

PMR PROJECT IMPLEMENTATION STATUS REPORT (ISR)

The PMR Project Implementation Status Report should be prepared by the Implementing Country or Technical Partner, with the support of the Delivery Partner and/or the PMR Secretariat. For any questions related to the preparation of the PMR Project Implementation Status Report, please contact the PMR Secretariat at: pmrsecretariat@worldbank.org.

1. SUMMARY INFORMATION

Implementing Country/Technical Partner:	Ukraine
Beneficiary:	Ministry of Ecology and Natural Resources of Ukraine (MENR)
Reporting Period:	From 01/10/2016 to 06/10/2017
Report Date:	06/10/2017
Implementing Agency:	World Bank in Ukraine
Contact Person:	<ul style="list-style-type: none"> • Ms. Olga Yukhymchuk, Head of Division, ETS Implementation and Registry, MENR, (yukhymchuk@menr.gov.ua) • Dr. Natalya Parasyuk, PMR Ukraine Project Manager, (nparasyuk@worldbank.org)
Grant Executed By:	World Bank Ukraine office Task Team Lead – Mr. Dmytro Glazkov, Senior Energy Expert, Energy and Extractions
Grant Effectiveness and Closing Dates:	07/01/2016 – 06/30/2019
Grant Amount (USD):	USD 3,122,000
Funding Disbursed (USD):	USD 528,279.69
Funding Committed (USD)	USD 1,781,409.42

2. OVERVIEW

PMR Ukraine Implementation Phase

The objective of the PMR project in Ukraine is to assist in developing and implementing Ukraine's GHG emissions MRV system in the energy and industry sectors, and provide analytical support for the implementation of Ukraine's ETS as mandated by the Association Agreement between Ukraine and EU. The Ministry of Ecology and Natural Resources is the beneficiary of the PMR Ukraine Project.

To achieve this objective, following activities have been designed:

- I. Technical assistance in development of relevant regulatory MRV framework—as the necessary step towards developing the Ukrainian legislation on ETS - based on the draft law on MRV and relevant secondary legislation for data monitoring and reporting, procedures of accreditation and verification;
- II. Development and implementation of MRV pilots in selected sectors (including energy, iron & steel, coke, cement, etc.) to facilitate interactions and learning-by-doing for all stakeholders involved in the MRV system (i.e. government, regulated entities, verifiers and experts) with expert assistance, capacity building, and training throughout the complete monitoring, reporting and verification cycle;
- III. Development of a training program to standardize the trainings (of installations, trainers, verifiers, etc.) and carrying out MRV trainings for installation operators, verifiers and other stakeholders;
- IV. Supporting of a specifically designated/established body for the MRV system in Ukraine by provision of a transitional international backup through the Help Desk. The Help Desk should assist regulated installations in complying with their new obligations under the MRV requirements, and future market-based instruments to be selected by the Government of Ukraine; and
- V. Analytical work on ETS upon request of the MENR and in coordination with other technical assistance projects.

Since an official start of the PMR project in Ukraine the following progress was achieved:

- All administrative issues related to the launch of the Project were resolved in a timely manner and the Project Implementation Unit (PIU) was established in August 1, 2016. The PIU consists of the Project Manager, 2 Technical Coordinators responsible for MRR, AVR, Pilots and Benchmarking Components, the Legal Coordinator and the Project Assistant.
- The PIU developed the Terms of References (ToRs) for the selection of the consultancy companies to work on major components of the project. Four ToRs were prepared and approved through WB procurement procedure in accordance with the deadlines set in the Project Implementation Plan, namely (1) Technical Assistance in Development of the National MRV Legislation; (2) Development of MRV Guides, Training, Help Desk and Activity-Specific Monitoring Methodologies Related to Installation; (3) Pilot Activities for Monitoring and Reporting of GHG emissions and ETS Benchmarks Development; and (4) Verification Pilots and Training.
- The PIU has started activities related to the engagement of stakeholders, including invitation of the representatives of all industry sectors to various project activities as detailed below. The Project was presented to relevant Ministries, Committees of the Parliament of Ukraine as well as NGOs.
- Teams of consultants for all four major components were selected in line with the World Bank procedures, and the related activities have commenced.

PMR Ukraine implementation schedule												
Year	2017				2018				2019			
Title	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Technical assistance in development of the national MRV legislation												
Analysis of the existing national and EU legislation on MRV of GHG emissions and elaboration of recommendations and technical proposals regarding the NLP				X								
Review and legal analysis of the draft NLP and the outcomes of public hearings						X						
Support for the reconciliation procedure of the draft NLP							X					
Development of MRV Guides, Training, Help Desk and Activity-Specific Monitoring Methodologies Related to Installation												
Guidelines for activity-specific monitoring methodologies			X									
Presentation of the Guidelines, workshop				X								
Templates for standardized and simplified Monitoring Plans and Emissions Reports			X									
Monitoring and reporting documents, tools and examples			X									
Training on monitoring and reporting								X				
MRV helpdesk operation										X		
Pilot Activities for Monitoring and Reporting of GHG Emissions and ETS Benchmarks Development												
Pilot activities - support in the development of monitoring plans and emission reports							X					
Pilot activities - examples of monitoring plans								X				
Benchmark scoping study			X									
Presentation of results, stakeholder discussions				X								
Input data collection				X								
Finalizing benchmark development method and refining input data					X							
Calculation of benchmarks and assessment of economic impacts						X						

