

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 Emission” for Projects Financed by the Climate Change Financial Instrument

Issued pursuant to
Section 10, Paragraph three, Clause 1 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 Emission” (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 and granting of financing.
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. The authority responsible for organization of the tender shall be the Ministry of the Environment (hereinafter – responsible authority). Supervision of project implementation shall be performed by State limited liability company “Environmental Investment Fund” (hereinafter – Environmental Investment Fund).
4. The financing of the financial instrument available within the framework of the tender shall be 27 716 876 lats, including:
 - 4.1. for city or county municipalities of the Republic of Latvia, State or municipal institutions – 4 000 000 lats;
 - 4.2. for enterprises registered in the Republic of Latvia – 23 716 876 lats.

5. For the area of technologies of one particular type of renewable energy resources referred to in Paragraph 23 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 equipment, which complies with Sub-paragraph 23.6 of these Regulations, shall be determined in compliance to thermal energy or electricity technology, for which higher amount of produced energy is planned within the framework of the project.
6. Financing within the framework of the tender shall be granted to project applicants listed in Paragraph 4.2 of these Regulations 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).
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 1 July 2012.
9. Reduction of carbon dioxide emission for a project shall be calculated according to Annex 1 to these Regulations.
10. If the submitter of project application (hereinafter – project applicant), who has entered into a contract on implementation of the project with the responsible authority and Environmental Investment Fund (hereinafter – beneficiary) establishes that it is impossible to implement the activities provided for in the project until 1 July 2012, then not later than until 1 June 2012 the beneficiary may request to the responsible authority the extension of the contract of project implementation. In this case the beneficiary shall submit to Environmental Investment Fund an application specifying conditions that hinder implementation of the project contract (for example, delivery term of technologies). If the Environmental Investment Fund recognizes the conditions mentioned in the application as substantiated, the beneficiary, the responsible authority and Environmental Investment Fund shall enter into a written agreement on amendments to the project contract extending the project contract for not longer than one year. Amendments to the project contract pertaining to extension thereof may be effectuated only once.

11. In order to ensure good quality of project implementation and compliance of the results thereof with as large carbon dioxide emission reduction as possible, the project applicant shall observe the principles of sustainable planning and construction, including determination of selection criteria for the planners and constructors, if the project provides for construction works.
12. The preparation, entering into, amending and termination of project contracts financed by the financial instrument, examination of project implementation reports and the procedures for project implementation control are prescribed in the Cabinet of Ministers Regulations of 25 June 2009 No. 644 "Procedures for Implementation of Projects Financed by the Climate Change Financial Instrument, the Submission and Examination of Reports Thereof".
13. The project shall be implemented within the territory of the Republic of Latvia.

II. Requirements for Project Applicant

14. A project applicant shall be entitled to submit one project application. Several objects may be included in one project application.
15. A project applicant may apply for the receipt of financing within the framework of the tender if:
 - 15.1. project applicant is an enterprise registered in the Republic of Latvia;
 - 15.2. project applicant is a city or county municipality of the Republic of Latvia;
 - 15.3. project applicant is a State or municipal institution;
 - 15.4. 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;
 - 15.5. project application has been submitted to the responsible authority within the set term and it has been signed by the responsible official or an authorised representative thereof, who has the right to sign;
 - 15.6. project applicant in the project application has provided true information;
 - 15.7. 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;
 - 15.8. during the course of assessment of the project application the project applicant has not attempted to obtain any restricted access information at

