

MINISTRY OF THE
ENVIRONMENT



OF THE REPUBLIC
OF LATVIA

National Climate Change Adaptation Strategy in Latvia

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Overview

- Adaptation – from different perspectives
- Selected elements of the strategy on adaptation
- Innovative financial instruments
- The way forward



Adaptation

- **The objective of the Adaptation Strategy** is to increase the capacity of society to adapt to climate change.
- **Adaptation to climate change** means a system of policies and measures (PAMs) which allow to manage in a cost-effective way society, natural resources and technologies at all governance levels in order to prevent from natural disasters and threats.



Environment Council Conclusions

(February 20, 2007)

- The Council of the European Union,
 - ... UNDERLINES the following elements as essential parts of an **effective and appropriate framework beyond 2012**: ... enhancing efforts to **address adaptation, including risk management instruments, finance and technologies for adaptation**;
 - ... UNDERLINES that even implementing the **deep cuts described above will not avoid serious climate impacts**, in particular in countries most vulnerable to climate change;
 - ... REITERATES that for all countries **adaptation is a necessary complement to mitigation that needs to be integrated into public investment programmes and private sector investments** and to be adequately financed, including through the further development of innovative financing and risk management instruments;



European Council Conclusions

(March 9, 2007)

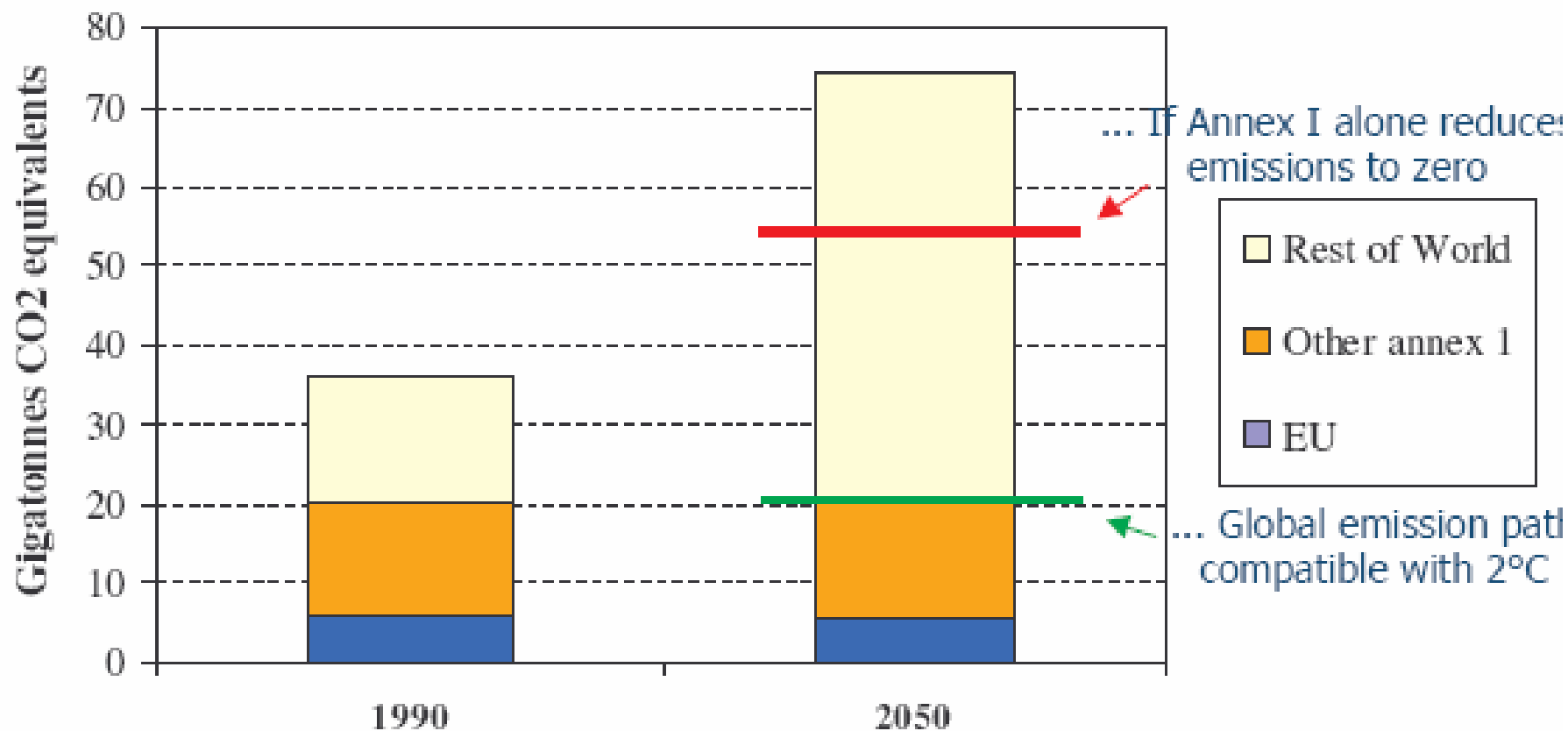
- The European Council,
...**ENDORSES** the elements identified by the Council (Environment) of 20 February 2007 as essential parts of an effective and appropriate framework beyond 2012, which would include *inter alia* ... **appropriate adaptation measures** to deal with the effects of climate change ...



