

SLOVAKIA: Flexibility Mechanisms Approach

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Ivan Mojík

**Air Protection Department
Ministry of the Environment**

SLOVAKIA

Content

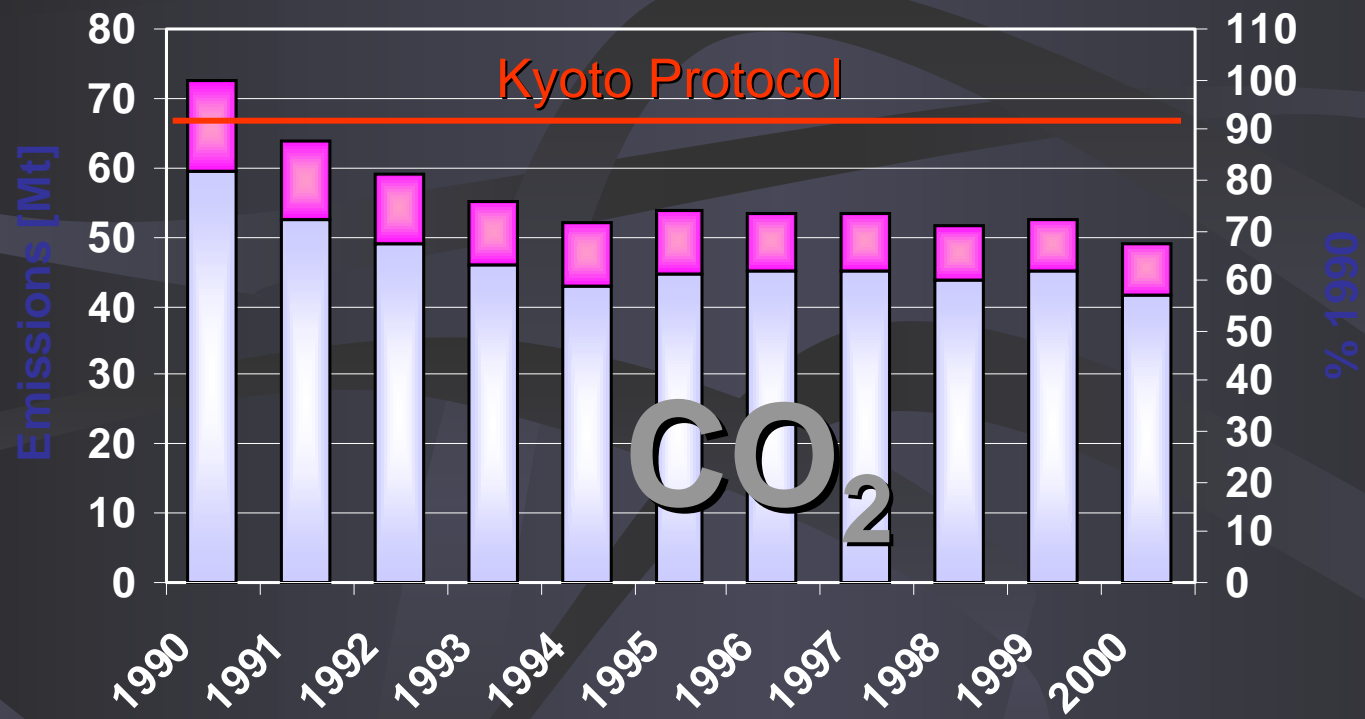
- **Slovakia within UNFCCC and KP**
- **Strategy**
- **Joint Implementation**
- **Emission Trading**

Status of Slovakia

- **UN FCCC**
 - Annex I
- **The Kyoto Protocol**
 - Annex B - 92 %

Slovakia will join the European Union in 2004

GHG Emissions Trend



Strategy



Slovakia's KP Strategy¹⁾

Government took note in January 2002

Short-term horizon (until 2003)

- ✓ GHG emissions in 2000 not higher than in 1990
- ✓ To ratify KP by the end of 2002

Slovakia's KP Strategy²⁾

Mid-term horizon (2004-2007)

- To control GHG emissions so that demonstrable progress in achieving commitments under KP is secured by 2005
- To establish inventory system in accordance with Art.5 of KP

Slovakia's KP Strategy³⁾

Long-term horizon (2008-2020)

- Compliance with KP: to limit 2008-2012 GHG emissions at 92 % of 1990 (333,6 Mt CO₂ eq.)
- To create a base for second commitment period: further 5% reduction below KP
- At least to stabilize GHG emissions from 2015 onwards

Flexibility Mechanisms¹⁾

Preferences of Slovakia

- **Emission trading**
= HIGHEST SUPPORT
- **Joint implementation**
= MEDIUM SUPPORT
- **Clean development mechanism**
= NOT RELEVANT IN THE TIME BEING

Flexibility Mechanisms²⁾

- Both ERUs and AAUs equally fair
- There is no difference between reduction that started 1990-1997 and after 1997
- ET is institutionally and administratively less demanding than JI

Flexibility Mechanisms³⁾

- Amount for international transfers:

10 Mt CO₂

within 2008-2012

- For ET + JI as a sum

Joint Implementation



Criteria for JI projects

- **Compliance with Nat. Environmental Strategy**
- **Additionality**
- **Only projects not implemented yet**
- **Compliance with Slovak legislation (BAT)**
- **Price preferably 5 USD/t CO₂ and more**
- **No reduction transfers beyond 2012**
- **Max. 80% (90%) ERUs to be transferred**
- **Monitoring + verification costs born by project**