- its disposal or to affect the assessment of project applications, including the commission for assessment of project applications, the responsible authority or other officials and experts involved in the tender assessment;
- 15.9. the project applicant has received all the permissions and documents provided for in regulatory enactments regulating the area of environmental protection, or attests that they will be received until the date of entering into the project contract;
- 15.10. 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 with 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 environmental protection), or where it is not planned to create an upper reservoir.
16. The financing for implementation of a project may not be applied for, if:
- 16.1. the project applicant is an enterprise, whose equipment is involved in the European Union Emission Trading Scheme in compliance to the Law “On Pollution”;
- 16.2. in the cogeneration plant it is planned to use the anaerobic process of biogas production process;
- 16.3. savings of the primary energy resources by producing electricity and thermal energy in cogeneration mode exceeds 1% compared to separate production of thermal energy and generation of electricity, where the savings of primary energy resources shall be calculated based upon the following formulae:

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

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.
- 16.4. the project applicant is an enterprise, 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;
 - 16.5. if the project applicant is a capital enterprise, 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 enterprise of agricultural services, who has been declared compliant agricultural cooperative enterprise in compliance to regulatory enactments on compliance criteria of cooperative enterprises, 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.
 - 16.6. a project applicant has been found guilty by a court adjudication that has come into effect regarding violation of the regulatory enactments regulating the relevant sector or violation of environmental protection, competition or employment rights;
 - 16.7. the project applicant has not paid taxes according to the procedure and terms stipulated in regulatory enactments;
 - 16.8. the project applicant has not made social security mandatory payments according to the procedure and terms stipulated in regulatory enactments;
 - 16.9. the project applicant is a micro, small or medium-sized entity, which is facing financial difficulties in compliance to the conditions of Paragraph 7 of Article 1 of the Commission Regulation No. [800/2008](#);
 - 16.10. the project applicant is a large enterprise, which:
 - 16.10.1. 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;
 - 16.10.2. 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 enterprises registered less than three years ago counting from the project application submission day;

- 16.11. 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;
- 16.12. 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;
- 16.13. the project applicant plans to implement a project in any of the areas not to be supported in compliance to Sub-paragraph "a" of Paragraph 3 of Article 1 of the Commission Regulation No.800/2008;
- 16.14. a project applicant has not observed the conditions of these Regulations.

III. Determination of the Amount of Project Financing

17. The maximum financing of the financial instrument available for one project shall be 1 500 000 lats.
18. 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:
 - 18.1. 75% – for city or county municipalities of the Republic of Latvia, State and municipal institutions, if within a project there is a transition from thermal energy production technologies using fossil fuel to technologies, which produce thermal energy for own needs from renewable energy resources, or within a project there is installation of new electricity generation equipment, if the generated electricity is used 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 volume of supplied energy shall not be taken into account in calculations of the forecasted amount of energy and CO₂ emissions;
 - 18.2. 65 % – for micro and small enterprises;
 - 18.3. 55 % – for medium-sized enterprises;
 - 18.4. 45 % - for large enterprises.
19. Financing granted within the framework of these Regulations shall not be combined with *de minimis* aid in relation to the same eligible costs.

20.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 Within the Framework of the Tender

21.The following project activities shall be supported within the framework of the tender:

21.1. acquisition, construction, installation, reconstruction or replacement of thermal energy production equipment, for the purpose of replacing equipment using fossil energy resources by equipment using renewable energy resources in compliance to Paragraph 23 of these Regulations;

21.2. acquisition, construction, installation, reconstruction or replacement of electricity generation equipment for generating electricity from renewable energy resources in compliance to Paragraph 23 of these Regulations;

21.3. acquisition, construction, installation, reconstruction or replacement of cogeneration power plant equipment for production of electricity and thermal energy from renewable energy resources in compliance to Paragraph 23 of these Regulations;

22. Within the framework of the tender acquisition of new and refurbished (with the manufacturer's certificate and guarantee) thermal energy and electricity production equipment shall be supported. In case of large enterprises thermal energy and electricity production equipment shall be new.

