SUMMARY

Purpose and scope of the evaluation

The purpose of the project is to obtain evidence for the Operational Programme "Growth and Employment" (OP) of the EU funds for programming period 2021-2027 efficiency, effectiveness and impact of investment in the transition to a low-carbon economy in all sectors. The shift towards a low-carbon economy in all sectors is planned under priority axis 4 of OP, within which the Specific Objectives (SO) or their measures to be implemented in accordance with the National Development Plan and Energy Development Guidelines for 2016-2020, as well as with the Electromobility Development Plan for 2014-2016. Improving energy efficiency has been identified as a national priority in Latvia's policy planning documents.

Latvia, in accordance with Directive 2012/27 / EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125 / EC and 2010/30 / EU and repealing Directives 2004/8 / EC and 2006/32 / EC", has set a national indicative energy efficiency target of **achieve total primary energy savings of 0.670 MToe in 2020**.

The OP shall include measures targeting energy end-users with the greatest potential for energy efficiency (buildings) and ensuring improvements in heat production and the efficiency of district heating systems. The following OPs investments are evaluated[1]:

- Investment priority 4.1: "Promote energy efficiency and the use of renewable energy sources in enterprises".
- Investment priority 4.2: "Support energy efficiency, smart energy management and the use of renewable energy sources in public infrastructure, including public buildings and the housing sector".
- Investment priority 4.3: "Promote the production and distribution of energy from renewable sources".
- Investment priority 4.4: "Promote low-carbon strategies for all types of areas, in particular cities, including sustainable multimodal urban mobility and mitigation adaptation measures".
- Investment priority 4.5: "Promote low-carbon strategies for all types of areas, in particular cities, including sustainable intermodal urban mobility and mitigation adaptation measures".

Key evaluation results

The report provides answers to the evaluation questions and below the results of the evaluation of the OP priority axis 4 SO grouped by the final beneficiaries: citizens, state and local government, and enterprises.

Citizens

The largest group of final beneficiaries is citizens where various SOs have contributed to the **improving of the living conditions of citizens,** including the living conditions in the place of residence (including heat supply), improved the mobility by using both private and public transport. Inhabitants also have social and environmental benefits from the implementation of other SO projects, where the beneficiaries were state and local government, and enterprises.

Measure 4.2.1.1. promotes the increase of energy efficiency and use of RES in apartment buildings. Funding is provided in the form of grants (EUR 176.3 million, including ERDF EUR 149.8 million), guarantees and loans (EUR 25 million, including ERDF EUR 21.3 million). 824 projects have been approved, including the largest group of project applicants - apartment owners' associations (53%).

Support is very important for **the quality of life of citizens living in renovated buildings**, but only about 2% - 3% of apartment buildings have been renovated, therefore the impact of the projects implemented is significant for those living in renovated buildings, but the overall impact for all citizens is not significant. Given the limited funding opportunities and the high level of needs, the intervention should be continued, by planning different types of implementation mechanisms, as well as taking into account the changes in

[1] https://www.esfondi.lv/upload/Planosana/0_op-growth-and-employment.pdf

the economic and social situation in the country. In the future, more attention could be paid to addressing social issues and changing people's habits by taking care of their own homes.

The main challenges for the future are to balance the level of support (preferably at current level), to take into account the rapid increase in costs and the solvency of households, and to take into account the total funding available (EU funding, RRF funding, national budgets and other sources). To provide a better support to the population, it is necessary to further supplement the support instruments with other support mechanisms, for instance, tax relief, municipal support.

The main beneficiaries of energy efficiency projects implemented by enterprises operating in district heating also were citizens, as they are provided with **quality heat supply services** and the investment costs incurred are not reflected in the service tariffs.

Citizens benefited from measures related to transport infrastructure development and mobility increase. The aim of SO 4.4.1. is to create a comprehensive network of charging stations for electric transport vehicles (ETV) to ensure that **ETV users have infrastructure supporting the use of ETV.** Within the framework of the project implemented by the State Road Traffic Safety Directorate, a network of national-level electric vehicle charging stations was established, installing a total of 139 charging stations located throughout the territory of Latvia, thus the investments made cover the entire territory of Latvia. The planned total eligible funding is 7.8 million EUR. Social benefits are also important, as citizens who want to think and act green can do so. There are also environmental benefits for ETV users and society as a whole, as ETV reduces level of CO_2. As a result, the investments made address issues of a socio-economic nature but there is no financial return.

