



Latvijas Republikas  
Valsts kontrole

# *EFFECTIVENESS OF ALLOCATED FUNDS TO MITIGATE CLIMATE CHANGE IN LATVIA AND FINANCIAL IMPACT OF AUDIT RESULTS*



**State Audit Office of the Republic of Latvia**

50 Skanstes Street Riga, LV-1013

Phone: 67017500

Fax: 67017673

E-mail: [lrvk@lrvk.gov.lv](mailto:lrvk@lrvk.gov.lv)

Homepage: <http://www.lrvk.gov.lv>

FB, Twitter: @VKontrole

Jānis Salenieks,  
Senior State Auditor

16th EUROSAI WGEA Annual Meeting  
on Auditing Climate Change  
Bratislava, Slovakia  
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# PROOF OF GLOBAL WARMING

**Unquestionable (scientifically based) evidence:**

*Reports of UN Intergovernmental panel on climate change (IPCC):  
e.g. IPCC 5<sup>th</sup> Assessment Report. Climate Change 2013:*

*The Physical Science Basis. [www.ipcc.ch/report/ar5/](http://www.ipcc.ch/report/ar5/)*

# *CONTENTS*

- **AUDIT SCOPE**
- **FUNDS FOR MITIGATING CLIMATE CHANGE**
- **CLIMATE CHANGE MITIGATION POLICY**
- **ASSESSMENT OF EFFECTIVENESS**
- **ARE PROJECTS SUSTAINABLE?**
- **RECOMMENDATIONS**

# AUDIT SCOPE

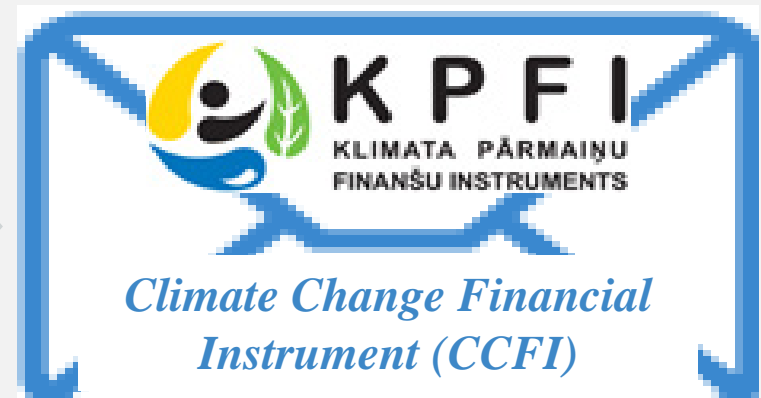


- **Audit title:** Are Funds Allocated for Climate Change Mitigation Used Effectively and in Compliance with the Legal Framework?
- **Objective:** Are funds planned and used effectively and compliant, providing sustainability (achievement and maintenance of set goals)
- **Audited period:** 1 January 2009 to 30 June 2016
- **Audited bodies:**
  - *Ministry of Environmental Protection and Regional Development* – elaborates and implements climate policy, plans and administers funding;
  - *Latvian Environmental Investment Fund* – state company, responsible for monitoring of climate projects.

# FUNDS FOR MITIGATING CLIMATE CHANGE (1)

Latvia has joined two greenhouse gas (GHG) emissions trading systems:

- International Emissions Trading System

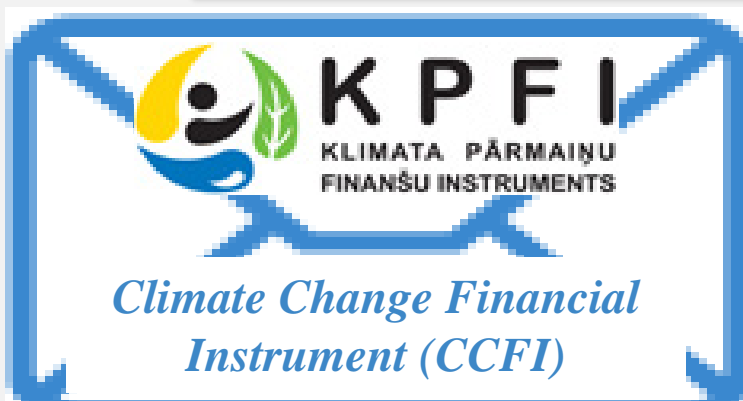


- European Union's Emissions Trading System



## FUNDS FOR MITIGATING CLIMATE CHANGE (2)

*Purpose of funds is to mitigate global climate change and to promote reduction of GHG emissions:*