23.The following technological equipment shall be supported within the framework of the tender:

23.1. Solar energy:

23.1.1. solar power plants (batteries);

23.1.2. solar collector systems;

23.2. Wind energy – wind power plants;

23.3. Water energy – hydro power plants;

23.4. Biomass;

23.4.1. woodchip, biomass, pellet, straw, biogas and bio-oil (bio fuel) equipment (the efficiency rate is defined in column 3 of Table 3 of Annex 2 to these Regulations) with the total installed heat capacity up to and including 3 MW;

23.4.2. woodchip, biomass, pellet, straw, biogas and bio-oil (bio fuel) cogeneration plants (the efficiency rate is defined in column 3 of Table 3 of Annex 2 to these Regulations) with the total installed heat capacity up to and including 3 MW or with the total installed electrical capacity up to and including 1 MW;

- 23.5. Geothermal energy – energy sources with heat pumps (with the transformation rate compliant to Table 2 of Annex 1 to these Regulations);
- 23.6. combined use of several types of technological equipment referred to in this Paragraph.
24. In case of replacement of thermal energy production equipment, the total installed heat capacity shall not exceed the total installed heat capacity of the existing heat production equipment (where fossil energy resources are used) 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 indicator defined in Paragraph 34 of these Regulations.
25. Within the framework of the tender projects, where the included activities 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, may be eligible for receiving financing. Ownership rights, lease contract, the rights of possession or use shall be registered in the Land Register for a time period of at least five years following the project implementation.

V. Eligible and Ineligible Costs Within the Framework of the Tender

26. The following project costs shall be eligible within the framework of the tender in compliance to activities referred to in Paragraph 21 of these Regulations:
- 26.1. development and coordination of project documentation:
- 26.1.1. construction project and construction costs schedule;
 - 26.1.2. specification of technological equipment;
 - 26.1.3. construction supervision;
 - 26.1.4. supervision by author.
- 26.2. costs of acquisition, construction, installation, adjustment of technological equipment intended for use of renewable energy resources, which are directly related to ensuring their operation (including costs of training of operational personnel of technological equipment), and connection of technological equipment to the electrical system, if the power transmission line, power installations, etc. remain under the ownership of the project applicant;
- 26.3. costs of patent rights and licences for ensuring operation of technological equipment;
- 26.4. costs of performance of construction works directly related to activities to be supported.

27. The following additional cost limitations are defined for eligible costs of the project:
- 27.1. the total amount of costs defined in Sub-paragraphs 26.1. and 26.3. of these Regulations shall not exceed 7% of the eligible costs planned in the project application;
 - 27.2. in relation to costs items defined in Sub-paragraphs 26.2. and 26.4. of these Regulations the total amount of unforeseen expenses shall not exceed 5 % of the eligible costs planned in the project application.
28. In relation to activities defined in Paragraph 21 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 or power plant, which uses renewable energy resources, and costs of construction of a new fossil fuel (energy resources) based heating system or power plant (without any support in the area of environment) shall be considered eligible costs defined in Paragraph 26 of these Regulations. Economic gains and operational costs shall not be included in eligible costs. Eligible costs shall be calculated in compliance to Annex 2 to these Regulations.
29. Paragraph 28 of these Regulations shall not apply in relation to project applicants defined in Sub-paragraph 18.1 of these Regulations, but, in calculation of eligible costs for project applicants defined in Sub-paragraph 18.1 of these Regulations maximum permitted investment costs of technologies using renewable energy resources shall be taken into account and they shall not exceed indexes stated in Paragraph 2 of Annex 2 to these Regulations.
30. 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:
- 30.1. comply with costs defined in Paragraph 26 of these Regulations taking into account restrictions defined in these Regulations;
 - 30.2. are necessary for implementation of the project and are included in the project application and project contract;
 - 30.3. have been incurred after entering into the project contract, though before the end of the project implementation term. In cases of implementation of projects defined in Sub-paragraph 26.1 of these Regulations costs shall be considered eligible prior to entering into the project contract, however, after the date of entry into force of these Regulations.
 - 30.4. have been performed in compliance to the requirements of financial management, economy and efficiency, sustainable planning and construction;

