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LEGISLATIVE ACTS AND OTHER INSTRUMENTS

Subject: COUNCIL IMPLEMENTING DECISION amending the Implementing Decision of 13 July 2021 on the approval of the assessment of the recovery and resilience plan for Latvia

COUNCIL IMPLEMENTING DECISION

of ...

amending the Implementing Decision of 13 July 2021 on the approval of the assessment of the recovery and resilience plan for Latvia

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility¹, and in particular Article 20(1) thereof,

Having regard to the proposal from the European Commission,

¹ OJ L 57, 18.2.2021, p. 17.

Whereas:

- (1) Following the submission of the national recovery and resilience plan ('RRP') by Latvia on 30 April 2021, the Commission proposed its positive assessment to the Council. On 13 July 2021, the Council approved the positive assessment by means of an implementing decision ('the Council Implementing Decision of 13 July 2021')¹.
- (2) Pursuant to Article 11(2) of Regulation (EU) 2021/241, the maximum financial contribution for non-repayable financial support of each Member State was to be updated by 30 June 2022 in accordance with the methodology provided for therein. On 30 June 2022, the Commission presented the results of that update to the European Parliament and to the Council.
- (3) On 26 September 2023, Latvia submitted a modified national RRP, including a REPowerEU chapter in accordance with Article 21c of Regulation (EU) 2021/241, to the Commission.
- (4) The modified RRP also takes into account the updated maximum financial contribution in accordance with Article 18(2) of Regulation (EU) 2021/241 and includes a reasoned request to the Commission to make a proposal to amend the Council Implementing Decision of 13 July 2021 in accordance with Article 21(1) of Regulation (EU) 2021/241 on the grounds that the RRP is partially no longer achievable because of objective circumstances. The modifications to the RRP submitted by Latvia concern 70 measures.

¹ See documents ST 10157/21 and ST 10157/21 ADD 1 at <http://register.consilium.europa.eu>.

- (5) On 14 July 2023, the Council addressed recommendations to Latvia in the context of the European Semester. The Council recommended that Latvia, inter alia, broaden taxation, including of property and capital, and strengthen the adequacy of healthcare and social protection. It also recommended that Latvia continue the steady implementation of its RRP, swiftly finalise the REPowerEU chapter and proceed with the speedy implementation of cohesion policy programmes. Furthermore, the Council recommended that Latvia improve access to finance for small and medium-sized enterprises through public lending and guarantee schemes. For energy challenges, the Council recommended that Latvia wind down the emergency energy support measures in force as soon as possible in 2023 and 2024, or at least ensure that such measures, if necessary, are targeted at protecting vulnerable households and firms, are fiscally affordable and preserve incentives for energy savings. The Council also recommended that Latvia reduce its overall reliance on fossil fuels by accelerating the deployment of renewable energy and strengthening energy efficiency measures, ensure sufficient capacity of interconnections and continue synchronisation with the Union electricity grid, and step up policy efforts aimed at green upskilling.
- (6) The submission of the modified RRP followed a consultation process, conducted in accordance with the national legal framework, involving local and regional authorities, social partners, civil society organisations, youth organisations and other relevant stakeholders. The summary of the consultations was submitted together with the modified RRP. Pursuant to Article 19 of Regulation (EU) 2021/241, the Commission assessed the relevance, effectiveness, efficiency and coherence of the modified RRP, in accordance with the assessment guidelines set out in Annex V to that Regulation.

Amendments based on Article 21 of Regulation (EU) 2021/241

- (7) The amendments to the RRP submitted by Latvia because of objective circumstances concern 35 measures.
- (8) Latvia has explained that five measures are no longer achievable in the specific terms envisaged in the original RRP because of supply-chain disruptions. This concerns targets with sequential numbers 3 and 4 of measure 1.1.1.1i (Investment: Competitive rail passenger transport within the common public transport system of the city of Riga), target with sequential number 5 of measure 1.1.1.2i (Investment: Environmentally friendly improvements to the public transport system of the city of Riga), target with sequential number 6 of measure 1.1.1.3.i (Investment: Complete bike riding infrastructure) and target with sequential number 18 of measure 1.2.1.4.i (Investment: Improving the energy efficiency of public sector buildings, including historical buildings), all under component 1 (Climate Change and Environmental Sustainability); and milestones with sequential numbers 176 and 177 of measure 6.1.2.1.i (Investment: Linking the x-ray railway equipment to BAXE and the use of artificial intelligence for the analysis of rail freight scanning images) under component 6 (Rule of Law). On this basis, Latvia has requested that the scope of targets with sequential numbers 3, 4, 5, 6, 18 and 102 be modified, and that the implementation timeline of milestones with sequential numbers 176 and 177 be extended. The Council Implementing Decision of 13 July 2021 should be amended accordingly.

