

CABINET OF MINISTERS OF THE REPUBLIC OF LATVIA

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Regulation No.
(prot. No.____,____. §)

Regulations of the Open Tender “Use of Renewable Energy Resources for Reduction of Green House Gas Emissions” for Projects Financed by the Climate Change Financial Instrument

Issued pursuant to
Section 10, Paragraph three, Clauses 1 and 2 of
the Law On Participation of the Republic of Latvia
in the Flexible Mechanisms of the Kyoto Protocol

I. General Provisions

1. These Regulations prescribe the regulations of the open tender „Use of Renewable Energy Resources for Reduction of Green House Gas Emissions” (hereinafter – tender) for the projects financed by the climate change financial instrument (hereinafter – financial instrument), evaluation criteria and the procedures for project application, examination, approval, granting of financing and implementation.
2. The objective of the tender is the reduction of greenhouse gas emission by means of introducing technologies, in which renewable energy resources are used for production of thermal energy and electricity, as well as by means of ensuring transition from technologies, in which fossil energy resources are used, to technologies, where renewable energy resources are used.
3. A project applicant shall be the council of cities or counties of the Republic of Latvia (hereinafter – municipality), a direct or indirect administration institution and business entities registered in the Republic of Latvia (hereinafter – business entities).
4. The financing of the financial instrument available within the framework of the tender shall be 27 716 876 lats, including:
 - 4.1. for municipalities, direct or indirect administration institutions – 4 000 000 lats;
 - 4.2. for business entities – 23 716 876 lats.
5. For the area of technologies of one particular type of renewable energy resources referred to in Paragraph 22 of these Regulations the total support

shall not exceed 40 % of the financing available for the tender. The area of technologies of renewable energy resources for thermal energy and electricity production technologies, which comply with Paragraph 22.6 of these Regulations, shall be determined in compliance to thermal energy or electricity production technology, for which higher amount of produced energy per year is planned within the framework of the project.

6. Financing shall be granted to business entities in compliance with the Commission Regulation (EC) No. [800/2008](#) of 6 August 2008, declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (General Block Exemption Regulation) (hereinafter – Commission Regulation No.[800/2008](#)) (Official Journal of the European Union, 9 August 2008, No. L214/3), and costs shall be eligible if they are incurred after submission of the project to the responsible authority.
7. Financing within the framework of the tender shall be granted if requirements stipulated in Article 8 of the Commission Regulation No.[800/2008](#) are complied with.
8. Activities provided for in the projects approved within the framework of the tender shall be implemented until July 1, 2012.
9. The efficiency index of reduction of carbon dioxide emission (hereinafter – the efficiency index)) describing reduction of carbon dioxide emission in relation to the financing of the financial instrument required for the project shall not be below 0.6 kgCO₂/Ls per year. Reduction of carbon dioxide emission for a project shall be calculated according to Annex 1 to these Regulations.
10. If a municipality, direct or indirect administration institution submits a project application providing for implementation of activities, which could comply with regulatory enactments regulating the control of support to business activities, the Ministry of Environment shall classify support to such a project as support to business activities by application of the provisions of these Regulations applicable to businesses.
11. The project shall be implemented within the territory of the Republic of Latvia.

II. Requirements for Project Applicant

- 12.A project applicant shall be entitled to submit one project application. Several activities, which are planned to be implemented in several buildings or territories, may be included in one project application.
- 13.A project applicant may apply for the receipt of financing within the framework of the tender if:
- 13.1. project applicant falls within the category of micro, small or medium-sized enterprise in compliance to the conditions provided for in Annex No. 1 to the Commission Regulation No. 800/2008 for micro, small or medium-sized enterprise or the category of large enterprise in compliance to Article 2, Paragraph 8 of the Commission Regulation No. 800/2008;
 - 13.2. activities included in the project are planned for implementation in buildings or on land, which is owned by the project applicant, under possession or use of the project applicant or for which the project applicant has concluded a long-term lease contract. Ownership rights, the rights of possession or use shall be registered in the Land Book for a time period of at least five years following the project implementation, or the long-term lease contract shall provide for a term, which is at least five years following the project implementation.
 - 13.3. the project applicant has access to free financial resources or to a loan in the amount equal to co-financing required for the project implementation;
 - 13.4. the project application has been submitted to the responsible authority within the set term and it has been signed by the following:
 - 13.4.1. a responsible official or a person authorised by him/her if the project applicant is a direct or indirect administration institution or municipality;
 - 13.4.2. a person with authority to sign if the project applicant is a business entity;
 - 13.5. the project applicant has provided true information in the project application;
 - 13.6. regarding the eligible costs financed by the financial instrument, project applicant has not received or does not intend to receive co-financing from other financial instruments within the framework of other financial programmes, European Union or foreign financial aid resources;
 - 13.7. the project applicant has received the permissions provided for in regulatory enactments regulating the area of environment protection and documents, or attests that they will be received until the moment of construction or installation of technologies;
 - 13.8. for hydro power plants, where within the framework of the project it is planned to install (construct) new turbines, to replace or upgrade obsolete

turbines by more efficient, environment friendly (operating in the river flow mode) turbines and to construct fish ways (if they are required in compliance to regulatory enactments regulating the area of environment protection), or where it is not planned to create an upper reservoir (free flow hydro power plants).