- 30.5. 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;
 - 30.6. are indicated in the interim report or final report of a project, appending copies of the corroborative documents specified in the project contract;
 - 30.7. are included in the assets of the beneficiary as depreciable long-term investments, which:
 - 29.7.1. remain in the ownership of the beneficiary or are leased by the beneficiary and are separated as individual units in the lease contract for at least five years after the project implementation;
 - 29.7.2. stay in the region, which has received the support;
 - 29.7.3. are used for the objectives stated in the project application.
31. The following costs shall be ineligible within the framework of the tender:
- 31.1. 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 technological equipment using renewable energy resources;
 - 31.2. construction costs related to improvement of building structures for installation of solar collectors or solar power plants (batteries);
 - 31.3. construction of thermal energy transmission and distribution pipelines;
 - 31.4. construction of thermal energy and electricity production buildings and supplementary buildings;
 - 31.5. payments of value added tax, if they can be recovered in any manner from the State budget;
 - 31.6. costs covered within the framework of other financial programmes or individual support projects from other financial instruments, including European Union or foreign financial aid resources;
 - 31.7. costs incurred prior to entering into the project contract or after the end of project implementation term, except costs defined in Sub-paragraph 26.1 of these Regulations;
 - 31.8. costs, which are not directly related to activities to be supported;
 - 31.9. costs, which exceed the limits of costs defined in Paragraph 27 of these Regulations;
 - 31.10. costs exceeding the amount of eligible costs provided for in the approved project;
 - 31.11. other costs, which are not defined as eligible.

32. The following costs shall not be included in the project application:
- 32.1. regular maintenance costs of the project applicant;
 - 32.2. costs of acquisition of current assets;
 - 32.3. costs for leasing and lease transactions;
 - 32.4. customs taxes and fees;
 - 32.5. 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;
 - 32.6. costs related to preparation of the project, including consultation services and other services, except costs defined in Sub-paragraph 26.1 of these Regulations;
 - 32.7. territory development and greening costs;
 - 32.8. costs of acquisition of any type of portable equipment or vehicles;
 - 32.9. costs related to acquisition, lease or repair of equipment intended for transportation of people or used for loading, unloading or handling operations, except costs defined in Sub-paragraph 26.1 of these Regulations.
33. The total installed capacity of equipment defined in Sub-paragraph 23.1 of these Regulations shall be 10 kW or above, equipment defined in Sub-paragraph 23.2. – 25 kW or above, equipment defined in Sub-paragraphs 21.3., 21.4., 23.5., 23.6. and 23.7. – 50 kW or above. In Sub-paragraph 23.7 of these Regulations the total installed capacity of at least one unit of equipment planned within the project shall be 50kW or above. The condition of the total installed capacity of equipment shall apply to one or several units of equipment, which are planned for construction or installation at one site or territory included in the project application.
34. 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 equipment defined in Paragraph 23 of these Regulations, the calculated thermal energy consumption for heating shall not exceed 150 kWh/m² per year. 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

35. 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.

36. The responsible authority shall announce the tender by placing an advertisement in the newspaper *Latvijas Vēstnesis*, on the website of the responsible authority (www.vidm.gov.lv) and on the website of the Environmental Investment Fund (www.lvif.gov.lv). The guidelines for preparation of project applications shall be published on the website of the responsible authority on the date of announcing the tender.
37. 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.
38. The first date for submitting project applications shall be set earliest 30 days following announcement of the tender. The term for submitting project applications shall be at least one month.

