

A. Expression of interest

Partnership for Market Readiness (PMR)

Expression of interest in participating in the PMR

Countries seeking support from the PMR are requested to prepare a cover letter, including a short statement confirming the country's interest in participating in the PMR. The cover letter should be accompanied by an Annex containing the following information:

1. Name of the government agency submitting expression of interest

THE STATE ENVIRONMENTAL INVESTMENT AGENCY OF UKRAINE

2. Name and contact information of designated PMR Government focal point

Vady Sydiachenko

Deputy Head

THE STATE ENVIRONMENTAL INVESTMENT AGENCY OF UKRAINE

KIEV/UKRAINE

PHONE: +380445949102

FAX: +380445949111

E-MAIL: INFO.NEIA@GMAIL.COM; SYDIACHENKO@NEIA.GOV.UA

Mogutova Sophia

Head of Department

International Cooperation Department

THE STATE ENVIRONMENTAL INVESTMENT AGENCY OF UKRAINE

KIEV/UKRAINE

PHONE: +380445949113

FAX: +380445949111

E-MAIL: INFO.NEIA@GMAIL.COM; MOGUTOVA@NEIA.GOV.UA

3. Domestic mitigation action: outline what are the purposes and main objectives of your country's mitigation strategy.

- a. Provide an overview of domestic mitigation policies and plans and the status of the implementation - at both the national and sub-national levels.

The State Environmental Investment Agency of Ukraine is legal successor of the National Environmental Investment Agency of Ukraine and a central executive body, established to conduct international activities under the Kyoto Protocol to the UNFCCC by the order of the Cabinet of Ministers of Ukraine of April 4, 2007 №612 «On creation of the National Environmental Investment Agency of Ukraine».

Under the Kyoto Protocol to the UNFCCC, Ukraine committed itself to not exceed the baseline (of a year 1990) emissions from 2008 till 2012 and intends to meet them. Regarding the long term perspective, Ukraine has repeatedly declared about intentions to adhere the objectives of the United Framework Convention on Climate Change in the sequel. Ukraine supports the introduction of common long-term targets on greenhouse gases emission reduction with each Party having to have an individual short-term benchmarks plan. The reduction of common emission of greenhouse gases of Ukraine declared as 20% by 2020, and/or 50% by 2050 compared to 1990.

General legislation

The Law of Ukraine «On ratification of the UNFCCC» dated 29 of October 1996 N 435/96-BP;

The Law of Ukraine «On ratification of the Kyoto Protocol» dated 4 of February 2004 N 1430-IV;

The Order of the Cabinet of Ministers of Ukraine of August 18, 2005 №346-p «On approval of the National plan of measurements for implementation of the Kyoto Protocol to the United Nations Framework Convention on Climate Change»;

The decree of the President of Ukraine of 12/09/2005 №1239/2005 «On coordinator of the measures for commitments fulfillment under the United Nations Framework Convention on Climate Change and the Kyoto Protocol to the United Nations Framework Convention on Climate Change»;

Regulation of the Cabinet of Ministers of Ukraine of 22 February 2006 №206, as amended on 20 August 2008 by the Regulation of the Cabinet of Ministers of Ukraine №718 «On approval of the procedure of drafting, review, approval and implementation of Projects aimed at reduction of anthropogenic emissions of greenhouse gases»;

Regulations of the Cabinet of Ministers of Ukraine of April 10, 2006 r. №468 «On procedure of the coordination of the measures for the fulfillment of commitments of Ukraine in accordance with the United Nations Framework Convention on Climate Change and the Kyoto Protocol to it»;

Regulations of the Cabinet of Ministers of Ukraine of April 21, 2006 №554 «On approval of the Procedure of functioning of the national system for estimation of anthropogenic emissions and absorption of greenhouse gases, which are not regulated by the Montreal protocol on substances that deplete the ozone layer»;

Regulations of the Cabinet of Ministers of Ukraine of July 30, 2007 №977 «On approval of the Statute on the National Environmental Investment Agency of Ukraine»;

Regulation of the Cabinet of Ministers of Ukraine of 22 February 2008 №221, as amended by Regulation of Cabinet of Ministers of Ukraine, dated 6 September 2010, № 807 «On approval of the procedure of review, approval and implementation of GIS Projects during the period of commitments under Kyoto Protocol to UNFCCC»;