JI Priority Projects

Renewable energy sources

- Biomass
- Geothermal energy

Energy savings

- Production side
- Demand side

~~Sinks enhancement~~

JI Process

MoE does not maintain JI project list

- **Implementing company & buyer have to apply for approval at MoE**
- **MoE considers project**
- **MoE contacts counterpart from buyers' Government**
- **Both Governments negotiate an agreement (various forms possible)**
- **Government representatives (Ministers) sign the agreement**

Emission Trading



Emission quotas

- Direct cap on portion of emissions
- Slovak emission quotas scheme allows for trading
- SO₂ Cap & Trade scheme is running from 1 January 2002
- CO₂ Cap & Trade draft design scheme in advanced stage

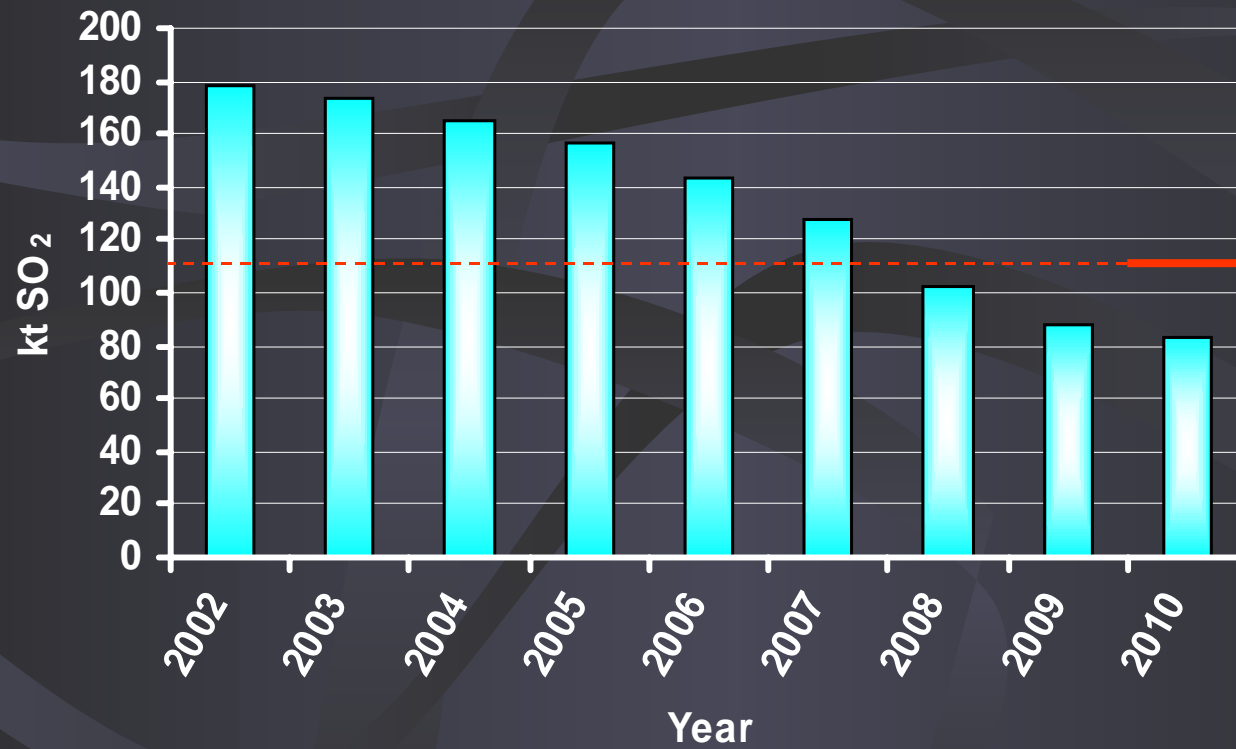
Why Cap & Trade

- Ensures compliance with national ceiling
- Reductions less costly -dom/int
- Domestic
 - allocation is never perfect
 - allows for choice of measures
- International (CO₂ only)
 - resources for introduction of new BAT

SO₂ Cap & Trade Main Features

- **Downstream**
- **Sources > 50 MW_{th} input + tech.**
- **Two-step grandfathering:**
 1. MoE to District Offices
 2. District Offices to companies
- **No banking allowed**

SO₂ Quotas To Be Allocated



CO₂

Two different phases:

- **Before introducing domestic Cap & Trade scheme**
- **Domestic Cap & Trade scheme in place**

Before domestic Cap & Trade

- International trades backed-up with projects
- Criteria different from JI
 - CO₂ producer directly involved
 - projects from 1998 onwards
 - no additionality requirement
 - reductions due production decrease or termination are excluded
 - in case of state assistance given only proportional volume of reduction is available for trade

Preferred projects

- Fuel switch from fossil to renewable
- Fossil fuel consumption reduction
- Fuel switch to less CO₂ intensive fuel
- According to buyer's priority

Process for Trading

- Expected seller has to apply at MoE
- Application includes baseline study
- MoE considers baseline study
- MoE selects/approves projects fulfilling criteria including CO₂ volume available for transfer
- MoE issues confirmation letter on its future approval of transfer
- After KP entering into force MoE approves transfer as confirmed earlier
- Price is subject of buyer-seller agreement

During Domestic Cap & Trade

- **Companies are having emission quotas**
- **Company can sell surplus quotas subject of availability**
- **Quotas internationally tradable only allowed to transfer abroad**
- **No other criteria**

CO₂ Cap & Trade Main Features

- Downstream
- Sources > 20 MW_{th} input + tech.
- Grandfathering
- Int. tradable + Dom. tradable quotas
- Banking within 1st CP allowed

THE END

THANK YOU
