



Role of Government in Setting up of Carbon Market Mechanisms

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GHG reduction mechanisms in Latvia

- ETS sector 27% GHG, non-ETS 73%
- Limited possibilities for JI due to low carbon intensity of national power grid and large share of biomass use in heating
- Green investment scheme under Kyoto protocol Article 17

GIS Status and principles

- GIS in Latvia - Climate change financial instrument
- Established by law, implemented as state budgetary programme (200MEUR)
- Programms consisting of a large number of small projects (13 program tenders approved)
- transparent, accountable and efficient national mechanism to “retail” AAUs revenues to multiple project owners

Political commitment on 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 and implementation.



Institutional and legal readiness

Timeframe:

- 2006 government decided on participation in IET
- 2007 parliament passed framework law
- 2008 technical and institutional preparation
- 2009 first purchase agreement with Netherlands and first project's open call

Compact and efficient civil servant's team

Quick adoption of regulation due to political commitment



Environmental integrity – monitoring, auditing and reporting

Monitoring principles (applied annually):

- financial audit
- procedural conformity of GIS
- assessment of greening results

Conclusions and the way forward

- **GIS as an instrument for structural change** to deliver deployment and scaling up of climate change mitigation technologies
- In countries with limited possibilities of direct GHG reductions it is a **leverage for low carbon economy**
- GIS brings **co-benefits of mitigation** and opens new business opportunities
- GIS can be a **testing ground for new generation of post-Kyoto flexible mechanisms:**
 - programmatic
 - lower transaction costs
 - relying on certified host country systems