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

39. The project application – completed project application form (Annex No. 3) and documents to be submitted additionally specified in Paragraph 40 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 personally or sent by mail, appending a certified copy of the project application and an identically completed project application form in an electronic form on an electronic data carrier. 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.
40. The list of documents to be submitted additionally:
- 40.1. the project application, which is defined in Paragraph 4.2 of these Regulations, shall submit one of the below listed documents:
 - 40.1.1. 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. Until the date when the contract on granting the financing is signed the project applicant shall submit the resolution of the provider of financing or contract on granting co-financing;
 - 40.1.2. 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 project co-financing is

- provided by a legal entity or a natural person, which is not a credit institution, the project applicant shall submit documents, which prove that the provider of co-financing possesses the amount of financial resources required for co-financing the project. Until the day of entering into the contract on granting of financing the project applicant shall submit to the responsible authority the decision of the provider of co-financing on granting of co-financing;
- 40.1.3. attestation of the project applicant on provision of co-financing required for the project from own resources. A copy of the full annual report for last concluded year and annual income statement and its annex "Revenues from economic activities" for last concluded year shall be appended;
 - 40.2. the project application, which is defined in Paragraph 4.1 of these Regulations, shall submit:
 - 40.2.1. a municipal institution – resolution of the municipality on provision of co-financing;
 - 40.2.2. a state institution – resolution of the relevant line ministry on provision of co-financing;
 - 40.3. an extract of the resolution of the project applicant on implementation of the project signed by the top managing institution of the company, municipality, the line ministry of the relevant state institution, and where the total eligible costs of the project and amount of co-financing provided by the project applicant are stated;
 - 40.4. declaration on the compliance of the enterprise to the category of small (micro) or medium company, completed in compliance to regulatory enactments concerning the procedure of declaring enterprises compliant to small (micro) or medium companies, if applicable, or a declaration on compliance of a scientific institution registered in the register of scientific institutions to a micro, small or medium company (if applicable);
 - 40.5. the authorisation, regarding the right to sign of the authorised person of the project applicant, if applicable;
 - 40.6. 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;
 - 40.7. construction costs schedule (in compliance to the Regulation of the Cabinet of Ministers of December 19, 2006 No.1014 "Regulations on the Latvian Construction Standard LBN 501-06 "The procedure of determination of construction costs """) (if applicable);
 - 40.8. a copy of notification on the results of the procurement procedure defined in Paragraph 40 of these Regulations, if the procurement has been performed until submission of the project application (if applicable);

- 40.9. description of the technological equipment, economic justification and principal scheme, justifying the data included in the project application and stating the following information: type of used energy resources, location, planned capacity, existing or planned operational modes, energy resources and their description (for example, velocity of wind, solar radiation, etc.). The document shall be drawn up in a free form;
- 40.10. 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 49 of these Regulations.
41. Procurements, which are required for preparation or implementation of the project, shall be carried out by the project applicant or beneficiary in compliance to regulatory enactments on procurement procedure and the procedure of its application to projects funded by the customer.
42. The project applicant shall submit two counterparts (original and a copy certified by the project applicant) of the completed project application form and documents defined in Paragraph 40 of these Regulations.
43. The responsible authority shall determine the time of submission of a project application in compliance to the following conditions:
- 43.1. 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;
- 43.2. 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;
- 43.3. 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.
44. The project applicant, in drawing up the project application, shall observe the following conditions:
- 44.1. 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;
- 44.2. a project application form shall be prepared, using computer typing in Latvian, except Sub-paragraph 2.2.2 of the project application form;
- 44.3. 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;
- 44.4. the currency – lat – shall be used in all calculations of the project application form;
- 44.5. a project application shall be completed without unstipulated deletions, erasures, block-outs, corrections and additions;
- 44.6. 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;
- 44.7. a project application shall be signed by the official of the authority of the project applicant with the right to sign;
- 44.8. if a project application is submitted in printed form:
- 44.8.1. a project application form shall be identical with the project application form appended to the project application in electronic form;
- 44.8.2. 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;
- 44.8.3. the original of the project application shall be bound together (sewn together) and all pages shall be numbered, and also the copy of the original shall be bound together (sewn together) and all pages shall be numbered;
- 44.9. if a project application is submitted in the form of an electronic document:
- 44.9.1. 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;
- 44.9.2. 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;
- 44.9.3. 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 end of the deadline for acceptance of project applications.
- 45.A project applicant shall submit the project application to the responsible authority personally in a closed package (envelope or box) or send it electronically to the e-mail address of the responsible authority, which was

indicated in the tender advertisement, or send it by mail in a sealed package (envelope or box), specifying the following on the envelope:

- 45.1. the addressee – The Ministry of the Environment of the Republic of Latvia, Peldu iela 25, Riga, LV-1494, Latvia;
- 45.2. ko the title of the tender – „Use of Renewable Energy Resources for Reduction of Green House Gas Emissions”;
- 45.3. the name and address of the project applicant;
- 45.4. the instruction “Do not open prior to commencement of evaluation”.

46. 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 immediately..

47. 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.

48. 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

49. If the project applicant is an enterprise, the project applicant shall submit a letter of a credit institution registered in the Republic of Latvia on the guarantee of payment of the tender security amount to the responsible authority (hereinafter – guarantee letter).

50. The tender security amount shall be:

- 50.1. 2000 lats, if the financing of the financial instrument requested for the project amounts from 1 125 000 to 1 500 000 lats;
- 50.2. 1500 lats, if the financing of the financial instrument requested for the project amounts from 750 001 to 1 125 000 lats;
- 50.3. 1000 lats, if the financing of the financial instrument requested for the project amounts from 375 001 to 750 000 lats;
- 50.4. 500 lats, if the financing of the financial instrument requested for the project amounts up to 375 000 lats.

51. 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.
52. The guarantee validity term stated in the guarantee letter shall expire prior to the term defined in Paragraph 51 of these Regulations in the following cases:
- 52.1. if the responsible authority has adopted a resolution on rejecting the project application following assessment of the project application;
- 52.2. if the responsible authority has adopted a resolution on approval of the project application following assessment of the project application, has invited the project applicant to enter into the contract on implementation of the project and the project applicant has entered into the contract within the set term.
53. The amount stated in the guarantee letter shall be paid upon the first request of the responsible authority, where it is stated that the responsible authority has adopted a resolution on approval of the project application following assessment of the project application, has invited the project applicant to enter into the contract on implementation of the project and the project applicant has not entered into the contract within the set term.
54. The financial resources obtained according to the procedure defined in Paragraph 53 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

55. The responsible authority shall establish a commission for assessment of project applications (hereinafter – assessment commission) for examination and assessment of project applications.
56. 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.
57. The assessment commission is chaired by a representative of the responsible authority. The Assessment Commission shall consist of three representatives of the responsible authority, one representative each from the Ministry of Economics and the Ministry of Regional Development and Local Government.
58. 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).

59. Administrative assessment shall be performed according to the following procedure:

59.1. upon commencing the assessment compliance of the project application to criteria defined in Paragraph 1 of Annex 3 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 Paragraph 1 of Annex 3 to these Regulations is established;

59.2. if the project application complies with all the criteria defined in Paragraph 1 of Annex 3 to these Regulations, assessment of the project application in compliance to criteria defined in Paragraphs 2 and 3 of Annex 3 to these Regulations shall be continued.

60. 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.

61. 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 and shall be forwarded for the assessment pursuant to quality assessment criteria.

62. 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 one or several 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 the project application shall not be assessed any further.

63. If non-conformity is determined with one or several non-adjustable administrative assessment criteria, specified in Annex No. 4 to these Regulations, the responsible authority shall take a decision regarding the refusal of project application.

64. 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.

65. The assessment commission, by inviting independent experts, if necessary, shall verify compliance of the attainable indicators, specified in the project application (Paragraph 2.10 of Annex No. 3 to these Regulations), with the planned project activities and the submitted technical 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.
66. If arithmetical errors are established during the process of project assessment, the responsible authority shall offer to the project applicant in writing to adjust the planned project activities as well as perform respective adjustments in the project application and Annexes thereto. The term for updating a project application shall be 10 working days from the receipt of the request of the responsible authority.
67. If during the verification it is established that the project applicant has provided false information in the project application or Annexes thereto the responsible authority shall be entitled to take a decision regarding the refusal of project application.
68. 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.
69. 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 2.10 of the project application.
70. 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:
 - 70.1. project application conforms with all administrative assessment criteria;
 - 70.2. 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 68 of these Regulations.