Spring European Council

- 2020: Annex I - 30%
- 2020: 20% unconditional for EU
- 2050: 60-80% for Annex-I with global emissions -50%
- 2020: Energy efficiency increase by 20% above BAU
- 2020: 20% Renewable energy (compared to 6,3% today)
- 2020: 10% Biofuels

Emission projections



Source: Greenhouse gas reduction pathways in the UNFCCC process up to 2025, CNRS/LEPII-EPE, RIVM/MNP, ICCS-NTUA, CES-KUL (2003).



Climate risk management

1. Adaptation is essentially a risk management challenge.
2. Elements address current, medium and long-term climate risks and include:
 - Risk identification (assessment): identification of the most vulnerable regions, sectors and projects;
 - Risk management (may include change of management processes): identify the most appropriate actions to improve resilience of sectors and projects.
3. Clear understanding and transparency needed on who takes responsibility for managing each risk.



Dealing with uncertainties

- Planning adaptation activities against a specified scenario (e.g. 3 degrees C globally temperature increase);

This

- makes adaptation more robust than against a 2 degrees C target,
- Provides more certainty for planning and decision making,
- Creates a level playing field,
- might strengthen the willingness of all Parties to contribute to achieve the 2 degree target.



Coherence across policy areas

- adaptation requires a holistic long-term perspective
- not only the risks, opportunities and limitations posed by current and future climate conditions,
- also societal changes due, for example, changes in energy and transport infrastructure development, movements between rural and urban populations, the availability of and access to technology, water regime changes, market pressures on food production in agriculture.



Concerns and barriers up to now

In Latvia all natural disasters have been managed by civil protection system, and the nature of them concerns consequences - post factum, not as much prevention policies and measures

Agriculture - compensation extent for damage made in agriculture (frost, drought, rainy season)

Forestry – windfall, fire

Flood – River Daugava

Energy – storms and disruption of electricity supply




Impacts of the increase of extreme wather event

- Floods and heavy rains
- Drought
- Storms and winds
- Frost damages
- Decrease in ice cover in the sea
- Costal zone erosion
- Redused security of energy supply



Some measures for successful adaptation

- Effective land-use management
- Improvement of general rural infrastructure
- Use of the most seasonable cereal varieties
- Urban planning with a view to water regime changes
- Development of distributed energy supply system (based on renewable energy sources)
- Development of new building standard (low heat energy and cooling)
- Development of mixed insurance system
- Afforestation of agricultural land
- Development and diversification of economic activities as alternative to agriculture production
- On-going monitoring and research



Financial instruments: Implementation of the Kyoto Protocol by Latvia

- Eligibility
- Cabinet of Minister **decision** on April 12, 2006 of participation in IET under Article 17 of the Kyoto protocol
- **Earmarking 40 million of AAUs** to be potentially available during first commitment period
- Mandate to Ministry of the Environment to work out **legal, institutional system of IET by November 2007.**
- **Green Investment Options study** completed

