that Latvia will achieve an increase in the share of **renewables in heating and cooling** by upgrading installed biomass capacity, increasing installed capacity of heat pumps, solar collectors, facilitating the transition to high-capacity heat pumps or electricity in district heating systems, and promoting the integration of different

technologies in heat production. It also plans to bring in a supplier obligation for natural gas traders, facilitating the **blending of biomethane** for natural gas used in heat generation. However, the draft plan does not indicate how biomethane production will be promoted.

In addition, Latvia plans to develop and promote the use of waste heat in district heating and cooling to be recovered from data centres, wastewater treatment systems or industrial plants. It aims to improve and adjust the heat market regulation, in particular in the capital city Riga, to fully use the currently untapped potential to reuse waste heat. No further detail is provided on the specific measures to achieve it. In addition, the draft plan does not detail planned measures to provide an enabling framework for increasing integration between electricity and heating and cooling networks. The draft plan lacks information on measures to achieve an increase in **renewable energy in industry and in buildings**.

Latvia's draft plan does not include measures to promote **bioenergy availability and bioenergy sustainability**. The draft plan does not include bioenergy-related projections to 2030 (or to 2040) for the electricity, heating and cooling or transport sectors, only mentioning the objective for the share of advanced biofuels and renewable fuels of non-biological origin in transport in 2030. It does not mention the cascading principle. The draft updated NECP does not include data on biomass supply by feedstock and origin, nor on the source of forest biomass used for energy or the impact on the LULUCF sink. In particular, the draft updated NECP does not include an assessment of the domestic supply of forest biomass for energy purposes in 2021-2030 in line with the revised sustainability criteria under the revised RED II. It also lacks an assessment of the compatibility of the projected use of forest biomass for energy production with Latvia's new obligations under the revised LULUCF Regulation, particularly for 2026-2030, together with measures and policies to ensure compatibility.

The plan has not assessed the impact that bioenergy trajectories may have on LULUCF sinks, on biodiversity or on air quality. The draft plan does not clarify why promoting the use of biomass for energy will increase carbon sinks. The draft updated NECP cites the biomethane country fiche for Latvia⁶, provided by the Commission, but has not yet provided an action plan, target or trajectory of biomethane production and use per sector with an outlook to 2030.

Latvia indicates in its draft plan that it will designate **accelerated renewable deployment areas** in 2025, with a focus on wind power, solar energy, biomethane production and grid injection areas. In those areas, the country does not anticipate covering hydropower development or installations using solid biomass fuels. The plan does not provide information on additional measures to streamline administrative procedures and time limits for granting permits per sector or technology. The plan does not refer to a contact point for project promoters, nor describe the need for additional

⁶ https://energy.ec.europa.eu/system/files/2023-09/Biomethane_fiche_LV_web.pdf

human resources allocated to permitting. It does not make reference to the way offshore renewable development is covered in the maritime spatial plan.

3.2 Energy efficiency (including buildings)

The Latvian draft updated NECP does not include a specific chapter on energy efficiency. **Latvia's target is to reduce final energy consumption** by 67 ktoe per year until 2030 compared to the 2017-2019 average.⁷ This corresponds to a corrected national contribution of 3.9 Mtoe for primary energy consumption (compared to 3.7 Mtoe using the EED recast Annex I formula results) and 3.4 Mtoe for final energy consumption (compared to 3.3 Mtoe using the EED recast Annex I formula results). Latvia's target deviates from the projections made under the EU reference scenario, based on the calculation using the formula in the EED recast Annex I, by 4.9% and 4.2% for primary and final energy consumption respectively. The targets for 2030 are also lower than Latvia's 2020 energy efficiency targets (-27.6% and -24% for primary and final energy consumption respectively).⁸

The plan mentions the target to reduce total final **energy consumption of all public bodies** under Article 5 of the EED recast but it lacks sufficient information on the measures planned, including whether this excludes public transport or the armed forces.

Regarding the **obligation to renovate public buildings** under Article 6 EED recast, Latvia's draft updated NECP includes only the total building floor area of public buildings to be renovated by 2030, i.e. 500 000 m². It does not provide any other information for instance on the implementation approach or on the annual floor area to be renovated.

