PROJECT FICHE

Title	Support to Kyoto Protocol Implementation		
Total cost	EC contribution: € 5 million		
Aid Method	Project approach – centralised/decentralised management		
DAC-code	41020	Sector	Biosphere Protection

1. RATIONALE

1.1. Strategic framework

The Johannesburg World Summit on Sustainable Development, the United Nations Framework Convention on Climate Change (UNFCCC) as well as the Kyoto Protocol outline clear international obligations and commitments to mitigate climate change, including the use of market-based mechanisms.

These commitments are reflected in the Tacis Regional Indicative Programme for 2004-2006 (IP), in particular in section 6.1, which defines one of the IP's three thematic areas: Sustainable Management of Natural Resources. There the general objective is to "Progress towards the sustainable use of natural resources and increased resource efficiency." This is done by targeting three components, the last of which is Climate Change, which makes up 14% of the funding under this heading.

The specific objectives of this component include reducing greenhouse gases, mitigation of climate change, improvement of energy efficiency, enforcing compliance with the UNFCCC and Kyoto Protocol, and implementing the Joint Implementation (JI) and Clean Development Mechanisms (CDM) developed by EU countries.

The Partnership and Cooperation Agreements signed between the EU and the beneficiary states also identify climate change as a priority field for environmental cooperation.

1.2. Lessons learnt

The Russian Federation, Belarus and Ukraine are members of the United Nations Framework Convention on Climate Change (UNFCCC) Annex I, which includes developed countries and countries with economies in transition. They have also ratified the Kyoto Protocol and may become participants in JI and trading of Assigned Amounts Units (AAUs). However, they lack rigorous national GHG inventory and registry systems, and strong institutional and technical capacity to participate in JI and emissions trading. The situations with respect to the existing institutional and technical capacity to participate in the UNFCCC and the Kyoto Protocol are different in these countries, as well as the level of their involvement in the UNFCCC process.

Armenia, Azerbaijan, Georgia, Moldova, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan are United Nations Framework Convention on Climate Change UNFCCC non- Annex I countries, and do not have GHG emission reduction targets under the Kyoto Protocol. However, they can participate in the Kyoto Protocol's Clean Development Mechanism (CDM) and become host countries of CDM projects that reduce Green house Gas (GHG) emissions. In order to participate and to benefit from GHG emission reduction projects, however, these countries need to develop a strong institutional and technical capacity.

Ongoing Tacis projects in the field of Climate Change (listed under 1.3) have shown the willingness of EECCA countries (Eastern Europe, Caucasus, Central Asia) to start setting up of the required legislation and practical arrangements

permitting them to participate in the Kyoto mechanisms and benefit from investments in emission reduction projects.

The monitoring reports of ongoing TACIS projects in the field of Climate Change have been favourable.

1.3. Complementary actions

Tacis projects in the field of Climate change currently ongoing:

- Tacis Regional Action Programme 2002 - Technical assistance to Ukraine and Belarus with respect to their Global Climate Change commitments
- Tacis Regional Action Programme 2002 - Technical assistance to Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan with respect to its Global Climate Change commitments
- Tacis Regional Action Programme 2002 - Technical assistance to Armenia, Azerbaijan, Georgia and Moldova with respect to their Global Climate Change commitments
- TACIS 2002 Russia Action Programme - Institutional Support to Kyoto Protocol Implementation (started in June 2005).

1.4. Donor coordination

Currently the EBRD is active in promoting JI and CDM projects in all states in the area. Current regional Tacis projects in the area are focused on working together with the EBRD on developing CDM programs.

Any project in the area should also liaison with Danish and other Member States activities that are establishing JI and CDM programs, as well as with the World Bank (especially in Moldova.)

2. COUNTRY (OR REGIONAL) CONTEXT

2.1. Cooperation related policy of beneficiary country

As noted above, beneficiary countries are working towards implementing the required legislation and practical arrangements permitting and confirming the direct sell of AAUs to buyer countries, as well as applying the JI and CDM mechanisms.

2.2. Sector context

EECCA countries are in a particularly good position to benefit from the Kyoto mechanisms. This in part stems from the general downturn in industrial production of the EECCA countries, which has left countries like Russia and Ukraine with a surplus of emission quotas under the Kyoto Protocol in addition to the considerable built in excesses they are provided with. Further, due to the aging industry with a high emission/production ratio in the EECCA countries, they stand to gain significantly from the JI and CDM instruments during the upgrading of their industrial infrastructure.

However, EECCA countries generally lack the capacities to capitalize on these opportunities, both on the government and enterprise levels. Attempts at developing these capacities are ongoing and there is a recognised interest in the region to raise funds by using the Kyoto mechanisms.

It should be noted that there is also a recognised need among EU member states to fulfil their Kyoto emissions targets through emissions trading and the

JI and CDM mechanisms, and many hope to be able to work with the EECCA countries in this regard.

A detailed country by country analysis can be found in Annex 1.

3. DESCRIPTION

3.1. Objectives

The overall objective is the reduction of greenhouse gas emissions and adaptation to climate change.

