

Avosetta Meeting

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“Instruments of Climate Mitigation and Energy Transition”

Latvia

Introduction¹

Latvia's climate policy can be described as generally supportive but cautious in its approach to EU climate ambitions. This approach is shaped by structural factors such as security, the energy mix, the forestry sector and socio-economic conditions. While assessing the official position, it is evident that the EU's climate policy is widely endorsed when it promotes energy security, competitiveness, and resilience. However, domestic debate tends to be more cautious or negative when climate measures entail significant distributional costs or stricter land-use constraints. The Ministry for Climate and Energy (KEM) identifies the main controversies surrounding post-2030 ambition as being: LULUCF targets, bioenergy, and the social effects of ETS II.

Some major events in climate policy include the significant update to the NECP in 2024, the establishment of the Ministry for Climate and Energy in 2023, and the adoption of the climate framework legislation. However, to get the law adopted, many compromises had to be made between the political parties in Parliament, starting with changing the title from 'Climate Law' to 'Climate Resilience and Economic Sustainability Law'. The emphasis has also shifted from climate protection to promoting the sustainability of the national economy 'by fostering competitiveness and advancing the country's progress towards mitigating climate change and achieving climate resilience'. At the same time, the main aim of 'climate neutrality by 2050' has been retained. (See the second report for more details.)

1. Political Situation

According to the government's position in the EU Council, Latvia generally supports EU climate and energy transition policies, albeit with pragmatic caution. The country is often critical of new initiatives (or ambitions) that raise concerns about economic competitiveness, energy security and social impacts. National support is strongest where EU measures align with objectives of resilience and independence. This is particularly the case in the post-2022 geopolitical context.

The political landscape is generally dominated by liberal-conservative (centre-right) and pro-European parties. No one from the political parties forming a coalition is openly opposed to EU

¹ Please note that the report is based on comments received from colleagues at the Latvian Ministry of Climate and Energy, as well as recent publicly available data and policy documents. There are so many of the latter that AI was used to analyse and collect the most appropriate ones. The information has been verified by a person with more knowledge of the current national situation.

climate policy. All mainstream parties are in favour of EU membership and compliance with EU law, including the general objective of climate neutrality and the implementation of EU climate policies.

However, support is **conditional rather than ideological**, meaning that climate objectives are endorsed insofar as they remain compatible with economic competitiveness, energy security, and national circumstances. Climate policy is recently framed through **energy security** (especially post-2022), **economic competitiveness**, and **fair burden-sharing** between Member States.

Thus, since 2022–2024, Latvia’s climate policy has experienced a shift in political rhetoric and implementation priorities, driven by the energy crisis and broader geopolitical instability. While overall support for EU climate objectives has remained, greater emphasis has been placed on:

- energy security and independence (especially from Russia),
- cost considerations,
- and social acceptability of climate measures and the practical feasibility of policy measures

Climate policy is now more explicitly linked to security, industrial competitiveness, and rural, as well transport realities.

This explains the perceived “less ambitious” tone as the goals have not changed significantly, but the political framing has become more cautious and conditional.

Key controversies in the domestic debate concern:

- The stringency of post-2030 targets;
- The LULUCF sector and forestry management;
- The sustainability of bioenergy;
- The socio-economic impact of ETS II.

The role of the courts in climate governance seems to remain very limited. According to the Climate Ministry, and as far as I can ascertain, there are no strategic climate litigations in Latvia, nor are there many discussions on the results of global climate litigations (except for some organised by NGOs). In Latvia, court cases primarily arise in the context of environmental permitting, land use (especially restrictions and compensation for it), forestry, and pricing and conditions for the mandatory procurement of energy from renewable energy sources (RES) (and obligations to repay state aid in that context).