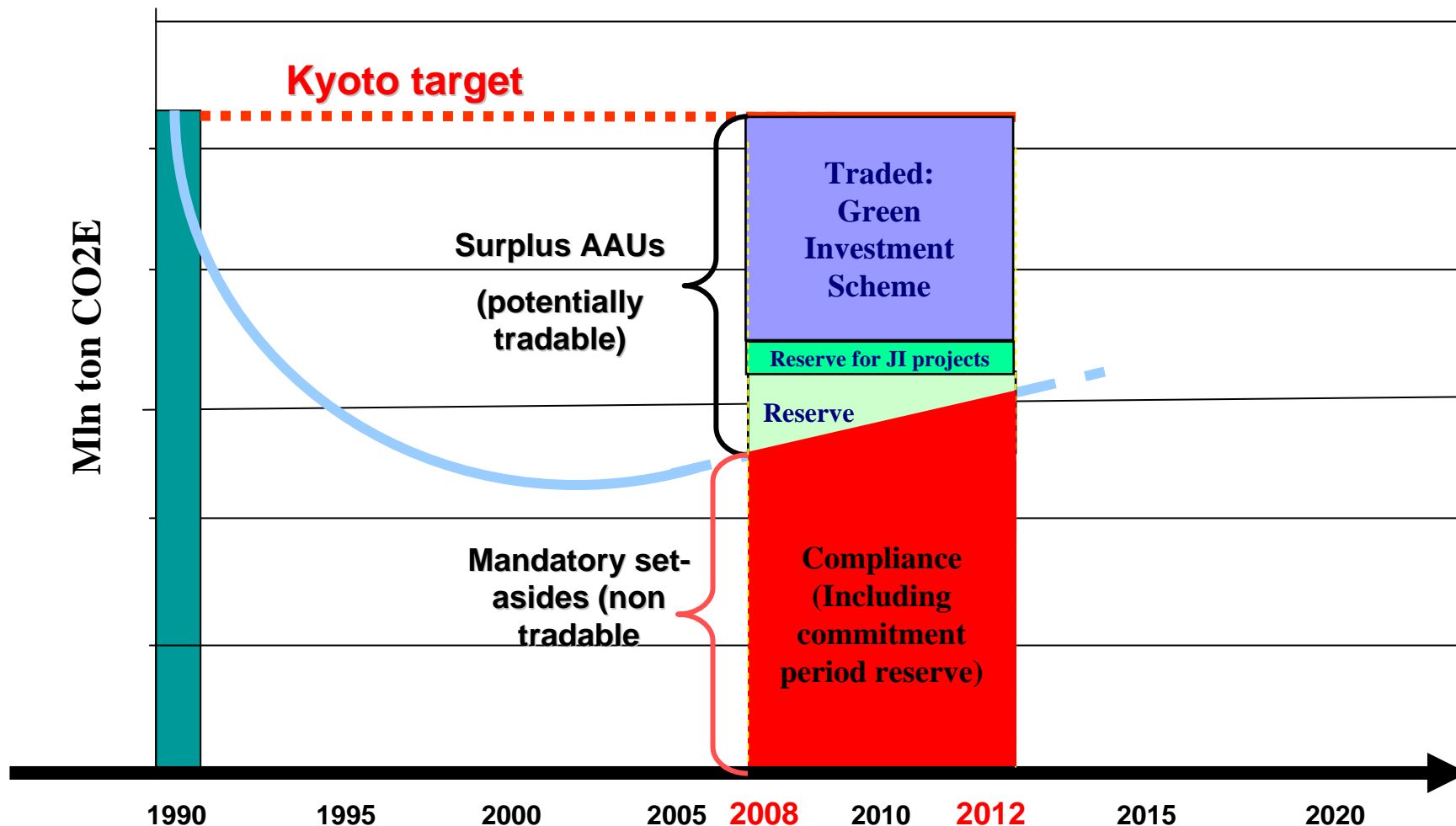


Use of revenues (“greening”)

The Latvian government will ensure that every AAU sold will be used for “**greening**” purposes which means:

- climate change mitigation and adaptation measures,
- promotion of low carbon economic development
- by application of innovative environmental technologies,
- increase of renewable energy use and
- improvement of energy efficiency,
- as well capacity building for climate change policy design an implementation.

Decision about strategic allocation of AAU assets





Market position of Latvia (1)

Latvia can be a fast track provider of credibly greened AAUs with low risk and low transaction costs

Comparative **strengths** of Latvia:

- low risk of non-delivery of AAUs
- robust surplus estimates
- advanced in compliance with Kyoto eligibility criteria
- low reputational risk
- solid legal background
- strong political commitment to efficient, transparent and accountable GIS
- efficient institutions of public and private sector
- Terms tailored to buyer expectations



Market position of Latvia (2)

Comparative **weaknesses** of Latvia:

- Relatively small size of tradeable headroom
- Limited opportunities for greening with direct reductions of GHG



Key elements of the Law (1)

- **Ownership** of AAUs
- **Authorisation** to the Cabinet of Ministers to make decisions on each sale of AAUs, including the price and specific conditions
- Authorisation to the Ministry of Environment and Ministry of Finance to **prepare and sign the sale of AAUs**
- Principles for using the revenues from the sale of AAUs, including a clear provision stating that all income from the sale of AAUs shall be earmarked for “**greening**” **projects**



Key elements of the Law (2)

