KYOTO PROTOCOL, RUSSIA AND GLOBAL ECOLOGICAL MARKET

By the
NP «National
Carbon Union»

Implementation of The Kyoto Protocol, Energy Efficiency and Climate Change Mitigation
Geneva, 29 June 2005

National Carbon Union

- *Non-profit organization*
- *Created in 27 July 2003*
- *Our membership includes representatives of the leading Russian industrial and energy companies, engineering companies, investment funds and banks*
- **Totally – more than 40 % RUSSIAN GHG- emissions**

Goals and tasks of NCU

- *Participation in elaboration of proposals and recommendations for legislative decisions of Russian authorities in the frame of Joint Implementation projects and GHG emission reductions trade;*
- *Active involvement of business companies, to participate in the developing of the long-term GHG "cap and trade" system on the basis of stabilizing energy intensity;*
- *Development of the trading mechanism concept;*
- *Creating of the information and analytical system «GHG emissions»;*
- *Launching of the pilot trading stage.*

Goals of the National ETS

- ✓ *Market Mechanism of energy saving*
- ✓ *GHG-emissions reduction*
- ✓ *Complying with the requirements of Kyoto protocol*
- ✓ *Mechanism of transfer of emissions reductions*

Solution:

Carbon Units Market

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Terms and definitions

Emitter *– legal unit, responsible for the control of the emissions limits*

Emissions source *– industrial object (production unit) carrying out emissions*

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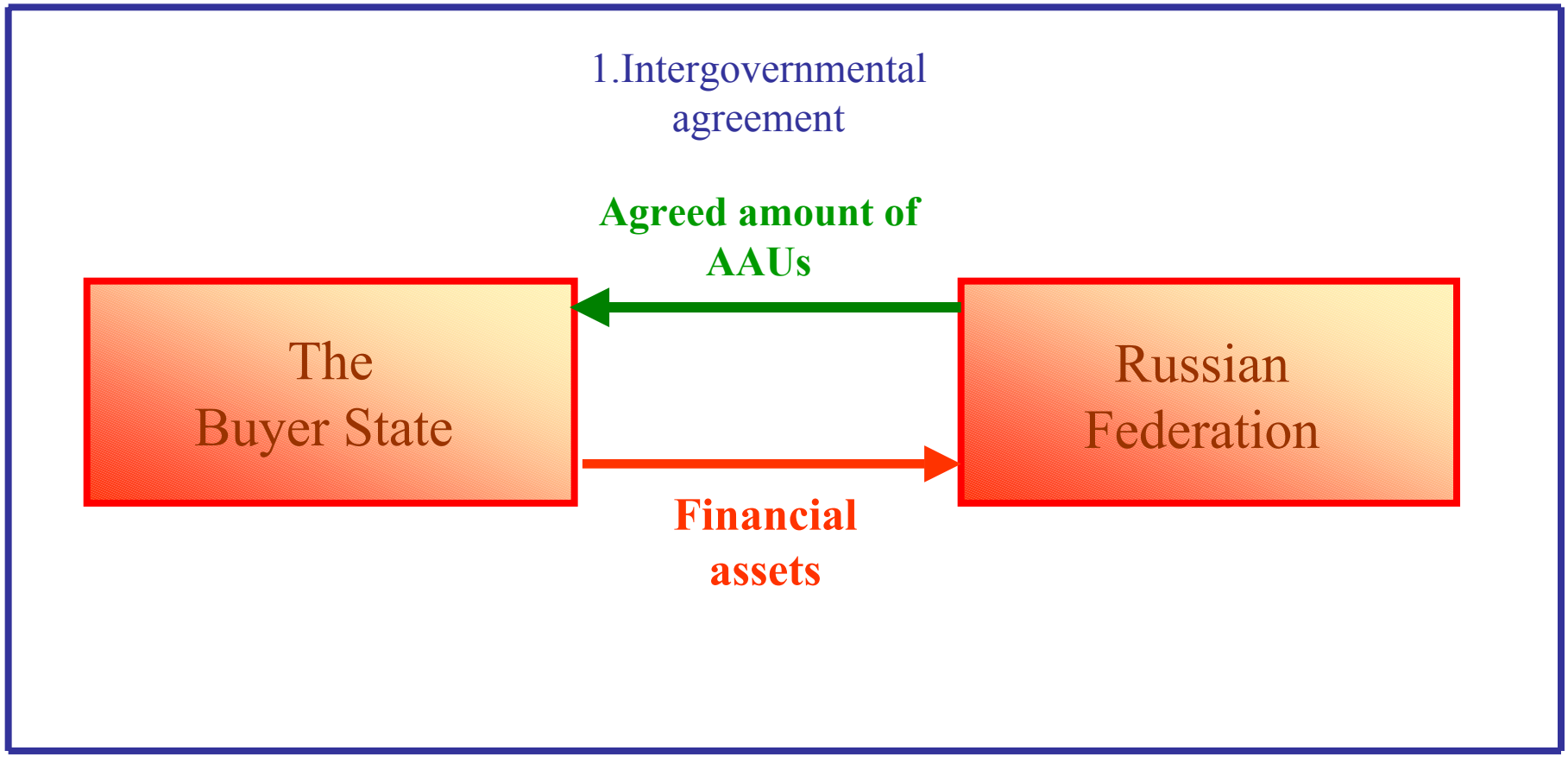
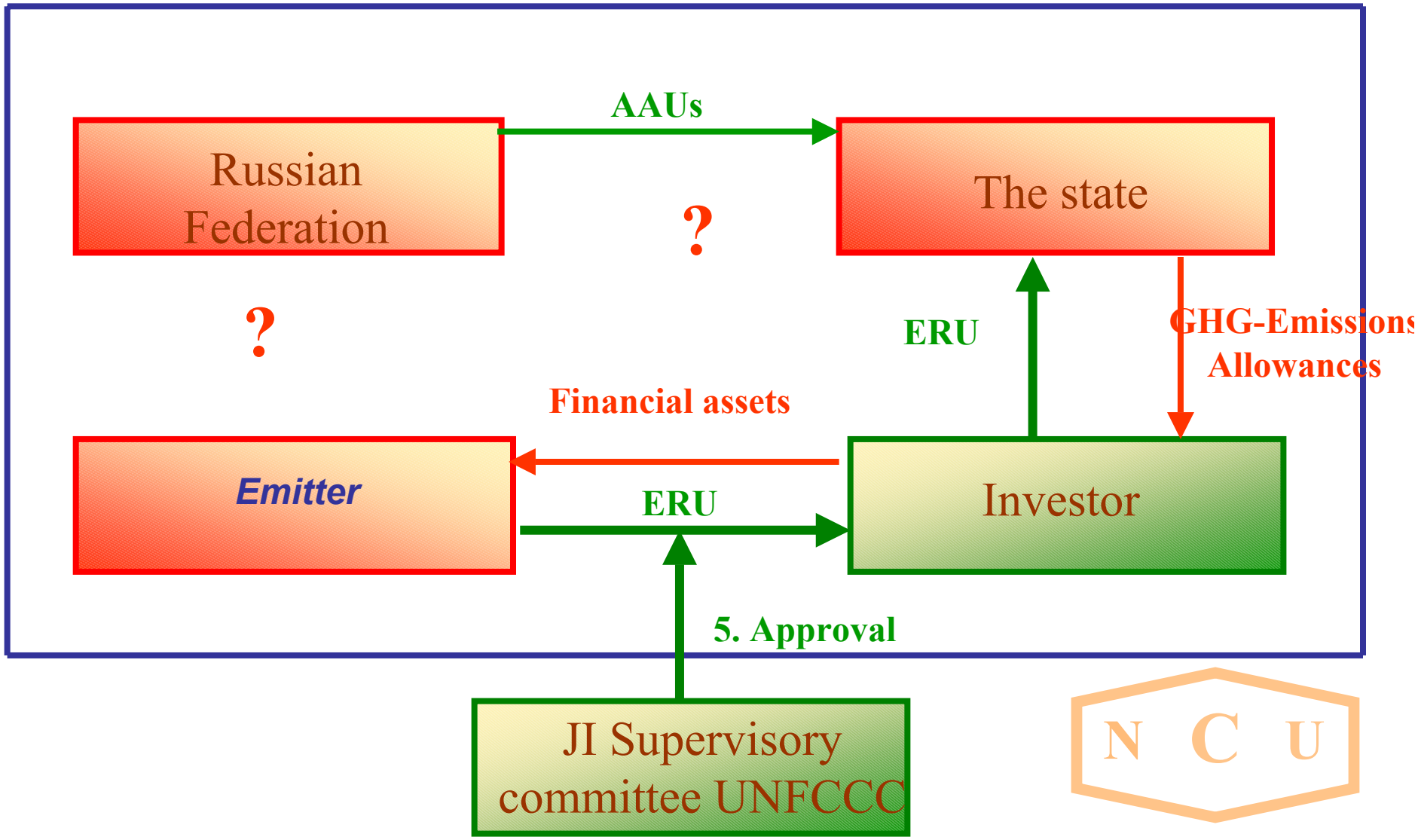
Article 17 of Kyoto protocol