At the same time, there are some noteworthy messages in the judgments of the Constitutional Court in cases where disputes concerned alleged violation of property rights due to one or another environmental/climate related rules or restrictions. For example, a private company challenged the conditions for controlling energy-generating companies that claimed entitlement to mandatory electricity procurement. In applying the proportionality test to assess the legitimacy of restrictions

on property rights, the Constitutional Court recalled the Green Deal and binding targets on climate neutrality.²

Prospects: Hopefully, climate policy will continue to be supported, although it will undoubtedly be influenced by concerns about energy security and affordability. Additionally, changes may occur following the upcoming parliamentary elections in October 2026. The most vocal opposition parties completely oppose the climate policy goals (at least rhetorically) and are calling for them to be revised.

It might be also explained by the dominant public perception as only 22% of Latvians (vs. 46% EU average) identify climate change as a top global issue.³

2. Overall Climate Policy Targets

While planning measures at a national level, Latvia respects the EU targets for 2030, 2040 and 2050. The recently adopted law on climate issues confirms the aim of achieving climate neutrality by 2050.⁴

According to reports presented to the government and parliament, EU targets appear to be accepted as binding, with no major criticism or contestation of their ambition, except from opposition parties during various discussions. Reports (mostly prepared by the KEM) consistently present the EU's 2030 and 2050 climate targets as legal obligations stemming from EU law and the Paris Agreement. Latvia's targets are described as derived from EU commitments rather than being chosen independently.

At the same time, discussions about tightening climate goals in the future (in order to achieve the 2050 aim) are politically and economically challenging.

On gold-plating: short answer: there is no clear 'gold plating' beyond EU targets. The reports studied suggest that Latvia transposes EU targets into national policy rather than exceeding them. At the same time, however, there seems to be a developing trend in the opposite direction, as a greater understanding of the difficulties involved in achieving existing goals is emerging. Therefore, the official political line is cautious about any further tightening beyond what is already embedded in EU law.

² Constitutional Court judgement of 12.02.2026 Nr.2024-27-0103, stating [19]: One of the European Union's main political priorities is the European Green Deal, which aims to achieve climate neutrality by 2050. [...] Since achieving climate goals and promoting Latvia's energy independence are objectives in the public interest, it is also in the public interest that mandatory procurement rights be granted and retained only for those electricity producers whose activities help achieve these objectives. Thus, effective oversight of the operations of a business receiving state aid is the means by which the protection of the public's welfare interests in the field of state aid is ensured."

³ European Parliament, Climate Change in the EU: Public Opinion and Facts (Latvia Country Brief), European Parliamentary Research Service (EPRS), 2024, p. 3.

⁴ Largely based on balancing emissions with LULUCF removals.

Challenges:

- Transport emissions.
- Non-ETS sectors under Effort Sharing Regulation.
- Agriculture (no plans to reduce (and trends) but rather opposite)

To sum up from the information studied: Latvia's climate policy, as reflected in the KEM reports and political discussions, is compliance-driven rather than ambition-driven: EU targets are accepted as the benchmark, and while additional measures are considered in planning scenarios, they are uncertain and often unfunded. There is no clear evidence of "gold plating" or stronger binding targets beyond EU requirements.

3. Emissions Trading System I (Industry)

ETS I is considered an appropriate and central instrument for industrial decarbonisation.

Latvia's relatively small industrial sector means that the direct national impact of ETS I is limited.⁵

Because Latvia has a relatively small heavy industrial base, and significant emissions come from non-ETS sectors (especially transport), ETS I is important as the system but not the main national challenge.

Most of Latvia's decarbonisation difficulties lie outside ETS (transport, agriculture, buildings).⁶

4. Emissions Trading System II (Buildings and Transport)

Buildings and transport constitute **a large share of Latvia's non-ETS emissions**, with transport identified as the most problematic sector.

- Transport is the largest energy-consuming sector, accounting for roughly 30% of final energy consumption.
- Households (buildings) represent approximately 25–27% of final energy consumption.

Together, **buildings and road transport account for more than half of Latvia's final energy consumption**, making them the key sectors for decarbonisation policy. This structural importance explains why ETS II is politically and economically sensitive.

4.1. Is the postponement of ETS II to 2028 viewed positively?

The postponement is viewed positively from the perspective of regulated entities. It is understandable as it would provide more time for administrative preparation (monitoring, reporting, compliance), as well as delays immediate cost impacts on households and businesses.