Regulations of the Cabinet of Ministers of Ukraine of April 17, 2008 №392 «On provision of the fulfillment of the international commitments of Ukraine under the United Nations Framework Convention on Climate Change and the Kyoto Protocol to it»;

Regulation of the Cabinet of Ministers of Ukraine of 28 May 2008 №504 «On creation and operation of National Electronic Registry of Anthropogenic Emissions and Absorption of Greenhouse Gases»;

Regulation of the Cabinet of Ministers of Ukraine, dated 16 September 2009, № 1036 “On Approval of Plan of Activities on Preparation and Implementation at Educational and Health Institutions of Environmental (Green) Investment Projects aimed at Greenhouse Gas Emission Reduction”;

Regulation of the Cabinet of Ministers of Ukraine, dated 28 July 2010, № 671 “On Approval of Procedure of Use of Funds in 2010 provided by the State Budget for Government Support Measures aimed at Emission Reduction (Absorption Increase) of Greenhouse Gases and Development of International Cooperation on Climate Change”.

Plans

It is determined that the strategic aim is to create in Ukraine the market of carbon emission reductions or National Emission Trading System that will allow applying a market mechanism for stimulation of emission reduction activity. We are also interested in creation of promising international mechanism of co-operation in order to facilitate the access to low-carbon advanced technologies and alternative energy resources.

Cabinet of Minister Decree No. 206 requires update in order to allow PoA JI projects to become operational in Ukraine.

Legal entity registration in Ukraine

National AIE Accreditation Procedures

New methodologies under Track 1 – CCS

Status of the implementation

Initial report submitted by Ukraine on December 29, 2006, revised according to the revision procedure of UNFCCC Secretariat.

Total Assigned Amount Units (AAUs) are calculated - 4,626,819,872 t CO₂-eq. Emissions in the base year 1990 were 920,837 Mt of CO₂-equivalent.

National system for estimating GHG is in place.

The Second and Fifth National communications and the Report on progress achieved are prepared.

National electronic registry is operational since October 28, 2008 after successful connection with ITL (Go-live process)

The National Environmental Investment Agency of Ukraine– the only Designated National Authority under Articles 6, 17 KP in Ukraine.

On April 29, 2008 UKRAINE MET ALL ELIGIBILITY CRITERIA UNDER THE KYOTO PROTOCOL

b. Briefly identify the key sectors targeted by the mitigation strategy.

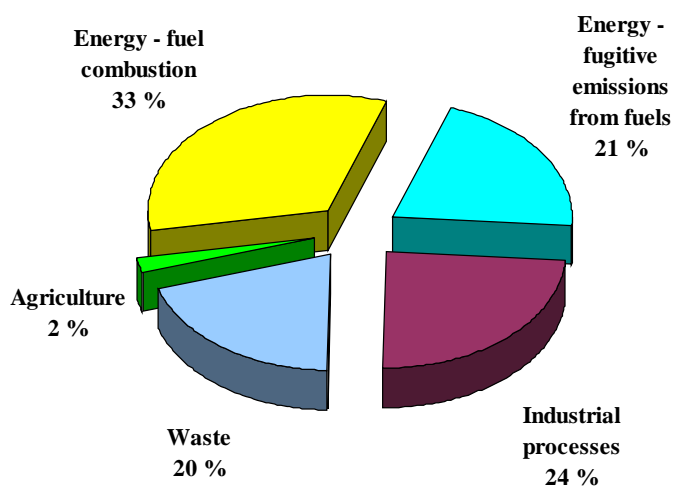
Under the Assigned Amount Units Purchase Agreements:

- Fuel switching for low environment burden;
- Utilization of Coal Bed Methane;
- Activities for environmental protection (e.g. pollution reduction activity);
- Activities for emission reductions of greenhouse gases other than CO₂;
- Special attention of Government of Ukraine is on renewable and alternative energy sources to reduce the consumption of natural gas;
- Energy conservation;
- Promotion of renewable energy sources, including biofuel;
- Fuel switching for low environment burden;
- Cogeneration;
- Projects leading to reduction of final energy consumption in both public and private buildings;
- Activities for emission reductions of greenhouse gases other than carbon dioxide CO₂, including livestock related activities, avoidance or energetic recovery of GHG emissions in landfills, waste water treatment plants, etc