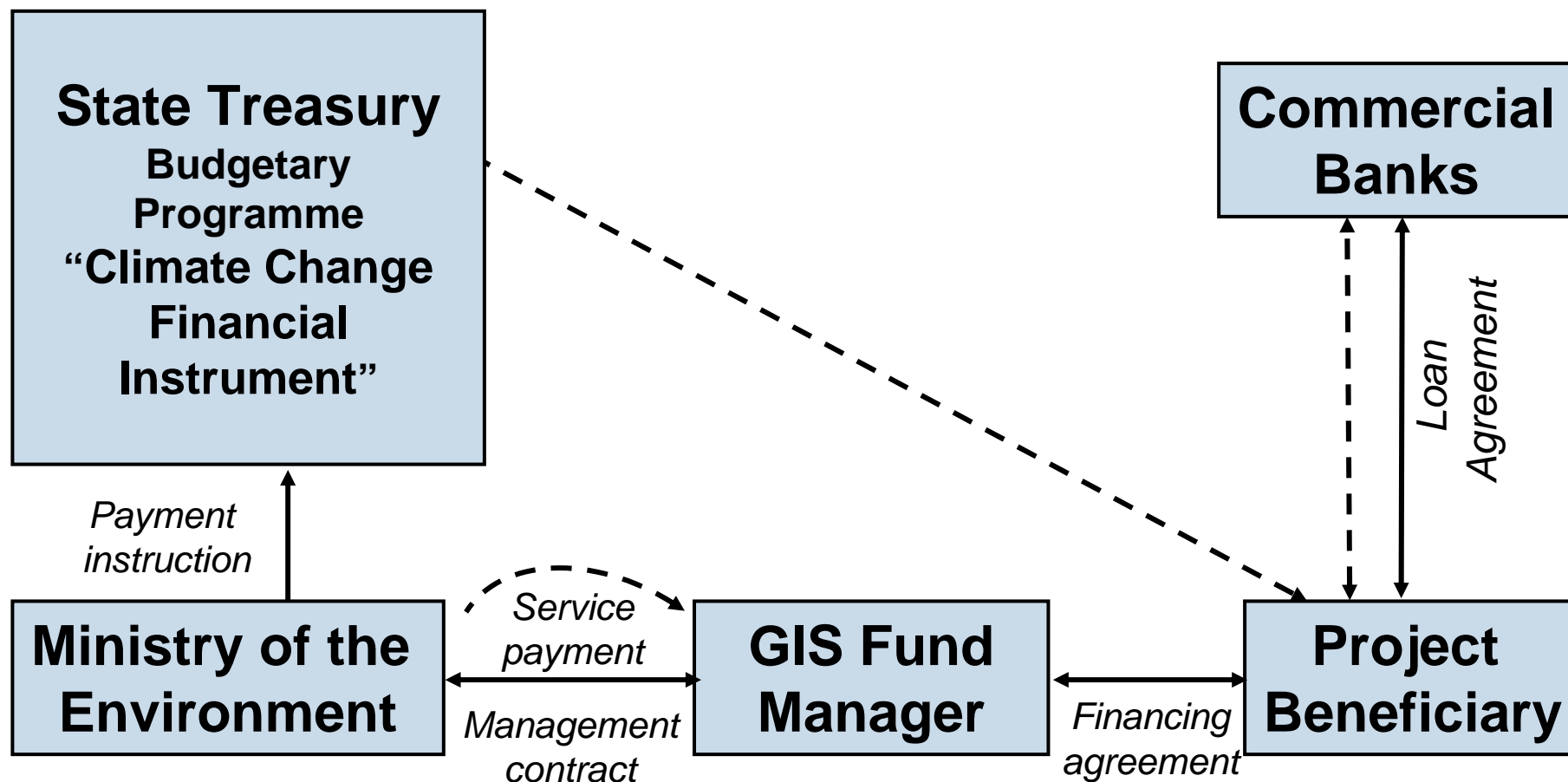
- Special budgetary arrangement
 - Money from the sale of AAUs is transferred to **special account in State Treasury**
 - Disbursements are organised under the budget programme “**Climate change financial instrument**” from a special account in the State Treasury
 - In annual budget the financing for the Climate Change financial instrument is ensured in **amount of received and unused proceeds** from AAU sales in previous years
- Principles for environmental and financial **monitoring, verification and reporting**



Implementation model

- Latvia will propose a **programmatic model** for the GIS.
- Most GIS programs will consist of a **large number of small projects**.
- Therefore Latvia would propose to buyers “**wholesale**” **greening programs** backed by a credible and accountable national mechanism to “**retail**” AAUs revenues to multiple project owners.
- Latvia can offer **robust GIS** implemented by **competent national institutions** that require only minor and targeted institutional strengthening.

Contract and Payment Structure



Performance-based grants paid to projects upon delivery of verified milestones and results

—————> *Legal agreement*
- - - - -> *Payment flow*



The way forward

- Updated Climate change programme (2007)
- Scoping and set-up of adaptation strategy stakeholder process (2007)
- Additional research with policy relevance (2007 – 2008)
- Adaptation strategy developed (2008)
- Climate change financial instrument (2008 and on) plus other financial instruments (LIFE+)



Further information

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