“CARBON PRICING DEVELOPMENTS IN UKRAINE”

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Ukraine is Annex 1 Party to UNFCCC since 1996

Ukraine is Annex B Party to Kyoto Protocol with special status of Economies in Transition since 2004

Ukraine is a Party to Paris Agreement starting from September 19, 2016

Ukraine is a Contracting Party of Energy Community

Ukraine is a Signatory and Contracting Party of Energy Charter Treaty

Ukraine has signed Association Agreement European Union in 2014
NATIONAL CLIMATE CHANGE FRAMEWORK

ADOPTED LEGISLATION:
- State Climate Change Policy Concept till 2030
- Action Plan on implementation of State Climate Change Policy Concept till 2030
- Low emission development strategy of Ukraine till 2050
- Energy Strategy of Ukraine until 2035
- National economic strategy till 2030
- National Transport Strategy of Ukraine until 2030
- Law of Ukraine “On monitoring, reporting and verification of GHG emissions”
- Law of Ukraine “On ozone depleting substances and fluorinated greenhouse gases”

UNDER DEVELOPMENT:
- National energy and climate plan till 2030
- National action plan on energy efficiency till 2030
- National action plan on renewable energy till 2030
- Second Nationally Determined Contribution (2NDC) of Ukraine
- Economy-wide net domestic reduction of 65% in GHG emissions by 2030 compared to 1990
- Gases covered: all GHGs not controlled by the Montreal Protocol
- Economic sectors covered: energy; industrial processes and product use, agriculture, LULUCF, waste
EU GREEN DEAL - CONTEXT UKRAINE

EUROPEAN GREEN DEAL – an economic development program of the EU that aims to transform Europe into climate-neutral continent by 2050

As an external factor for countries it creates both opportunities and threats – thus the governments need to formulate its priorities, in a way to address them, and create the mechanisms to work on them.

DIALOGUE WITH THE EU
Initiate a structured and regular dialogue with the EU as a mechanism for early involvement of Ukraine in the development and implementation of the Green Deal policies.

THE ROADMAP
Develop a comprehensive Roadmap for Ukraine, including short-term actions and long-term goals. **SHORT_TERM ACTIONS** - priority initiatives to be implemented by Ukraine and the EU within 1-2 years, considering the current state of the Ukrainian economy, implementation and updating of the relevant Annexes to the Association Agreement. **LONG-TERM GOALS** - principles and goals of the policy on joint transition to a green economy with appropriate financial instruments and investments.

IMPLEMENTATION
Should be carried out with financial planning at the level of State budget of Ukraine, as well as within the existing and new European funds, institutions and other available instruments.
INTERNATIONAL DRIVERS FOR CPI IN UKRAINE

PARIS AGREEMENT

DEVELOPMENT AND IMPLEMENTATION OF 2NDC, IMPLEMENTATION OF MARKET AND NON-MARKET MECHANISMS

EU-UKRAINE ASSOCIATION AGREEMENT

IMPLEMENTATION OF DIRECTIVE 2003/87/EU ESTABLISHING A SCHEME FOR GHG EMISSION ALLOWANCE TRADING
EFFECTIVE SYSTEMS FOR MRV OF GHG EMISSIONS EARLY IN THE PROCESS OF ETS DEVELOPMENT CAN SUPPORT LATER COMPLIANCE ASSESSMENT. ROBUST MRV CAN ENSURE ACCOUNTABILITY AND TRANSPARENCY OF ETS, HELP BUILD TRUST IN THE SYSTEM AND ALLOW MARKET PARTICIPANTS TO PLAN AHEAD.

LACK OF COMPLIANCE AND OVERSIGHT IN ETS MAY THREATEN BASIC FUNCTIONALITY OF THE MARKET, WITH HIGH ECONOMIC STAKES FOR ALL PARTICIPANTS. EFFECTIVE MARKET OVERSIGHT CAN ENABLE THE MARKET TO RUN EFFICIENTLY AND PROMOTE TRUST BETWEEN MARKET PARTICIPANTS.
LAW OF UKRAINE
On Monitoring, Reporting and Verification of GHG Emissions

CABINET OF MINISTERS DECREES:
On types of activities covered by MRV system
On procedure for monitoring and reporting of GHG emissions
On procedure for verification of GHG emissions reports

DESIGNATED COMPETENT AUTHORITY:
MINISTRY OF ENVIRONMENTAL PROTECTION AND NATURAL RESOURCES OF UKRAINE

ESTABLISHMENT OF MRV SYSTEM
SYSTEM FOR MONITORING, REPORTING AND VERIFICATION OF GHG EMISSIONS LAUNCHED STARTING JANUARY 1, 2021

MINISTRY OF ENVIRONMENTAL PROTECTION AND NATURAL RESOURCES OF UKRAINE
ROADMAP TOWARDS UA ETS

MRV LAUNCH STARTING JANUARY 1, 2021

FIRST VERIFIED EMISSIONS REPORTS, ESTIMATED NUMBER OF INSTALLATIONS 1200

OBTAINING RELIABLE DATA FROM MRV SYSTEM FOR AT LEAST 3 YEARS

ADOPTION OF UA ETS LEGISLATION INCLUDING UPDATE OF MRV LEGISLATION

PREPARATION FOR UA ETS, IMPROVEMENT OF EXISTING CO2 TAX

2021

2022

2023

2024

2025

✓ DEVELOPMENT OF NATIONAL ALLOCATION PLAN
✓ DEVELOPMENT OF GHG EMISSION PERMITS SYSTEM AND AUCTIONING RULES
✓ CAPACITY BUILDING AND DIALOGUE WITH STAKEHOLDERS
CARBON TAX in Ukraine was introduced in 2011 with the aim to reduce GHG emissions.

- **TAX RATE:** since 2011 the rate was increased from 0.2 UAH to 10 UAH (0.36 US dollars) per tonne of CO2.

- **TAX BASE:** CO2 emissions from stationary sources above 500 tonnes per year.

In first quarter of 2020 the amount of State budget revenue from stationary sources was 330 mln UAH (appx. 12 mln US dollars). In 2019 the total State budget revenue was almost 1 bln UAH (appx. 35mln US dollars).

Currently carbon tax is seen more as fiscal instrument to fill the State Budget of Ukraine, as the revenues are directed to **general budget** and special funds of **local budgets**.

Ministry of Environmental Protection and Natural Resources is advocating for the **targeted use of CO2 tax revenues** on mitigation and adaptation to climate change.
Implementation of UA ETS should be based on long-term forecasting of economic, social and ecological impacts.
THANK YOU!