Latvia indicates in the draft plan that the total 2021-2030 cumulative savings target is 29 522 GWh (2.5 Mtoe).⁹ The draft NECP provides no information on what measures will be used to achieve the **energy savings required** post-2020 under Article 7 EED (Article 8 EED recast). The draft plan does not describe the policies and measures set out under the energy efficiency dimension or give an estimate of the planned energy savings to be achieved through the stated measures. More details are needed to ascertain which measures contribute to the 2030 energy efficiency contributions.

The draft plan does not present the planned measures to achieve the 2030 energy efficiency targets, nor their expected savings. It does not describe any new measures adopted after 2020 or new planned measures to reach the higher 2030 targets. The draft plan also lacks measures reflecting the '**energy efficiency first principle**'.

Other than giving the target share of renewable energy in buildings and **public building renovation** mentioned above, the draft update NECP does not provide any information on Latvia's long-term renovation strategy (LTRS) and its key elements, targets and milestones. The plan contains no measures on building renovation.

⁷ Calculations by JRC: The 2017-2019 average has been calculated based on the EED recast FEC definition, and the savings per year have been calculated for the period 2021-2030.

⁸ 2020 target was 5,400 ktoe PEC and 4,500 ktoe FEC.

⁹ +44.2% in comparison to 2020 NECP value, i.e. 20,470 GW.

3.3 Energy security

The draft updated plan is almost **completely empty** as regards the energy security dimension, except for stating the objective of having an energy import dependency of 30-40% by 2030, against the current level of 38%. Therefore, a major change in this regard is not expected. The assessment of the energy security dimension below is therefore based on a combination of information found in other sections of the plan and on Eurostat data. It is not possible to carry out a complete assessment of energy security as presented in the draft updated plan.

Latvia is one of the EU countries with the lowest share of fossil fuels in its gross energy consumption (57% in 2021), expected to fall to 43% by 2030 according to the draft plan. At 23% in 2021, Latvia also has the lowest energy import dependency on third countries in the EU, having reduced its dependency substantially since 2012 when it was 37%.

Natural gas accounted for 21% of Latvia's energy mix in 2021 (slightly less than the EU27 average) and for 36% of the electricity mix (significantly more than the EU27 average)¹⁰. Latvia does not have any domestic gas production and is therefore fully reliant on imports. Between 2018 and 2021, Latvia was fully dependent on Russian gas imports. Since then, Latvia has successfully diversified away from Russian gas imports. Following the Russian war of aggression against Ukraine, the Latvian Parliament banned purchases of Russian natural gas as of January 2023. Although Latvia does not have a LNG terminal, it can access LNG through the Klaipeda terminal in Lithuania and the Inkoo terminal in Finland¹¹ thanks to its gas interconnections with Estonia and Lithuania.

In terms of infrastructure, Latvia also benefits from a very high storage capacity, which accounted for 2.5 bcm in 2022 (in one site, Inčukalns), which largely exceeds the country's traditional annual consumption (1.2 bcm in 2021)¹². The Inčukalns underground gas storage plays a central role in the security of supply as it is the only facility of its kind in the Baltic region. The facility is undergoing enhancement works, expected to be completed by 2025. The draft updated plan estimates that Latvia has the potential to replace its entire consumption of natural gas in households (0.1 bcm in 2021) with domestically produced biomethane, which should further enhance the security of its gas supply.

Following the invasion of Ukraine, Latvia managed to reduce its gas demand by 36% between August 2022 and September 2023, far beyond the voluntary reduction target of -15% and the EU27 average (-18%)¹³. The draft plan does not, however, describe the gas demand reduction measures that Latvia has implemented, nor how they are integrated in the medium-term plan for 2030. The plan also does not provide any estimate for the future evolution of gas demand in the country.

¹⁰ https://energy.ec.europa.eu/data-and-analysis/eu-energy-statistical-pocketbook-and-country-datasheets_en

¹¹ This is temporarily no longer the case as, since the outage of the Baltic connector, there is no direct gas interconnection between Estonia and Finland. The interconnector might remain out of operation for several months.

¹² https://economy-finance.ec.europa.eu/system/files/2023-06/ip238_en.pdf

¹³ DG ENER Chief Economist, based on Eurostat data.

The security of **electricity** supply in Latvia (and the Baltic States in general) is threatened by being the only Member States that have electricity systems still operating in the IPS/UPS¹⁴ system. This system's frequency is managed centrally from a dispatching centre located in Moscow. To manage this risk, the Baltic States announced their plans to accelerate the synchronisation of their electricity systems with the continental European network by February 2025. Another important factor to consider is that around a quarter of Latvia's electricity demand is met through imports¹⁵.

