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Successful climate mitigation through emissions trading

Ukraine mitigates climate change by introducing a nationwide emissions trading system



The challenge: Government facing major challenges

Climate change is already having a marked impact all over the world and presents major challenges for countries. Emissions trading systems are designed to help combat climate change: governments set upper limits, called ‘caps’, for greenhouse gas emissions in their countries. Companies receive emission allowances, permitting them to emit defined quantities of greenhouse gases. Depending on their emissions, companies can either use these allowances themselves or sell them to other companies. The cap is lowered over time by the government, reducing total emissions.

The Ukrainian economy continues to be dominated by heavy industry. In terms of economic output, the country’s carbon dioxide emissions are three times the EU average. Even by global standards, emissions in Ukraine are twice the average. This is one important reason why Ukraine has committed to developing its climate policy. One of the commitments under the Association Agreement between the European Union and Ukraine is the introduction of an emissions trading system.

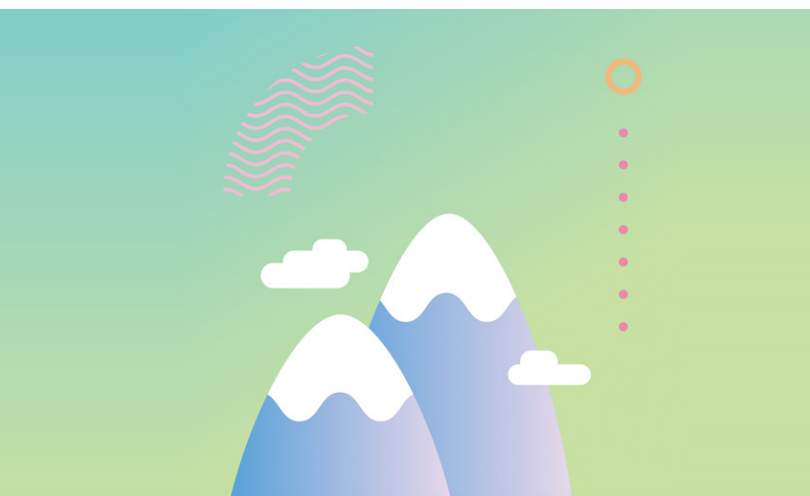
Project title:	Support for the Establishment of an Emission Trading Scheme (ETS) in Ukraine
Commissioned by:	Federal Ministry for Economic Affairs and Climate Action (BMWK)
Implemented by:	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
Lead executing agency:	Ministry of Environmental Protection and Natural Resources of Ukraine
Project area:	Ukraine
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The Ministry of Environmental Protection and Natural Resources of Ukraine is responsible for mainstreaming the reform. This complex and ambitious task poses major challenges for the ministry and offers an opportunity for support, knowledge transfer and exchange of experience.

Our approach: Enabling climate change mitigation

On behalf of the German Government, GIZ is supporting the Ministry of Environmental Protection and Natural Resources of Ukraine in establishing an emissions trading system (ETS). Working hand-in-hand with the ministry, GIZ supports the launch of a Monitoring, Reporting and Verification (MRV) system, which is one of the fundamental components of the ETS. Project experts assist the ministry in establishing a legal framework, as well as introducing a special data management system, which will contribute towards a reliable and precise emissions database.

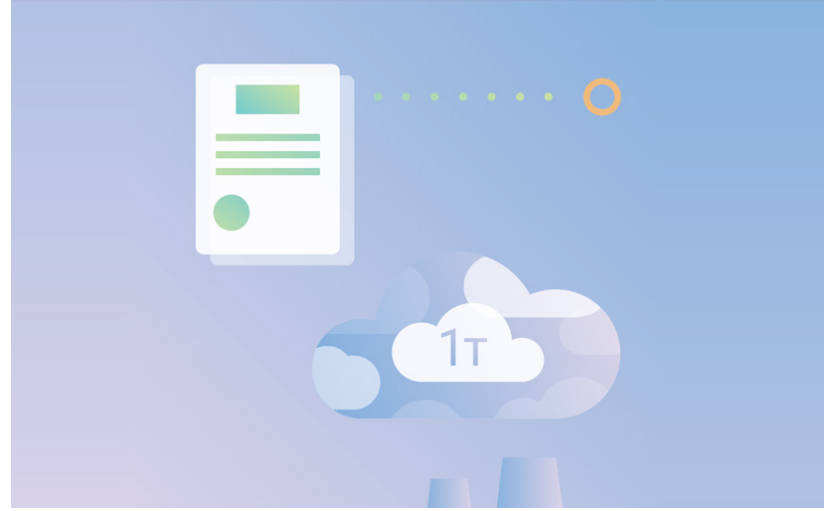
A sound emissions database will enable the ministry to proceed with the next important step in establishing an ETS – the determination of the emissions cap. Project experts advise ministry employees on possible options on cap-setting and their possible economic impacts, ensuring the