- (9) Latvia has explained that six measures are no longer achievable as envisaged in the original RRP due to high inflation, in some cases combined with supply chain disruptions. This concerns targets with sequential numbers 63 and 64 of measure 2.3.1.2.i (Investment: Development of key digital skills of enterprises) under component 2 (Digital Transformation). On this basis, Latvia has requested that the value of targets with sequential numbers 63 and 64 be reduced. This further concerns target with sequential number 102 of measure 3.1.1.4.i (Investment: Establishment of a financing fund for the construction of low-rented dwellings) under component 3 (Reduction of Inequality). On this basis, Latvia has requested that the initial ambition of the aforementioned measure be decreased. This concerns also milestones and targets with sequential numbers 113, 114, 115, 116 and 117 of measure 3.1.2.1.i (Investment: Measures to promote access to public services and employment for people with disabilities), targets with sequential numbers 122 and 123 of measure 3.1.2.3.i (Investment: Resilience and continuity of sustainable social care) and milestones with sequential numbers 125 and 126 of measure 3.1.2.4.i (Investment: Synergic development of social and professional rehabilitation services for the safety of people with disabilities), all under component 3 (Reduction of Inequality). In order to maintain the level of required implementation of those three measures, Latvia has compensated the increase in estimated costs through the use of additional resources available following the update of the maximum financial contribution for non-repayable financial support. Those objective circumstances also concern milestones with sequential numbers 181, 182, 183, 184 and 185 of measure 6.1.2.4.i (Investment: Establishment of infrastructure for the functions of control services in Kundziņsala) under component 6 (Rule of Law). On this basis, Latvia has requested that the implementation timeline of those measures be extended. The Council Implementing Decision of 13 July 2021 should be amended accordingly.

- (10) Latvia has explained that four measures are no longer achievable within the timeline envisaged in the original RRP because of objective circumstances that necessitated the extension of the procurement process. This concerns target with sequential number 66 of measure 2.3.1.4.i (Investment: Development of the approach to individual learning accounts); target with sequential number 78 of measure 2.3.2.3i (Investment: Closing the digital divide for socially vulnerable groups and educational institutions) under component 2 (Digital Transformation); milestones with sequential numbers 119 and 120 of measure 3.1.2.2.i (Investment: Development of a forecasting tool) under component 3 (Reduction of Inequality); and milestone with sequential number 180 of measure 6.1.2.3.i. (Investment: Improvement of customs control of received postal items at Airport customs control point) under component 6 (Rule of Law). On this basis, Latvia has requested that the implementation timeline for milestones with sequential numbers 119, 120 and 180 be extended, and that the intermediary target with sequential number 78 be deleted and that the intermediate target with sequential number 66 be lowered, keeping the final target of the measure intact. The Council Implementing Decision of 13 July 2021 should be amended accordingly.
- (11) Latvia has explained that one measure is no longer achievable as envisaged in the original RRP due to unforeseen bottlenecks. This concerns target with sequential number 71 of measure 2.3.2.1.i (Investment: Digital skills for inhabitants, including young people) under component 2 (Digital Transformation). On this basis, Latvia has requested that the value of the intermediary target be reduced, keeping the final target for this measure intact. The Council Implementing Decision of 13 July 2021 should be amended accordingly.

- (12) Latvia has explained that 12 measures have been modified because of objective circumstances in order to implement better alternatives to achieve the original ambition of the associated measures. This concerns target with sequential number 12 of measure 1.2.1.2.i (Investment: Increasing energy efficiency in business), and target with sequential number 26 of measure 1.3.1.2.i (Investment: Investments in flood risk reduction infrastructure), both under component 1 (Climate Change and Environmental Sustainability). On this basis, Latvia has requested that the value of the approved projects related to the energy efficiency improvement be increased and that the target refer to the completion of flood risk protection projects. Those objective circumstances also concern targets with sequential numbers 35 and 36 of measure 2.1.2.2.i (Investment: National Federal Cloud of Latvia) under component 2 (Digital Transformation). On this basis, Latvia has requested that the technological solution for the implementation of modern IT architecture and cloud solutions in the public administration be modified. Those objective circumstances also concern milestone with sequential number 42 of measure 2.2.1.r (Reform: Creating the full cycle of business digital transformation support with regional coverage), targets with sequential numbers 43 and 44 of measure 2.2.1.1.i (Investment: Support for the establishment of Digital Innovation Hubs and Regional Contact Points) and targets with sequential numbers 45 and 46 of measure 2.2.1.2.i (Investment: Support for the digitalisation of processes in commercial activities) under component 2 (Digital Transformation). On this basis, Latvia has requested that the groups of beneficiaries be enlarged in order to broaden the digital transformation of the economy. Latvia has also proposed to differentiate the type of output measurement for different groups of beneficiaries.

Consequently, targets with sequential numbers 43 and 44 have been amended and a new milestone with sequential number 44a has been added to reflect support to different groups of beneficiaries and provide for the related type of measurement. Those objective circumstances also concern milestones with sequential numbers 55, 57 and 58 of measure 2.3.1.r (Reform: Development of a sustainable and socially responsible support framework for adult learning) under component 2 (Digital Transformation). On this basis, Latvia has requested that a single regulatory framework as a more effective solution to deliver on the objectives of the reform be developed, while strengthening the commitments related to its implementation, and that existing and planned training schemes be co-implemented. These objective circumstances also concern milestone with sequential number 128 of measure 3.1.2.5.i (Investment: Participation in the labour market of unemployed, jobseekers and people at risk of unemployment) under component 3 (Reduction of Inequality). On this basis, Latvia has requested that the number of digital skills assessment tools be reduced to one, where two types of tests would be available, for a better user convenience and following consultation with relevant stakeholders. Those objective circumstances also concern target and milestone with sequential numbers 155 and 156 of measure 5.1.1.1.i. (Investment: Development and continuous operation of a fully-fledged innovation system governance model) and milestone and target with sequential numbers 157 and 158 of measure 5.1.1.2.i. (Investment: Instrument to support the development of innovation clusters), both under component 5 (Economic Transformation and Productivity Reform). On this basis, Latvia has requested that the innovation system governance model be revised in order to ensure effective support in developing innovation clusters.

