



ClimaEast

Support to Climate Change Mitigation and
Adaptation in Russia and ENP East countries

Considerations for setting up the CA and proposed structure for Ukraine

10.04.2017

Aarhus centre of the Ministry of Ecology and Natural
Resources of Ukraine

Ágnes Kelemen, Senior Expert, Klimapolitika Ltd.



*This project is
proudly funded by
the European Union*

Content of presentation

1. Considerations for setting up CA
2. Proposed structure of CA in UA



1. Considerations for setting up CA



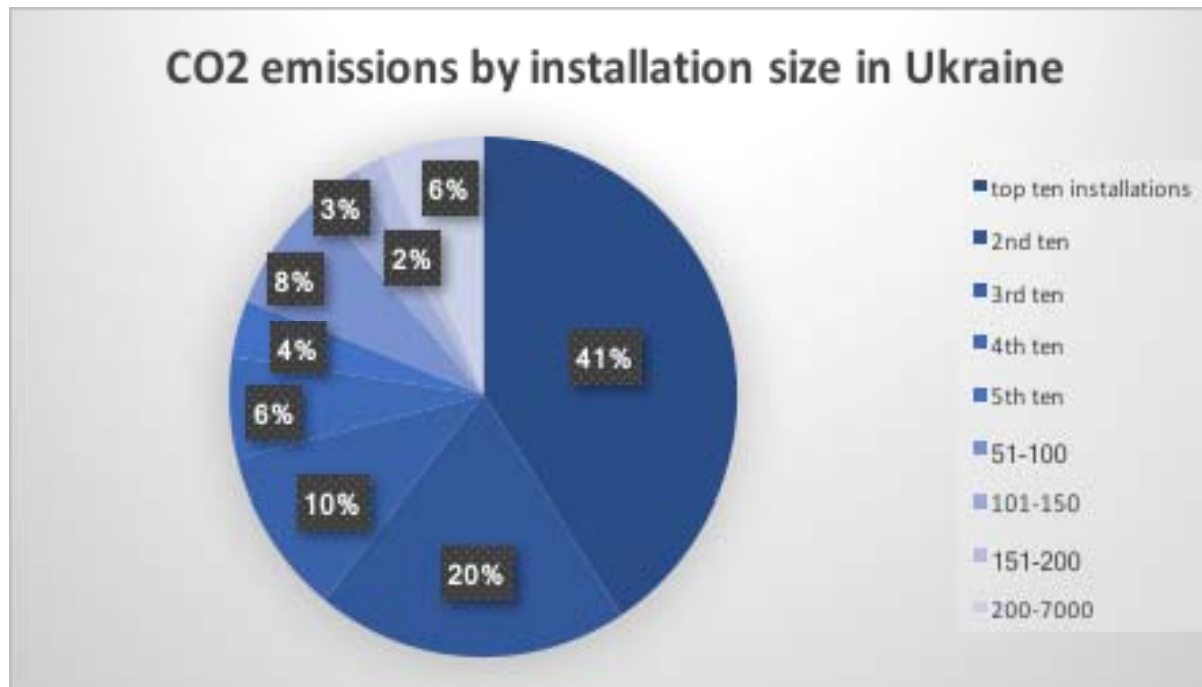
Role of CA before trading starts

- Setting up CA obligation under AA
- MRV effective way to correctly assess tax obligations under Ukraine's environmental tax mechanism
- More reliable energy consumption statistics for the country
- Good-quality installation-level MRV is likely to be a pre-requisite for setting up bilateral international project-based market mechanisms under the future Paris Agreement



Capacity threshold and number of installations

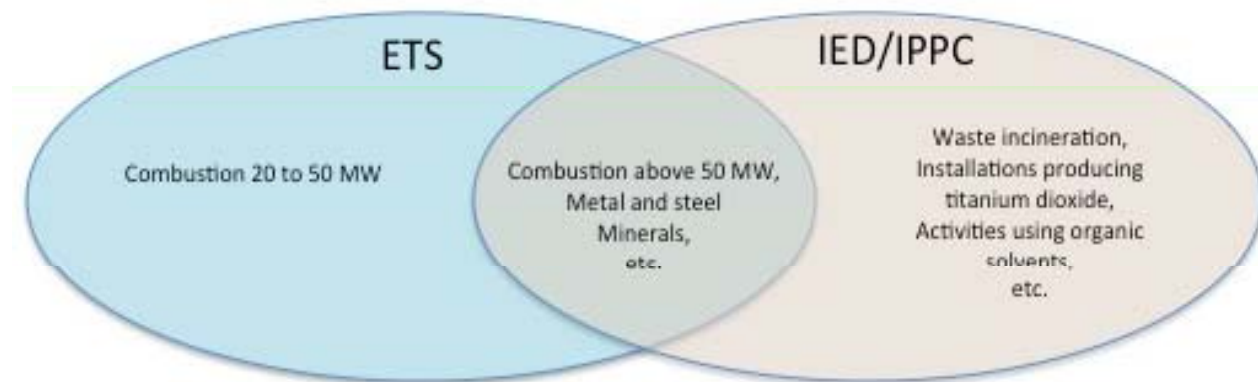
- Cost of ETS high for small installations (EUR 1.5/tCO₂ on average)
- At the same time, climate benefit is not high