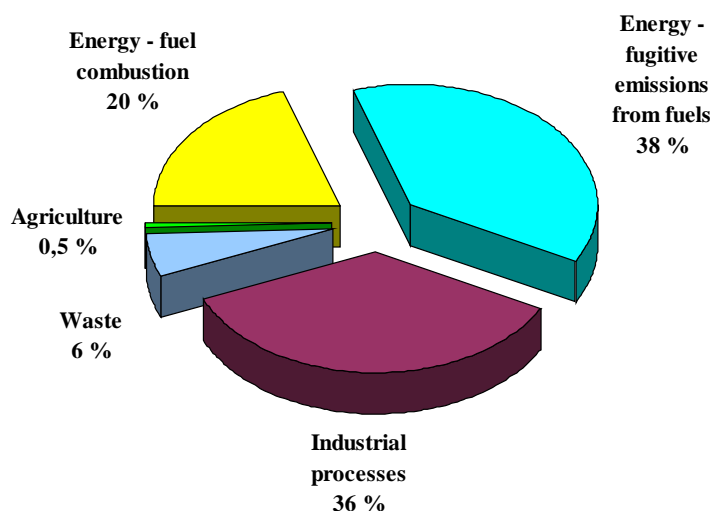
Under Joint Implementation mechanism:

As of January 1, 2011 NEIA's electronic data base lists 202 JI projects that have received Letters of Endorsement. Estimated GHG emission reductions during the first commitment period of the Kyoto Protocol under these JI projects are 186 million tones CO₂ eq. The number of JI projects by sectors/source categories and estimated GHG emission reductions by sectors/source categories during the first commitment period of the Kyoto Protocol are represented in following diagrams.

Number of JI projects by sectors/source categories



Estimated GHG emission reductions by sectors/source categories



4. Market Instruments¹: briefly outline experience to date with relevant market instruments as well as future plans.

¹ Without prejudging future developments on market instruments, this question refers to instruments providing a price signal that create an incentive to use or invest in climate-friendly technologies and/or

- a. Provide a brief description of experience to date with market-based instruments, e.g., type of instrument, dates of implementation, scope, and key outcomes.

For economic stimulation of GHG emissions reduction the Kyoto Protocol offers flexible mechanisms. Two of them are relevant for Ukraine:

JOINT IMPLEMENTATION PROJECTS (Article 6 of KP);

At the moment there are 62 JI projects out of 202 that had developed PDDs, passed through determination procedure and were issued Letters of Approval. Estimated GHG emission reductions during the first commitment period of the Kyoto Protocol under these JI projects are 86 million tones CO₂ eq.

During 2008-2011, 25 JI projects have been deemed final by the NEIA under Track 1 and 15 JI projects under Track 2 procedure.

EMISSIONS TRADING (Article 17 of KP).

Projects ready for implementation (Capital repair of community buildings: insulation of facade, replacement of windows and doors in the buildings), total 238 projects

Perspective types of GIS projects:

- Reconstruction of communal heating systems;
- Heat insulation of social buildings;
- Implementation of heat pumps and cogeneration complex;
- Utilization of industrial waste with biogas production and energy saving on the ethanol plant;
- Renewable energy sources;
- Utilization of biogas from landfills of municipal solid waste;
- Activities for environmental protection (e.g. pollution reduction activity)

- b. To the extent that one (or more) specific market instrument is already identified for future implementation, provide a brief overview of the status of development/implementation and its relevance to the country's overall mitigation strategy.

As far as the general legal framework for utilizing Kyoto Protocol's flexible mechanisms in Ukraine already exists, Ukraine need to broaden the possibility of its further utilization after 2012, in particular transfer of the new technologies to Ukraine, access to financial recourses, creation of national emission trading scheme and its linkage to other trading schemes in the world and further implementation of JI projects after 2012

5. Support from the PMR: provide a short summary of your current assessment of the capacity needs and gaps for which support from the PMR is being sought. To the extent that one (or more) specific market instrument is identified, outline the type of support that your country may be

processes. Such market instruments can include domestic instruments (e.g., emissions trading and non-GHG based schemes such as renewable energy and energy efficiency trading systems) and international market instruments such as reformed CDM, sectoral, and NAMA crediting.

seeking from the PMR.