The aim of SO 4.5.1. measure 4.5.1.1. is to improve **tram and railway transportation services in Daugavpils, Liepaja and Riga, Pieriga and Riga agglomeration.** Total planned funding is 303.3 million EUR, including CF financing not exceeding 235 million EUR, and the national funding at least 68.3 million EUR. Benefits for the population: economic (public transport is cheaper than private transport), social (public transport services are available to all groups of the population, including people with reduced mobility), environmental (CO_2 reduction by switching to electric transport). As part of measure 4.5.1.1. projects 33.8% of the total length of tram tracks was rebuilt in Liepāja, 13.19% of the total tram tracks were rebuilt in Daugavpils, therefore the project impact in both cities was significant. The projects included rebuilt of 2.04% of the total length of tram tracks in Latvia, thus **the impact on the overall tram infrastructure in Latvia is generally insignificant.**

State and local government

The measures implemented contribute to **energy management and the use of RES by public administrations** or its subordinate institutions. The total public funding is 109.8 million EUR, including ERDF financing 93.4 million EUR, which is invested in 134 projects. On 20.12.2019. the list of buildings owned, possessed and used by state institutions includes the buildings of 368 institutions (the individual total area of which is over 250 m^2), **thus, the impact of the overall measure on the sector is significant**. It is estimated that all public buildings can be renovated in 33 years, but during this time the condition of buildings that are already in the most critical condition may deteriorate further.

The planned financing in the municipal sector is at least 100.6 million EUR, including ERDF financing - 85.5 million EUR and national funding 15.1 million EUR, currently implementing 148 projects and additionally evaluating 93 new project applications submitted in the 5th call for project applications.

Insulation alone is not enough to implement energy efficiency measures and achieve good results, it is also necessary to improve the technical condition of buildings - fixing walls, repairing or replacing roofs, new doors and windows, as well as rebuilding or replacing engineering systems (water supply, sewerage, heating, etc.). It is necessary to increase the available funding, as well as to review the eligible costs in order to be able to implement large and complex projects. Ensure integrated funding planning, including reducing the funding gap between EU funds programming periods.

Enterprises

EU funding has contributed to improving energy efficiency in the manufacturing industry by ensuring the sustainable use of energy resources, as well as supporting the transition to RES. The total amount of investment is 70.5 million EUR, including 20.3 million EUR CF financing. 74 projects received funding, but in total there are more than 10,000 processing enterprises in Latvia, therefore **the impact of the implemented projects is significant for the beneficiaries, but the impact on production sector in Latvia as a whole is insignificant**. Given the high energy consumption of processing and other

manufacturing enterprises, it is important **to continue the ongoing initiatives on a much larger scale**, as well as for the various production sectors, in order to promote the implementation of the "green course" objectives in production. Enterprises need funding for projects of various sizes (not just large projects) as well as to increase aid intensities.

Projects in the manufacturing industry involve the replacement of obsolete infrastructure and equipment, as well as non-energy efficient equipment such as heating systems that need to be replaced or optimized. Many enterprises would not have made the necessary investments without EU funding, as enterprises do not have the necessary financial resources, and investments without EU funding do not provide the necessary financial return on projects. Funding is needed for various activities, not only the replacement of non-energy efficient equipment to implement complex projects. Although so far the beneficiaries have mainly invested in reducing energy consumption and improving energy efficiency, wider use of RES (such as solar panels) and a shift to green transport should be planned for the future.

Energy costs have a significant impact on the competitiveness of industry and enterprises, therefore **the investments made have promoted the further development of beneficiaries and the Latvian economy,** but taking into account the amount of investment made and the number of enterprises that have received funding, **overall, impact is insignificant**.