- 13.9. Savings of the primary energy resources by producing electricity and thermal energy in cogeneration mode exceeds 1% compare to separate production of thermal energy and generation of electricity, where the savings of primary energy resources shall be calculated based upon the following formula:

$$PEI = \left(1 - \frac{1}{\frac{\eta_{el}^{CHP}}{\eta_{el}^{ref}} + \frac{\eta_{th}^{CHP}}{\eta_{th}^{ref}}} \right) \times 100\% , \text{kur}$$

η_{el}^{CHP} – efficiency rate of electricity generation declared by the manufacturer of the cogeneration equipment installed in the cogeneration power plant;

η_{th}^{CHP} – heat efficiency rate declared by the manufacturer of the cogeneration equipment installed in the cogeneration power plant;

η_{th}^{ref} – reference efficiency rate for separate thermal energy production depending on the type of applied type of production of thermal energy and used type of fuel:

1. use of thermal energy in the form of steam or hot water:

- wood biomass – 0.86;
- other biomass and biologically degradable waste – 0.80;

2. direct use of thermal energy in the form of flue gas:

- wood biomass – 0.78;
- other biomass and biologically degradable waste – 0.72.

η_{el}^{ref} – reference efficiency rate for separate electricity generation depending on the type of used fuel:

- wood biomass – 0.339;
- agricultural biomass or biologically degradable waste – 0.259.

14. The financing for implementation of a project may not be applied for, if:

14.1. the project applicant is a business entity, whose equipment is involved in the European Union emission allowances trading scheme in compliance to the Law “On Pollution”;

14.2. the project applicant is a business entity, who produces agricultural and forestry products referred to in Annex I to the European Union Treaty and who plans to produce energy from biomass of agricultural or

- forestry origin, planning to sell electricity generated by means of biogas cogeneration;
- 14.3. the project applicant is a capital company, whose member is a legal entity, who produces agricultural and forestry products referred to in Annex I to the European Union Treaty or a cooperative company of agricultural services, who has been declared compliant agricultural cooperative company in compliance to regulatory enactments on compliance criteria of cooperative companies, and whose members produce agricultural and forestry products referred to in Annex I to the European Union Treaty and who plan to produce energy from biomass of agricultural or forestry origin, planning to sell electricity generated by means of biogas cogeneration.
 - 14.4. the project applicant has been found guilty by a court adjudication that has come into effect regarding violation of environmental protection, competition, employment rights or bribery (applicable if the project applicant is a legal entity);
 - 14.5. the project applicant has tax debts including debts of the social security mandatory payments, the total amount of which exceeds 100 Lats;
 - 14.6. the project applicant is a business entity, who is facing financial difficulties:
 - 14.6.1. has been declared as insolvent by a court adjudication, including rehabilitation, legal protection measures, its commercial activity has been terminated or in accordance with information available in the Commercial Register it is in the process of liquidation;
 - 14.6.2. has lost more than half of its equity capital and more than one fourth of these losses of equity capital has been incurred within the last 12 months before the project application submission day. This condition shall not be applied to micro, small and medium-sized companies registered less than three years ago counting from the project application submission day;
 - 14.7. if a project applicant has come into the situation that from other State aid programmes a claim has been directed against it regarding the recovery of funds in compliance to a preceding decision of the European Commission or managing authorities of the State aid programmes, based upon which the aid is declared illegal and not compatible with the common market;
 - 14.8. for the interests of the project applicant a natural person has committed a criminal offence, which has had an impact upon the financial interests of the Republic of Latvia or the European Union, and means of enforcement have been applied in relation to the project applicant in accordance with the Criminal Law (applicable if the project applicant is a legal entity);

- 14.9. the project applicant plans to implement a project in any of the areas not to be supported in compliance to Paragraph 3 of Article 1 of the Commission Regulation No.800/2008.

III. Determination of the Project Financing Amount

15. The maximum financing of the financial instrument available for one project shall be 1 500 000 lats.
16. Within the framework of the tender the maximally permissible support intensity of the financial instrument shall not exceed the following amounts from the total eligible costs of a project:
- 16.1. 75 % – for municipalities and direct or indirect administration institutions;
 - 16.2. 65 % – for micro and small enterprises;
 - 16.3. 55 % – for medium-sized enterprises;
 - 16.4. 45 % - for large enterprises;
 - 16.5. 35% - for enterprises if they have obtained the entitlement to sell generated electricity as the volume of electricity to be purchased on mandatory basis or the entitlement to receive a guaranteed payment for the installed electrical capacity at the power plant.
17. If the project applicant is a municipality or a direct or indirect administration institution, thermal energy and electricity produced within the project framework based upon technologies of renewable energy resources shall be used exclusively for own needs. If within the framework of the project it is planned to supply thermal energy and electricity to other consumers by selling energy to them, the sold amount of energy shall be taken into account in calculation of eligible costs, i.e. eligible costs shall be calculated in proportion to the amount of energy used for own needs and the amount of sold energy.
18. Financing granted within the framework of these Regulations shall not be combined with *de minimis* aid or financing granted within other aid programs or within an individual aid project in relation to the same eligible costs.
19. If during the course of implementation of the project the total eligible costs of the project exceed financing approved for the project, the difference shall be covered by the financial resources of the project applicant.

IV. Activities to be Supported in the Framework of the Tender

20. The following project activities shall be supported within the framework of the tender:
 - 20.1. purchase, construction works, installation, reconstruction or replacement of thermal energy production technologies, for the purpose of replacing technologies using fossil energy resources by equipment using renewable energy resources in compliance to Paragraph 22 of these Regulations;
 - 20.2. purchase, construction works, installation, reconstruction or replacement of electricity generation technologies for generating electricity from renewable energy resources in compliance to Paragraph 22 of these Regulations;
 - 20.3. purchase, construction works, installation, reconstruction or replacement of cogeneration units installed in cogeneration power plants for production of electricity and thermal energy from renewable energy resources in compliance to Paragraph 22 of these Regulations;
 - 20.4. purchase, construction and installation of technologies, which can use a primary renewable energy resource with higher greenhouse gas emission per circulation cycle and process it into a renewable energy resource, which can be effectively utilised, with lower greenhouse gas emission per circulation cycle.