- Projects have been implemented by June 2015;
- Monitoring of project results: 3 or 5 years after implementation of projects;
- Total financing (2009-2016): **204 million euro.**

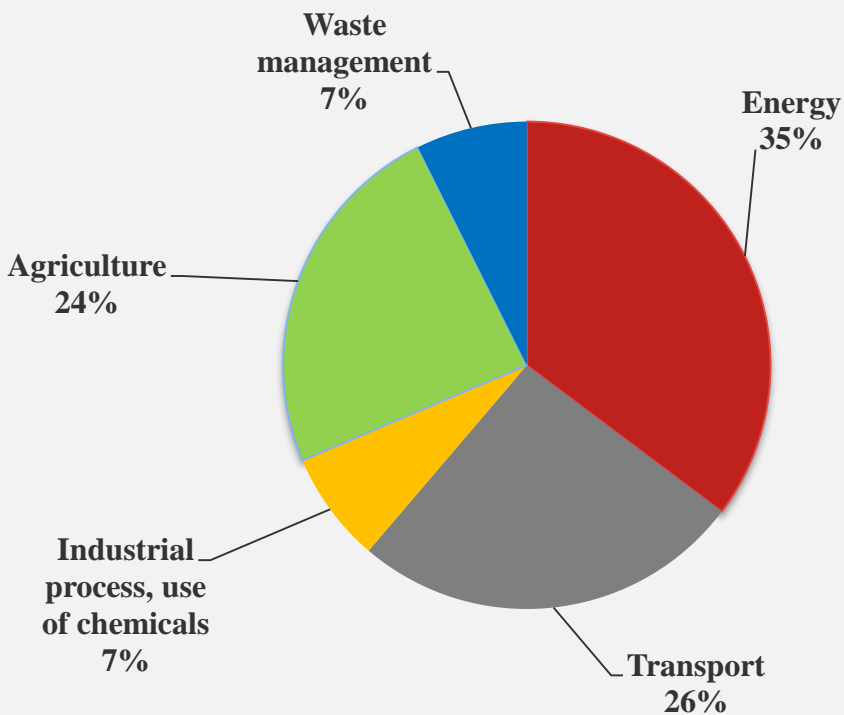


- Implementation of projects has been started in 2016;
- Project competitions are planned at least once per year;
- Total financing (2012-2016): **50 million euro.**



# EFFECTIVENESS OF ALLOCATED FUNDS TO MITIGATE CLIMATE CHANGE

# CLIMATE CHANGE MITIGATION POLICY



GHG emissions in 2014 by sectors in Latvia

## ■ Lack of Policy Action Plan:

- no defined climate policy goals by sectors (cross-sectoral issue)\*;
- no defined required funding in each sector \*

\* also in the field of waste management, which is under full supervision of the Ministry of Environment