The specific objectives are:

- § Building the capacity both in authorities and private enterprises to use the Kyoto mechanisms;
- § Building the capacity to construct and maintain reliable, trustworthy and transparent national systems for monitoring and reporting of GHG emissions, including annual inventories and national registries;
- § Building capacity in government to prepare for adaptation to climate change;
- § Building capacity in government to participate actively in international discussion on future action (post 2012) to abate climate change.

3.2. Expected results and main activities

- § The expected results are the establishment and maintenance of reliable and transparent national systems for monitoring and reporting of GHG emissions in the EECCA countries, capacity in private industry to participate in the Kyoto mechanisms, as well as capacity to prepare for adaptation to climate change and participate actively in international discussion on future action. However, due to the different state of development of the EECCA counties, two approaches will be used.

In the case of the Caucasus, Central Asia and Moldova activities will focus on institutional capacity building, which encompasses establishing a reasonable institutional capacity to handle the administrative processes of setting up and managing national GHG inventories [only Annex I parties need registries]

As these capacities are more developed within Belarus, the Russian Federation, and the Ukraine, assistance to this group of countries will focus on capacity building of private industry so that it can comply with the monitoring and reporting requirements necessary for participation in emissions trading through JI projects.

Our previous projects have also pointed out the need for promotion of the CDM mechanism. Although we held several general workshops on CDM, a more targeted approach is necessary to increase awareness, in particular in industrial sectors. The industry is still in general quite unaware of the possibilities of CDM. A targeted series of workshops for specific industrial sectors (e g cement industry, metallurgical industry…) would increase the potential for CDM projects.

3.3. Stakeholders

The main stakeholder interests in implementing the project are:

- The interest of several EU Member States and countries in the EECCA to participate in the Kyoto mechanisms. A number of Member States have the intention to meet part of their Kyoto targets through such projects.

- The interest of industrial stakeholders both in EU and the EECCA for benefitting from the JI and CDM instruments.
- The need for the relevant authorities to be get the capacity to build and maintain national systems for monitoring and reporting of GHG emissions .

The final beneficiaries are the global population as Climate Change is a world-wide problem. The population of the states of the EECCA will also receive a side benefit from the project as any emission reduction carried out to reduce green house gasses will also reduce improve air quality in the surrounding area.

3.4. Risks and assumptions

The main risk will be lack of cooperation from, in the first group, ministries, parliaments and other relevant state institutions, and in the second group, firms and industries. Another risk is that in both groups there will be a lack of staff or resources to follow up on the outcomes of the projects.

3.5. Conditionalities

For the first group of countries, the main conditions to be met are that the ministries and institutions in the beneficiary countries involved are willing to dedicate the necessary competent staff to the task and proper consultations between ministries and parliament on the tasks to be performed will take place early in the project.

For the second group, it is rather firms and industries both state and private, which must be willing to dedicate the necessary competent staff and implement the proposed actions in their day to day activities.

3.6. Crosscutting issues

Environmental sustainability, good governance

4. IMPLEMENTATION ISSUES

4.1. Implementation method

Centralised management

4.2. Budget and calendar

The budget is € 5 million with the whole amount earmarked for servicesThe duration of the project foreseen is a maximum of 36 months.

During the development of the project, it may occur that sub-components concerning awareness raising and communication could be best utilized within the remit of the Regional Environment Centres (REC) located in the TACIS region. RECs are international organisations whose mandate is to assist in solving environmental problems through the support of civil society. If this option proves valid, a part of the funds may be set aside for direct agreements with the relevant RECs.

The contribution of the beneficiary countries should be in kind: providing office space and/or accommodation and the necessary time of government staff or from staff of other publicly funded institutions involved in the project.

4.3. Procurement and award of grants procedures

All contracts implementing the financing agreement must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question.

4.4. Performance monitoring

Monitoring will be implemented through the regular monitoring program.

4.5. Evaluation and audit

Evaluations and audits will be carried out using standard EuropeAid procedures.

Annexes

Annex 1: Country by country sector analysis

In 1996 Armenia received UNDP/GEF assistance to implement the Climate Change Enabling Activity, which led to the creation of the initial National Communication to the Conference of Parties. This included a greenhouse gas emission inventory made in accordance with the IPCC guidelines, a vulnerability assessment, a general description of available or envisaged adaptation options, and involved training and outreach activities.

The Enabling Activities project reached Phase II so that Armenia can assess capacity and identify priorities required for abatement and adaptation to climate change. The project aims to strengthen and maintain in-country capacity for realization and transfer of the technologies required for abatement and adaptation to climate change; create conditions for further studies and systematic observations on climate change and its impacts on different sectors of the economy, health and the environment; enhance public awareness and involve the stakeholders in climate change related issues. The project will be completed by the end of 2003.