These objective circumstances also concern milestone with sequential number 200 of measure 6.3.1.1.i. (Investment: Open, transparent, fair and accountable public administration) and milestone with sequential number 202 of measure 6.3.1.2.i. (Investment: Professionalisation of public administration and administrative and capacity building), both under component 6 (Rule of Law). On this basis, Latvia has requested that adopted document from Competency Framework Guidelines be changed to an internal regulatory act, strengthening in this way the legal basis for the adoption of the competence framework of the School of Public Administration. The Council Implementing Decision of 13 July 2021 should be amended accordingly.

- (13) Latvia has explained that three measures are no longer achievable in the specific terms envisaged in the original RRP because of unforeseen changes in the supply of digital services. This concerns targets with sequential numbers 29 and 30 of measure 2.1.1.1.i (Investment: Administration modernisation and digital transformation of services, including business environment), targets with sequential numbers 32, 33 and 34 of measure 2.1.2.1.i (Investment: Centralised governance platforms and systems) and target with sequential number 39 of measure 2.1.3.1.i (Investment: Data availability, sharing and analysis), all under Component 2 (Digital Transformation). On this basis, Latvia has requested that funding across these measures be redistributed and that the value of target with sequential number 39 be modified. The Council Implementing Decision of 13 July 2021 should be amended accordingly.

- (14) Latvia has further explained that one measure is no longer achievable in the specific terms envisaged in the RRP because of objective circumstances, due to compatibility issues with State aid rules under Article 107 of the Treaty that could not have been foreseen in the planning phase. This concerns the removal of target with sequential number 82 of measure 2.4.1.1.i. (Investment: Construction of the passive infrastructure on the Via Baltica corridor for 5G coverage) under component 2 (Digital Transformation). On this basis, Latvia has proposed to use the financial resources freed up by the removal of target with sequential number 82 to increase the ambition of target with sequential number 83 of measure 2.4.1.2.i (Investment: Broadband or very high capacity network ‘last mile’ infrastructure development) under component 2 (Digital Transformation). The Council Implementing Decision of 13 July 2021 should be amended accordingly.
- (15) Latvia has explained that two measures have been modified to implement better alternatives in order to achieve the original ambition of the associated measure. This concerns target with sequential number 108 of measure 3.1.1.6.i (Investment: Purchase of zero-emission vehicles for the performance of municipal functions and related services) under component 3 (Reduction of Inequality). At the same time Latvia has proposed to use the financial resources freed up by the lowering of budget allocation target with sequential number 108 to increase target with sequential number 106 of measure 3.1.1.5.i (Investment: Development of infrastructure and equipment of educational institutions) under component 3 (Reduction of Inequality) in order to extend further the development of infrastructure and equipment of educational institutions. The Council Implementing Decision of 13 July 2021 should be amended accordingly.

- (16) The Commission considers that the reasons put forward by Latvia justify the amendment pursuant to Article 21(2) of Regulation (EU) 2021/241.

Corrections of clerical errors

- (17) Clerical errors have been identified in the text of the Council Implementing Decision affecting 35 measures. The Council Implementing Decision of 13 July 2021 should be amended to correct those clerical errors that do not reflect the content of the RRP submitted to the Commission on 30 April 2021, as agreed between the Commission and Latvia. Those clerical errors relate to: measure 1.1.1 (Reform: Greening the Riga Metropolitan Range Transport System), measure 1.2.1.1.i. (Investment: Improving the energy efficiency of multi-apartment buildings and transition to renewable energy technologies) and measure 1.2.1.3.i. (Investment: Improving municipal buildings and infrastructure by promoting the transition to renewable energy technologies and improving energy efficiency), all under component 1 (Climate Change and Environmental Sustainability); measure 2.1.1.r. (Reform: Modernisation of national processes and services and digital transformation), measure 2.1.2.r (Reform: Increasing efficiency and interoperability in the use of national ICT resources), measure 2.1.2.1i (Investment: Centralised governance platforms and systems), measure 2.1.3.r. (Reform: Development of the national economic data and digital services economy), measure 2.2.1.2.i. (Investment: Support for the digitisation of processes in commercial activities), measure 2.2.1.3.i. (Investment: Aid for business introduction of new products and services, measure 2.2.1.4.i. (Investment: Financial instruments to facilitate the digital transformation of economic operators),

