

# GIS Developments in Ukraine

Tokyo, October 15, 2009

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# Emission Trading in Ukraine

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- ▶ Since 29th April 2008 Ukraine fulfilling all eligibility criteria of the KP obtained an access to KP flexible mechanisms – including, Art. 17
- ▶ Ukraine's KP obligation to remain on the level of 1990 emissions, provide AAU surplus (available for flexible mechanisms.) due to collapse of Soviet Union and Ukraine's economy
- ▶ Ukraine is No.2 by the volume of AAU surplus among Annex I countries
- ▶ Ukraine paving the way to demonstrate goodwill obligation in “greening” of AAUs sales proceeds



# Legislative platform

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## General international legislation

- ▶ UNFCCC and Kyoto protocol (which are part of Ukrainian legislation as well)

## Art. 17 specific domestic legislation

- ▶ Cabinet of Ministers of Ukraine (CMU) Regulation No. 221 of 22 February 2008 “On approval the Procedure for consideration, approval and implementation of target environmental (green) investment projects within the commitment period of the Kyoto Protocol to the UNFCCC”
- ▶ Cabinet of Ministers of Ukraine (CMU) Regulations, identifying specific GIS directions/programs/projects
- ▶ Transfer of AAUs is performed based on the CMU Instructions
- ▶ Proceeds from the sale of the Assigned Amount Units are treated as the income belonging to the Ukrainian State Budget

## Investment projects implementation domestic legislation

- ▶ General legislation covering issues of investment projects approval by CMU, opening financing, implementation of projects, accomplishment of investment projects

## Further development of domestic legislation

- ▶ No need to develop a separate Law on emissions trading



# Practical implementation

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- ▶ Ukraine has executed several purchase and sale agreements of Assigned Amount Units under a Green Investment Scheme
- ▶ To mitigate currency risk the funds are accounted to the foreign currency bank accounts of the National Treasury
- ▶ Attracting considerable international attention, being one of the first AAUs transactions under GIS, Ukraine is thoroughly developing step-by-step platform for successful GIS case



# Greening obligations

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## Under AAUPA:

- ▶ Disbursement of funds is due prior to 2012
- ▶ International technical and financial inspection
- ▶ Annual reporting
- ▶ Periodic site-visits of the Buyer

## Under domestic legislation

Restricted use of funds in FY 2010 to implement investment projects directly leading to emission reductions (under current Law on State Budget)



# Greening requirements

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Greening requirements are set by:

- ▶ AAUPA
  - Specific directions of greening activities
  - Bilateral consultations on each specific GIS project on its fulfilling greening requirement
  
- ▶ Domestic legislation
  - General and specific criteria for GIS projects (CMU Regulation 221)
  - Only projects directly leading to GHG emission reduction will be allowed within the GIS frames in FY 2010



# Sectors of GIS implementation

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In Ukraine there are large GHG emitting sectors with a large mitigation potential, such as coal mining, transport and processing, iron and steel production, chemical production, electric power and heat production and industrial energy use.

Currently, the Government of Ukraine set a priority to implement GIS projects in housing and utility sector specifically in the area of heating and hot water supply to reduce dependence on natural gas; to modernize coal industry





# Project selection process

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- ▶ Specific GIS projects are selected both based on the priorities set by the Government in its Regulations and by the Regulation No. 221 “On approval the Procedure for consideration, approval and implementation of target environmental (green) investment projects within the commitment period of the Kyoto Protocol to the UNFCCC”.
- ▶ To minimize the potential risks related with the practical implementation of GIS projects, the Government decrees to implement small-scale GIS projects, bundled into groups, aimed at realization in the social-sphere institutions (hospitals, schools, etc) which are financed from the State Budget of Ukraine (budgetary entities).



# Financing

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- ▶ Two options are possible, subject to further instruction of the Government of Ukraine:

(I) (co-financing) allowing for partial financing of the GIS projects related to other than budgetary entities

(II) (full scale coverage) allowing for full scope financing of the GIS projects, irrespective of the form of ownership of the GIS object



# Financing: full scale coverage

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- ▶ Taking into account the following:
  - (i) world-wide economic recession and lack of credit funds availability, it reveals extremely difficult to attract co-financing on the commercial (preferential) terms for the projects aimed at environmental benefits.
  - (ii) The Government of Ukraine has yet not set the specific limitation on the GIS financing intensity
  - (iii) Reflecting a strong intention of the Buyer, that the funds are disbursed as soon as practicably and rationally possible



# Expected results

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- ▶ Transit to low carbon economy, through application of efficient and climate-friendly technology
- ▶ Reduce dependence on fossil fuel
- ▶ Access to alternative sources of renewable energy
- ▶ Sustainable development
- ▶ Continued economic growth
- ▶ Improve the competitiveness of the industry



# Obstacles

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- ▶ Difficulties in assessment huge number of projects for selecting the best GIS candidates
- ▶ Lack of experience in preparation of project related documentation
- ▶ Financial constrains
- ▶ Time constrains
- ▶ Complicated domestic legislation for budgetary (GIS) allocation



# Plans for further GIS implementation

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- ▶ Ukraine would like to express its strong political commitment towards the establishment of efficient, transparent and accountable Green Investment Schemes, Ukraine will continue to negotiate and execute purchase and sale agreements of Assigned Amount Units with other Annex I countries
- ▶ Ukraine welcomes the collaboration of public and private purchasers of Assigned Amount Units in the development of specific greening guidelines for each purchase and sale agreement, in areas such as the identification of particular sectors, the establishment of project selection criteria, the identification and structuring of financial mechanisms



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