⁵ ETS covers 53 installations in Latvia (as of 2022).

⁶ See Table 1 in the Annex.

However, the Ministry stresses that postponement may slow down emission reductions, particularly in the transport sector where policy instruments are already weak. The position does not seem to represent the government's overall stance.

4.2. Are buildings and road transport already part of a national regulatory regime that anticipates elements of ETS II?

Latvia does not yet have a comprehensive carbon-pricing system equivalent to ETS II, but partial elements exist. Existing elements include:

- Energy and fuel taxation,
- Energy efficiency policies (especially for buildings),

However, these measures are fragmented, not integrated into a unified pricing system.

There are some other regulatory requirements that would affect the system to be established for ETSII implementation. For example, the requirements for fuel suppliers to incorporate biofuels into petrol and diesel.

Latvian legislation establishes a mandatory requirement for fuel suppliers to incorporate biofuels into petrol and diesel. This obligation, implemented through fuel quality regulations and more recently through the **Transport Energy Law** (from 2026), requires minimum blending levels (e.g. around 6.5–7% for diesel and 9.5% for petrol). While temporarily suspended during the 2022–2023 energy crisis, the requirement has been reinstated and is now embedded within a broader framework obliging suppliers to increase the share of renewable energy in transport fuels. Although this requirement relates to the implementation of the EU Renewable Energy Directive, it could positively (less-costly) affect the compliance with ETSII aimed at reduction of emissions from transport. According to the Transport Energy Law (2026) the obligations of the suppliers are moving beyond simple blending. Under the new law fuel suppliers must increase the share of renewable energy in their energy portfolio and reduce transport emissions more broadly. This can be achieved by:

- higher biofuel blending,
- biomethane,
- electricity (charging infrastructure),
- other alternative fuels.

Accordingly, as explained under the new law impact assessment: the system is evolving from “fixed blending mandate” to “flexible decarbonisation obligation.”

4.3. How are the prospects for decarbonizing the national building and transport sectors assessed?

Prospects for decarbonising **buildings**

Key challenges:

- **Old and inefficient building stock;**

- High **upfront investment costs** for renovation (difficulties to agree about them among owners who must pay (at least partly)) ;
- Dependence on:
 - district heating systems,
 - biomass heating (gradually increasing but in parallel with the opposing discussions due to sustainability concerns raised at EU level).

Renovation and energy efficiency are central to this sector. However, progress is **slow, capital-intensive and dependent on support** from owners, public in general and EU funding.

Prospects for decarbonising transport

This is identified by the Ministry of Climate as the **most problematic sector**.

Structural challenges:

- High dependence on **fossil fuels (oil products)**;
- **Low penetration of alternative fuels** (electricity, biofuels);
- **Rural geography and car dependency**;
- **Limited public transport alternatives** in many regions.

According to the reports from the Ministry, it is clear that transport is the **largest contributor to non-ETS emissions** and it is central to Latvia's difficulty in meeting ESR targets.

In short, decarbonisation of transport is highly challenging and plans are uncertain. This sector represents the **main risk to achieving climate targets** even if rarely openly accepted.

With respect to transposition and implementation, one may note that Latvia is not fully prepared structurally, but has just completed transposition of ETS II at legislative level (March, 2026) and begun implementation (monitoring plans, compliance systems).

5. Double Regulation

It seems that the issue of overlapping regulation is now **explicitly acknowledged at ministerial level** as the Ministry of Climate and Energy has initiated some common activities for discussing these issues and working on it with the Ministry of Finance in 2026 with respect to potential overlap of ETS obligations vs. national carbon taxes. No other initiatives have been noticed or reported.

6. Effort Sharing Regulation (ESR)

Latvia faces **significant challenges** in meeting ESR targets. However, the answer on expectations for compliance/failure differs slightly depending on the dataset used. It is however clear that the main sources of difficulty are: transport emissions and agricultural emissions.