Stakeholder workshops and consultations							X						
Finalization of benchmarking activities and issuance of information materials								X					
Verification pilots and training													
Preparation of accreditation guidelines and templates				X									
Preparation of verification guidelines and templates				X									
Verifying emission reports for 9 pilot installations and conducting on-site trainings								X					
Training on accreditation							X						
Training of trainers on verification								X					

3. IMPLEMENTATION REPORT BY COMPONENT

Differences between the Objectives/Activities in the Market Readiness Proposal and the Grant Agreement

Are there any important and material differences between the objectives/activities proposed in the Market Readiness Proposal and endorsed by the Partnership Assembly of the PMR and those agreed to in the Grant Agreement with the Delivery Partner and described in the Project's Results Framework?	As a result of negotiations with donors there has been made a joint decision to move data management system component to the GIZ project. Despite a delay of two years in starting this activity, the data management system remains with the GIZ project.
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Implementation Progress by Component

A. Technical Assistance in Development of the National MRV Legislation Component	
Status:	<p>Under implementation</p> <p>The team of consultants was selected in accordance with the World Bank procedures based on the ToR developed by the PIU. The team started working on June 1, 2017 and is expected to complete the tasks by end August 2018.</p> <p>The objective of the work is to assist the MENR in its task to develop the primary and secondary legislation relevant to the implementation of Ukraine's national MRV framework (hereinafter the National Legislation Package (NLP)), including monitoring and reporting of GHG emissions data, procedures of accreditation of verifiers and verification of GHG emission reports. The technical assistance includes relevant inputs, legal analysis and recommendations, as well as review of the outcomes of public hearings throughout the NLP legislation process. The MENR retains intellectual leadership and responsibility for drafting the NLP and accompanying it through the national legislative process.</p> <p>The component includes three main tasks:</p> <ol style="list-style-type: none"> 1. Analysis of the existing national and EU legislation on MRV of GHG emissions and elaboration of recommendations and technical proposals regarding the NLP; 2. Review and legal analysis of the draft NLP and the outcomes of public hearings;

3. Support for the reconciliation procedure of the draft NLP.

Task 1. Analysis of the existing national and EU legislation on MRV of GHG emissions and elaboration of recommendations and technical proposals regarding the NLP

- 1) Technical inputs and recommendations to a Draft Law of Ukraine on MRV;
- 2) Procedure of monitoring and reporting of GHG emissions;
- 3) Procedure of the verification and accreditation of verifiers of GHG emission reports;
- 4) Technical inputs and recommendations regarding necessary amendments to the legislation of Ukraine conditioned by the NLP and provisionally related to the functioning of the MRV system.

Under the Task 1, Consultant presented the inception report detailing the NLP concept, description of methodology and approach suggested, work plan and implementation schedule on June 30, 2017. In accordance with Inception report and additional request of PIU the following documents were presented on September 15, 2017 as a part to the Interim Report:

- 1) Concept of the National Legislation Package (the "NLP") on the MRV with regard to implementation of the MRV in Ukraine, providing for, inter alia, preliminary general structure of the Law of Ukraine On Principles of Organization and Implementation of Monitoring, Reporting and Verification of Greenhouse Gas Emissions; as well as preliminary list of aspects to be governed by (i) the procedure for monitoring and reporting in Ukraine; and (ii) the procedure for verification and accreditation of verifiers in Ukraine;
- 2) Analysis in a chart form of the main stages and elements of (i) monitoring and reporting; and (ii) verification and accreditation in the EU Member States as specified in Regulation 600 and Regulation 601;
- 3) Analysis in a table form of certain EU Member States' legislation (Federal Republic of Germany, Republic of Poland and England) regarding implementation of Directive 87, namely, the provisions relating to the MRV (inter alia, analysis of the legal structure of the MRV systems, the structure of legal acts on the MRV, the list of greenhouse gases and activities subject to the MRV);
- 4) Analysis in a table form of the current Ukrainian legislation relating to the MRV (inter alia, analysis of (i) the general framework for pollutants in Ukraine (currently, greenhouse gases are classified as pollutants in Ukraine), including greenhouse gas emissions permits; (ii) monitoring and reporting procedure (the existing reporting procedure, forms and types, supervisory bodies, penalties applicable to infringements); (iii) reporting/verification quality control procedure; and (iv) procedure for accreditation of conformity assessment bodies);
- 5) Analysis in a table form of the projects already carried out in Ukraine relating to the MRV to some extent, as well as previous legislative initiatives directly or indirectly relating to the MRV (inter alia, analysis of (i) conclusions and proposals made in the course of implementation of the MRV projects; and (ii) the system of the MRV subjects as proposed in draft legislative initiatives on the MRV);
- 6) Preliminary glossary of the main definitions relating to the implementation of the MRV in Ukraine;
- 7) The table on the peculiarities of implementing Regulation 600 and Regulation 601 in Ukraine (specifying the provisions which are recommended to be (i) kept unchanged, (ii) deleted or (iii) modified).
- 8) Analysis of corresponding EU legislation and peculiarities of the MRV implementation in certain EU Member States,

Technical inputs and recommendations are expected to be presented in Final Report for the Task 1 scheduled for the end of October 2017.

