

Kazakhstan's National Emission Trading Scheme

Marrakech

23 October, 2013

Topics in this presentation

- **Basis for the Kazakhstan ETS**
- **Basic elements of the system**
- **Current priorities and work**
- **External assistance**

The basis for development of the ETS in Kazakhstan

- **Energy intensive GDP**
- **Announced commitments to decrease GHG**
- **Mr. Nazarbayev, the President of the Republic of Kazakhstan, laid out:**
 - **The Strategic Development Plan of the Republic of Kazakhstan 2020**
 - **Strategy “Kazakhstan-2050”**
 - **The Concept of transition to Green Economy – adopted in May’ 2013 and Action Plan**

Targets laid out in the “Green Economy” concept

- **To decrease energy intensity of GDP by 50% by 2050 from the 2008 level;**
- **To reduce current CO2 emissions in electricity production by 40% by 2050;**
- **To increase the share of non-conventional energy sources in the electricity production by 50% by 2050**

The main goals of ETS

- **Development of a low carbon economy**
- **Improve energy efficiency**
- **Increase a share of RES**
- **To create a market mechanism which will help enterprises to modernize their production processes and facilities**
- **To provide a more flexible mechanism than carbon tax**

Kazakhstan's status in the international negotiations

- **Unable to be part of Annex B of the Kyoto Protocol for the first commitment period;**
- **QELROs: Kazakhstan nominated 95% by 2020 (1990 base) in Annex B of the Kyoto Protocol for the second commitment period;**
- **The Convention declared pledges to reduce GHG emissions by 15% by 2020 (1990 base) in the developed countries.**

National ETS Legislation

- **The legislation is already in place and includes three layers of legislative instrument:**
 - **Ecological Code**
 - **17 Government Decrees**
 - **13 Ministerial Orders**
 - + **Administrative Code (to invoke penalties)**
- **Further development of the legislation is required over the coming months/years**

Sectors of secondary legislation (decrees and orders) (1/2)

- Allocation of allowances
 - Rules on allocation, on setting up a reserve of NAP, an approval of NAP, etc;
- MRV
 - Rules on MRV, on maintaining the cadastre, methodologies for GHG calculation, templates/forms for installation passports and inventory reports, etc;

Sectors of secondary legislation (decrees and orders) (2/2)

- **Offset projects**
 - **Rules on development, on consideration and approval, etc;**
- **Trading of allowances (Domestic and International)**
 - **Rules on trading, on maintaining the registry, on ecological (green investments), etc.**

Basic elements of the system

- **Cap & Trade approach with broad coverage**
 - **Crediting mechanism for all enterprises not covered**
- **National allocation plan for each year**
 - **Includes a “Reserve” of emissions units**
- **Ramping up the system over time**
 - **e.g., compliance in the first period (2013) is only for CO₂ emissions, but CH₄ and N₂O must be reported**
- **MRV framework**
- **Trading arrangements**

Cap & trade

> 20 000 CO₂-e per year



- Sectors covered by the scheme (as per the Ecological Code):
 - Energy
 - Oil and Gas
 - Mining
 - Chemical Industry
 - **Agriculture**
 - **Transport**

2013 National Allocation Plan

- 2013 is the first year of scheme operation and is considered a “pilot” period
- Allocation principle is based on historical emissions of existing enterprises (grandfathering)
- Base year is 2010, using un-verified reports from covered enterprises
- Obligation for reduction in emissions: 0%
- Reserve for new installations: 20.6 million units
- CH₄ is not included in the national allocation plan, but could be included in offset projects

2013 National Allocation Plan

SECTOR	Number of INSTALLATIONS (enterprises)	Number of ALLOWANCES (millions tCO₂)
Energy	55	84.0
Oil and Gas	69	19.7
Industry	54	43.4
Total	178	147.1