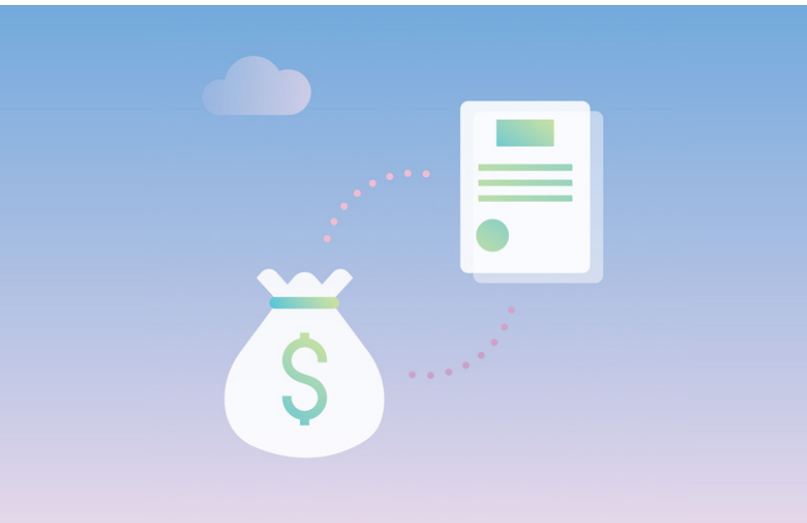
Limiting greenhouse gas emissions makes a contribution to climate change mitigation

close involvement of all relevant stakeholders in the process. As a result, the final ETS will not only be effective and proportionate but will also enjoy a high level of public support.

The ETS is a transparent and efficient instrument for reducing emissions at the lowest possible national economic cost. The emission allowances can also be traded: companies that have reduced their greenhouse gas emissions can sell their unused allowances to companies that exceed their emissions allowance. Trading puts a price on the allowances and therefore on emissions. The income generated by selling unused allowances can be used by companies to purchase or partially refinance environmentally-friendly technologies. This benefits not only efficient and low-emitting companies in Ukraine, but also the environment and the population.



There must be an allowance for each ton of emissions



ETS puts a clear price on greenhouse gas emissions

Our results: Monitoring, Reporting and Verification system launched

GIZ advises all relevant actors as part of its support. At the governmental level, measures include assistance in designating an authority and responsible structure under the Ministry of Environmental Protection and Natural Resources of Ukraine to implement the ETS. GIZ supports the ministry in drafting necessary secondary legislation and subordinated legal acts, as well as in establishing the Monitoring, Reporting and Verification (MRV) system, which was successfully launched in January 2021 and shall cover more than 1,000 Ukrainian installations.

In order for the competent authority to professionally evaluate, process and store emission data, project experts are developing a special web-based tool. This tool is designed also to support companies to register installations and submit monitoring plans and annual emissions reports in a fast, easy and user-friendly way. The project also provides training on MRV issues for the competent authority and involved state participants.



Ruslan Strilets, Minister of Environmental Protection and Natural Resources of Ukraine:

„The emissions trading system will not only become an effective market-based tool to combat climate change, but will also allow Ukrainian companies to introduce climate-friendly technologies and remain competitive in international markets, even with the launch of the Carbon Border Adjustment Mechanism (CBAM).“

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