⇒ an ETS with only 50 installations could cover 81% of all emissions that would normally fall under the ETS, transitional or permanent solution

Links with other environmental policies and IED

- CAs for 29 environmental policy instruments. (F-gases, Ozone-depleting substances, chemicals, environmental impact assessment etc.) required in AA, overlaps in coverage
- All CAs to be set up within 2 to 5 years of the AA's entry into force
- Significant cost-savings and economies of scale possible if CA would not be in charge of only ETS, but other environmental policies as well.
- In particular high potential for synergies with IED CA



Institutional variables (1)

- Setting up a new institution or using existing ones:
 - the activities of the CA (e.g. permitting, inspection, enforcement, etc.) already present in various UA public institutions
 - sector (climate change) in MENR
- Sectoral versus functional approach
 - Either the functions of the CA are placed with an institution which is already active in the field of climate change (e.g. Poland and Germany)
 - Or functions of CA placed in an institution, or several institutions, which already carry out functions similar to those expected of a CA (e.g. permitting, monitoring, inspection and enforcement, etc.) in different environmental sectors (e.g. air pollution or integrated environmental permitting), the solution selected by most Member States.
- Ministry or subsidiary institution:
 - Decisions kept in the Ministry are more vulnerable to political influencing,
 - the payment of Ministry staff is regulated by statutes
 - subsidiary institutions may be able to retain in their own budget the administrative fees received from operators



Institutional variables (2)

- Regional or centralized institutions
 - Permitting, inspection and enforcement require a familiarity with the relevant sectors under the EU ETS as well as with individual installations
 - Inspection requires physical proximity to installations
 - Some tasks, e.g. reporting to the EC or issuance of allowances are more optimally carried out by a centralized institution
- Single competent authority versus multiple competent authorities
 - Single CA allows higher level of integration between different functions (e.g. permitting and inspection could be carried out within a single institution) and the lower need for interinstitutional coordination
 - Single CA has need for higher levels of capacity building, and more complex institution building processes



2. Proposed structure of CA in UA



Current Institutional Framework in UA

Task	Institution	Relevance of experience
Formation and implementation of cc policy	MENR	Relevant for policy type decisions
Preparing GHG Inventory	Budgetary Institution	Different methodology
Permitting, issuing permits for cross boundary transportation	MENR, oblast state authorities	Technical and legal expertise, not GHG
Monitoring/reporting of GHG emissions	MENR	Jl experience of limited relevance
Verification	Independent verifiers	Jl experience of limited relevance
Inspection, levying of fines in case of env. non-compliance	State Ecological Inspectorate	Technical knowledge of installations
Accreditation	National accreditation authority, (MENR)	accreditation experience (NAA)
Registry management	MENR	Technical knowledge of IT systems



Options for setting up Ukraine's CA (1)

- Unknown parameters:
 - Number of installations
 - Scope of future CA tasks
- Gradual implementation

	Elite MRV	XL MRV	XL Trade	All trade
Scope	MRV only	MRV only	MRV for all, auctioning, trading for large insts	MRV and trading for all
Estd. No of installations	20	100	250	250



Options for setting up Ukraine's CA (2)

- Options
 - A. All CA functions in MENR
 - B. Preparatory and technical CA work in BI, decisions are taken by MENR**
 - C. CA functions at the BI, serving ETS Authority
 - D. CA functions in the (future) Environmental Agency under MENR