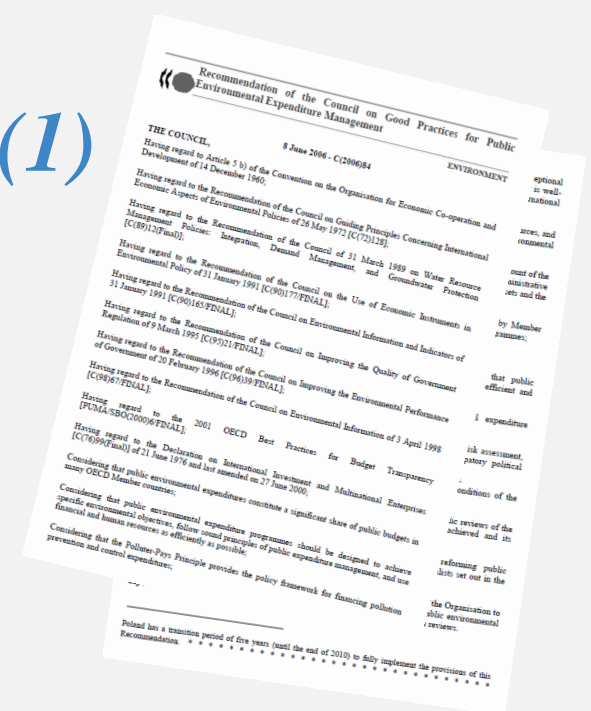


# ASSESSMENT OF EFFECTIVENESS (1)

■ Ministry failed to specify priority support measures for project competitions, based on the effectiveness calculations, contrary to the *OECD\* Recommendation (Checklist 1. Performance in Terms of Environmental Effectiveness)*:

- Principle 1. *Additionality and consistency with other environmental policy instruments;*
- Principle 2. *Well- defined programming framework*
- Principle 3. *Clear identification of environmental outcomes*
- Principle 4. *Maximise environmental effect from available funds*
- Principle 5. *Leverage additional finance*

\* *Organization for Economic Cooperation and Development*



[OECD recommendation on Good Practices for Public Environmental Expenditure Management \(2006\)](#)

# ASSESSMENT OF EFFECTIVENESS (2)

Efficiency indicator of AIEA funded projects is 35 times lower than for CCFI funded measures

0,03 kg  
CO<sub>2</sub>/euro  
per year



*Auctioning Instrument of  
Emission Allowances (AIEA)*

1,06 kg  
CO<sub>2</sub>/euro  
per year



## *ASSESSMENT OF EFFECTIVENESS (3)*

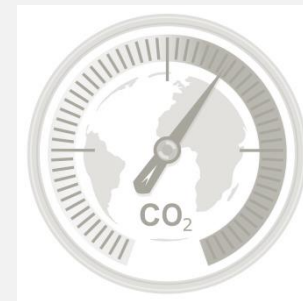
- A main reason for funding of inefficient projects is that the ministry did not specify emissions reduction as one of the most significant project selection criteria.





# FINANCIAL IMPACT OF AUDIT RESULTS

# *ARE PROJECTS SUSTAINABLE?*



- CCFI projects (2009-2015) have generally achieved their goals – exceeding the total planned reduction of emissions by 13 %;
- However – almost one out of five projects has not achieved the minimum planned reduction of emissions (in total ***64 878 tonnes*** of CO<sub>2</sub> of underachievement).

# 64 878 tonnes – How much it is?



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- 460 Blue Whales  
(largest animal in the World)



- 16 000 Elephants



- 81 000 Giraffes



- 108 000 Brown Bears

# 64 878 tonnes – How much it is?



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	Value 2010 (Euro/t-CO2e)	Annual adders 2011 to 2030 <sup>69</sup>
High	40	2
Central	25	1
Low	10	0.5

*Unit cost of GHG emissions*

*Source: European Investment bank, The Economic Appraisal of Investment Projects at the EIB (2013); based on an extensive review conducted by the Stockholm Environmental Institute;*

*European Commission, Guide to Cost-Benefit Analysis of Investment Projects (2014).*

- Using scientific calculations on the environmental impact caused by one tonne of CO<sub>2</sub> emissions, auditors estimated that the Ministry's continued investment in ineffective projects has resulted in missed opportunities to further decrease CO<sub>2</sub> emissions and avoid at least **1,9 million euro of environmental damage** (2011-2015).

# *RECOMMENDATIONS*

- Funds invested in the ineffective projects should be retrieved and reinvested in further climate change mitigation activities;
- However, the Ministry has delayed making any decisions on these projects for the past 2 years and, as a result, may risk losing this funding;
- After the audit the Ministry has prolonged the monitoring period so the project beneficiaries can provide the achievement of the goals (sustainability).



*Everybody complains about the weather,  
but nobody **does** anything about it.*

*Mark Twain*



THANK YOU FOR YOUR  
ATTENTION!

*For further information please contact Mr Jānis Salenieks at  
[Janis.Salenieks@lrvk.gov.lv](mailto:Janis.Salenieks@lrvk.gov.lv)*

*Summary of the Audit Report (in English) is available [here](#).*