21. Within the framework of the tender purchase of new and refurbished (with the manufacturer's or its authorised representative's certificate and guarantee) thermal energy and electricity production technology shall be supported. In case of large companies thermal energy and electricity production technology shall be new.

22. The following areas and technologies of renewable energy resources shall be supported within the framework of the tender (the condition concerning the total installed capacity of technologies shall be applied in relation to technologies, which are intended for installation in one building or territory defined in the project application):
 - 22.1. Solar energy:
 - 22.1.1. solar power plants (batteries) with the total installed capacity 10 kW or above;
 - 22.1.2. solar collector systems with the total installed capacity 25 kW or above;
 - 22.2. Wind energy – wind power plants with the total installed capacity 10 kW or above;
 - 22.3. Water energy – hydro power plants with the total installed capacity 50 kW or above;

- 22.4. Biomass:
- 22.4.1. woodchips, biomass, granule, straw and biogas technologies (the efficiency rate is defined in column 3 of Table 1 of Annex 2 to these Regulations) with the total installed capacity up to and including 3 MW;
 - 22.4.2. woodchips, biomass, granule, straw and biogas cogeneration units of cogeneration power plants with the total installed thermal capacity up to and including 3 MW or the total installed electrical capacity up to and including 1 MW;
 - 22.4.3. technologies for processing of renewable energy resources, which can use a primary renewable energy resource with higher greenhouse gas emission per circulation cycle and process it into a renewable energy resource, which can be effectively utilised, with lower greenhouse gas emission per circulation cycle;
- 22.5. Geothermal energy - energy sources with heat pumps (with the transformation rate compliant to Table 2 of Annex 1 to these Regulations) with the total installed capacity 50 kW or above;
- 22.6. combined use of several technologies referred to in this Paragraph. In case of combined use of technologies at least one of the technologies planned within the project shall have the total installed capacity 50 kW or above.
23. In case of replacement of thermal energy production technology, the total installed heat capacity shall not exceed the total installed heat capacity of the existing heat production technology (where fossil energy resources are used), except in case when the planned thermal energy production technology does not provide the required amount of thermal energy due to efficiency of technologies, or the amount of heat, which the project applicant has been buying from the thermal energy supplier. If thermal energy is used for space heating of the building, the planned thermal energy consumption shall not exceed the index defined in Paragraph 31 of these Regulations.
24. The project applicant, who utilises technologies referred to in Paragraph 22.4.2. of these Regulations, shall ensure that at least 50% of thermal energy produced within the cogeneration process are sold to a consumer of thermal energy or used for economic activities for the purpose of providing for a production cycle or production of any other products.

V. Eligible and ineligible costs within the framework of the tender

25. The following project costs shall be eligible within the framework of the tender in compliance to activities referred to in Paragraph 20 of these Regulations:
- 25.1. development and approval of the project documentation:
 - 25.1.1. development and approval of the construction project and technical documentation according to the procedure stipulated in regulatory enactments on construction;
 - 25.1.2. construction supervision;
 - 25.1.3. author's supervision.
 - 25.2. costs of purchase, construction, installation, adjustment of technologies intended for use of renewable energy resources, which are directly related to ensuring their operation (including costs of training of experts involved within the framework of the project), and costs of connecting the technology to the electrical system, if the power transmission line, power installations, etc. remain under the ownership of the project applicant;
 - 25.3. costs of patent rights and licences for ensuring operation of technologies;
 - 25.4. costs of performance of construction works directly related to activities to be supported:
 - 25.4.1. for technologies referred to in Paragraph 22.2 of these Regulations – costs of construction of the foundation;
 - 25.4.2. for technologies referred to in Paragraphs 22.3., 22.4 of these Regulations – costs of installation construction works;
 - 25.4.3. for technologies referred to in Paragraph 22.5 of these Regulations – costs of installation construction works, including costs of drilling works;
 - 25.4.4. for technologies referred to in Paragraph 22.6 of these Regulations – in compliance to Paragraphs 25.4.1., 25.4.2. and 25.4.3. of these Regulations.
26. The following additional costs limitations are defined for eligible costs of the project:
- 26.1. the total amount of costs defined in Paragraphs 25.1. and 25.3. of these Regulations shall not exceed 7% of the planned eligible costs in the project application;
 - 26.2. in relation to costs items defined in Paragraphs 25.2. and 25.4. of these Regulations the total amount of unforeseen expenses shall not exceed 5 % of the planned eligible costs in the project application.
27. In relation to activities defined in Paragraph 20 of these Regulations only the additional costs of the project applicant, which have been incurred due to the

difference between costs of transition to a heating system of power plant, which uses renewable energy resources, and costs of construction of a new fossil energy resources based heating system or power plant (without any support in the area of environment) shall be considered eligible costs defined in Paragraph 25 of these Regulations. Economic gains and operational costs of the technology shall not be included in eligible costs. Eligible costs shall be calculated in compliance to Annex 2 to these Regulations.

28. Paragraph 27 of these Regulations shall not apply to municipalities and direct and indirect administration institutions, but, in calculation of eligible costs maximum permitted investment costs of technologies using renewable energy resources shall be taken into account and they shall not exceed indices stated in Annex 2 to these Regulations.