measure 2.2.1.5.i. (Investment: Fostering the digital transformation of media companies), measure 2.3.1.1.i. (Investment: Ensuring the acquisition of advanced digital skills), measure 2.3.1.3.i. (Investment: Development of a self-managed training approach for ICT specialists), measure 2.3.r. (Reform: Digital skills for the digital transformation of society and government), measure 2.3.2.2.i. (Investment: Development of state and local government digital transformation skills and capabilities) and measure 2.4.1.r. (Reform: Broadband infrastructure development), all under component 2 (Digital Transformation); measure 3.1.1.r (Reform: Administrative territorial reform), measure 3.1.1.1.i. (Investment: Improvement of the network of regional and local roads) and measure 3.1.1.2.i. (Investment: Strengthening the capacity of municipalities to improve service efficiency and quality), measure 3.1.2.r. (Reform: Access to social and employment services in support of minimum income reform) and measure 3.1.2.5.i. (Investment: Participation in the labour market of unemployed, jobseekers and people at risk of unemployment), all under component 3 (Reduction of Inequality); measure 4.1.1.r (Reform: Sustainability and resilience of a human-centred, comprehensive, integrated healthcare system), measure 4.1.1.1.i. (Investment: Support for public health research), measure 4.1.1.2.i. (Investment: Support for strengthening the health infrastructure of university and regional hospitals), measure 4.1.1.3.i. (Investment: Support for strengthening health infrastructure of secondary outpatient service providers), measure 4.2.1.r. (Reform: Provision of human resources and upskilling) and measure 4.3.1.1.i. (Investment: Support for assessing and improving the quality and accessibility of non-hospital secondary healthcare), all under component 4 (Health); measure 5.1.r. (Reform: Innovation system governance and private research & development investment motivation) and measure 5.2.1.r. (Reform: Reform of Higher Education and Scientific Excellence and Governance) both under component 5 (Economic Transformation and Productivity Reform);

and measure 6.1.1.r. (Reform: Strengthening analytics and developing data management in the field of tax administration and customs), measure 6.1.2.r. (Reform: Remote and centralised analysis of scanned images at Customs Control Points), measure 6.2.1.2.i. (Investment: Strengthening the capacity to investigate economic crime), measure 6.2.1.3.i. (Investment: Establishment of a single training centre for the development of the qualifications of judges, court staff, prosecutors, assistant prosecutors and specialised investigators (interdisciplinary matters)), measure 6.3.1.3.i. (Investment: Development of the innovation ecosystem of public administration) and measure 6.3.1.4.i. (Investment: Growth of non-governmental organisations to strengthen social security representation and monitor public interests), all under component 6 (Rule of Law). Those corrections do not affect the implementation of the measures concerned.

The REPowerEU chapter based on Article 21c of Regulation (EU) 2021/241

- (18) The REPowerEU chapter includes a new reform and three new investments. The reform is aimed at reducing overall reliance on fossil fuels and at advancing Latvia's goal to become a green energy exporting country. The first investment is aimed at accelerating the synchronisation of the national grid with the continental European electricity networks, and at securing and stabilising energy supply. The second investment is articulated in four parts and is aimed at modernising, digitalising and securing the national energy network by:
- (a) increasing the national grid capacity to accommodate a higher integration of variable renewables, (b) upgrading energy transmission lines, (c) implementing an advanced smart distribution management solution, and (d) completing analytical studies necessary to sketch out Latvia's path to become a green energy exporting country. The third investment delivers the construction of a new sustainable biomethane injection point and the development of an IT solution for the smart management of the injection point.

- (19) The reform also contributes to addressing energy poverty by supporting and promoting energy communities.
- (20) The Commission has assessed the modified RRP including the REPowerEU chapter against the assessment criteria laid down in Article 19(3) of Regulation (EU) 2021/241.

Balanced response contributing to the six pillars

- (21) In accordance with Article 19(3), point (a), of and Annex V, criterion 2.1, to Regulation (EU) 2021/241, the modified RRP including the REPowerEU chapter represents to a large extent (rating A) a comprehensive and adequately balanced response to the economic and social situation and contributes appropriately to all of the six pillars referred to in Article 3 of that Regulation, taking into account the specific challenges faced by and the financial allocation for the Member State concerned.
- (22) With regard to the first pillar, Latvia's modified RRP includes additional measures to address green challenges, namely in the REPowerEU chapter. The measures in this chapter contribute to achieving the Union's 2030 climate targets and the Union's objective of climate neutrality by 2050 by preparing the national energy grid for a higher integration of renewable electricity and by increasing the uptake of sustainable biomethane. Measure 7.1.r. (Reform: Transforming the national energy sector) is expected to: (a) introduce an enabling framework for energy communities, self-consumers and owners of micro-generators, (b) lay down conditions for a more efficient use of existing transmission and distribution networks, and (c) lay down conditions for increasing the uptake of sustainable biomethane to be injected into the existing natural gas network. All measures included in the REPowerEU chapter are expected to significantly contribute to the green transition, or to addressing the challenges resulting therefrom.

Addressing all or a significant subset of challenges identified in country-specific recommendations

- (23) In accordance with Article 19(3), point (b), of and Annex V, criterion 2.2, to Regulation (EU) 2021/241, the modified RRP including the REPowerEU chapter is expected to contribute to effectively addressing all or a significant subset of challenges (rating A) identified in the relevant country-specific recommendations addressed to Latvia, including fiscal aspects thereof, or challenges identified in other relevant documents officially adopted by the Commission in the context of the European Semester.
- (24) In particular, the modified RRP takes into account country-specific recommendations formally adopted by the Council prior to the assessment of the modified RRP by the Commission. As the maximum financial contribution for Latvia has been adjusted downwards, the 2022 and 2023 recommendations not related to energy challenges are not considered in the overall assessment.
- (25) Having assessed progress in the implementation of all relevant country-specific recommendations at the time of submission of the modified RRP, the Commission finds that substantial progress has been achieved with regard to the recommendations on fiscal policy (2022), anti-money laundering (2020 recommendation 4.1. and 2019 recommendation 1.3.), liquidity support to combat the impact of the crisis (2020 recommendation 3.1.) as well as expanding public investment in green and digital transitions (2022 recommendation 1.2.).