Task 2. Review and legal analysis of the draft NLP and the outcomes of public hearings

Based on the Final Report prepared under the Task 1, the MENR will improve and elaborate the working version of the NLP, namely:

	<ol style="list-style-type: none"> 1. Draft Law of Ukraine on MRV; 2. Draft legal act of the Cabinet of Ministers of Ukraine on procedure of monitoring and reporting of GHG emissions; 3. Draft legal act of the Cabinet of Ministers of Ukraine on procedure of the verification and accreditation of verifiers of GHG emission reports; 4. Draft amendments to the legislation of Ukraine conditioned by the NLP (including laws, regulations of Cabinet of Ministers, legal acts of related Ministries and Authorities). <p>The review and legal analysis of the working version of the NLP elaborated by the MENR, and review outcomes of the public hearings conducted by the MENR with different stakeholders in order to ensure public awareness, and widespread involvement of all relevant stakeholders (Parliament, Government, Business, Industry, NGOs) shall be made. The MENR is expected to hold three to four rounds of public hearings (the final number is to be determined soon after the commencement of the work).</p> <p>Task 3. Support for the reconciliation procedure of the draft NLP</p> <p>The reconciliation procedure of the draft NLP has been planned in accordance with the Regulation of the Cabinet of Ministers of Ukraine “About approval of Regulation of the Cabinet of Ministers of Ukraine” dated 18.07.2007 No 950. Additionally, upon request of the MENR and the PIU, the contracted team of experts will participate in MRV legislation trainings and workshops, by delivering – if requested by the MENR and the PIU – relevant presentations and participating in discussions during such events.</p>
Comments:	<p>The terms and scope of work under the component have been modified in line with the World Bank requirements and agreed upon with the MENR. Although the selection process has been delayed compared with the initial project procurement plan due to procedural issues, the project deliverables are expected to be completed within the timeline originally set. Accordingly, completion of the Task 1 is expected by end October 2017. Task 2 completion is expected by end April 2018, and Task 3 – by end August 2018.</p>
B. Development of MRV Guides, Training, Help Desk and Activity-Specific Monitoring Methodologies Related to Installation	
Status:	<p>Under implementation</p> <p>Team of consultants was selected in accordance with the World Bank procedures based on the ToR developed by the PIU. The team started working on March 7, 2017 and is expected to complete the tasks by the project completion in the end June 2019.</p> <p>The component consists of 4 major assignments:</p> <ol style="list-style-type: none"> 1. Development of the activity-specific monitoring methodologies; 2. Development of the guidelines, tools and templates to be used by installation operators during the process of monitoring and reporting (MR); 3. MR training for operators of the installations; 4. Establishment of the MRV Helpdesk. <p>As of October 5, 2017, the following documents were delivered by the Consultant:</p> <ul style="list-style-type: none"> - The Guidelines for activity-specific monitoring methodologies; - Templates of the Monitoring Plans and Emissions Reports; - Monitoring and reporting documents, tools and examples: General guidance on GHG emissions monitoring and reporting; Biomass guidance; Guidance on uncertainty assessment; Guidance on sampling and analysis; Guidance on data management and data control system; Risk assessment guidance; Guidance on interpretation of installations’ activity types; Example of standard procedure for organizing monitoring at installation level; Guidance on the application of the simplified monitoring plan.

The developed documents are to be presented to the operators of installations during a series of trainings. The main objective of the training process is to ensure full comprehension by the installations of developing the monitoring plans and emissions reports, as well as to collect feedback and suggestions regarding: 1) the GHG emissions monitoring methodologies; 2) the templates of the monitoring plan and emission report; and 3) the monitoring and reporting guidance documents and tools. The templates are to be based on the EC MRR, taking into consideration the relevant national legislation developed under the scope of another assignment of PMR Ukraine, with regards to the national circumstances where appropriate. The following templates are under development:

- Monitoring plan for the emissions of stationary installations. Standard template;
- Monitoring plan for the emissions of stationary installations. Simplified template;
- Template for annual emissions report of stationary source installations;
- Improvement report for stationary installations template.

The inception report identifying specific objectives, tasks and timeline was submitted on July 14, 2017. To provide further support to both the operators of the installations and future competent authority (MENR/NCA) in their communication during the MRV process, the physical launch of the MRV Helpdesk is scheduled for October 2017.

The final report on the MRV Helpdesk detailing the implementation of the work conducted during the MRV Helpdesk operational period will be provided in April 2019. The core of the MRV system shall be a set of methodologies to estimate GHG emissions at the installation level. The methodological guidance is expected to cover all existing types of activities (energy and industry sectors) with essential contribution to GHG emissions at the national level. The activity-specific monitoring methodologies are to be based on the emissions accounting principles set in the “2006 IPCC Guidelines for National GHG Inventories”, be in compliance with the Commission Regulation (EU) No 601/2012 of 21 June 2012 on the monitoring and reporting of GHG emissions, and take into account other relevant approaches to GHG accounting, including industry-level GHG standards, and available national and regional regulations covering installation-level monitoring and reporting. National circumstances and specifics would be taken into account.

The list of types of activities includes:

#	Activity
1.	Combustion of fuels
2.	Refining of mineral oil
3.	Production of iron and steel
4.	Production of coke
5.	Metal ore roasting and sintering
6.	Production or processing of ferrous alloys and non-ferrous metals
7.	Determination of nitrous oxide (N ₂ O) emissions from nitric acid
8.	Production of cement clinker
9.	Production of lime and calcination of dolomite and magnesite
10.	Production of ammonia

For each of the types of activities the Guidelines will provide at least the following information:

- Source Definition;
- GHG Reporting Requirements;
- Approaches to GHG Emissions Calculations;
- Requirements for sampling, analysis, and measurement;
- Procedures for estimating the missing data;
- References.