29. Costs shall be considered eligible if they are directly related to additional investments in introduction of technologies of renewable energy resources or additional investments for transition to use of renewable energy resources, as well as:

29.1. comply with costs defined in Paragraph 25 of these Regulations taking into account restrictions defined in these Regulations;

29.2. are required for implementation of the project and are included in the project application and project contract;

29.3. have been incurred after submitting the project application to the responsible authority within the due term, though before the end of the project implementation term. In case of implementation of projects defined in Paragraph 25.1 of these Regulations costs shall be considered eligible after the date of entry into force of these Regulations.

29.4. are indicated in the accounting records of a project applicant, are identifiable, separated from other costs, can be verified, as well as are attested with the originals of the relevant corroborative documents or derivatives of such documents, elaborated in accordance with the requirements of regulatory enactments on record keeping regarding elaboration and processing of accounting documents;

29.5. are indicated in the interim report or final report of a project, appending copies of the corroborative documents specified in the project contract, including copies of contracts concluded within the framework of the project, delivery – acceptance acts of the works, payment orders;

29.6. are included in the assets of the enterprise, municipality or direct or indirect administration institution, which has registered the building or land included in the project in its registers, as long-term investments which can be depreciated.

30. The following costs shall be ineligible within the framework of the tender:

- 30.1. costs of improving efficiency of a heat source (boiler house, cogeneration plant), where renewable energy resources were utilised prior to the project implementation, as well as reconstruction of boiler houses or cogeneration plants using renewable energy resources or replacement thereof by other technology using renewable energy resources;
- 30.2. construction costs related to construction of production buildings of thermal energy production or electricity generation or supplementary buildings thereof, improvement of building structures, construction of thermal energy transmission and distribution pipelines and other construction costs, which do not comply with Paragraph 25.4 of these Regulations;
- 30.3. payments of value added tax, if they can be recovered from the State budget;
- 30.4. costs covered within the framework of other financial programmes or individual aid projects from other financial instruments, including European Union or foreign financial aid resources;
- 30.5. costs incurred prior to submitting the project application to the responsible authority or after the end of project implementation term, except costs defined in Paragraph 25.1 of these Regulations;
- 30.6. costs, which are not directly related to activities to be supported;
- 30.7. costs, which exceed the limits of costs defined in Paragraph 26 of these Regulations;
- 30.8. costs exceeding the amount of eligible costs provided for in the approved project.
- 30.9. costs related to investments for the purpose of obtaining financial revenues in the result of implementation of the project, if the project applicant is a municipality or a direct or indirect administration institution;
- 30.10. regular maintenance costs of the project applicant;
- 30.11. costs of purchase of current assets;
- 30.12. costs for leasing and lease transactions;
- 30.13. customs taxes and fees;
- 30.14. costs for examination, drawing up and reservation of a loan, interest payments, penalty interest, payments for money transfers, commission fees, losses due to currency exchange, fees for financial transactions and other direct financial costs;
- 30.15. costs related to preparation of the project, including consultation services and other services, except costs defined in Paragraph 25.1 of these Regulations;
- 30.16. territory development and greening costs;
- 30.17. costs of purchase of any type of portable equipment or vehicles;

- 30.18. costs related to purchase, lease or repair of equipment intended for transportation of people or used for loading, unloading or handling operations, except costs defined in Paragraph 25.2 of these Regulations;
31. For buildings, where heat supply is provided by autonomous heating or district heating and where it is planned to install, reconstruct or replace thermal energy production technology defined in Paragraphs 22.4, 22.5 and 22.6 of these Regulations, the calculated thermal energy consumption for space heating shall not exceed 150 kWh/m² per year at the moment of commencement of the project implementation. The annual thermal energy consumption shall be calculated in compliance to regulatory enactments concerning the method of calculation of energy efficiency.

VI. Procedures for Announcement of the Tender

32. The tender shall be announced within 15 working days after coming into force of these Regulations for the whole amount of financing specified in Paragraph 4 of these Regulations. If not all the available financing has been utilised in the tender the next stage of the tender shall be announced latest six months following the implementation of the preceding tender.
33. The responsible authority shall announce the tender by placing an advertisement in the newspaper *Latvijas Vēstnesis*, on the website of the responsible authority and on the website of the Environmental Investment Fund. The guidelines for completing the project application form shall be published on the website of the responsible authority on the date of announcing the tender.
34. The title of the tender, the deadline (the date and time) and the place (the address of the responsible authority) and electronic mail address for submission of project applications shall be indicated in the advertisement.
35. The term for submitting project applications shall be two months as from the announcement of the open tender. The responsible authority may extend the term for submitting project applications by up to one month by publishing an announcement on extension of the term for submitting project applications on the website of the responsible authority and on the website of the Environmental Investment Fund and in the newspaper *Latvijas Vēstnesis*.

VII. Content of the Project Application and Procedures for Submission Thereof

36. The project application (project application form and documents to be submitted additionally specified in Paragraph 38 of these Regulations) shall

be submitted in printed form or in the form of an electronic document. The project application in printed form shall be submitted in two counterparts (original and a copy attested by the project applicant) personally or sent by mail, appending an identically completed project application form in an electronic form on an electronic data carrier (CD). The project application in the form of an electronic document shall be sent by electronic mail, signed with a secure electronic signature and attested by a time-stamp in compliance to the Law on Electronic Documents.

