
Market Readiness Proposal (MRP) of Ukraine Summary of Expert Group Feedback

Country: Ukraine

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behalf of the Expert Group**

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Outline of Presentation

1. Brief description of PMR Expert Feedback Process
2. Overall impression of the MRP
3. Rationale for the PMR support
4. Key challenges going forward

Brief description of PMR Expert Feedback Process

PMR Expert Group

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- Sina Wartmann (Ricardo-AEA))
- Guillaume Jacquier and Coralie Jeannot (CITEPA))

Feedback Process

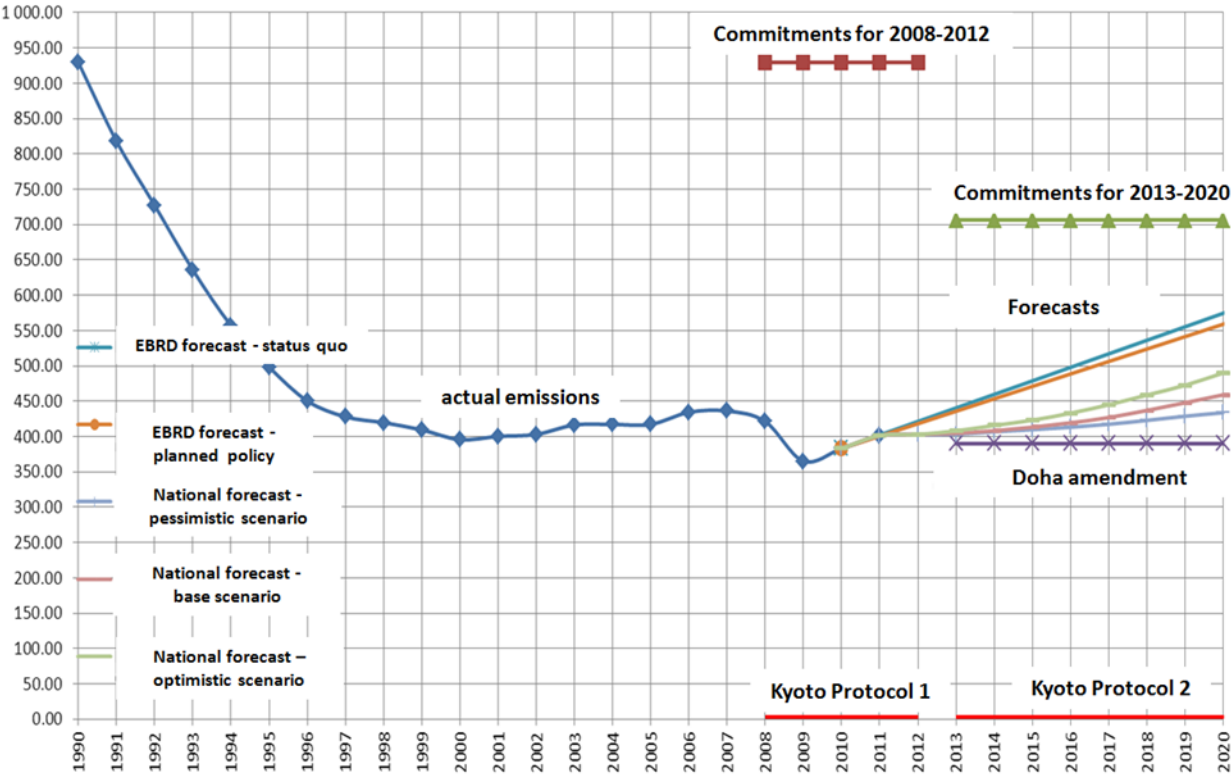
- Draft MRP submitted to Secretariat 28 March 2014
- Written feedback provided by the experts to the Secretariat April 18
- Expert group conference call April 22
- Consolidated feedback provided to country team April 23
- Two-day in-country visit to discuss feedback and advance MRP April 28-29
- Revised MRP provided to PMR Secretariat & Expert Group and circulated to PMR PA **May 12**

Overall Impression of the Draft MRP by the Expert Group

- The overall architecture of the proposed PMR activities is logical and well-structured. The MRP generally provides a useful decision basis to the PMR.
- The selection of target areas for PMR support is compelling and analytically justified.
- It is particularly commendable that Ukraine chose to focus on piloting the MRV system as a corner-stone for the development of MBIs.
- The MRP identifies two areas for PMR support: **development of an MRV system** and **planning for introduction of MBIs**.
- Both areas would benefit from identification of risks and barriers and corresponding plans for their mitigation, as well as from definition of concrete implementation milestones and decision-making points.
- A result-oriented framework, accompanied by a plan to monitor and evaluate MRP implementation, would contribute to strengthening the proposal.

International UNFCCC process

- ◆ Regardless of the actual pathway, Ukraine will need to have a functional MBI by 2020 in order to participate **effectively** in the post-2020 agreement



Ukraine's actual and forecasted GHG emissions trajectory

- ◆ The implications of Doha amendments for Ukraine:
 - 401 Mt - current emissions (2012)
 - 421 Mt – emissions before economic crisis (2008)
 - 390 Mt - target set by amended Article 3.7 for 2013 - 2020
 - No access to AAU reserve according to para 25 of 1/CMP.8

European integration agenda

- ◆ Approximation with the EU is one of the highest political goals nationally
- ◆ EU-Ukraine Association agreement is initialed and ready for signature
- ◆ Political provisions of the treaty were signed on 21 March 2014
 - Trade and Economic sections are expected to be signed by the end of the year
 - Annex XXIX of the Agreement (Annexes to Title V: Economic and Sector Cooperation):
 - Establishment of a system for identifying relevant installations and for identifying greenhouse gases (according to Annexes I and II of the Directive 2003/87/EC);
 - Development of a national allocation plan to distribute allowances to installations (according to the Article 9 of the Directive 2003/87/EC);
 - Establishment of a system for issuing greenhouse gas emissions permits and issuance of allowances to be traded domestically (Articles 4 and 11-13 of the Directive 2003/87/EC);
 - Establishment of monitoring, verification and enforcement systems (Articles 9, 14-17, 19 and 21 of the Directive 2003/87/EC).
- ◆ Compliance required 2 years after the agreement enters into force
- ◆ Limited time left for preparation and planning

Objectives of MRP activities

- ◆ The MRP identifies two areas for PMR support: **development of an MRV system** and **planning for introduction of MBIs**.
- ◆ Builds on several preceding initiatives:
 - UNDP / BMU IKI Low Carbon Strategy, EBRD PETER project, USAID Energy Sector MRV
- ◆ Three key outcomes expected:
 - Regulatory, technical and methodological framework for the MRV system is created
 - The MRV system is launched and initial data collection is accomplished
 - The choice of the MBI is made
- ◆ The MRV system
 - Needed to inform policy planning and specific design of the MBI
 - Without the actual facility-level data, MBI effectiveness is no more than a guess
 - Non-confrontational and apolitical
 - Addresses the current need in good governance
 - The most effective tool available to prepare for MBI implementation

4. Key challenges going forward

- Ambitious both in scope and implementation schedule
- Necessary, yet massive and resource-intensive commitment for Ukraine
- Condensed in time: requires government and PMR funding functioning as a clock
- Teething problems to be expected as implementation starts
- Openness in communication with regulated facilities
- Commitment to maintaining a transparent and feedback-oriented process in development of the MRV regulations
- Accepting that learning by doing is essential part of the process