The Commission's 2025 Staff Working Document is relatively positive: it estimates Latvia's 2030 annual emission allocation at **7.1 MtCO₂e**, projected emissions at **7.0 MtCO₂e**, and therefore a small positive distance of **0.1 MtCO₂e**.

However, the Commission's 2024 Latvia factsheet was more cautious: Latvia's WEM scenario pointed to only **-12%**, and WAM to **-15%**, compared with the required **-17%** target.

The Latvian projection report submitted in 2025 is more favourable than the 2024 assessment: it states that under **WEM**, Latvia would miss the annual allocation in **2028–2030**, but under **WAM**, emissions would not exceed the annual emission allocation during 2021–2030.

So, it seems that at this stage one may claim that Latvia is expected to comply **if additional measures** are implemented effectively, but it is not in a position of secure over-achievement.

There is some possible over-compliance in the Commission 2025 numbers, but the margin is small in 2030. The national data also shows that compliance relies on WAM measures, not merely existing policies.

Main challenges are:

- **Transport** — the report states that transport was the second-largest GHG source in 2022, with **31%** of total emissions excluding LULUCF and **97.1%** of transport emissions came from road transport.
- **Agriculture** — the third-largest source, with **22.2%** of emissions excluding LULUCF; key drivers are agricultural soils, livestock digestion, animal numbers and nitrogen fertiliser use.
- **High non-ETS share** — non-ETS activities dominate Latvia's emissions: **83.3%** of total GHG emissions in 2022, compared with only **16.7%** from ETS sectors. (see in the Annex table 1)
- **Dependence on additional measures** — WAM is needed for secure compliance; WEM alone is not sufficient after 2028.

To sum-up: Recent projections indicate that Latvia may fall short of its 2030 target under current policies, so, additional measures or use of ESR flexibilities may be required.

While recent Commission projections suggest that Latvia may achieve a small surplus by 2030, national projections indicate a risk of non-compliance under existing policies. As a result, Latvia **may need to rely on available flexibilities under the Effort Sharing Regulation, including the potential purchase of emission allocations** from other Member States, although no formal decision has been taken in this context.

7. Renewable Energy

Latvia's energy mix is characterised by a relatively high share of renewable energy,⁷ particularly in electricity and heating, where hydropower and biomass dominate. In contrast, the transport sector remains heavily dependent on fossil fuels and as above-emphasized constitutes the main challenge for decarbonisation. Projections to 2030 and 2050 indicate a continued expansion of renewable energy, particularly wind and solar, alongside increasing electrification and declining reliance on natural gas. However, achieving full decarbonisation will depend critically on progress in the transport sector.

The EEA reports that in 2023 the share of renewables in final energy consumption was 43.2%, with 54.3% renewable electricity, and that renewable electricity produced domestically exceeded 75%; hydropower remains dominant, solar expanded very rapidly between 2021 and 2023, and renewable heating exceeded 60%, driven largely by solid biomass. Latvian official statistics similarly reported a 43.2% renewables share in 2023, ranking Latvia among the top performers in the EU, but with an especially weak transport renewables share of 1.36%.

Thus, key features include:

- Approximately **43% share of renewables** in final energy consumption (2023);
- Over **50% renewable electricity**, largely from hydropower (three on the largest river, all other (around 150) are very small and contributes only 2% in total supply);
- High reliance on **biomass** in heating.

So, the transition is uneven. Electricity and heating sectors are relatively advanced, but transport sector lags significantly (very low renewables share).

The Ministry (KEM) identifies key obstacles:

- Grid capacity limitations;
- Technology constraints (e.g. large-scale heat pumps);
- Investment needs;
- Sustainability concerns related to bioenergy.

It should also be noted that **public resistance** to wind energy projects constitutes an important factor contributing to delays in the development of renewable energy in Latvia. Several wind park projects have encountered opposition from local communities, often related to concerns about environmental and health impacts, landscape changes, and insufficient involvement in decision-making processes. Recent legislative amendments have sought to address this issue by enhancing community participation and introducing benefit-sharing mechanisms. For example, *Electricity*

⁷ See Tables, 2 and 3 in Annex.