Latvia's draft updated plan mentions that connecting the district heating network with the electricity and gas networks could, in the future, enable Latvia to absorb almost 3.5 times more electricity than its current consumption, help integrate renewable electricity and make Latvia's whole energy system more flexible. For example, in periods with high renewable energy generation, it would transform electricity into heat and store the heat, or use electrolyzers to produce hydrogen in order to avoid curtailing renewable electricity generation. Electricity storage is not mentioned at all in the draft updated plan. According to a study on storage commissioned by the European Commission, Latvia currently has no operational storage capacity¹⁶. The same study finds that the main barriers to building energy storage in Latvia are the lack of a regulatory framework for energy storage in the country and grid and taxation aspects (such as double charging).

Oil makes up 36% of Latvia's energy mix (similar to the EU average)¹⁷. Three quarters of oil products are used in transport (mainly diesel, gasoline and jet fuel)¹⁸. The country has no domestic oil production and no refinery; it is therefore fully dependent on imported oil products. In 2021, 47% of imports came from Lithuania and 22% from Finland. Latvia replaced most of its oil imports from Russia (24% of imports in 2021) by additional imports from Poland in 2023. Latvia has three oil trading ports which have ample oil stock capacity. However, since January 2022 Latvia has been below the 90-day of stocks required by the EU Oil Stocks Directive.

Measures for oil security of supply are not described in the draft updated plan. In particular, Latvia does not evaluate the impact on the security of supply of the high proportion of stocks held in the form of tickets¹⁹ (100%), which can be difficult to renew in the event of a supply crisis. According to the plan, Latvia aims to reduce its dependence on energy imports but it does not set a specific target for oil. Moreover, the plan does not include any projections for oil consumption by 2030, 2040, 2050 or an

¹⁴ The Baltic States electricity power systems remain connected and synchronised with those of Russia and Belarus within the Integrated/Unified Power System (IPS/UPS) which was created in Soviet times and is centrally managed by Moscow.

¹⁵ In 2022, Latvia decided to stop all electricity imports from the Russian Federation.

¹⁶ This figure is derived from the database which accompanied the ENTEC study on storage funded by the European Commission and published in November 2022, taking into account only the 'operational' facilities:

https://op.europa.eu/en/publication-detail/-/publication/dfcaa78b-c217-11ed-8912-01aa75ed71a1/language-en?WT_mc_id=Searchresult&WT_ria_c=37085&WT_ria_f=3608&WT_ria_ev=search&WT_URL=https%3A//energy.ec.europa.eu/

¹⁷ Eurostat.

¹⁸ Eurostat.

¹⁹ Tickets are stockholding arrangements under which the seller agrees to hold (or reserve) a volume of oil on behalf of the buyer, in return for an agreed fee.

assessment of the adequacy of the oil infrastructure (oil stocks, ports) in line with the expected reduction in oil demand.

The draft plan does not assess at the resilience of critical raw material supply chains, cybersecurity, critical infrastructure protection, or the impact of climate change on the energy system.

The plan also does not describe the measures to be taken in the event of a security of supply crisis (gas or electricity supplies). However, Latvia did submit its preventive action plan, an emergency plan, and common risk assessments for the Belarus regional risk group. At the time of writing, they are all being assessed by the European Commission. The European Commission highlights that Latvia has not yet submitted its updated national risk assessment and the common risk assessment for the North Eastern regional risk group (for which no country has yet volunteered to coordinate), which were due by 1 October 2022.

3.4 Internal energy market

The draft updated plan puts forward an **interconnection target** of 60% for 2030. This is particularly relevant given the target for renewable energy in 2030 and the importance of available capacity with neighbouring Member States to meet electricity demand. This is important notably during episodes of tension in its electricity system requiring imports of electricity. The plan could elaborate further on the expected benefits of key electricity infrastructure projects to overcome the current identified issue of congestion.

The plan does not indicate specific policies and measures to stimulate demand response, accelerate the deployment of electricity storage or to encourage system operators to facilitate the take-up of energy flexibility services. The plan does not quantify the flexibility needs or set clear targets and objectives for demand response, storage and flexibility. In addition, the plan does not include policies and measures to enhance flexibility and enable providers of new flexibility services to participate on a non-discriminatory terms.