The draft law № 7231 dated 07.10.2010 “On regulation in sphere of energy conservation” that was approved 21.10.2010 by Verkhovna Rada of Ukraine in first reading is under consideration of Verkhovna Rada of Ukraine now. The main purpose of the draft law is to define the legal and organizational framework to prevent and mitigate climate change, to create a national system of assessment and control of greenhouse gas emissions and absorption, to introduce economic incentives of reducing greenhouse gas emissions and to ensure the transfer to Ukraine the new technologies by the introduction of economic mechanisms of the Kyoto Protocol. Also the law aims at implementation of the national trading scheme of emission reduction units and their derivatives and execution the obligations by Ukraine under the UNFCCC and the Kyoto Protocol, the legal definition of procedures and requirements of the Kyoto Protocol, including the usage of flexible mechanisms of the Kyoto Protocol, namely the transfer of assigned amount units to other countries - parties of the Kyoto Protocol, realization of purpose ecological (green) investment projects, joint implementation and acting program.

Considering the abovementioned, Ukraine is seeking an institutional, legal and expert support from PMR in order to develop and implement a national (local) emission trading market.

With in the frames of legal support among the other we expect the following:

- ✓ Preparation of bylaws in part of:
 1. MRV
 2. procedure for registration of objects of emissions
 3. preparation of National Allocation Plan (NAP)

With in the frames of expert support among the other we expect the following:

- ✓ development of methodologies for objects (installations) GHG emissions estimation
- ✓ estimation of national GHG market influence on the economy sectors
- ✓ development and analysis of alternative NAP

With in the frames of institutional support among the other we expect the following:

- ✓ creation of the entity that provides control of GHG market
- ✓ registration of installations
- ✓ emissions reporting
- ✓ e.t.c.

6. Institutional setting: how would you plan to coordinate the PMR efforts at the domestic level, i.e., which Ministry would lead and which government agencies would be involved?

According to clause 1 of the Regulation of the Cabinet of Ministers of Ukraine dated April 17, 2008 № 392 (hereinafter - Regulation), the National Environmental Investment Agency of Ukraine was determined as a competent authority to conduct international activities under the Kyoto Protocol to the UNFCCC.

Ministry of ecology and natural resources in accordance with the President Decree of Ukraine dated 12 September 2005 № 1239 was defined as the coordinator of measures to implement commitments of Ukraine under the UNFCCC and Kyoto Protocol to the UNFCCC.

Moreover, under clause 3 of the Regulation the Ministry of Fuel and Energy, the Ministry of Coal Industry, the Ministry of Industrial Policy, the Ministry of Agriculture, the Ministry of Housing, the Ministry of Regional Development and Construction, the Ministry of Environment protection develop and with by agreement with the Ministry of Finance, the Ministry of Economy and the National Environmental Investment Agency introduce to the Cabinet of Ministers of Ukraine agreed plan of reasonable measures regarding mitigation, that are financed by the state budget funds received from the sale of assigned amount units of greenhouse gas emissions.

7. Stakeholder participation: are there intentions/plans /processes to engage non-governmental stakeholders (e.g., private sector)? If so, provide brief description.

Yes, we are planning to engage NGO in discussion of the draft law № 7231. The law will be a

framework document of indirect action and will foresee the development of number of specific additional legal documents that during their development will be discussed with NGO in order to include the social effect of market implementation. The important participation during the discussion of law and national emission trading scheme will be dedicated to its coordination with business associations like Ukrainian Unions of Industrialists and Entrepreneurs and industry association (metallurgy, energy, transport and etc.)

8. Initiatives by other bilateral and multilateral development partners: outline any initiative(s) pursued with other international partners underway in your country that is (are) relevant to market readiness support (e.g., low carbon development strategies, MRV, etc).

We plan to cooperate within the frames of Eastern European Partnership on low carbon development strategies, MRV and with DG Clima on creation of national emission trading scheme and its linkage to other trading schemes. Also UNDP and the National Environmental Investment Agency of Ukraine applied for low carbon development strategies to Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) of Germany under International Climate Initiative 2010