- (26) The modified RRP includes an extensive set of mutually reinforcing reforms and investments that contribute to effectively addressing all or a significant subset of the economic and social challenges outlined in the country-specific recommendations addressed to Latvia by the Council in the context of the European Semester, in particular the green transition (2020 recommendations 3.5. and 3.6, and 2019 recommendations 3.3. and 3.4.), the digital transition (2020 recommendation 3.7. and 2019 recommendation 3.5.), social exclusion (2020 recommendations 2.1. and 2.4., and 2019 recommendations 2.1. and 2.3.), healthcare (2020 recommendation 1.2. and 2019 recommendation 2.3.), regional disparities (2019 recommendation 4.1.), affordable housing (2019 recommendation 3.2.), digital skills and adult learning (2020 recommendation 2.4. and 2019 recommendations 2.2. and 2.4.), higher education (2019 recommendation 2.2.), convergence and productivity growth, including research and innovation and support for business investments (2020 recommendation 3.4. and 2019 recommendation 3.1.), and administrative capacity, including tax administration, public procurement and the judicial system (2019 recommendation 4.1.).
- (27) In the modified RRP, Latvia does not remove any reforms and preserves their level of ambition in all of the six components. Lowering of targets in some of the investments due to objective reasons are mitigated by scaling up or seeking better alternatives in others.

- (28) The REPowerEU chapter is expected to contribute to addressing energy-related 2022 and 2023 country-specific recommendations. In particular, the measure 7.1.r. (Reform: Transforming the national energy sector) is expected to reduce the overall reliance on fossil fuels by accelerating the deployment of renewables. The measures 7.2.i. (Investment: Security and stability of energy supply, and synchronisation with the Union grid), 7.3.i. (Investment: Upgrading, digitalising and securing the electricity transmission and distribution networks) and 7.4.i. (Investment: Increasing the uptake of sustainable biomethane) are also expected to reduce the overall reliance on fossil fuels and to accelerate the deployment of renewable energy by increasing the uptake of sustainable biomethane, by digitalising, upgrading and securing the national electricity transmission and distribution networks, and by increasing electricity storage and capacity. They are also expected to ensure sufficient capacity of interconnections and to continue synchronisation with the Union electricity grid.

Do no significant harm

- (29) In accordance with Article 19(3), point (d), of and Annex V, criterion 2.4, to Regulation (EU) 2021/241, the modified RRP including the REPowerEU chapter is expected to ensure that no measure (rating A) for the implementation of reforms and investments projects included in this RRP does significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) 2020/852 of the European Parliament and of the Council¹ (the principle of ‘do no significant harm’).

¹ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

- (30) The modified RRP assesses compliance with the principle of ‘do no significant harm’ following the methodology set out in the technical guidance provided in the Commission Notice entitled ‘Technical guidance on the application of “do no significant harm” under the Recovery and Resilience Facility Regulation’¹. Changes introduced in measures through the modification of the RRP do not affect the assessment carried out for the original RRP.
- (31) For all modified and new reforms and investments introduced, including the REPowerEU chapter, Latvia provided an assessment of each measure against the principle of ‘do no significant harm’. Where necessary, specific safeguards to ensure compliance with the principle of ‘do no significant harm’ are included in the relevant milestones and targets. The information provided by Latvia allows to conclude that the RRP is expected to ensure that none of the measures does significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) 2020/852.
- (32) No measure under the modified Latvian RRP, including the REPowerEU chapter, falls under Article 21c(3), point (a), of Regulation (EU) 2021/241.

Contribution to the REPowerEU objectives

- (33) In accordance with Article 19(3), point (da), of and Annex V, criterion 2.12, to Regulation (EU) 2021/241, the REPowerEU chapter is expected to effectively contribute to a large extent (rating A) to energy security, the diversification of the Union’s energy supply, an increase in the uptake of renewables and in energy efficiency, an increase of energy storage capacities or the necessary reduction of dependence on fossil fuels before 2030.

¹ OJ C 58, 18.2.2021, p. 1.

- (34) The measures included in the REPowerEU chapter are expected to contribute to the objectives under Article 21c(3), points (b), (c) and (e), of Regulation (EU) 2021/241. The investment and accompanying reform on sustainable biomethane are expected to increase the uptake of this source by creating a regional injection point and by establishing a legal framework for injecting sustainable biomethane into the existing natural gas network (objective referred to in Article 21c(3), point (b), of Regulation (EU) 2021/241). Under this framework, it is expected that also small biomethane producers will be enabled to contribute to increasing the overall uptake of this source by having access to available injection points. The investment on the modernisation, digitalisation and security of the electricity grid is expected to increase the share and accelerate the deployment of renewable energy by implementing smart grid management solutions at both transmission and distribution level, and by increasing the national grid capacity to accommodate renewables integration (objective referred to in Article 21c(3), point (b), of Regulation (EU) 2021/241). The reform is expected to address energy poverty by establishing a favourable regulatory framework for energy communities and self-generation, and by introducing under this framework initiatives in favour of vulnerable groups (objective referred to in Article 21c(3), point (c), of Regulation (EU) 2021/241). The investment on the construction of a battery energy storage system (BESS) is expected to contribute to addressing internal and cross-border energy transmission and distribution bottlenecks resulting from the progressive desynchronisation of the national grid from Russian and Belarusian networks (objective referred to in Article 21c(3), point (e), of Regulation (EU) 2021/241). This investment should also support electricity storage and increase energy security (objective referred to in Article 21c(3), point (e), of Regulation (EU) 2021/241).