Latvia's draft plan does not report on the number of households in Latvia currently affected by energy poverty using the indicators specified in the Commission Recommendation on energy poverty. It does not set a national objective to reduce energy poverty nor provide a specific timetable for developing or implementing actions to alleviate energy poverty and empower vulnerable consumers. The plan also lacks any links between energy poor and social policies designed to support households in energy poverty.

3.5 Research, innovation, competitiveness, and skills

3.5.1 Research and innovation

Latvia's draft updated NECP does not include a specific chapter on research, innovation and competitiveness. Latvia has not reported national targets on spending for research and innovation (R&I) in clean energy technologies. The draft plan does not specify Latvia's level of ambition in this area for 2030 and 2050, nor make any reference to the **SET plan**.

The draft plan lacks information on **regional cooperation** in R&I and does not mention any potential or future plans in this regard.

3.5.2 *Competitiveness*

Latvia does not report any measures or investments planned to support manufacturing and the scaling-up of commercially available clean energy technologies, equipment and components. The draft plan refers to the circular economy, in particular in the wood-based products section, but does not specify any concrete measures nor their impacts on climate mitigation and adaptation, to reduce dependency, and to diversify the sourcing of imported raw materials and the components required to manufacture clean energy technologies.

Latvia's draft plan lacks information related to the Digitalisation of Energy System EU Action Plan and measures designed to enable the digitalisation of the energy system.

3.5.3 *Skills*

The draft plan lacks information on skill gaps and the measures or investments to bridge those gaps and to boost European competitiveness in clean energy technologies, equipment and components. This could include actions to develop the skills required for the clean energy transition, connecting for instance with related European Year of Skills initiatives, the Pact for Skills large-scale partnerships and action under the New Innovation Agenda. The plan does not identify any skill shortages for the development of strategic sectors.

4 **JUST TRANSITION**

Action to ensure a just transition is not covered in Latvia's draft updated plan. The plan briefly mentions the need to implement climate policies in a socially just manner to tackle energy and transport poverty. However, it does not mention any strategies or policies to this end. The plan does not quantify social, employment and skills effects, nor other distributional impacts on vulnerable groups of the energy and climate transition. It also lacks sufficient information on how Latvia will prepare its social climate plan, as assessed in Section 7. The plan does not mention any measures to tackle issues of access to or maintaining quality employment, affordable and inclusive education, training and life-long learning, tax-benefit and social protection systems, affordable access to essential services for all, etc. The plan does not detail the resources allocated specifically to supporting a just transition.

The draft updated plan does not refer to the commitments to phase-out peat in energy production by 2030 included in a Territorial Just Transition Plan. This brings into question the related planned actions financed by the Just Transition Fund.

The draft updated plan does not reflect these in line with the Commission guidance²⁰ and the Council Recommendation on ensuring a fair transition towards climate neutrality²¹.

²⁰ Commission Notice on the Guidance to Member States for the update of the 2021-2030 national energy and climate plans (2022/C 495/02) 29.12.2022

5 REGIONAL COOPERATION

The Latvian updated draft NECP does not provide any information on regional cooperation. It is known that Latvia cooperates closely with the Baltic and Nordic states, Germany and Poland on renewables, offshore grid deployment and the decarbonisation of gas markets in the High-Level Group on the Baltic Energy Market Interconnection Plan in Energy (BEMIP HLG). The draft plan does not provide any details of the concrete results of that cooperation, nor any information about future objectives for regional cooperation.

Latvia has already signed the two required solidarity agreements for the security of gas supply with its neighbours, Lithuania and Estonia, which is a welcomed achievement.

6 INTERNAL COHERENCE AND POLICY INTERACTIONS WITHIN THE DRAFT UPDATED NECP

Latvia's draft updated NECP is missing several sections outlined in the Annex I template of the Governance Regulation. The draft plan does not reflect key synergies within and between the five dimensions of the Energy Union, such as the impact of increasing flexibility and demand-response measures on the share of renewable energy, and on the integration of the internal energy market. The draft plan does not analyse the consistency of policies and measures in each dimension nor give a quantitative analysis of how different objectives interact.

7 STRATEGIC ALIGNMENT WITH OTHER PLANNING INSTRUMENTS

Latvia formally submitted an amended RRP and a REPowerEU chapter to the European Commission on 26 September 2023. On 16 November the Commission gave a positive assessment of Latvia's amended RRP, including the REPowerEU chapter, which the Council approved on 8 December. The draft updated NECP does not mention the REPowerEU chapter. It also does not outline the main RRP reforms and investments that contribute to implementing the objectives, targets and contributions presented in the draft plan. Several Chapters of the draft updated NECP, including notably Chapter 3 (State of play, objectives and policies) and Chapter 5 (Financial impact of the plan) have not yet been updated. Hence, the RRP consistency assessment cannot be performed.