Challenges with NAP 2013

- **Number of enterprises covered need to be excluded – calculation errors in 2010 inventory reports;**
- **Number of enterprises ought to be covered were not included;**
- **Very challenging to amend NAP – approved by Government decree.**

Future National Allocation Plans

- For the first three years (2013, 2014, 2015) the allocation principle is historical emissions of existing enterprises (grandfathering)
- Unverified 2010 emissions data used for the 2013 plan
- Unverified 2011 and “Verified” 2012 emissions data used for the 2014 - 2015 plan
- Looking to adopt the benchmarking principle for allocations from 2016 onwards
- Reserve is created for new installations only, but function is planned to be amended to allocate also for expansions at existing installations, and for price management

NAP 2014-2015

- Will be approved by the end of 2013
- The latest version covered 166 installations/enterprises
- Reduction targets:
 - 0% for 2014 and
 - 1.5% for 2015 from the base period (average 2011-2012 data)
- Only CO₂ is regulated, but methane could be used in project mechanisms

Carbon units included in the ETS

- Allowances from the national ETS - known as “quotas” in the relevant legislations
- Units from emissions reduction projects within Kazakhstan - includes energy efficiency, methane, land sector
- CERs, ERUs – theoretically possible but requires linking of registry to ITL

Installations below the 20,000 tCO₂-e threshold

- **These installations are under administrative regulations and must continue to submit their inventory reports (non verified)**
- **Sectors: oil and gas, energy, industry, agriculture, transport and housing maintenances and utilities**
- **They can participate in the domestic crediting mechanism and supply units**

Work on the ETS continues

- Improving the national legislation;
- Designing NAP for the second and consequent periods;
- Commodity exchange selected for trading and distribution of the reserve to new installations;
- Improving the data management systems;
- Establishing the ETS Registry, linking with Exchange;
- Studying the existing carbon markets regarding the possibility of linking in the future

There is a strong focus on MRV

We are making upgrades to the MRV system:

- **Developing more detail and clarity for monitoring (methodologies, templates, monitoring plans)**
- **Working on the reporting formats**
- **Working on formats of verification, and clarifying the requirements for verifiers**
- **Improving the arrangements for verifier accreditation to improve consistency (up to now – 8 verifier organizations accredited)**

Key challenges today

- **Identifying problems in the national legislation**
- **Increasing the availability of verifiers to avoid high prices for verification**
- **Establishing clear trading mechanism, incl. accounting and taxing of units, carbon price regulation**
- **Development of sectoral benchmarks for future NAPs**
- **Development and support of the ETS Registry**
- **Technical support for the national data management system of GHG emitters (“cadaster”)**

Other challenges

- **Development and approval of amendments to the legislation – complex and slow process**
- **Improve coordination with other existing policies (e.g. energy efficiency)**
- **Concerns of stakeholders on achievability of targets**
- **Industry preparation (e.g. training on MRV)**

Assistance by other donors

- **USAID:**
 - Capability mapping (short 6-weeks project in 2013)
 - Enhancing capacity (new project starts in 2014)
- **Norway (MFA)**
 - Mitigation in oil/gas sector (2012-2013 – MRV, monitoring plan templates and guidelines)
 - Potentially assistance provided on benchmarking development for particular sectors in 2014
- **Germany (BMU)**
 - Punctual assistance since 2008 (initial legislation framework, MRV, review of papers/documents developed)
- **EBRD**
 - PETER project Phase I and Phase II

Working with the PMR

- **Hoping to get assistance from international experts on the challenges we face, particularly:**
 - On development of benchmarks for separate sectors in Kazakhstan;
 - On improving an allocation approach and on setting up a trading mechanism;
 - Technical assistance for data management and support of cadastre/registry.
 - Analytical work and modelling on cost effectiveness etc by sectors and sub-sectors
- **Looking forward to the discussions in the PMR meetings as well as between the meetings**
- **Happy to share our experiences so far with designing, implementing and operating the Kazakhstan ETS**
- **Thank you for the invitation to be here**



Thank you!

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