- (35) The measures included in the REPowerEU chapter are consistent with the efforts of Latvia to achieve the objectives set out in Article 21c(3) of Regulation (EU) 2021/241, taking into account the measures already included in the Council Implementing Decision of 13 July 2021, as well as other nationally funded or Union-funded complementary or accompanying measures. The investment on the construction of a BESS is complementary to a cross-border project financed by the Connecting Europe Facility. The objectives of the REPowerEU chapter are aligned with Latvia's efforts to further reduce reliance on fossil fuels, to accelerate the green transition, and to become a clean energy exporting country.

Measures having a cross-border or multi-country dimension or effect

- (36) In accordance with Article 19(3), point (db), of and Annex V, criterion 2.13, to Regulation (EU) 2021/241, the measures included in the REPowerEU chapter are expected to a large extent (rating A) to have a cross-border or multi-country dimension or effect.
- (37) The REPowerEU chapter contributes to securing energy supply in the Union as a whole by accommodating the integration of renewable energy sources through smart grid management solutions, by modernising and securing electricity infrastructures, by increasing electricity storage capacity, as well as by accelerating the synchronisation of the Baltics' electricity grid with the Union grid.

- (38) The REPowerEU chapter also contributes to reducing dependence on fossil fuels by increasing the uptake of sustainable biomethane and by investing in the modernisation, digitalisation and security of the electricity grid in order to accommodate the greater integration of renewable energy sources. The investment measure covering the installation of a BESS is aimed at complementing a cross-border project implemented by Latvia, Lithuania, Estonia and Poland, with a view to ensuring full synchronisation of the Baltic States' electricity networks with the continental European network. This investment also encompasses ancillary activities aimed at enhancing cybersecurity of critical infrastructures and ensuring the stable operation of the transmission network after the synchronisation, with a view to increasing the integration of renewable energy sources. The investment on upgrading, digitalising and securing the electricity transmission and distribution networks also has a cross-border and multi-country dimension and effect, as it is expected to contribute to removing bottlenecks in energy flows and facilitate the integration of renewable energy sources into the networks.
- (39) The estimated costs of the measures included in the REPowerEU chapter having a cross-border or multi-country dimension or effect represent 99 % of the estimated costs of the REPowerEU chapter. The chapter is therefore deemed to have, to a large extent, a cross-border or multi-country dimension or effect.

Contribution to the green transition, including biodiversity

- (40) In accordance with Article 19(3), point (e), of and Annex V, criterion 2.5, to Regulation (EU) 2021/241, the modified RRP including the REPowerEU chapter, contains measures that contribute to a large extent (rating A) to the green transition, including biodiversity, or to addressing the challenges resulting therefrom. The measures supporting climate objectives account for an amount which represents 42 % of the RRP's total allocation and 100 % of the total estimated costs of measures in the REPowerEU chapter calculated in accordance with the methodology set out in Annex VI to Regulation (EU) 2021/241. In accordance with Article 17 of that Regulation, the modified RRP including the REPowerEU chapter is consistent with the information included in the National Energy and Climate Plan 2021-2030.
- (41) The measures in the REPowerEU chapter have a lasting impact as they will contribute to modernising, securing and digitalising the national electricity transmission and distribution networks. Investments in the national grid are key to accelerate the clean energy transition and the synchronisation of the national networks with the continental European network, also in view of the Union objective of climate neutrality by 2050. Moreover, the measures in the chapter contribute to achieving the Union's 2030 energy and climate targets and the Union's objective of climate neutrality by 2050 by preparing the national energy grid for a higher integration of renewable electricity and by increasing the uptake of sustainable biomethane. The reform is expected to: (a) introduce an enabling framework for energy communities, self-consumers and owners of micro-generators, (b) lay down conditions for a more efficient use of existing transmission and distribution infrastructures, and (c) lay down conditions for increasing the uptake of sustainable biomethane to be injected into the existing natural gas network.

- (42) The investment in securing and stabilising energy supply, and in the synchronisation of the national electricity network with the Union grid will further contribute to Latvia's green transition away from fossil fuels. The investment in upgrading, digitalising and securing the electricity transmission and distribution networks is expected to accommodate a higher amount of variable renewables in Latvia's goal to become a clean energy exporting country. The investment in sustainable biomethane will complement the national effort to increase the share and accelerate the deployment of renewables. All measures included in the REPowerEU chapter are therefore expected to significantly contribute to the green transition, or to address the challenges resulting therefrom.

Contribution to the digital transition

- (43) In accordance with Article 19(3), point (f), of and Annex V, criterion 2.6, to Regulation (EU) 2021/241, the modified RRP contains measures that contribute to a large extent to the digital transition or to addressing the challenges resulting from it. The measures supporting digital objectives account for an amount which represents 23 % of the modified RRP's total allocation calculated in accordance with the methodology set out in Annex VII to Regulation (EU) 2021/241.
- (44) The digital measures included in the modified RRP continue to cover multiple aspects of the digital transformation encompassing the public and private sectors, skills and connectivity, with a focus on improving the competitiveness of the Latvian economy in the medium and long term. The modifications to the Latvian RRP do not impact the substantial contribution of the RRP to the digital transition or to the challenges resulting from it.