71. The term for project assessment shall be two months from the deadline of project submission. The assessment commission shall be entitled to extend this term, however for a time period not exceeding one month.

X. Conditions for Entering into and Implementing the Project Contract

72. The responsible authority shall, within 10 working days after taking of a decision regarding the approval or refusal of a project application, send the relevant decision to a project applicant. In case of approval of the project application, the project applicant shall be invited to enter into the project contract.

73. 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.

74. If a project applicant does not enter into the project contract within 30 days from the receipt of the decision of the responsible authority, the project applicant shall lose the right to enter into the referred to contract.

75. If no project contract is entered into with the project applicant due to the reasons referred to in Paragraph 74 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.

76. If the beneficiary has not announced the procurement prior to entering into the project contract, it shall announce the first procurement within a period of six months after entering into the project contract. If the procurement is not announced within the above mentioned term, the responsible authority shall be entitled to take a decision on termination of the project contract.

77. In order to ensure the publicity of the project a beneficiary shall:

77.1. place the information on implementation of the project, utilisation of financing and achieved greenhouse gas emission reduction on its website, if such exists;

77.2. during implementation of the project, organise at least one event (for example, a seminar), during which it informs the society regarding the project activities and results;

77.3. carry out other publicity measures at its own discretion.

78. During the validity period of the 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. Documents certifying performance of the project activities and payments referred to in the project contract shall be appended to the interim report.

79. Within a period of one month after the end of the project implementation term 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.
80. 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.
81. 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.

XI. Payments Available to Beneficiary and Procedures for Payments

82. The following types of payments shall be available for a beneficiary:
- 82.1. an advance payment up to 15% of the total amount of financing approved for the project, if the beneficiary is an enterprise;
 - 82.2. an advance payment up to 50% of the amount of financing of financial instrument approved for the project, if the beneficiary is a municipality of a town or region of the Republic of Latvia or state or municipal institution;
 - 82.3. one interim payment, the amount of which shall not be greater than 75% of the total amount of financing of the financial instrument;
 - 82.4. 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.

83. A beneficiary may receive an advance payment in compliance to Sub-paragraph 82.1 of these Regulations, if it has submitted to Environmental Investment Fund a payment request which has been prepared in conformity with the form appended to the project contract and has submitted to the Environmental Investment Fund a bank guarantee regarding the amount, which conforms to the amount of the advance payment requested by the beneficiary and the term of the bank guarantee is not shorter than the project implementation term.
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, for the first monitoring report 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. A beneficiary may receive an interim payment if:
- 85.1. 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;
- 85.2. the beneficiary has submitted to Environmental Investment Fund an interim report regarding the previous quarter and Environmental Investment Fund has approved it;
- 85.3. 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;
- 85.4. the beneficiary has performed and received all payments related to the project in the project account.
86. A beneficiary may receive the final payment if:
- 86.1. 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;
- 86.2. the beneficiary has submitted to Environmental Investment Fund the final report and Environmental Investment Fund has approved it;
- 86.3. 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;
- 86.4. the beneficiary has performed and received all payments related to the project in the project account;
- 86.5. the beneficiary has fully achieved the project objective.
87. 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

88. A beneficiary shall be responsible for achievement of results, including reduction of greenhouse gas emission, specified in the project application and project contract.
89. 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 indicted 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.
90. A beneficiary shall, within 30 working days after the receipt of information referred to in Paragraph 88 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.
91. 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 88 of these Regulations.
92. 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.

93. 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 under Index 1 of Paragraph 2.11. in the project application form. 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