Preparation of guidelines, tools and templates to be used by installation operators during the process of monitoring and reporting is a part of the component. The monitoring and reporting

	<p>guidelines, tools and templates are to be developed primarily based on the European Commission's Monitoring and Reporting Regulation (MRR), while reflecting national circumstances where appropriate.</p>
Comments:	<p>The terms and scope of work under the component have been modified in line with the World Bank requirements and agreed upon with the MENR. The selection process has been delayed compared with the initial project procurement plan due to procedural issues. However, no major delays in project component completion are expected, and all issues potentially affecting other components are dealt with in a timely manner. The contract closure is expected by end June 2019.</p>
C. Pilot Activities for Monitoring and Reporting of GHG Emissions and ETS Benchmarks Development	
Status:	<p>Under implementation</p> <p>Team of consultants was selected in accordance with the World Bank procedures based on the ToR developed by the PIU. The team started working on May 1, 2017 and is expected to complete the tasks by December 3, 2018.</p> <p>This assignment consists of two major components: pilot monitoring and reporting (M&R) projects and a benchmarking study.</p> <p>Pilot Activities for Monitoring and Reporting of GHG Emissions</p> <p>Under the first component, the team of consultants are supporting nine installations on preparation of a monitoring plan (MP) and an annual emission report (ER) for the following types of activities: fuel combustion, oil refining, production of iron and steel, production of ferrous alloys, production of cement, production of ammonia and production of coke.</p> <p>As of October 1st, 2017, the following installations have been selected for the pilot activities:</p> <ol style="list-style-type: none"> 1) Cherkasy Azot (ammonia production) 2) Zaporizhzhya Thermal Power Plant / DTEK Group (fuel combustion) 3) Naftogaz (fuel combustion) 4) Volyn Cement (clinker production) 5) ZaporizhStal / Metinvest (iron and steel production, and potentially production of lime and calcination of dolomite and magnesite) <p>Pilot activities yet to be confirmed:</p> <ol style="list-style-type: none"> 1) ZaporizhKoks / Metinvest (coke production) 2) UkrTatNafta (oil refining) 3) Production or processing of ferrous and non-ferrous metals (discussion ongoing with Metalurgprom association) 4) Metal ore roasting and sintering (discussion ongoing with Metalurgprom association) <p>The first pilot activity has started during the week of October 2-8 at PJSC Cherkasy Azot covering ammonia production process.</p> <p>The production of the nitric acid has been excluded from pilot activities for the following reasons: monitoring of GHG emissions from nitric acid production requires the existing system of continuous monitoring system on the site. After discussing a possible alternative monitoring approach with the consultant covering the verification component of the project, it was decided that in the absence of such continuous monitoring system a pilot activity is not feasible for the production of nitric acid.</p> <p>The pilot MPs and ERs are primarily based on the Commission's Regulation (EU) No 601/2012 of 21 June 2012 on the monitoring and reporting of GHG emissions, together with the national-level MRV requirements to be developed with support of the PMR project. The MPs and ERs produced under the scope of this assignment will subsequently be subject to pilot verification conducted as a part of a different assignment under the PMR Ukraine project.</p>

The work under this component is based on, and performed in coordination with, the work on the development of the essential elements of the national MRV system (MRV legislation, calculation methodologies, templates for monitoring plans and emissions reports, M&R guidance, tools and examples), being developed as a part of a different assignment under the PMR project.

ETS Benchmarks Development

The overall objective of **the second component** of this assignment is to develop a set of GHG emission benchmarks suitable for use as an allowance allocation tool in the sectors considered for an ETS in Ukraine. Combining pilot MR projects and benchmarking in the same package is expected to provide significant synergies for both components. For the benchmarking purposes, cooperation with pilot installations in key sectors provides direct access to essential input data and gives useful insights into existing facility-level data collection procedures, as well as facilitates engagement of other important stakeholders like industrial associations and sectoral research institutions. On the other hand, the benchmarking exercise helps refine data requirements to be addressed by the pilot MR projects.

The benchmarks development is set to reflect the country's priority of embarking on the economic recovery along a low-carbon development path, and therefore provide incentives to carbon- and energy-efficient economic growth. The approach taken for benchmarks development reflects a proper way the economic situation and technical conditions in potential ETS sectors and the country as a whole. The benchmarks are expected to provide the basis for informed decision-making process and, as such, need to be based on clear criteria for their definition, and sound data collection and calculation methodologies. Both the conceptual approach and the final findings and recommendations should become a subject for extensive stakeholder consultations to provide necessary feedback and ensure better understanding and acceptance of the benchmarks by the industries that may be affected by the ETS implementation.

Input data for benchmarks development in potential ETS sectors

Completed

Inception report on Input data for benchmarks development in potential ETS sectors was submitted on June 15, 2017. The report has outlined the approach to work, including objectives and tasks, scope and coverage of the benchmarks development, approach to the stakeholder workshops and consultations, identification of risks and challenges, and a proposed timeline for the task implementation.

Interim report on Input data for benchmarks development in potential ETS sectors providing an update on the progress made on the activities to be undertaken during task was submitted on September 15, 2017.

