Kazakhstan's National Emission Trading Scheme

Barcelona
27 May, 2013

Topics in this presentation

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

The basis for development of the ETS in Kazakhstan

- Mr. Nazarbayev, the President of the Republic of Kazakhstan, in 2009 laid out:
  - The Strategic Development Plan of the Republic of Kazakhstan 2020
  - The Ministerial Intersectoral Program "Zhasyl Damu 2010-2014"
  - The Ministerial Concept "Green Economy"

The main goals

- 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

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

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 CO_2 emissions, but CH_4 and N_2O must be reported
- MRV framework
- Trading arrangements

Cap & trade

> 20 000 CO_2-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

2013 National Allocation Plan

SECTOR	Number of INSTALLATIONS (enterprises)	Number of ALLOWANCES (millions tCO_2)
Energy	55	84.0
Oil and Gas	69	19.7
Industry	54	43.4
Total	178	147.1

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
- “Verified” 2012 emissions data used for the 2014 plan
- Verified 2013 emissions data to be used for the 2015 plan
- Looking to adopt the benchmarking principle for allocations from 2016 onwards
- Reserve is created for new installations, expansions at existing installations, and for price management

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
- Other international carbon units

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 period
- Selecting an exchange for distribution of the reserve to new installations
- Improving the data management systems
- Establishing the ETS Registry
- 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

Key challenges as of today

- Identifying problems in the national legislation
- Increasing the availability of verifiers to avoid high prices for verification
- Establishing solid arrangements with an Exchange
- Deciding on which method of allocation will be used for future periods (grandfathering or benchmarking)
- Development and support of the ETS Registry
- Technical support for the national data management system of GHG emitters (“cadaster”)

Working with the PMR

- Hoping to get assistance from international experts on the challenges we face
- 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!

Gulmira Sergazina
Erik Tanayev
Danira Baigunakova

Astana, Republic of Kazakhstan
www.eco.gov.kz