

# ***Implementation of the KP Mechanisms in the Czech Republic***

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# ***KP mechanisms in the Czech Republic***



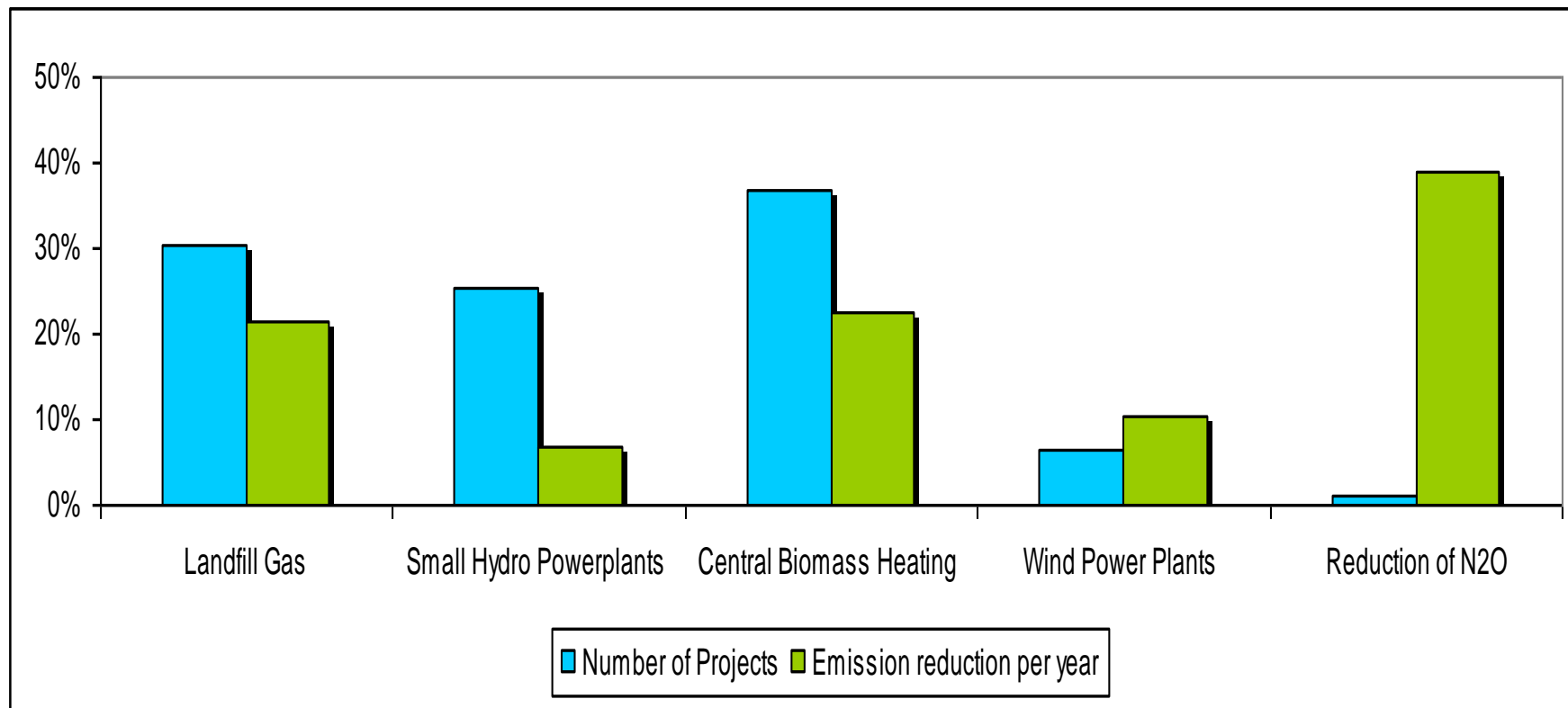
- **CR ratified Kyoto Protocol in November 2001**
- **Czech Republic is a host country for „Joint Implementation Projects“ (article 6 of the Kyoto Protocol)**
  - **Activities Implemented Jointly Phase (AIJ) – since 1996**
    - 5 projects realized in CR
  - **Joint Implementation Phase (JI) – since 2002**  
(example of the Prototype Carbon Fund in CR)
- **Interference of KP mechanisms by EU ETS (NAP I & NAP II)**
- **Green Investment Scheme – GIS**  
(role of the Czech Energy Agency)