Market Law reforms aim to: (i) increase social acceptance; (ii) involve communities (iii) provide financial benefits to local areas (payments linked to wind capacity). However, so far it seems practical results remain limited, and local opposition continues to hinder wind project acceptance and some developments are blocked (including in off-shore as no project has yet been finalized with an EIA).

Worth noting also some other barriers like military/security restrictions (border zones, sea area), spatial planning conflicts and administrative fragmentation (difficult to adopt strategic decisions on the developments affecting much broader area than just one municipality).

As one may conclude from Latvia's Energy strategy 2050 as well as NECP that future policy focuses on:

- Expanding wind and solar capacity.
- Strengthening energy independence; In this context, worth noting the legislation aimed to facilitate this goal, i.e. in 2022 Latvia adopted the Law on the Facilitated Procedures for the Construction of the Energy Supply Buildings Required for the Promotion of Energy Security and Autonomy.⁸
- Improving grid infrastructure.

8. Land Use, Land-Use Change and Forestry (LULUCF)

It seems that they are not recorded but calculated. According to the Ministry emissions from the land-use sector are not directly “recorded” in the sense of real-time measurement, rather, they are calculated and subsequently reported in accordance with the national greenhouse gas inventory system. These calculations follow internationally agreed methodologies, primarily those of the Intergovernmental Panel on Climate Change (IPCC), and are based on activity data (e.g. land-use categories, forest inventories, soil data) combined with emission factors. The results are then compiled and reported annually under the national inventory framework and submitted to the European Union and the UNFCCC.

National strategies include:

- promoting sustainable forest management practices that enhance long-term carbon sinks,
- increasing afforestation and reforestation efforts,
- improving soil carbon management in agricultural lands,

⁸ The aim of the law as stated is: “to promote generation of renewable energy, to facilitate the energy security and autonomy of the Republic of Latvia, and to mitigate adverse climate and environmental change processes.” The law available in EN: <https://likumi.lv/ta/en/en/id/336089-law-on-the-facilitated-procedures-for-the-construction-of-the-energy-supply-buildings-required-for-the-promotion-of-energy-security-and-autonomy>

- enhancing data collection and monitoring systems to improve the accuracy of emission estimates.

Together, these measures aim to maintain or increase the net carbon sink of the land-use sector while ensuring that reporting obligations and accounting rules under the LULUCF Regulation (EU) 2018/841 are met.

It worth noting that the LULUCF remains a **politically sensitive area**, given the economic importance of forestry.

9. Special National Strategies and Programmes

Latvia's climate governance framework is built around:

- The **NECP** that has been updated in July 2024 to align national plans with the “Fit for 55” and to reflect higher EU ambition (-55% by 2030), as well as it is incorporating REPowerEU energy security priorities. In addition, the measures were explicitly linked to EU funding sources. This improved financing pathways for implementation. This was a key improvement compared to earlier plans, which were often criticised for their lack of financial realism. However, the problem of insufficient funding compared to planned measures remains, and there is no clear system to mobilise private funding. The envisaged policy instruments are fragmented.
- **2025 Climate Resilience and Economic Sustainability Law** integrating economic sustainability and requirements on limiting climate change, promoting climate resilience to achieve climate neutrality by 2050. The aim is to establish coordinated monitoring and reporting mechanisms, as well as a cooperation framework. However, it is difficult to assess whether this will really improve coordination and facilitate the achievement of goals, as it has only just been adopted and the focus has shifted from real climate mitigation actions to economic sustainability. Otherwise, it wouldn't have been possible to agree on its adoption.

Additional programs include:

- Energy strategy plan 2050;
- Sectoral strategies for energy technologies and infrastructure.

Carbon Capture and Storage (CCS):

- **No national CCS strategy currently exists.**

10. Social and Regional Compensation Mechanisms

Latvia currently has **no climate dividend or direct carbon compensation scheme**.

However, some social support measures exist (e.g. energy subsidies) and EU-level instruments, particularly the **Social Climate Fund**, are expected to play a growing role.