37. The list of documents to be submitted additionally:

- 37.1. If the project applicant is an enterprise one of the below listed documents shall be submitted:
 - 37.1.1. a reference from a credit institution or savings and loan association on their preparedness to review granting of a loan if a loan will be taken for the project implementation. The details of the issuer of the loan and borrower and the amount of the loan shall be specified in the reference;
 - 37.1.2. attestation of the project applicant on provision of the co-financing required for the project, defining a natural or legal entity, from whom a loan has been applied for. When the project co-financing is provided by a legal entity or a natural person, which is not a credit institution or a savings and loan association, the project applicant shall submit documents, which prove that the provider of co-financing possesses the amount of resources required for co-financing the project;
 - 37.1.3. attestation of the project applicant on provision of co-financing required for the project from own resources. The project applicant shall submit documents, which prove that the provider of co-financing possesses the amount of resources required for co-financing the project. Newly established enterprises shall submit an operative annual report;
- 37.2. a confirmation of the municipality or direct or indirect administration institution that the manner of use of the building defined in its own project application of the project application of an institution under its institutional supervision will not be changed and the building will not be demolished for at least five years following the project implementation, and that the development and investment strategy of the institution concerning the building is approved;
- 37.3. the resolution of the project applicant on implementation of the project signed by the representative of the top managing institution of the enterprise (Management Board or Supervisory Board), the representative of the municipality, the head of the indirect administration institution or the competent official of the line ministry of the direct administration institution, and where the total eligible costs of the project and amount of

- co-financing provided by the project applicant are stated, or an extract of the above resolution;
- 37.4. declaration on the compliance of the business enterprise to the category of small (micro) or medium company, completed in compliance to regulatory enactments concerning the procedure of declaring business companies compliant to small (micro) or medium companies (if applicable);
 - 37.5. the authorisation, where the relevant person is authorised to sign the project application (if applicable);
 - 37.6. technical specifications required for performing the procurement procedure. If the technical project has not been developed and a separate procurement procedure is performed for it, the technical specifications required for the development of the technical project shall be submitted;
 - 37.7. a copy of notification on the results of the procurement procedure defined in Paragraph 38 of these Regulations, if the procurement has been performed until submission of the project application (if applicable);
 - 37.8. a description of the technology containing the following minimum information: justification of the technical data included in the project application, the general principle, economic justification, location of the technology, information on the energy resource and its characteristics. If construction of a cogeneration plant is planned within the project framework, in addition to the above information it shall also be stated where at least 50% of the thermal energy produced within the cogeneration process will be used;
 - 37.9. A guarantee issued by a credit institution registered in the Republic of Latvia (hereinafter – credit institution) for the benefit of the responsible authority in compliance to Paragraph 45 of these Regulations.
38. Procurements, which are required for preparation or implementation of the project, shall be carried out by the project applicant or beneficiary in compliance to requirements of regulatory enactments regulating public procurement.
39. The responsible authority shall determine the time of submission of a project application in compliance to the following conditions:
- 39.1. if a project application is sent by post the date of dispatch stated in the post stamp shall be considered the date of its submission. In case of any disagreements the project applicant shall prove the time, when the project application has been submitted to the post office. If the responsible authority claims that the project application has not been received, it shall justify its statement;

39.2. if a project application is submitted in person, the date of receipt of the project application stated on the stamp of the responsible authority shall be considered the date of its submission;

39.3. if a project application is submitted as an electronic document the moment when the project application is sent by electronic mail shall be considered the time of its submission. In case of any disagreements the project applicant shall prove the time, when the project application has been sent. If the responsible authority claims that the project application has not been received, it shall justify its statement.

40. The project applicant, in drawing up the project application, shall observe the following conditions:

40.1. a project application shall be prepared and drawn up in accordance with the requirements of the regulatory enactments regulating record keeping on preparing and drawing up documents;

40.2. a project application form shall be prepared, using computer typing in Latvian, except Sub-paragraph 2.2.2 of the project application form (Annex No. 3 to these Regulations);

40.3. documents to be submitted additionally shall be prepared, using computer typing in Latvian. If it is not possible, translations of documents in Latvian certified according to the procedure defined in regulatory enactments shall be appended to them;

40.4. the currency – lat – shall be used in all calculations of the project application form;

40.5. a project application shall be completed without unstipulated deletions, erasures, block-outs, corrections and additions;

40.6. originals or copies of documents to be submitted additionally, on which there is the attestation of the relevant authority regarding the compliance of the copy with original, shall be appended to the project application;

40.7. a project application shall be signed in compliance to Paragraph 13.4 of these Regulations;

40.8. if a project application is submitted in printed form:

40.8.1. a project application form shall be identical with the project application form appended to the project application in electronic form;

40.8.2. a project application form in electronic form (on an electronic data carrier), developed in *DOC*, *DOCX*, *XLS*, *XLSX* or *PDF* file format shall be appended to the project application;

40.8.3. the project application form shall be bound together (sewn together) with documents to be submitted additionally, uniform numbering of pages shall be maintained;

40.9. if a project application is submitted in the form of an electronic document:

- 40.9.1. it shall be drawn up in accordance with the requirements of the regulatory enactments regulating the preparation, drawing up, storage and circulation of electronic documents;
 - 40.9.2. the project application shall be developed in the following file format: application form – *DOC* or *DOCX* format; drawings – *PDF* format, costs schedule and time schedule – *XLS* or *XLSX* format;
 - 40.9.3. a project application form shall be signed with a secure electronic signature, the originals of the documents to be submitted additionally shall be signed each individually with a secure electronic signature and attested with a time-stamp before the end of the deadline for acceptance of project applications. If the documents to be submitted additionally are copies of documents, they shall be attested with a secure electronic signature of a project applicant and a time-stamp before the expire of the deadline for acceptance of project applications in compliance to regulatory enactments on electronic documents and legal validity of documents.
41. When the project application is sent by post or submitted to the responsible authority in person, it shall be placed in a closed package bearing the following inscription: “Tender „Use of Renewable Energy Resources for Reduction of Green House Gas Emissions”; “Do not open prior to commencement of evaluation”.
 42. The responsible authority shall register the received project applications and assign identification numbers thereto, and within the time period of seven working days after project application submission deadline inform the project applicant in writing about the identification number of its project application. If the project application is submitted in person, the identification number shall be assigned and announced to the project applicant at the moment of submitting the project application.
 43. The responsible authority shall examine those project applications, which have been submitted to the responsible authority or have been handed over to a post office (postmark) until the end of the deadline for submission of projects.
 44. If the project application is received after the end of the deadline for submission of project applications, the responsible authority shall inform the project applicant regarding the place and time, when the unopened project application can be received back.

VIII. Tender security guarantee letter of a credit institution

45. If the project applicant is a business entity, it shall submit a letter of a credit institution on the guarantee of payment of the tender security amount to the responsible authority (hereinafter – guarantee letter).
46. The tender security amount shall be:
- 46.1. 2000 lats, if the financing of the finance instrument requested for the project amounts from 1 125 001 to 1 500 000 lats;
 - 46.2. 1500 lats, if the financing of the finance instrument requested for the project amounts from 750 001 to 1 125 000 lats;
 - 46.3. 1000 lats, if the financing of the finance instrument requested for the project amounts from 375 001 to 750 000 lats;
 - 46.4. 500 lats, if the financing of the finance instrument requested for the project amounts up to 375 000 lats.
47. The guarantee validity term stated in the guarantee letter shall be at least five months from the last date of the term for submitting project applications.
48. The guarantee validity term stated in the guarantee letter shall expire prior to the term defined in Paragraph 47 of these Regulations in the following cases:
- 48.1. if the responsible authority has adopted a resolution on rejecting the project application following assessment of the project application;
 - 48.2. if the responsible authority has adopted a resolution on approving the project application following assessment of the project application, has invited the project applicant to sign the project contract and the project applicant has signed the project contract within the set term.
49. The amount stated in the guarantee letter shall be paid by the credit institution upon the first request of the responsible authority, where it is stated that the responsible authority has adopted a resolution on approving the project application following assessment of the project application, has invited the project applicant to sign the project contract and the project applicant has not signed the project contract within the set term.
50. The financial resources obtained according to the procedure defined in Paragraph 49 of these Regulations shall be transferred to the revenues of the central state budget.

IX. Assessment of Project Applications and Taking of a Decision Regarding Granting of Financing

51. The responsible authority shall establish a commission for assessment of project applications (hereinafter – assessment commission) for assessment of project applications.
52. The procedures for establishing the assessment commission and the operation thereof shall be prescribed by the by-law of the assessment commission. The composition and by-law of the assessment commission shall be approved by the order of the responsible authority.
53. The assessment commission is chaired by a representative of the responsible authority. The Assessment Commission shall consist of three representatives of the responsible authority and two representatives of the Ministry of Economics.
54. The administrative assessment of project applications shall be performed in accordance with the adjustable or non-adjustable administrative assessment criteria, which are specified in Annex No. 4 to these Regulations. The conformity with the administrative assessment criteria shall be assessed with a “Yes” or “No” or “NA” (“Yes” – conforms, “No” – does not conform, “NA” – not applicable), according to the following procedure:
- 54.1. upon commencing the assessment compliance of the project application to non-adjustable administrative assessment criteria defined in Annex 4 to these Regulations shall be assessed first. The assessment shall be discontinued if non-compliance of the project application to at least one criterion defined in Annex 4 to these Regulations is established, and the administrative authority shall take a decision on rejecting the project application;
- 54.2. if the project application complies with all non-adjustable administrative assessment criteria defined in Annex 4 to these Regulations, its compliance to adjustable administrative assessment criteria of Annex 4 to these Regulations and quality assessment criteria defined in Annex 5 shall be assessed.
55. If non-conformity is determined with one or several adjustable administrative assessment criteria, specified in Annex No. 4 to these Regulations, the responsible authority shall inform the project applicant in writing on the established shortcomings and invite to adjust the project application. The term for adjustment of project application shall be 10 working days from the receipt of the information from the responsible authority on conformity of the project application with the administrative assessment criteria.

- 56.If the project applicant submits an adjusted project application within the term specified by the responsible authority, the project application shall be reassessed pursuant to the administrative assessment criteria, determining whether the project application conforms to the set requirements.
- 57.If the project applicant fails to submit an adjusted project application within the term specified by the responsible authority or the project application fails to comply with at least one administrative assessment criteria after the reassessment, the responsible authority shall take a decision regarding the non-conformity of the project application with the administrative assessment criteria and rejection of project application.
- 58.The quality assessment of a project application shall be performed in compliance with the quality assessment criteria listed in Annex No. 5 to these Regulations. The maximum number of points to be granted to one project shall be 52 points.
- 59.The assessment commission, by inviting experts, if necessary, shall verify compliance of the attainable indicators, specified in the project application (Paragraph 2.11 of Annex No. 3 to these Regulations), with the planned project activities and the submitted documentation. In the framework of verification the Assessment Commission or the invited experts, if necessary, shall inspect the project implementation sites – land plots and the buildings, where it is planned to implement the project activities, and the project applicant shall ensure the experts access thereto.
60. If during the verification it is found that the project applicant has provided false information in the project application the responsible authority shall take a decision on rejecting the project application.
- 61.After the assessment of the project applications in accordance with the quality assessment criteria, the assessment commission shall arrange the project applications in descending order in accordance with the number of points acquired for quality assessment criteria.
- 62.If several project applications have acquired the same number of points, when taking the decision on approval of the project application, the preference shall be given to the project application with higher annual greenhouse gas emission reduction according to Index 1 of Paragraph 2.11 of the project application form (Annex 3 to these Regulations).
- 63.The responsible authority shall take a decision on approval of a project application on the basis of the assessment of the assessment commission, if the following conditions are met:

- 63.1. project application conforms with all administrative assessment criteria;
- 63.2. sufficient financing in accordance with Paragraph 4 of these Regulations is available for implementation of the project activities provided for in the project application after arranging the project applications in the order specified in Paragraph 61 of these Regulations.