# ***Kyoto Flexible Mechanisms (JI)***



- ✓ In total 98 projects was registered (PIN) ⇒ 33 LoAs  
⇒ about 1 000 000 tons of CO<sub>2</sub>ekv./year
- ✓ **Two portfolios**
  - ✓ PCF Portfolio of projects (16 small hydro, 2 centralized heating)
  - ✓ – total emission reduction 100 000 tons of CO<sub>2</sub> / year
  - ✓ BTG Portfolio of projects (13 biomass central heating projects)
  - ✓ – total emission reduction 120 000 tons of CO<sub>2</sub> / year
- ✓ **Lovochemie (the biggest), SHP Vranany**
- ✓ **Implementation of „CDM Methodology for portfolio Landfill Gas projects (29 projects in pipeline)**
- ✓ **Rest of projects in various stages of implementation**
- ✓ **Problem with implementation of Linking Directive (?future potential?)**

# *JI projects registered by MoE*



## *Approval process and JI rules*

- ❖ Registration of the project by MoE – PIN (LoE)
- ❖ Registration by State Environmental Fund (SEF) – Program 2.8 (assessment)
- ❖ Approval by an expert panel of MoE
- ❖ Ministerial approval (LoA)
  - Methodical Guideline for JI Projects in the Czech Republic  
[http://www.env.cz/AIS/web-pub.nsf/\\$pid/MZPPZFQYNJ6/\\$FILE/Methodical%20Guidelines\\_EN.doc](http://www.env.cz/AIS/web-pub.nsf/$pid/MZPPZFQYNJ6/$FILE/Methodical%20Guidelines_EN.doc)

### Track I eligibility criteria (basic prerequisites are fulfilled!)

- ❖ **Reporting issues**
  - ❖ Initial Report was submitted to the UNFCCC
    - ❖ GHG Inventory since 1990
    - ❖ National Inventory Report
- ❖ **National Registry System (International Transaction Log)**
  - ❖ ITL - testing operation are starting during spring 2007.
  - ❖ Operator – Czech Electricity Market Operator, linked with EU ETS registry

## ***Prototype Carbon Fund in CR (I)***



- **Cooperation with the World Bank since 1998 (2001)**
- **Framework Cooperation Agreement on the Implementation of Projects to Reduce Emissions of Greenhouse Gasses between Czech Republic and IBRD (signed in 2003)**
- **Prototype Carbon Fund Intermediary Agreement between the Czech Energy Agency and IBRD as Trustee of the PCF (signed on October 15, 2003)**
- **CEA's commitment is to transfer to PCF 500 000 t CO<sub>2</sub>e within the period of 1.4. 2002 – 31. 12. 2012**
- **CEA acts as an intermediary between PCF and Project Entities**
- **Identifying, proposing and developing projects for PCF financing (16 SHPs, 1 switch of fuel from coal to gas and 1 CHP + Heat Pumps in central heating systems)**
- **Preparing full set project documentation**

## ***Prototype Carbon Fund in CR (II)***

- ❖ Registration of the project in the Ministry of Environment
- ❖ Elaboration of:
  - Project Annex (PIN, PCN)
  - Due Diligences (Financial, Environmental, and Social)
  - Baseline Study and Monitoring Plan
- ❖ Validation
- ❖ Approval by Czech Republic
- ❖ Signing of the Subsidiary Agreement

**Monitoring:** Annual ER Report – by Intermediary

**Periodic Verification:** Verification Report - by Verifier

### **Intermediary Annual Report**

(report on the progress in project implementation)