The draft plan lacks any substantive references to air pollutants or air quality. The draft plan does not include any information on the link with the clean air programmes, such as the national air pollution control programme (NAPCP). The draft plan also fails to quantify the impact of planned policies and measures on the main air pollutants for which Directive 2016/2284 sets emission reduction commitments.

The draft plan does not describe any measure to protect or restore biodiversity, on nature-based solutions and, therefore, does not assess their potential impacts on climate

²¹ Council Recommendation of 16 June 2022 on ensuring a fair transition towards climate neutrality, OJ C243, 27.6.2022

mitigation and adaptation. Issues related to water, like droughts or floods, are simply acknowledged, without any described measure to address them.

The draft updated plan is not consistent with the Territorial Just Transition Plan (TJTP). It does not refer at all to the TJTP commitments to **phase out of peat** for energy generation by 2030, nor to peatland restoration in the regions of Vidzeme, Latgale, Zemgale and Kurzeme.

The plan does not provide an analytical basis for preparing the **Social Climate Plan (SCP)**, designed to tackle the impacts of the new emissions trading system for fuel combustion in buildings, road transport and additional sectors (ETS2) on vulnerable households, transport users and micro enterprises. The plan does not provide any assessment of the potential impacts of the ETS2 on the most vulnerable groups. Although it mentions the need to develop a support programme for replacing vehicles with low or zero-emission vehicles for vulnerable transport users, no measures are planned for this, nor for the identification of transport poverty. The plan contains no information on the Fund's governance, the process to draft the SCP, the methodology to identify potential beneficiaries, nor other information for effective implementation of the SCP. The draft does not explain how the SCP will build on the NECP update and how to ensure the two plans are consistent.

The plan does not provide sufficient information to assess whether it is consistent with Latvia's **common agricultural policy (CAP) strategic plan**. The draft plan does not quantify the climate impacts of measures currently included in the CAP strategic plan (CSP), explain whether the CSP is in line with the new LULUCF and ESR targets or whether additional measures are needed.

The plan does not provide sufficient information to assess whether it is consistent with the national **adaptation strategies**.

The national objectives and targets set out in the draft updated NECP are broadly in line with the 2022 and 2023 European semester **country-specific recommendations (CSR)**, including the need to continue work on synchronisation with the EU electricity network. The exception is on the skills needed for the green transition, as the draft updated NECP does not reflect action to build and develop these skills. To accelerate the deployment of renewable energy and increase the energy efficiency measures covered in CSR 2022 and CSR 2023, Latvia seems to target a limited level of ambition. As key pieces of information are missing in the draft updated NECP, the Commission could not carry out a more comprehensive assessment.

8 FINANCING THE ENERGY AND CLIMATE TRANSITIONS

8.1 Investment needs

The draft updated plan lacks information on the expected investment needs to implement the planned policies and measures for each of the five dimensions of the Energy Union.

8.2 Funding sources

The plan briefly lists the main sources of financing available under climate action instruments, including the state budget, EU funding, international institutions and so on. However, the plan does not describe how and to what extent Latvia plans to use these resources. It also lacks a consolidated overview of funding sources at plan level, which means it is not possible to identify potential funding gaps.

The plan recognises the importance of attracting private investment to cover the financial needs of the climate and energy transition. However, it does not provide further information on the funding. Latvia provided only some information on past issuance of sovereign bonds (EUR 600 million in sustainable Eurobonds in 2021) and corporate green bonds (EUR 220 million, reference year unclear).

9 ROBUSTNESS OF THE ANALYTICAL BASIS OF THE DRAFT UPDATED NECP

The draft plan does not include any quantitative analysis. It does not include a description of the current situation, nor detailed projections. The impact assessment of planned policies and measures is also missing. The plan only includes a table showing 2021 data for some energy and climate indicators, and the related baseline projections and objectives.

The draft plan fails to explain the methodology underpinning the projections. As a consequence, it is unclear whether the objectives reported are based on solid projections, backed up by policies and measures, or simply repeat the targets and contributions set by EU law. Furthermore, no macro-economic assessment was provided, which is a mandatory requirement under the Governance Regulation.