11. Adaptation

Latvia has established a **national framework for climate adaptation**, centred on the **Latvian National Adaptation Plan to Climate Change until 2030**, which serves as the main strategic document guiding adaptation policy.

This framework is supported by a set of instruments, including:

- **climate risk and vulnerability assessments,**
- **early-warning systems,**
- **and municipal climate profiles.**

The adaptation plan includes **more than 40 measures**, many of which are specifically targeted at municipalities, reflecting the importance of local-level implementation.

The adaptation plan aimed at integration of scientific modelling into policy-making. Latvia has been among the first countries to have calculated future climate change scenarios for 2100 within the project, based on the latest Intergovernmental Panel on Climate Change 6th Assessment Report. These scenarios provide an evidence base aimed for national and local decision-making and support both strategic planning and sectoral policies. I don't have reliable information to ascertain whether and how much really used in policy and legislative decision-making.

Sectoral risk assessment and implementation tools

The Ministry of Climate and Energy has developed an **ongoing system of sector-specific risk and vulnerability assessments**. To date, assessments have been completed for:

- transport infrastructure,
- agriculture and fisheries,
- forestry.

Additional assessments are currently underway or planned for:

- energy infrastructure and construction,
- civil protection and disaster risk management,
- health and well-being,
- tourism and spatial planning,
- water management and flooding,
- biodiversity and ecosystems.

This approach reflects a shift toward **mainstreaming adaptation across all sectors**.

At the operational level, adaptation is supported by the Latvian Environment, Geology and Meteorology Centre, which:

- develops **municipal climate profiles**, including risk rankings,
- produces and regularly updates **flood risk maps**,
- provides shared data and methodologies for planners.

Latvia's adaptation policy places emphasis on **multi-level governance and coordination**.

Key coordination mechanisms include:

- **national-level guidance**, providing planning frameworks and methodologies;
- **regional cooperation**, particularly through planning regions that facilitate joint strategies;
- **EU-funded programmes** (e.g. LIFE, INTERREG), supporting cross-municipal projects;
- **shared data systems**, enabling consistent risk assessment across territories;
- **participation in international networks**, such as the Covenant of Mayors and NetZeroCities.

This reflects a governance model in which **implementation is decentralised**, but supported by national coordination and EU-level frameworks.

Role of the European Union vs Member States

According to the Government position, Latvia **supports EU coordination**, particularly in:

- knowledge-sharing,
- funding mechanisms,
- methodological guidance;

but considers that **design and implementation of adaptation measures should remain with Member States**, given the strong dependence of adaptation needs on **local geographical, climatic and socio-economic conditions**.

Accordingly, Latvia supports **EU coordination** but considers implementation primarily a **national responsibility**.

12. Liability and Compensation (Air Quality and Industrial Emissions Directives)

Implementation of the new liability and compensation regimes under the **Air Quality Directive (2024/2881)**, and the **amended Industrial Emissions Directive (2024/1784)** is still under

consideration in Latvia. So, the Ministry was not ready to provide any clear indication on the way how they intended to be implemented.

Key uncertainties include:

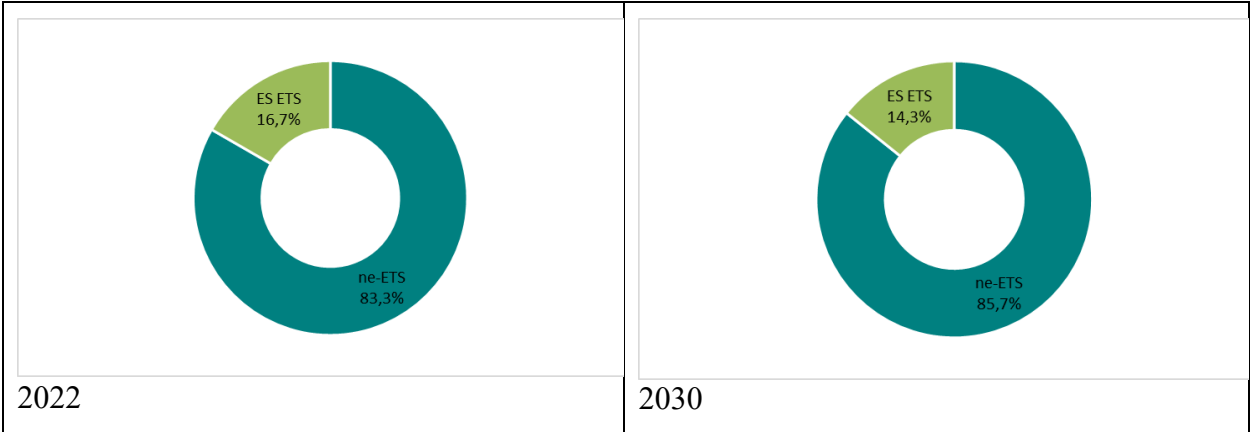
- Legal standards for causation and proof of harm;
- The scope of state liability;
- Interaction with existing administrative and civil law frameworks.