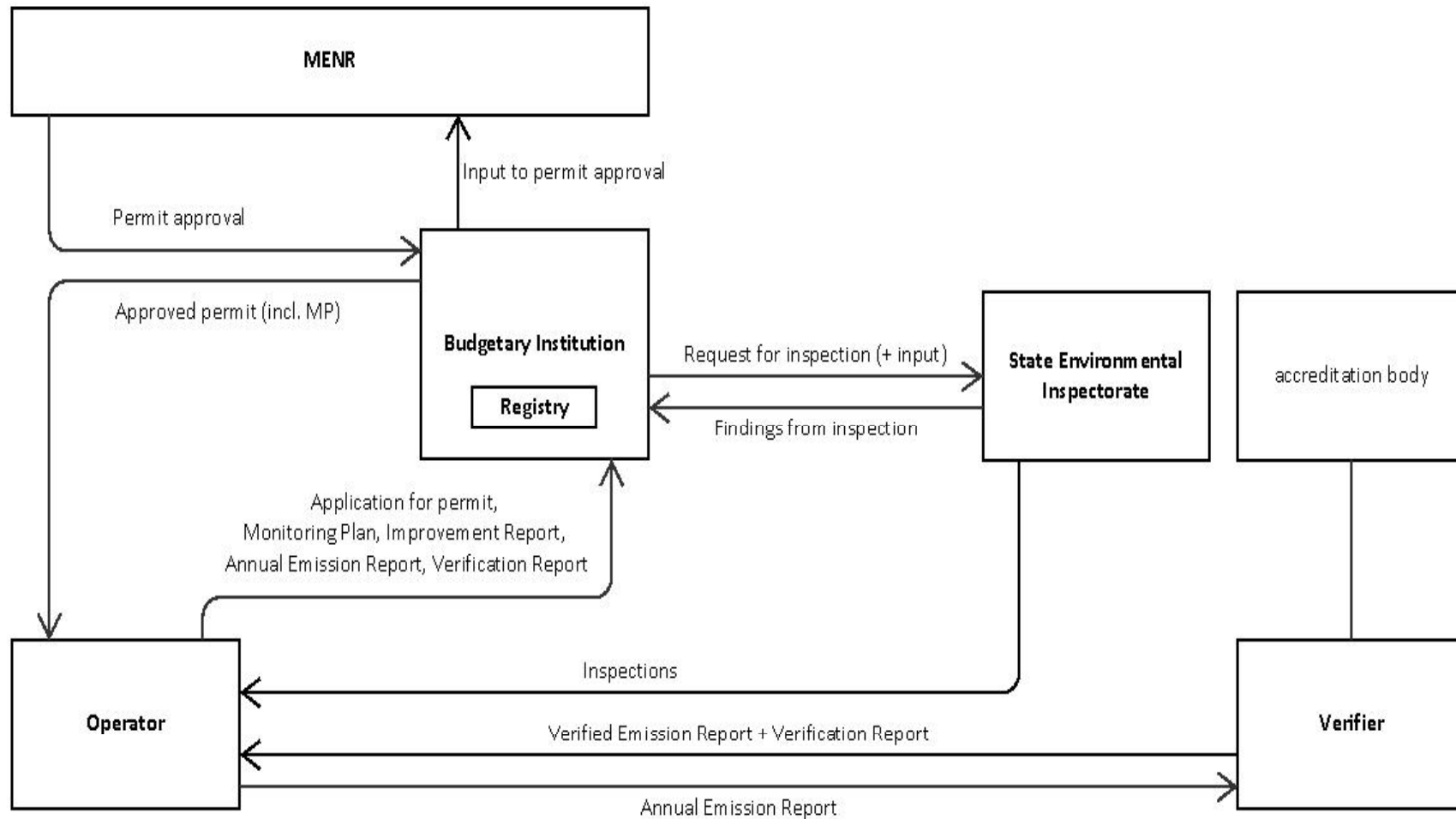
Allocation of tasks (Option B)

CA functions are divided among 3 institutions: BI, MENR and the environmental inspectorates

- Permitting: The BI carries out the work requiring technical knowledge, including the process of assessing the permit allocations, and deciding whether the monitoring plans submitted with the allocations are acceptable. BI does not have the authority to take decisions which are legally binding for installations, relies on the MENR to issue the permit or permit update. (similar to solution used in Germany)
- Verification of emission reports: by independent verifiers with the relevant accreditation, however, reports are also checked from time to time by the authorities, carried out by BI.
- Inspection and enforcement: Due to the need for physical proximity, carried out by the oblast level environmental inspectorates.
- Penalties: Penalties for non-compliance will be issued by the Environmental Inspectorates, and by the MENR (if recommended by the BI).



Organisational chart (Option B)





How to contact ClimaEast

The project team can be contacted at personal e-mail addresses (patrick.gray@talk21.com) and:

info@climaeast.eu

Clima East Office, c/o Milieu Ltd
Chaussée de Charleroi No. 112, First Floor
1060 Brussels (Belgium)
Tel: +32 2506 1000

Website:

[English: www.climaeast.eu](http://www.climaeast.eu) - [Russian: http://russian.climaeast.eu/](http://russian.climaeast.eu/)



[Follow us on Facebook: look for CLIMA EAST PROJECT](#)