- (45) The REPowerEU chapter is expected to contribute to the digital transition and to addressing the resulting challenges by investing in the digitalisation of the electricity distribution and transmission networks, and in the digital security of critical energy infrastructures. Measures under the chapter will also contribute to increase storage capacity related to smart energy systems. In accordance with Article 21c(5) of Regulation (EU) 2021/241, reforms and investments in the REPowerEU chapter are not to be taken into account when calculating the total allocation of the RRP for the purpose of applying the digital target requirement set by that regulation.

Monitoring and implementation

- (46) In accordance with Article 19(3), point (h), of and Annex V, criterion 2.8, to Regulation (EU) 2021/241, the arrangements proposed in the modified RRP including the REPowerEU chapter are adequate (rating A) to ensure effective monitoring and implementation of the RRP, including the envisaged timetable, milestones and targets, and the related indicators.
- (47) The nature and extent of the proposed modifications to Latvia's RRP do not have an impact on the previous assessment of the effective monitoring and implementation of the RRP. The milestones and targets that accompany the modified measures, including those in the REPowerEU chapter, are clear and realistic and the proposed indicators for those milestones and targets are relevant, acceptable and robust. Milestones and targets are also relevant for measures already completed which are eligible under Article 17(2) of Regulation (EU) 2021/241. The satisfactory fulfilment of these milestones and targets over time is required to justify a disbursement request.

Costing

- (48) In accordance with Article 19(3), point (i), of and Annex V, criterion 2.9, to Regulation (EU) 2021/241, the justification provided in the modified RRP including the REPowerEU chapter on the amount of the estimated total costs of the RRP is to a medium extent (rating B) reasonable and plausible, is in line with the principle of cost efficiency and is commensurate with the expected national economic and social impact.
- (49) Latvia has provided individual estimated costs for all the new measures that entail a cost in the RRP including the REPowerEU chapter, as well as individual justifications for all the existing measures whose modifications entailed a change in the cost estimates. The information provided by Latvia is generally sufficiently detailed to allow an assessment of the reasonability and plausibility of cost estimates. Latvia provided estimates and assumptions on costs using the standard template table, which was intended to summarize the key information and evidence on costing, including the methodology underlying the cost calculations. Latvia also submitted additional supporting documents for the cost estimates, including tender offers, references to comparable investments done in the past as well as detailed cost estimates prepared by qualified experts. Moreover, Latvia provided different vintages of its construction cost forecast which justified inflation-related increase in costs. The assessment of the cost estimates and supporting documents shows that the majority of the costs of the new measures are well justified, reasonable and plausible. Moreover, the changes in the cost estimates of the modified measures are sufficiently justified and proportional. Finally, the estimated total cost of the RRP is in line with the principle of cost-efficiency and commensurate with the expected national economic and social impact. The cost estimates of the amended measures concern only a fraction of the RRP and do not affect the assessment of the original RRP regarding the costing criterion (rating B).

- (50) Latvia has provided sufficient information and evidence that the costs for all new and REPowerEU measures will not be funded at the same time by other Union funding sources. The commitment to put in place safeguards which are meant to prevent double funding remains and has not been altered by the modification of the RRP.

Any other assessment criteria

- (51) The Commission considers that the modifications put forward by Latvia do not affect the positive assessment of the RRP set out in the Council Implementing Decision of 13 July 2021 regarding the relevance, effectiveness, efficiency and coherence of the RRP against the assessment criteria laid down in Article 19(3), points (c), (g), (j) , and (k), of Regulation (EU) 2021/241.

Consultation process

- (52) In accordance with its national legal framework, Latvia conducted a series of consultation with relevant stakeholders to discuss the amendments to Regulation (EU) 2021/241 as well as the content of its modified RRP. The general public was formally consulted on the modified RRP via the electronic platform of the Cabinet of Ministers in May and June 2023. Social partners, including representatives of professional organisations, were also consulted. Stakeholders' suggestions are publicly available. Their engagement in the discussions was encouraged through the management and control system used for the implementation of the cohesion policy support, where stakeholders' representatives form an integral part of the EU fund monitoring committee.

- (53) As part of the consultation process with stakeholders, a public consultation on the REPowerEU chapter was organised by the Latvian authorities on a dedicated legislative portal. A total of 12 contributions were received from four partners. The comments received were examined by the Latvian authorities and explanations were provided to stakeholders on the follow-up actions.

Positive assessment

- (54) Following the positive assessment of the Commission concerning the modified RRP including the REPowerEU chapter, with the finding that the RRP satisfactorily complies with the criteria for assessment set out in Regulation (EU) 2021/241, in accordance with Article 20(2) of and Annex V to that Regulation, this Decision sets out the reforms and investment projects necessary for the implementation of the modified RRP including the REPowerEU chapter, the relevant milestones, targets and indicators, and the amount made available from the Union for the implementation of the modified RRP including the REPowerEU chapter in the form of non-repayable financial support.

Financial contribution

- (55) The estimated total costs of the modified RRP including the REPowerEU chapter of Latvia is EUR 1 969 244 522. As the amount of the estimated total costs of the modified RRP is higher than the updated maximum financial contribution available for Latvia, the financial contribution calculated in accordance with Article 11 of Regulation (EU) 2021/241 allocated for Latvia's modified RRP including the REPowerEU chapter should be equal to the total amount of the financial contribution available for Latvia's modified RRP including the REPowerEU chapter. This amount is equal to EUR 1 834 501 144.