### **Payments for ER**

# — EU ETS (NAP I & NAP II), JI, GIS (I) —

## EU ETS

- ✓ 400 Installations (65% of National CO<sub>2</sub> emissions)
- ✓ All important sectors (energy, industry,....)
- ✓ NAP I → 97,6 Mio. of allowances
- ✓ Emissions 05 → 82,5 Mt, 06 → 83,7 Mt
- ✓ Proposed cap → 101,9 Mio. of allowances
- ✓ Commission decision → 86,8 Mio. of allowances

## Basic principles of allocation

Reference years - 2005, 2006

- **group A:** < 50 kt ...average 2005/2006 + 8%
- **group B:** > 50 kt ...average 2005/2006 + 1,729%

Protection of small subjects

Correction – annual deviation  $\pm 20\%$  → bigger 05/06

Cancellation of all others bonuses and corrections

Cancellation of sectoral separation

New Entrance Reserve 1,29 M/year

10% of Kyoto credits

JI Reserve 100 kt/year



## ***EU ETS (NAP I & NAP II), JI, GIS (II)***

### **JI**

- ❖ Problems with potential for new JI projects
- ❖ New JI – only heating (biomass, biogas) and non – CO<sub>2</sub> projects (landfill projects)
- ❖ Linking Directive
  - EU ETS developers (10 % in the second NAP for CERs and ERUs)
  - New JI projects - limited room for JI in linked regime
  - Reserve 99 389 allowances per year in NAP2 for indirect linking (only RES projects with LoA)