District heating operating enterprises received funding for **energy efficiency increase and the use of RES in their** operations. The planned total eligible funding for project activities is 124 million EUR, including CF financing - 49.6 million EUR and private eligible financing - 74.4 million EUR, implementing a total of 97 projects. EU funding was **essential to improve the heat supply systems.** In a number of cases, it would not be possible to carry out renovation work at all, or the transition to RES would not take place. An increase in tariffs without the support of EU funds would lead to a situation where social support measures would have to be addressed at the municipal or state level to provide heat to the households, as there would be a significant increase in the tariff.

EU funds support has contributed to improving energy efficiency in **environmentally friendly public transport infrastructure,** thus enabling state and municipal capital enterprises providing public transport services to reduce CO_2 (by switching to electric transport) as well as improving energy efficiency (purchase of rolling stock, new wagons, new buses). The planned total eligible financing of project activities is 103.2 million EUR, including CF financing – 81.4 million EUR and national public funding - 12.6 million EUR, invested in 17 projects.

Strategic recommendations

The most important strategic recommendations for the provision of further support from EU funds and the development of future policy, based on the results of the evaluation are the following.

Activities to be funded

Within the framework of public funding, the move towards a smarter, low-carbon Latvia is needed by implementing projects that would promote the well-being of the population (including the reduction of energy poverty); provide support for economic stimulus (taking into account the value for money and payback period); increase environmental protection, taking into account the projected GHG emission savings; and reducing energy consumption in the short and long term, using RES where possible.

There is a need to balance the objectives of the planned projects and the available funding between addressing economic and social challenges. Projects to be planned in different areas to ensure a balanced approach across sectors, geographies and different population groups. Priority given for industry to reduce GHG and energy consumption as much as possible; in transport, priority is GHG savings and to improve transport services for citizens; in households, priority to be given to a balanced regional approach, implementing complex projects, better use of RES; in state and local government institutions, projects shall be implemented taking into account the requirements set by the EU in relation to public buildings, as well as the possibilities of using RES.

To complement investments in infrastructure with educational activities to promote a change in behaviour and thinking in the use of natural resources, contributing to the better results for the implemented projects. To ensure the necessary funding, wider use of financial instruments to be planned and synergies with other sources of funding explored, for instance, the Modernization Fund. To revise the grant amount calculation and project prioritisation, for instance, taking into account the long-term impact of the planned projects, in order to ensure the implementation of the projects with the greatest impact.

Project applications and project administration

To ensure the preparation of project applications that meet the needs of the beneficiaries and the expected results of the OP a timely announcement of the tenders is required, without significant changes and delays. Allowing the project promoter to submit an project application, taking into account the degree of readiness of the project application and its relevance to the needs of the beneficiary. In view of the rapid changes in the socio-economic situation, include in the conditions of project applications mechanisms for changes in costs, for example in the event of a sharp rise in inflation.

The implemented projects must ensure the long-term results of the achieved energy savings, therefore the project applicants must develop and submit a plan to ensure the long-term sustainability of the planned energy savings, which should be followed by the selected construction company. The planned and achieved results must be evaluated by the project implementers and the supervising institutions, therefore it is necessary to strengthen the competence of energy auditors in order to provide appropriate quality professional services to the beneficiaries and supervisory authorities.

Further reduce administrative requirements during the project implementation monitoring phase, as well as harmonize as far as possible the requirements of the supervisory authorities, for instance, in the supervision of the construction process by the various institutions involved, the application of a simplified change procedure in case where certain equipment included in the project application have to be replaced with equivalent.

To promote more efficient use of funding and planning of complex projects, collect and disseminate information on the possibilities of combining the grant with various other sources of funding, such as support for the preparation and implementation of energy efficiency measures, as well as provide more comprehensive information on applying for other EU programs. municipal funding and other instruments for the implementation of energy efficiency projects.

Monitoring of project results

When planning project results, take into account EU and national climate change targets, such as reducing energy consumption, saving GHG emissions, producing and using RES. Link project outcome indicators to national targets, not only to assess the impact of projects on the achievement of national targets, but also to plan projects that will make the greatest contribution to the achievement of national targets.