No clear national model has yet been adopted.

Concluding

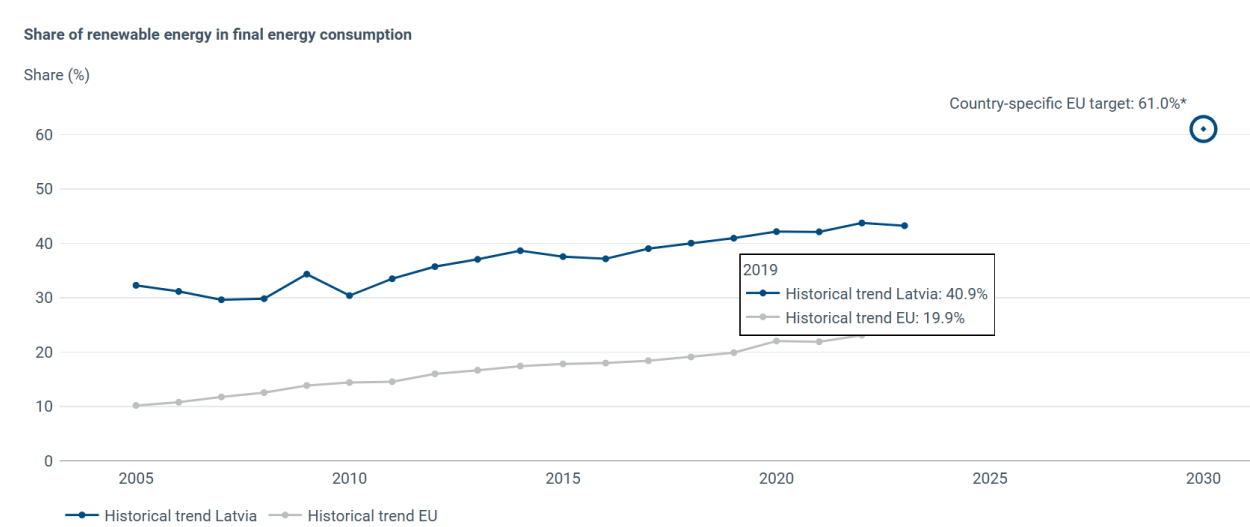
Latvia's strongest area remains renewable energy, particularly in the form of electricity and heating. Hydropower, biomass and solar energy are all playing central roles here. Transport remains its weakest area, driving the ESR problem and explaining why ETS II and social compensation have become so politically important. Another major pressure point is LULUCF, as Latvia's climate profile depends heavily on the performance of forests and land use. While the country's legal and policy architecture has become more coherent over the past two years, significant delivery risks remain, particularly with regard to ESR compliance and the socially balanced decarbonisation of sectors other than power.

Table 1



Latvia's GHG emissions breakdown by EU ETS/non-ETS in 2022 and 2030 in the WEM scenario (excluding ZIZIMM)⁹

Table 2 Eurostat



⁹ 2024 GHG inventory and 2030 for the scenario with existing policies and measures, based on the 2024 update of the 2023 Integrated Report on GHG projections, policies and measures

Table 3 Eurostat data

Share of energy products in total energy available, 2022
(in %)