- (56) Pursuant to Article 21a(5) of Regulation (EU) 2021/241, on 26 September 2023 Latvia submitted a request for the allocation of the revenue referred to in Article 21a(1) of that Regulation, shared between Member States on the basis of the indicators set out in the methodology referred to in Annex IVa to that Regulation. The estimated total cost of reforms and investments aiming to contribute to the objectives set out in Article 21c(3), points (b) to (f), of Regulation (EU) 2021/241 included in the REPowerEU chapter is EUR 134 743 378. As this amount is higher than the allocation share available for Latvia, the additional non-repayable financial support available for Latvia should be equal to the allocation share. This amount is equal to EUR 123 797 035.
- (57) Additionally, in accordance with Article 4a of Regulation (EU) 2021/1755 of the European Parliament and of the Council¹, on 28 February 2023, Latvia submitted a reasoned request to transfer all its remaining provisional allocation from the resources of the Brexit Adjustment Reserve to the Recovery and Resilience Facility established by Regulation (EU) 2021/241 (the ‘Facility’), amounting to EUR 10 946 343. That amount should be made available to support the reforms and investments in the REPowerEU chapter as additional non-repayable financial support.
- (58) The total financial contribution available to Latvia should be EUR 1 969 244 522.

¹ Regulation (EU) 2021/1755 of the European Parliament and of the Council of 6 October 2021 establishing the Brexit Adjustment Reserve (OJ L 357, 8.10.2021, p. 1).

REPowerEU Pre-financing

- (59) Latvia has requested the following funding for the implementation of its REPowerEU chapter: transfer of EUR 10 946 343 from the provisional allocation from the resources of the Brexit Adjustment Reserve, and EUR 123 797 035 from the revenue from the emissions trading system under Directive 2003/87/EC of the European Parliament and of the Council¹.
- (60) For those amounts, pursuant to Article 21d of Regulation (EU) 2021/241, on 26 September 2023, Latvia has requested pre-financing of EUR 26 948 676 that is 20 % of the funding requested. Subject to available resources, that pre-financing should be made available to Latvia subject to the entry into force of, and in accordance with, an agreement to be concluded between the Commission and Latvia pursuant to Article 23(1) of Regulation (EU) 2021/241.
- (61) The Council Implementing Decision of 13 July 2021 on the approval of the assessment of the recovery and resilience plan for Latvia should therefore be amended accordingly. For the sake of clarity, the Annex to that Implementing Decision should be replaced entirely,

HAS ADOPTED THIS DECISION:

¹ Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a system for greenhouse gas emission allowance trading within the Union and amending Council Directive 96/61/EC (OJ L 275, 25.10.2003, p. 32).

Article 1

The Council Implementing Decision of 13 July 2021 on the approval of the assessment of the recovery and resilience plan for Latvia is amended as follows:

- (1) Article 1 is replaced by the following:

‘Article 1

Approval of the assessment of the RRP

The assessment of the modified RRP of Latvia on the basis of the criteria provided for in Article 19(3) of Regulation (EU) 2021/241 is approved. The reforms and investment projects under the RRP, the arrangements and timetable for the monitoring and implementation of the RRP, including the relevant milestones and targets, the relevant indicators relating to the fulfilment of the envisaged milestones and targets, and the arrangements for providing full access by the Commission to the underlying relevant data are set out in the Annex to this Decision.’;

(2) in Article 2, paragraphs 1 and 2 are replaced by the following:

- ‘1. The Union shall make available to Latvia a financial contribution in the form of non-repayable support amounting to EUR 1 969 244 522*. That contribution includes:
 - (a) an amount of EUR 1 640 779 642, which shall be available to be legally committed by 31 December 2022;
 - (b) an amount of EUR 193 721 502, which shall be available to be legally committed from 1 January 2023 until 31 December 2023;
 - (c) an amount of EUR 123 797 035**, in accordance with Article 21a(6) of Regulation (EU) 2021/241, exclusively for reforms and investments that aim to contribute to the objectives set out in Article 21c(3), points (b) to (f), of that Regulation;
 - (d) an amount of EUR 10 946 343, transferred from the Brexit Adjustment Reserve to the Facility.
2. The Union financial contribution shall be made available by the Commission to Latvia in instalments in accordance with the Annex to this Decision. An amount of EUR 237 380 000 shall be made available as pre-financing in accordance with Article 13 of Regulation (EU) 2021/241.

An amount of EUR 26 948 676 shall be made available as pre-financing in accordance with Article 21d of Regulation (EU) 2021/241. That pre-financing may be disbursed by the Commission in up to two payments.

The pre-financing and instalments may be disbursed by the Commission in one or several tranches. The size of the tranches shall be subject to the availability of funding.

* This amount corresponds to the financial allocation after deduction of Latvia's proportional share of the expenses referred to in Article 6(2) of Regulation (EU) 2021/241, calculated in accordance with the methodology set out in Article 11 of that Regulation.

** This amount corresponds to the financial allocation after deduction of the Latvia's proportional share of the expenses referred to in Article 6(2) of Regulation (EU) 2021/241, calculated in accordance with the methodology set out in Annex IVa to that Regulation.';

(3) the Annex is replaced by the text set out in the Annex to this Decision.

Article 2

This Decision is addressed to the Republic of Latvia.

Done at ...,

For the Council

The President