This task includes a workshop on October 10-11, 2017 with relevant stakeholders to discuss data collection approach, distribute data requests, establish contacts and further cooperation modalities. Further bi-lateral sectoral consultations are also planned. As a preparation to stakeholder consultations, a benchmark scoping report was developed, which includes discussion of allocation options, benchmark calculation methods and benchmark design parameters. Draft data collection forms have been prepared for finalization with stakeholders and subsequent use in benchmark development activities. An interim report was issued which summarizes the activities performed so far, highlights key issues and outlines further steps.

Under implementation

As a result of the completion of the first component, collection of basic data and preparation of all necessary inputs for ETS benchmarks development, there will be several important outputs including but not limited to, the following:

- Substantiated criteria for inclusion of industrial sectors into the ETS (e. g. relative weight in total emissions, emissions abatement potential, abatement costs etc.);

	<ul style="list-style-type: none"> • The list of industrial sectors (incl. energy industries) to be included into the ETS; • The list of product types in these sectors for which product benchmarks/fall-back benchmarks will be developed; • Substantiated proposal on the type entities to be regulated by the ETS: installations in comparison with companies and/or their stand-alone subdivisions; • Other methodology-specific data for benchmarks calculation. <p>The information obtained under the first component of this assignment (pilot MRV projects in principal sectors) will be used to get a clear picture of existing facility-level reporting and overall data flows, as well as for data quality assessment. The primary data sources may include, among others, relevant government bodies, industry-specific research institutions, statistical reports, national GHG inventory and its databases, databases of industrial associations, ongoing and completed technical assistance projects in related fields, special surveys, data files provided by the companies in response to questionnaires etc. The data should comprise both current and historic figures sufficient for capturing the effect of variation in economic activity.</p> <p>Appropriate benchmarks for potential ETS sectors</p> <p>Under implementation</p> <p>In order to determine concrete values for benchmarks in ETS sectors, the team of experts shall suggest adequate benchmark optimization criteria, that is, the criteria application of which allows selecting optimal values of the benchmarks. It should be taken into account that, by assigning different values to benchmarks, different economic conditions are established in respective ETS sectors and different impacts produced. Optimization of the values of benchmarks in a way that these values give the best result for a certain objective, like gross value added for the ETS-covered sectors or reduction in overall carbon intensity with possible examples of optimization criteria. Optimal benchmarks should serve the purpose of stimulating CO₂ efficient economic growth, renovation of existing productive assets and introduction of new energy efficient technologies.</p> <p>The benchmarking study findings and recommendations will be discussed at least once with all stakeholder groups during a round of sectoral workshops to reflect in a proper way the economic situation, technical conditions and companies' attitude in the sectors considered. Other consultation events (round tables, meetings etc.) may be arranged as necessary.</p> <p>For consultation events, information materials will be produced to facilitate understanding of the topics addressed and support informed discussion by the stakeholders. Upon completion, selected information materials are to be published for the further use by relevant government authorities, public and business associations, companies and other stakeholders for further discussion of ETS introduction in Ukraine, facilitation of decision-making process, and increase general awareness about ETS related issues and their implications for Ukrainian economy and climate goals. To avoid possible overlaps and duplication, coordination and cooperation with a BMBU funded GIZ project will be conducted.</p>
Comments:	<p>The terms and scope of work under the component has been modified in line with the World Bank requirements and agreed upon with the MENR. no major delays in project component completion are expected, and all issues potentially affecting other components are dealt with in a timely manner. The contract closure is expected by early December 2018.</p>
D. Verification pilots and training	
Status:	<p>Under implementation</p> <p>Team of consultants was selected in accordance with the World Bank procedures based on the ToR developed by the PIU. The team started working on June 1, 2017 and is expected to complete the tasks by October 31, 2018.</p>

The objective of this work is to assist the government of Ukraine in setting up a robust system for ensuring high quality and reliability of installation-level emissions data provided by installation operators. The system, in addition to data preparation activity by operators, includes data quality examination by verifiers (verification) and procedures guaranteeing adequate capacity of the verifiers for performing their tasks (accreditation). This assignment is aimed at supporting the verification and accreditation components of the MRV system.

Fulfilment of this assignment will be based on existing EU legislation and guidelines on verification and accreditation, including «Commission Regulation (EU) No 600/2012 of 21 June 2012 on the verification of greenhouse gas emission reports and tonne-kilometre reports and the accreditation of verifiers pursuant to Directive 2003/87/EC of the European Parliament and of the Council» (AVR), EC's "The Accreditation and Verification Regulation - Explanatory Guidance" (AVR-EGD) other legal and supporting documents in this area, and available international best practices in verification and accreditation.

The following key results are expected:

- Verification and accreditation guidelines and templates drafted;
- Pilot verification of emission reports for 9 pilot installations performed;
- Relevant training on verification and accreditation provided.

Verification Guidelines and Templates

The inception report on Verification and accreditation guidelines and templates has been presented on June 24, 2017.

In the area of verification of GHG emissions from installations, the guidance materials will include the following:

- AVR explanatory guidance adjusted to Ukrainian situation (covers both verification and accreditation issues);
- key guidance notes on important issues, including verifier's risk analysis, process analysis (detailed verification), sampling, site visits during verification, verification report, relation to ISO 14065, verifiers' competence;
- verification report template;
- guideline to support verifiers in applying for accreditation.