As a non-Annex I party to the UNFCCC, Azerbaijan has received assistance for the preparation of the First National Communication on Climate Change from UNDP/GEF. All state institutions involved in the work of the State Commission on Climate Change and a number of local NGOs such as the “Ruzgar” environmental society, the Green Movement of Azerbaijan, and the Environmental Protection Society have participated in the preparation of the First National Communication, which was completed in May 2000. Under the project, the following activities were implemented:

- § Development of the national inventory of anthropogenic emissions and greenhouse emissions not controlled by Montreal , for 1990 –1994;
- § Evaluation of measures to limit anthropogenic greenhouse emissions in various sectors of agriculture, elaboration of proposals to be used for implementation of the respective national policy in this field;
- § Studies of impact assessment and vulnerability of ecosystems and important sectors of the national economy, and development of mitigation measures against potential climate change effects.

Belarus, with the assistance from GEF and the World Bank, has developed their national GHG inventory, conducted climate change impact and vulnerability assessment, produced its First National Communication, and started developing the National Climate Change Strategy. Inventory of GHG gases was developed for 1990, 1995, 1999 and 2000. IPCC Guidelines for 1996 and 2000 were used. Developed inventories were not presented in the common reporting format (CRF). The national GHG inventory requires further development and

improvements. In the future, CRF should be used, inventories of missing years should be developed. Quality Assurance and Quality Control procedures were not used. Moreover, there is no national system that could support development of the national GHG inventory on an annual basis.

Georgia acceded to the UNFCCC in 1994, and a presidential decree established a State Committee on the Problems of Climate Change (SCPCC) in 1996 to implement Georgia's commitments. In accordance with obligations set out in the UNFCCC measures for adequate adaptation to climate change were worked out, and a National Programme and Action Plan were set up. Georgia is an active participant of the UNFCCC process and is represented on the CDM board. Armenia is also actively working on creating its CDM institutions. The priority area of capacity building support for Armenia is in further development of the CDM infrastructure and in technology transfer. Information outreach, training, and public awareness among various government, public and private stakeholders, as well as vulnerability and adaptation research are other areas where assistance is needed.

Kazakhstan is to be commended for having achieved a workable system for carrying out its annual GHG inventory using budgetary resources. However, an adequate legal framework is still needed to make provisions for the sharing of company- and sector-specific data on GHG emissions by the various sectoral ministries. As part of the process of qualifying as an Annex I Party for the purposes of the Kyoto Protocol and to having access to JI , Kazakhstan needs to set in place a national system for verification, certification and monitoring of such projects.

Kyrgyzstan's priorities in climate change are: to create permanent institutional capacity (e.g. climate change centre) to provide climate change information and to coordinate climate change policies and mitigation actions; to enhance capacity to prepare GHG inventories, including improving data collection systems and creating sustainable institutional inventory capacity.

Although the Republic of Moldova is currently not a significant contributor of GHG, the country is vulnerable to changes in the climate particularly in terms of water resources, public health, soil degradation and agricultural/forest production. A wide range of adaptation actions is under development in the Republic of Moldova for the minimization of the climate change impacts on different systems and areas of activity. The most important of them include development and implementation of programs for rehabilitation and extension of forests; approximation of natural resource management to the principles of sustainable development of the national economy sectors.

In the Russian Federation, national guidelines for JI project and a national system for monitoring and reporting of GHG emissions are not yet established. The Government of Russia has established a national action plan to implement the Kyoto Protocol for which the Ministry of Economic Development and Trade is in charge. .

With regards to outstanding capacity needs, Tajikistan identifies developing an expert base for implementation of the Clean Development Mechanism, particularly project development; improvement of inventory management in certain sectors, such as energy and industrial processes; strengthening capacities to identify and evaluate adaptation measures; and finally, improving availability of information on climate change.

Turkmenistan's priority areas for capacity building for UNFCCC and Kyoto Protocol implementation include raising public awareness on climate change, improving the quality of National Communications, enhancing the capacity for

implementation of Kyoto Protocol, and creation of the National Climate Change Centre.

Ukraine plays a key role in international efforts to combat climate change. First, it is currently the eighth largest source of greenhouse gas emissions in the world and was the sixth largest source in 1990. Second, Ukraine's transitional economy offers many cost-effective ways to mitigate emissions, particularly in industrial sectors. These sectors have a large potential for modernization and efficiency improvements. However, Ukraine will be able to realize this potential only if it develops the capabilities necessary to comply with its international obligations.

In Uzbekistan the initial work on meeting the commitments specified in the UNFCCC started under the GEF/UNDP project 'Uzbekistan Country Study on Climate Change' (Enabling Activity Phase I and II) in 1999-2001. The project supported preparation of the Initial National Communication, including development of the National Strategy on reduction of emission of greenhouse gases, and capacity building in key priority areas (technology assessment). GEF/UNDP also supported a feasibility assessment on Removing Barriers to Energy Efficiency in Municipal District Heating, however it did not develop into a full-scale project because of the lack of co-financing.

In 1999, the World Bank National Strategy Studies Program completed its Study on the Uzbek National Strategy for GHG Reduction. The study was compiled by local officials and examined GHG emission projections, evaluated potential use of the mechanisms, identified barriers, as well as legislative and institutional prerequisites for their implementation. It also developed a pipeline of 10 potential CDM projects. Two potential CDM projects from Uzbekistan are included in the PCF pipeline - rehabilitation of the Tashkent and Andijan district heating systems of which the latter is underway.