



# Latvia

Population <sup>1</sup>	1.940.740
Area (km <sup>2</sup> ) <sup>1</sup>	64.490
GDP per capita (USD) <sup>1</sup>	15.594,29
TPES (Mtoe) <sup>2</sup>	4,26
Energy intensity (toe/10 <sup>3</sup> 2010 USD) <sup>2</sup>	0,15
CO <sub>2</sub> emissions - energy (MtCO <sub>2</sub> ) <sup>2</sup>	6,84

Sources:

1. The World Bank 2017

2. ©OECD/IEA 2017, [www.iea.org/statistics](http://www.iea.org/statistics)

Latvia’s overall risk level against the assessed areas is **low**.

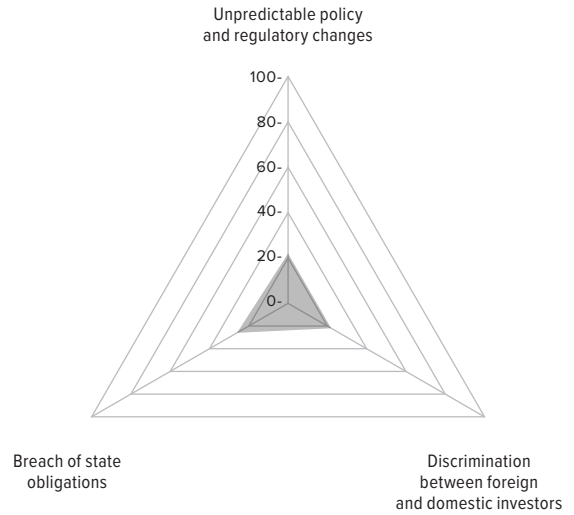
Among the three EIRA risk areas, *discrimination between foreign and domestic investors* and *unpredictable policy and regulatory change* are lower compared to *breach of State obligations*.

Latvia’s performance against EIRA’s four indicators is good. It has received a score of 88 on *regulatory environment and investment conditions* and 87 on *foresight of policy and regulatory change*. On *rule of law* it has received 74 points, while *management of decision-making processes* is at 73.

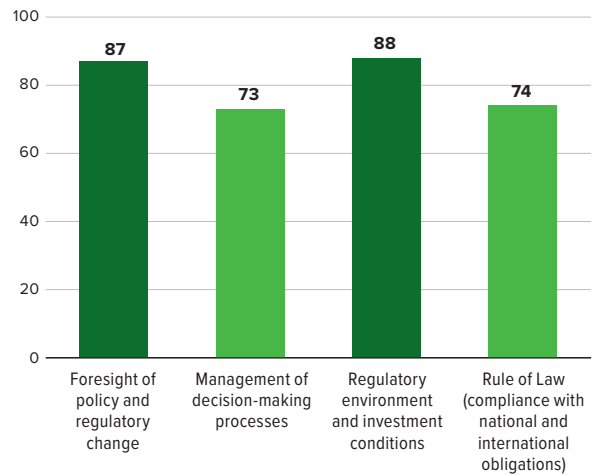
On a more detailed level, Latvia’s overall sub-indicator performance is also good. The highest scoring sub-indicator is *regulatory effectiveness* with 100 points. The performance on the sub-indicators *robustness of policy goals and commitments* and *communication of vision and policies* is also very good with scores of 88 and 87, respectively. *Respect for property rights* is at 83 and *institutional governance* is at 81. A good score of 75 has been obtained on the sub-indicator *restrictions on FDI*. It has scored 65 on the *management and settlement of investor-State disputes* and 64 on *transparency*.

While Latvia has relevant policies and measures in place, there is some potential for improvement. Attention should be given to the management and settlement of investor-State disputes and to further enhancing transparency.

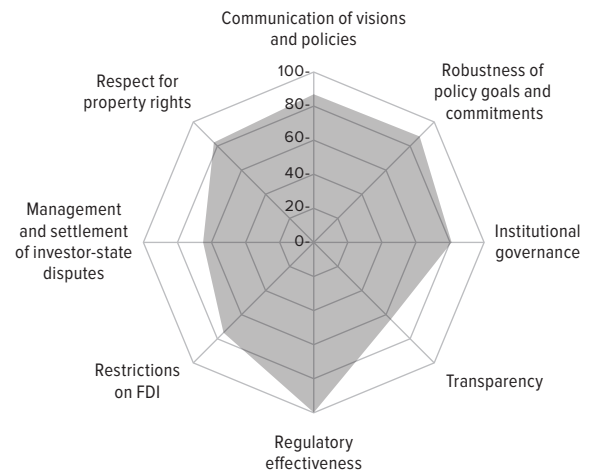
## RISK LEVEL



## INDICATOR PERFORMANCE



## SUB-INDICATOR PERFORMANCE



## Foresight of policy and regulatory change

### QUICK FACTS

The country's primary policy documents are the Latvian Energy Long-Term Strategy 2030 – Competitive Energy for the Society (endorsed in 2013) and the Sustainable Strategy of Latvia until 2030 (adopted in 2010).

The action plans for implementing the energy policies are the National Development Plan 2014-2020 (adopted in 2012) and the Energy Development Guidelines for 2016-2020.

As an EU member state, Latvia ratified the Paris Agreement in 2017.

### STRENGTHS

The strategy documents define the medium- and long-term targets and priority actions. They outline the performance indicators to be achieved by 2020 and 2030 in the fields of energy security, energy efficiency, renewable energy and greenhouse gas emissions. They also highlight the main investment projects which will improve the infrastructure for energy supply help achieve energy self-sufficiency. The NDC submitted by Latvia covers all sectors including energy.