Accreditation Guidelines and Templates

Accreditation activities in Ukraine are performed by the National Accreditation Agency of Ukraine (NAAU), which is supposed to become a national accreditation body (NAB) for MRV activities. The NAAU acts on the basis of the national legislation and "Regulation (EC) No 765/2008 of the European Parliament and of the Council of 9 July 2008 setting out the requirements for accreditation and market surveillance relating to the marketing of products and repealing Regulation (EEC) No 339/93". The support will be provided to the NAB/MENR for establishing the process for accreditation/certification and surveillance of verifiers. The items to be addressed include:

- key guidance notes on communication forms and relation to AR 765 and ISO 17011;
- four communication forms (templates) to support information exchange between verifiers, NAB and Competent Authority;
- an accreditation guideline setting out the accreditation process and explaining how to use various forms and checklists in this process;
- templates for forms and checklists necessary for the accreditation process;

Verification of emission reports for 9 pilot installations

This task provides for testing and alignment of MR and AV procedures and guidelines through their practical application under pilot projects at installations selected within the MRR component list of activity types.

Selection of the installations will be performed by the PIU together with the MENR on voluntary basis among the operators who formally expressed their willingness to participate in the pilot

	<p>projects. The experts participating in the verification will be subject to confidentiality provisions with restrictions concerning the information gained throughout the assignment.</p> <p>Verification activities will be phased to ensure that they are preceded by MR activities implemented at the same installations by their operators with support from the MR pilots' component. In particular, the review of a monitoring plan for each installation shall start at once upon its preparation, without waiting for completion of emission reports, in order to improve emissions monitoring process and streamline MR and verification activities. Since these are only pilot projects, emission reports for installations will be prepared for the first time. Moreover, emission reports will be based largely on the installation-level information already available for the last calendar year.</p> <p>Verification process shall abide by the requirements of EU's AVR and other EU guidelines relevant to the verification assignment. In case if some Ukrainian MRV-related regulations will have been approved by the time of the assignment, they will have prevalence over respective EU documents.</p> <p>Training on verification and accreditation</p> <p>The purpose of training activities under this task is to enhance local capacity of NAB/MENR and other relevant public institutions in setting up accreditation/certification process. The primary focus of these activities is to train potential trainers on verification-related issues. A relevant target group for training on verification includes the staff of educational institutions in the area of environmental and energy management and certified Ukrainian environmental/energy auditors. Tentative number of trainees is 30-40. The expected result of the training shall be advanced ability of the trainees to verify GHG emissions data in accordance with the AVR.</p>
Comments:	<p>The terms and scope of work under the component has been modified in line with the World Bank requirements and agreed upon with the MENR. Despite minor delays compared to the initial timeline due to delay in the start of the legal component, all the issues are dealt in a timely manner, and no major deviations from the implementation timeline are expected.</p>
E. Donor coordination activities	
Status:	<p>The MENR leads donor coordination activities between the technical assistance projects through the regular bilateral and multilateral meetings, mailing and phone calls.</p>
Comments:	<p>The GIZ project has started its operations in September 2017, with an almost two years delay. Due to the divergence of implementation start, the donors and the beneficiary have agreed to update the project implementation plans. The joint PMR and GIZ working group presided by the MENR representative has been established.</p> <p>Coordination meetings on potentially overlapping donor activities of GIZ project for the ETS support and the PMR have been conducted in presence of the respective MENR representative. The PMR team is committed to continue donor coordination activities and regular updates with the respective donor organizations.</p>
F. Communication Component (including carrying out stakeholder training, consultation engagement and public awareness activities, including conferences and workshops to support the project activities, consultation meetings with stakeholders, public awareness activities (media, high level public/private meetings, etc.).	
Status:	<p>The project communication plan developed by the PIU foresees focused communication with the three main target audiences of the PMR Ukraine project:</p> <ol style="list-style-type: none"> Beneficiaries: Although formally the project is executed by the World Bank, the MENR is the primary institution who is expected to benefit from the results delivered by the project. Other beneficiaries include ministries and agencies involved into the climate