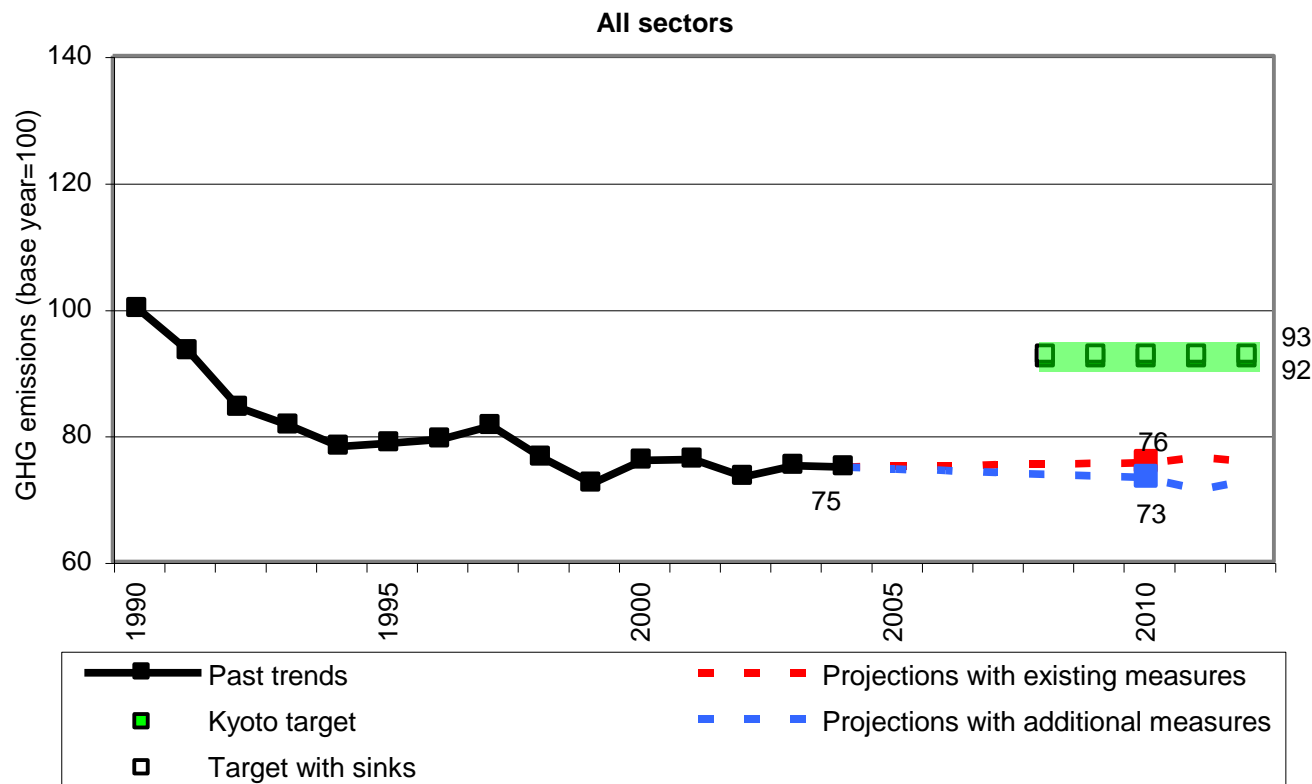
### **GIS**

- More space for AAU crediting, International Emission Trading and Green Investment Scheme - GIS

# Implementing GIS in the CR (I)

- ❖ Czech Republic in a relatively advantageous situation
  - ❖ *Projected emissions are below Kyoto target (- 24%)*
  - ❖ *Up to 30 mil AAUs per year of surplus available for sale*

## Emission situation and trends



## *Implementing GIS in the CR (II)*



- ❖ **MoU – Denmark, Austria, (preparation - Japan, Netherlands, Finland, Portugal, Spain, Slovenia and more )**
- ❖ **Potential in various sectors (energy, transport, industry, ...)**
- ❖ **Expected amount 50-150 million AAUs per commitment period (estimation with the highest probability – uncertainty - allowances surplus, national reserve issue ???)**
- ❖ **Domestic resources limited – foreign funding welcomed**
- ❖ **Existing framework for funding – National programs**
- ❖ **Capacity of State Environmental Fund, Czech Energy Agency**

# Why the Czech Energy Agency in GIS?



- ✓ **Czech Energy Agency (CEA)** is a subsidised organization supported by the Ministry of Industry and Trade (MoIT). Its mission is to initiate, support and realize activity leading to energy savings and reduction of the negative environmental impacts.
- ✓ Activities in Operational Program Industry and Enterprise (subprogram RES, Energy Savings), Operational Program Enterprise and Innovation (ECO-ENERGY)
- ✓ Government Programme for the Support of Energy Savings and the Utilisation of Renewable and Secondary Sources of Energy – (part A ~ MoIT).
- ✓ Collaboration on International projects supported in the framework of IEE (Intelligent Energy Europe) and PCF (Joint Implementation projects), member of European Energy Network etc.

# *GIS responsibilities*



- ❖ **Number of issues (responsibilities) to be clarified, but in general:**
  - ❖ MoE responsible for Climate Change and Kyoto flexible mechanisms (Main coordinating role MoE – Department of Climate Change)
  - ❖ Cooperation with other ministries (Industry of industry and Trade, Foreign Affairs, Transport, Agriculture)
  - ❖ Greening facility – transferring of money to individual projects on the basis of pre-defined criteria (issue for working group)
  - ❖ Greening facilities on the Czech side
    - State Environmental Fund (SEF) – [www.sfzp.cz](http://www.sfzp.cz)
    - Czech Energy Agency (CEA) – [www.ceacr.cz](http://www.ceacr.cz)