The process for monitoring the implementation of the energy objectives is straightforward. The Ministry of Economics is required to present annual reports to the Cabinet of Ministers and the Parliament about the implementation of actions envisaged in the Strategy 2030. The Government and all respective ministries are responsible for regular reporting to the Sustainable Development Committee of the National Development Plan.

### AREAS OF IMPROVEMENT

Specific timelines and processes for reviewing and updating the energy objectives and action plans could be included in policy documents, such as the Strategy 2030. This should be in addition to the general regulation on the preparation of development planning documents and impact assessment. Defining the steps and procedures for regular evaluation, together with the identification of stakeholders who should be engaged in the review, will improve the enforcement of the country's energy strategy.

To allow productive dialogue on policy choices the annual reports submitted by the policy implementation authorities to the Cabinet of Ministers and the Parliament should be made available to all interested parties and stakeholders.

## Management of decision-making processes

### QUICK FACTS

The Ministry of Economics is responsible for formulating energy strategies and laws.

The Ministry of Economics develops investment policies with the support of the Investment and Development Agency of Latvia (LIAA).

The LIAA was established in 1993 to promote business development by facilitating foreign investment in the country.

The Freedom of Information Law 1998 as amended in 2006 ensures that the public has access to information held by state authorities.

### STRENGTHS

The policy- and law-making process, as well as the line of responsibilities between different government institutions, are clearly defined. When necessary, the Ministry of Economics collaborates with other ministries in the development and execution of energy policies. The Ministry of Environmental Protection and Regional Development monitors the implementation of the country's NDC targets. A national inventory report on greenhouse gas emissions is prepared and broadly circulated on an annual basis.

All enacted laws and regulations are published in the Official Gazette and can be accessed through an online legal database. Before any legislative initiative, the Government is required to conduct public consultations with selected stakeholders. The energy regulatory authority makes all its draft regulations and decisions publicly available. It also publishes annual reports on the status of the electricity and gas markets. All written comments from stakeholders should appear on the energy regulator's website and be duly evaluated.

### AREAS OF IMPROVEMENT

To increase openness, the participation of all stakeholders in the decision-making process should be encouraged. Adequate time should be granted the interested parties for expressing their opinion and giving recommendations on proposed laws and regulations. This will reduce any existing perception of biased decisions and increase the accountability of the Government.

It is important that foreign investors can obtain comprehensive information on energy matters and investment opportunities. Therefore, the Government may consider expanding the mandate of the LIAA to include new functions and responsibilities related to setting up a business in the energy sector. Efforts should also be made to provide investors with official and up-to-date translations of all legal acts and policy documents. This will help them understand the domestic legal regime and make informed business decisions.

## Regulatory environment and investment conditions

### QUICK FACTS

The Public Utilities Commission (PUC) is the regulatory authority for electricity, gas and district heating.

The Ministry of Economics regulates the upstream activities.

Equal treatment is granted to investors under EU law and international agreements.

### STRENGTHS

The energy regulatory setup of Latvia is sound and effective. The PUC and the Ministry of Economics have clear mandates and are accountable to the State Audit Office and the Parliament. In general, the PUC acts as an independent agency and is not subordinate to any state institution in the performance of its duties. The appointment criteria and the grounds for dismissal of the PUC Board are determined in the law. The Parliament appoints the Chair of the Commission and four other Board members for a limited tenure which is renewable only once.

The legislative framework generally creates favourable investment conditions. Foreign investors may hold a majority stake in energy projects and employ foreign personnel without any limitations. In principle, there is no prohibition on investing in any energy sub-sector. There are no restrictions imposed on repatriation of capital abroad or on convertibility of currencies.

### AREAS OF IMPROVEMENT

To stimulate the development of the upstream sector, there is a need to clarify the Government's mandate, role and degree of intervention in the prospecting, exploration and extraction of hydrocarbons. In particular, there should be certainty about the obligatory nature and level of state participation in investment projects prior to the announcement of the tendering process.

## Rule of law

### QUICK FACTS

Latvia ratified the Energy Charter Treaty in 1995.

Latvia ratified the Convention on the Settlement of Investment Disputes between States and Nationals of Other States in 1997.

Latvia acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards in 1992.

### STRENGTHS

National courts have jurisdiction to hear contractual disputes with foreign investors. Voluntary mediation and conciliation are available under the Law on Mediation 2014 and the Civil Procedure Law 1998. The domestic legislation does not require exhaustion of local remedies before recourse to international arbitration.

The Constitution of Latvia states that expropriation of property for public purposes is allowed only in exceptional cases, in accordance with the law and in return for fair compensation. The Law on Expropriation of Real Estate for Public Interest 2011 provides a process and timeframe for the determination and payment of compensation in the event of expropriation. Latvia is bound under its BITs to protect intellectual property rights as a form of "investment".

### AREAS OF IMPROVEMENT

The introduction of timeframes for the delivery of judgements is essential since it will enable domestic courts to manage and dispose of cases in due time and improve the overall functioning of the judicial system.

The Government should consider establishing an investment ombudsman for facilitating relations and resolving disputes between foreign investors, public utilities and state institutions. Alternatively, it could empower the investment promotion authority with mediation functions. To further improve investor-State dispute settlement mechanisms, the Government may also consider enacting a law on arbitration.