	<p>policy: The Ministry of Energy and Coal, the Ministry of Regional Development, the State Energy Efficiency Agency, the Ministry of Economic Development and Trade.</p> <ol style="list-style-type: none"> 2. Installation owners: The large GHG emitters are the key players to be influenced by the MRV system introduction (and the ETS in the future). Considering a high level of interest, as well as a large amount of misleading information on the ETS implementation being circulated by private consultants, it is important to provide a trustworthy source of information to be used by the owners of installations potentially covered by the MRV system in future. 3. Donors: Communication with the donor-funded projects is described in more details in Chapter E. <p>The communication plan includes direct communication via bilateral and multilateral meetings, teleconferences, and e-mails with all three main target audiences. The capacity-building activities (workshops, roundtables, discussions) allow information dissemination, public discussions and feedback.</p> <p>During 2016-2017, the PMR Ukraine PIU has engaged in communication with the beneficiaries, installation owners and industry associations, and the donor organizations via roundtables and workshops organized, bilateral and multilateral communication, and participation in the external events.</p> <p>The project outputs will be communicated to the stakeholders, with a proper consultation process and feedback loop ensured through the sets of workshops, roundtables, trainings included into the project results reconciliation processes under each project components and during the third-party organized events (conferences).</p> <p>Communication with key stakeholders. During the first year of its operation, the PMR project in Ukraine has been proactively communicating with industry associations and individual companies who are potentially covered by the MRV system. The PIU has also maintained continuous communication with the MENR, the NAAU and donor projects (GIZ, USAID MERP and ClimaEast). The communication with the remaining active donors will be continued throughout the implementation time of PMR Ukraine.</p> <p>PMR workshops and trainings scheduled under all project components will enable wider dissemination of the project results and feedback to the relevant audience.</p> <p>External conferences and events organized by the third parties, both donors and the industry. During the first year of the project implementation the team has participated in number industry association events (the Ukrainian Chamber of Commerce conference in October 2016, Association of the cement producers of Ukraine workshop in November 2016, etc.). The project team will continue to participate in the external events to communicate the project's activities and benefits for various stakeholders in Ukraine.</p> <p>Traditional and social media. To ensure wider coverage, the PMR PIU has scheduled the project activities promotion via both traditional and social media, including, but not limited to:</p> <ul style="list-style-type: none"> • Publication of the major project news and materials at the PMR website. • Traditional media. Information on the importance of MRV/ETS to be published regularly in the Ukrainian media. Priority should be given to the magazines and websites focused on business/economics, thus maximizing the reach to the installations and their owner companies. • Social media is actively used by both Ukrainian business and the government, and therefore could be used as an additional platform to disseminate the information about the PMR.
<p>Comments:</p>	<p>Stakeholder communication and involvement is an important part of the PMR activities, and has been included in all components of the project (Monitoring and Reporting, Pilot activities in monitoring and verification, benchmarks development, and legal assistance to MENR). The PIU maintains bilateral and multilateral communications with the current and potential project</p>

	stakeholders via electronic means and in person. Scheduled sets of public events are set to ensure project implementation transparency and proper feedback process.
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4. PROGRESS, CHALLENGES, AND LESSONS LEARNED

<p>Important policy or regulatory developments related to the Grant's objectives and activities:</p> <p>Developments:</p> <p>Several major policy developments</p> <ul style="list-style-type: none"> - The Concept of implementation of state policy on climate change by 2030 was approved with the CMU Order on December 7, 2016. <p>The document has incorporated a range of policy instruments and actions related to climate change mitigation and adaptation with an implementation timeline by 2030.</p> <p>The main goals of the Concept are an improvement of the state climate change policy for sustainable development, ensuring establishment of legal and institutional provisions for a gradual transition to low-carbon development, while ensuring energy and environmental security, and improvement of citizen well-being.</p> <ul style="list-style-type: none"> - Memorandum of Understanding on a Strategic Energy Partnership between the European Union together with the European Atomic Energy Community and Ukraine was signed on November 24, 2016 by Vice-President for Energy Union Maroš Šefčovič and Minister for Energy Ihor Nasalyk. - The EU-Ukraine Association Agreement has entered into force on September 1, 2017. <p>Challenges:</p> <p>Despite an increased attention to the climate change issue at the global level, position of climate change issue within the national policy framework remains in a low priority, and lacks proper placing in existing strategic documents. Proper inclusion and coordination with the decision-makers and law-makers is necessary.</p> <p>The governmental institutional capacities remain limited, with uncertain institutional stability. This, in turn, does not allow to prioritize long-scale ambitions and plans at the Governmental level, and limit implementation to relatively short-scale activities.</p> <p>The reduced attention can also be seen from reduced level of representation of the governmental bodies in the interagency working group on climate change, members of which currently do not have sufficient authority to coordinate necessary components of climate policy and actions.</p> <p>Lessons learned:</p> <p>The PMR team will continue cooperation with other donor-funded activities to support the MENR in the MRV system development and introduction, and provide the MENR with necessary support on further MBIs development and implementation. The PMR team will maintain sufficient links with the business associations and enterprises, promote MRV system roll-out and facilitate capacity building in all major MRV stakeholders in Ukraine.</p>
<p>Important changes in the technical design or approach related to the Grant's activities:</p> <p>N/A</p>
<p>Developments:</p> <p>The EU has finalized the ratification of the EU-Ukraine Association Agreement. With the Agreement entering into force on September 1, 2017, Ukraine will need to step up in fulfilment of obligations for MRV system development and introduction, and subsequent introduction of the Ukrainian ETS. The PMR project is fully aligned with Ukraine's development goals, the objectives of important policy and strategy documents, as well as key legislation on energy efficiency and renewable energy. The proposed activities and the objectives of Ukraine's PMR project accord with the climate change related goals identified within several policy and strategy documents, including the National Plan for the Implementation of Provisions of the UNFCCC and the Kyoto protocol, the Strategy of National Policy for Environmental Protection until 2020, the National Action Plan on Environmental Protection for 2011-2015, the National Energy Strategy 2030, the Renewable Energy and Energy Efficiency Policy, the</p>

Environmental Strategy for 2020, and the recent Association Agreement with the EU. The implementation of an MRV system will provide Ukraine with accurate data on GHG emissions in key sectors of the economy, as well as on the technologies, fuels, and emission factors at the various installations. The data can thus be used to significantly increase the quality of the Ukrainian National Inventories to the UNFCCC. The data and knowledge generated through MRV can also help Ukraine in its negotiations on the future international climate change regime under the UNFCCC. Analytical activities related to ETS will also support the establishment of Ukraine's ETS.

Challenges:

High sensitivity of the project activities planning and implementation to political and institutional circumstances.

Lessons learned:

Contingency planning is essential, and can be reached through wide participatory approach, and ensuring public information dissemination and feedback process.