X. Conditions for Entering into and Implementing the Project Contract

64. The responsible authority shall, within 7 working days after taking the decision regarding the approval or refusal of a project application, send the relevant decision to a project applicant and, if the decision is on approving the project application, project applicant shall be invited to enter into the project contract with the responsible authority and the Environmental Investment Fund.
65. The project applicant shall, within 30 days after receipt of the decision from the responsible authority regarding the approval of the project application, enter into the project contract with the responsible authority and the Environmental Investment Fund.
66. If the project applicant does not conclude the project contract within 30 days as from the date of receipt of the resolution of the responsible authority, the project applicant shall lose the right to enter into the above project contract.
67. If no project contract is entered into with the project applicant due to the reasons referred to in Paragraph 66 of these Regulations, the responsible authority and Environmental Investment Fund shall enter into the project contract with the project applicant, whose project application has obtained the next highest number of points pursuant to the quality assessment criteria, if the remaining financing of the financial instrument is sufficient for financing this project in compliance to Paragraph 4 of these Regulations.
68. Following the decision on approving the project application, however, latest until the signature of the project contract:
 - 68.1. if the beneficiary is a business entity, it shall submit the decision on granting or providing loan resources or other financial resources for the project, if it is planned to attract such resources, including the statement on the amount of financing to be granted to the project to the responsible authority;
 - 68.2. if the beneficiary is a central budget institution, it shall submit an attestation concerning availability of financial resources to the responsible authority.

69. The beneficiary shall justify all the expenses incurred within the project framework by means of written contracts and accounting documents.
70. In order to ensure the publicity of the project a beneficiary shall:
- 70.1. place the information on implementation of the project, utilisation of financing and achieved greenhouse gas emission reduction on its website, if such exists;
 - 70.2. during implementation of the project, organise at least one public event, during which it informs the society regarding the project activities and results;
 - 70.3. carry out other publicity measures at its own discretion.
71. During the validity period of the project contract for each three month period (hereinafter – project quarter) until the twentieth date of the month following the project quarter the beneficiary shall submit to Environmental Investment Fund a report regarding the progress of project implementation (hereinafter – interim report), which has been prepared in conformity with the form appended to the project contract.
72. Following completion of the activities provided for in the project contract, however, latest within a period of one month after the expire of the relevant project contract the beneficiary shall submit to the Environmental Investment Fund a report regarding project implementation on the whole (hereinafter – final report), which has been prepared in conformity with the form appended to the project contract. Documents certifying performance of the project activities and payments referred to in the project contract shall be appended to the final report.
73. Five years after the expiry of project implementation term, the beneficiary shall each year perform the monitoring of project results and by 31 January of the next year submit to Environmental Investment Fund the monitoring report on project results in conformity with the form appended to the project contract.
74. The Environmental Investment Fund shall be entitled to involve an expert during assessment of the interim and final report in order to verify whether the eligible costs stated in the project costs schedule are proportionate and economically justified.
75. If the project applicant establishes that it is not possible to carry out the activities provided for in the project within the term defined in the project contract, it may request to the responsible authority the extension of project contract latest one month prior to the expire of the above referred term. In this case the beneficiary shall submit to the Environmental Investment Fund

an application specifying conditions that hinder implementation of the project contract and which it was not possible to predict at the moment of submitting the project application. If the responsible authority finds that the conditions referred to in the application are justified, the beneficiary, the responsible authority and Environmental Investment Fund shall enter into a written agreement on amendments to the project contract extending the term for project implementation for not longer than four months. Amendments pertaining to extension of the above project contract may be effectuated only once.

XI. Payments Available to Beneficiary and Conditions for Receiving them

76. If the beneficiary is a central budget institution, the beneficiary's co-financing for implementation of the project shall be provided from the central budget and payments shall be made from the funds planned for the implementation of the project of the financial instrument within the budget of the line ministry, under whose supervision the relevant central budget institution is. The share of financing of the financial instrument for implementation of the project shall be planned as the received transfer from the responsible authority within a separate budget program or sub-program.
77. If the beneficiary is not a central budget institution, the following types of payments shall be available for a beneficiary:
- 77.1. an advance payment up to 15% of the total amount of financing approved for the project, if the beneficiary is a business entity;
 - 77.2. an advance payment up to 50% of the amount of financing of financial instrument approved for the project, if the beneficiary is a municipality or a direct or indirect administration institution;
 - 77.3. one interim payment, the amount of which shall not exceed 75% of the total amount of financing of the financial instrument approved for the project;
 - 77.4. a final payment, which taking into account the advance payment and interim payments disbursed to the beneficiary shall not exceed the amount of the total financing approved for a project.
78. If the beneficiary is not a central budget institution, the beneficiary may receive an advance payment, if the following conditions are met:
- 78.1. the beneficiary has submitted to Environmental Investment Fund an advance payment request which has been prepared in conformity with the form appended to the project contract;