# *The process of establishing GIS (I)*



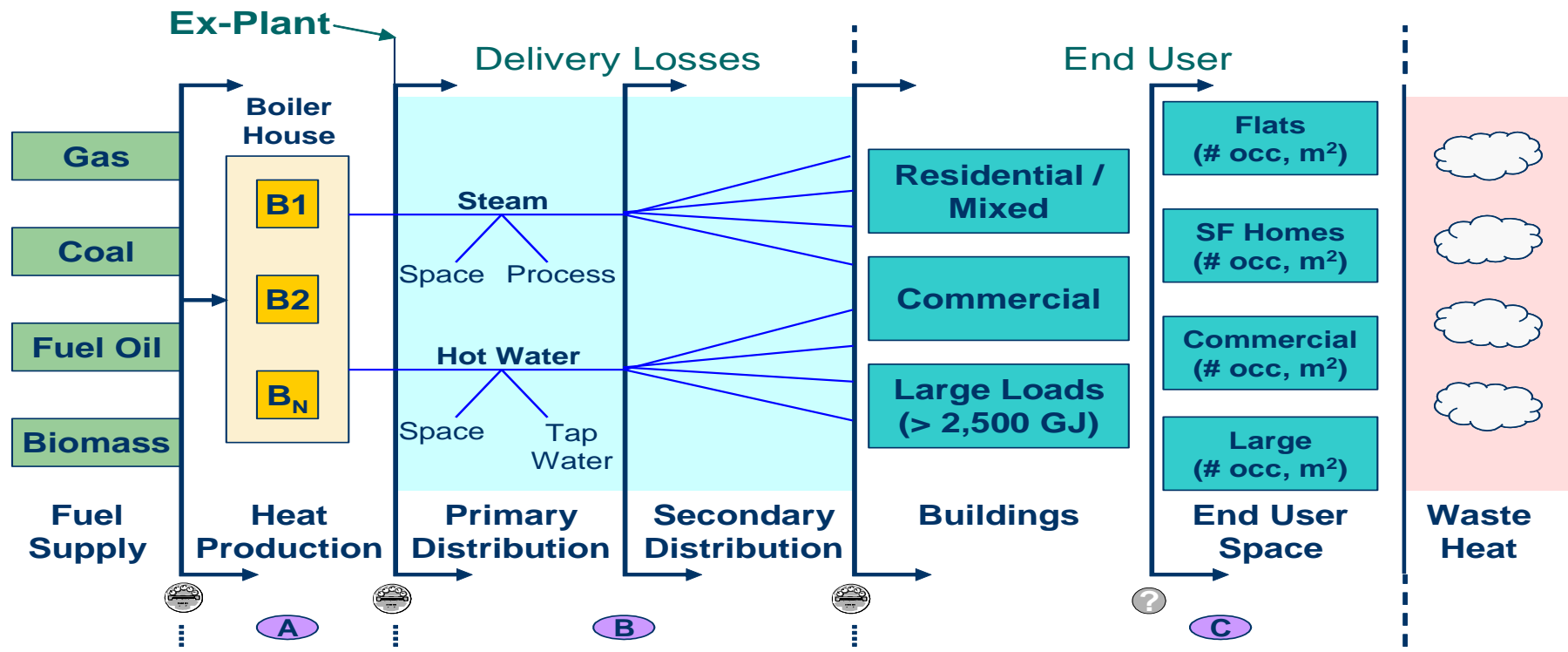
## General steps:

- ❖ 1) Signing of Memorandum of Understanding (MoU)
- ❖ 2) Establishing bilateral expert working group for GIS
- ❖ 3) Criteria for selection of projects (greening, scope of projects,.... )
  - ❖ Approach for choosing projects (kind, size, sector,.....)
- ❖ 4) preparation of ERPA(s)
- ❖ 5) Pilot phase of GIS (testing – 1 year ...)
- ❖ 6) Regular phase of GIS
  - ❖ Guidelines and criteria established
  - ❖ Project applications, assessed against criteria
  - ❖ Final set of approved projects, contracts, funding

(preparation and monitoring of the projects,  
independent verification,  
management of GIS,  
national inventory versus KP,  
connection with International Transaction Log ...)

# The process of establishing GIS (II)

The basic concept of GIS is expected to be approved by the Czech Government till the end of October. In programming goals of the Czech Government till 2010 is mentioned that revenues from IET will be utilize for financing energy savings in households, administrative and public buildings.



## *Issues to solve*

- ❖ State aid – need to be checked (depends on who is the recipient of money)
- ❖ EU ETS – AAU trading not explicitly mentioned – could be a problem in terms of „crossing“ of various ways of funding
- ❖ **„Soft“ or „Hard“ greening? – crucial question!!!**
- ❖ Resources available up front (payments)? When the concrete projects need to be presented?
- ❖ Role of investor country in approval process?
- ❖ Validation and verification projects



*Thank you very much for your attention.*

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