Key capacity issues (implementation, technical, financial management, procurement) related to the Grant's activities:

Developments:

To mitigate potential issues with institutional changes, the World Bank and MENR have adopted the joint decision to proceed with the bank-executed project, as an exception. The PMR team is operational since August 1, 2016. After completion of the tender procedures, teams of consultants have started their work on all the four PMR components.

Challenges:

Project activities planning and implementation is highly sensitive both to political and economic conditions.

Lessons learned:

Contingency planning is essential.

Coordination with other carbon pricing initiatives, including those funded by other donors:

Developments:

The World Bank PMR and German Government-funded GIZ project are the remaining major donor-funded activities supporting development, implementation and capacity-building support for MRV/ETS system in Ukraine during 2017 - 2019. While PMR focuses on MRV, and primary focus of GIZ lies within the ETS implementation, a clear work plan for ETS implementation provides for continuous and more efficient donor coordination. While high interdependence between the projects allows for the complete coverage of tasks, any delays in interconnected activities may seriously jeopardize timely and complete delivery of project results.

The outcomes of this work will be presented at the PMR's Partnership Assembly (PA) meetings – which occur twice times each year, as well as regular PMR Technical Workshops and Training. This will enable Ukraine to receive feedback and guidance from the global network of PMR participant countries and experts.

The EU-funded ClimaEast project was completed end April 2017, and the USAID-funded Municipal Energy Reform Project's climate change policy component to be completed by the end of 2017. The ongoing EBRD-funded FINTECC project might include MRV support component going further.

The MENR is overall responsible for coordination of donor activities to ensure complementarity and synchronization of efforts to avoid any potential overlaps and agree on division of responsibilities.

Challenges:

While a lot of efforts were invested in coordination at the planning stage, in case of delays in project implementation, two years-long delay in the GIZ project start may lead to serious drawbacks due to interdependence and complementarity of activities.

Lessons learned:

Good synergies among the donor-funded activities have been achieved during 2012 – 2015. A living document (the ETS Workplan) developed under the supervision of the MENR has been instrumental for complementarity of actions undertaken by donors.

Risks related to tight linkages between the MRV developments and timeline and the establishment of ETS can be partially mitigated by continuous joint work/coordination between PMR/GIZ and other Donors.

Stakeholder engagement related to the Grant’s activities:

Developments:

Stakeholder communication and involvement plays an important part in the PMR Ukraine activities. Throughout the first year of the Project operations, the Project team organized meetings with the main project stakeholders. The PIU maintains a regular contact with the MENR via e-mail, phone calls, organization and participation in the internal meetings. Throughout 2016-2017, the PIU organized a number of consecutive bilateral and multilateral meetings with the industry representatives, including UkrCement (Ukrainian Association of Cement Producers), UkrMetalurgProm (Ukrainian Association of Steel Producers), Ukrainian Chamber of Commerce, Ukrainian Union of Industrialist and Entrepreneurs (USPP), the major energy companies D.TEK and Centrenergo, Ukrainian Union of Chemists, CherkasyAzot and Naftogaz. The PIU organized a number of meetings with the State Energy Efficiency Agency, the National Accreditation Agency of Ukraine, the Budgetary Institution “National Center for GHG Emission Inventory”, took part in the parliamentary commissions meetings. The PMR project team made presentations at a number of industry association events, e.g. the Ukrainian Chamber of Commerce conference (October 2016), UkrCement workshops (November 2016, June 2017).

The main aims of the stakeholder communication activities during the first year were:

- Awareness raising to improve knowledge and understanding of MRV principles by the main stakeholders;
- Invite participants to the events organized by the PMR (workshops, trainings);
- Identify potential participants for the pilot activities;
- Serve as a trustworthy source of information regarding MRV/ETS.

During the reporting period, the PMR project supported the MENR in organization of high-level event “Implementation of Ukraine’s international obligations on climate change and introduction of market mechanisms in accordance with the EU Directive 2003/87/EC”. The MENR presented an overview of the Ukrainian commitments in climate change policy, an overview of the state climate change policy, and the position of the MENR regarding implementation of the EU Directive 2003/87/EC (Emissions Trading Directive) in line with the EU-Ukraine Association Agreement.

The event was followed up with the joint PMR and ICAP training “Emissions training in practice”. The three-day course aimed at providing intensive training of industry representatives and governmental officials on practicalities of the ETS, e.g. ETS components, logical framework, main players and stakeholders, drawbacks, risks and advantages. The training course has seen an increased interest from the stakeholders, with requests of further trainings both for the MRV and ETS.

Challenges:

The main challenge for the stakeholder engagement activities remains the uncertain institutional and political landscape. Lack of legal provisions and clear state policies might hinder further involvement of industry.

Lessons learned:

Wide stakeholder outreach throughout the project implementation is essential for public engagement and support. The outreach will be provided via regular meetings and stakeholder consultations, public consultation procedures of the MENR. Advanced MRV and ETS-related training courses are highly appreciated both by the public and private sector, and are a valuable instrument for wider public engagement and involvement.

Other issues related to the Grant’s activities

N/A

5. ADDITIONAL INFORMATION

In this Section, please provide any additional information that may be relevant for the achievement of the Grant's objectives and/or the implementation of the Grant's activities. Please also provide any relevant information related to carbon pricing and the use of market-based instruments for climate change mitigation.

N/A