- 78.2. the beneficiary has submitted to the Environmental Investment Fund an advance payment guarantee of a credit institution for the full amount of the advance payment issued for the benefit of the responsible authority and the term of the guarantee of the credit institution is not shorter than the project implementation term, as well as it contains a condition concerning return of the resources upon the first request and a condition concerning a possibility of extending the guarantee term.
79. If the beneficiary is not a central budget institution, the beneficiary may receive an interim payment if the following conditions are met:
- 79.1. the beneficiary has submitted to Environmental Investment Fund a request for interim payment, and has appended a document attesting performance of works and payment for them according to stipulations in the project contract;
 - 79.2. the beneficiary has submitted to Environmental Investment Fund an interim report regarding the previous quarter and Environmental Investment Fund has approved it;
 - 79.3. the beneficiary has appended documents attesting the performance of eligible costs of the project contained in the interim payment request in compliance to stipulations in the project contract;
 - 79.4. the beneficiary has performed and received all payments related to the project in the project account.
80. If the beneficiary is not a central budget institution, the beneficiary may receive the final payment if the following conditions are met:
- 80.1. the beneficiary has submitted to Environmental Investment Fund a request for final payment, and has appended a document attesting performance of works and payment for them according to stipulations in the project contract;
 - 80.2. the beneficiary has submitted to Environmental Investment Fund the final report and Environmental Investment Fund has approved it;
 - 80.3. the beneficiary has appended documents attesting the performance of eligible costs of the project contained in the final payment request in compliance to stipulations in the project contract;
 - 80.4. the beneficiary has performed and received all payments related to the project in the project account;
 - 80.5. the beneficiary has fully achieved the project objective.
81. If the beneficiary is a central budget institution, it shall:
- 81.1. submit to Environmental Investment Fund an interim report regarding the previous quarter and append source documents of eligible expenditure in compliance to the project contract;

- 81.2. submit to Environmental Investment Fund the final report and append source documents of eligible expenditure in compliance to the project contract;
- 81.3. has fully achieved the project objective.
82. Payments shall be performed by the responsible authority based upon the statement of the Environmental Investment Fund on the payment request submitted by the beneficiary and attestation on approval of the beneficiary's report.

XII. Liability of Beneficiary Regarding Project Results

83. A beneficiary shall be responsible for achievement of results, including reduction of carbon dioxide emission, specified in the project application and project contract.
84. If the project applicant uses renewable energy resources – wind and water, the first monitoring report shall be submitted in the fourth year following the project completion:
- 84.1. the project applicant, who uses water energy, shall obtain the average annual reduction of carbon dioxide emissions for the first monitoring report by means of selecting three of four years of operation following the project completion for making calculations. The permitted deviation of reduction of carbon dioxide emission stated in the monitoring report shall be 10% of the planned reduction of carbon dioxide emission stated in the project application.
- 84.2. the project applicant, who uses wind energy, shall calculate the average reduction of carbon dioxide emissions for the period of four years following the project completion. The permitted deviation of reduction of carbon dioxide emission stated in the monitoring report shall be 20% of the planned reduction of carbon dioxide emission stated in the project application.
85. If according to the monitoring report submitted by the beneficiary for the first year of operation after the completion of the project, Environmental Investment Fund establishes that the planned annual reduction of carbon dioxide emission specified in the project application as compared to the reduction stated in the monitoring report has not been achieved, Environmental Investment Fund shall calculate the amount of non-conformity (hereinafter – non-conformity of reduction of carbon dioxide emission) and notify the beneficiary in writing thereof.
86. A beneficiary shall, within 30 working days after the receipt of information referred to in Paragraph 85 of these Regulations, submit to Environmental Investment Fund an action plan for elimination of non-conformity of

reduction of carbon dioxide emission (hereinafter – plan). Environmental Investment Fund might provide appropriate recommendations.

87. A beneficiary shall implement the plan, using its own resources, within a time period of one year after receipt of the information referred to in Paragraph 85 of these Regulations.
88. If according to the monitoring report submitted by the beneficiary for the second year of operation after the completion of the project Environmental Investment Fund repeatedly establishes that the planned annual reduction of carbon dioxide emission specified in the project application as compared to the reduction indicated in the monitoring report has not been achieved, Environmental Investment Fund shall calculate the amount of non-conformity of the carbon dioxide emission and notify the beneficiary and the responsible authority in writing thereof. The responsible authority shall adopt a decision on recognition of the resources of the financial instrument disbursed for the project as ineligible and on recovery of the resources of the financial instrument in compliance to the procedure defined in the project contract if the beneficiary is a business entity. The responsible authority shall report to the Cabinet of Ministers for the purpose of taking a decision on further action, and it shall be entitled to initiate suspension of the allocation from the central budget, if the beneficiary is a central budget institution.
89. In order to determine the amount of ineligible resources to be recovered pursuant to the established non-conformity of the carbon dioxide emission reduction for the second year of operation after the completion of the project, the actual greenhouse gas emission reduction efficiency indicator shall be divided by the greenhouse gas emission reduction efficiency indicator specified in the project application. The result of the division shall be subtracted from one and multiplied with the financing granted from the financial instrument, and the refinancing rate of the European Central Bank in force on the day when the decision regarding recovery of resources is taken, shall be applied to the result.

Prime Minister

V. Dombrovskis

Minister of the Environment

R. Vējonis

Submitted by: Minister of the Environment

R. Vējonis

Approved:

State Secretary

G. Puķītis