Article 6, 17 and EU-ETS Directive



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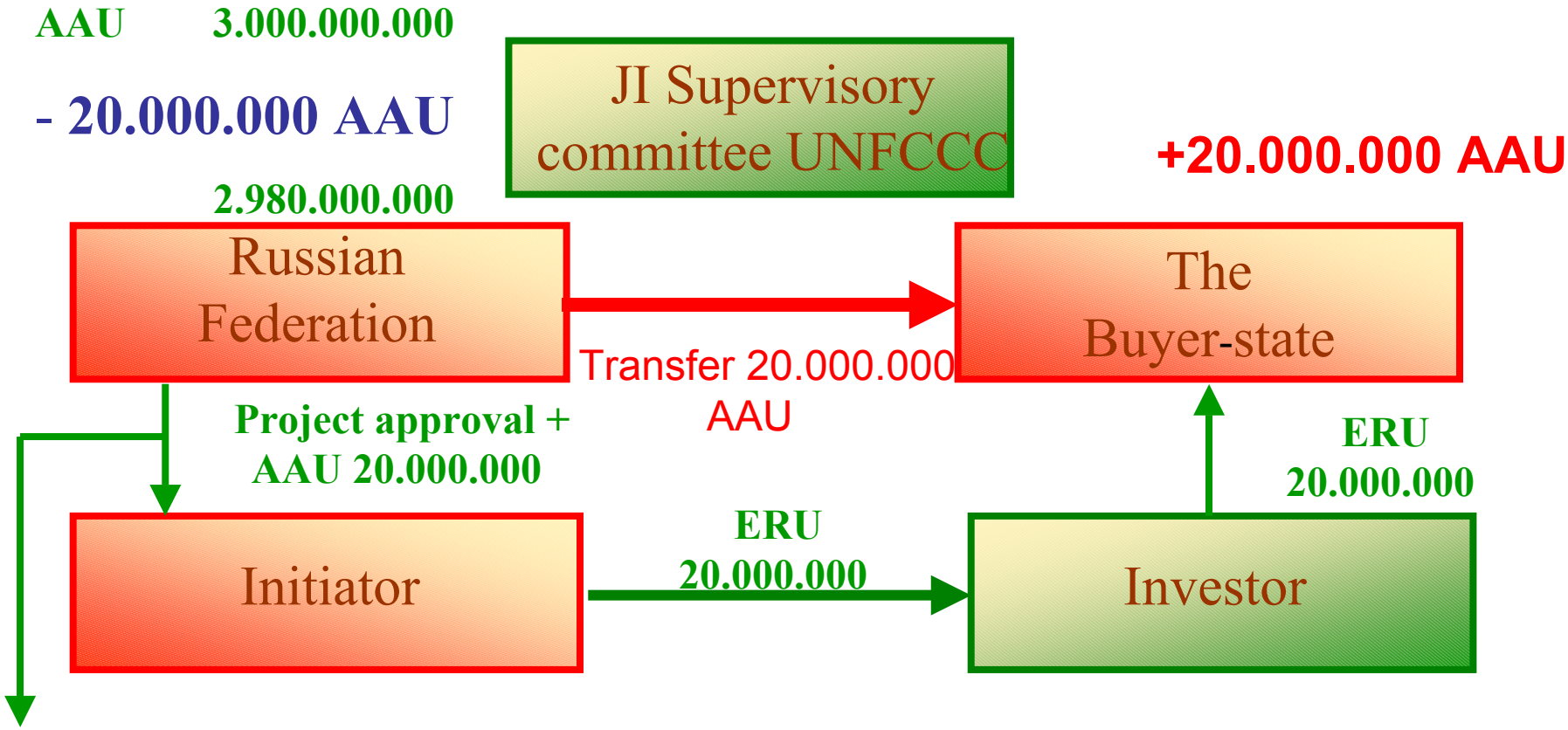
Practical aspect for article 6 of Kyoto protocol



Existing legislative basis for the JI-projects in Russia:

1) Privatization – the Federal Law "On privatization"

2) The contract for managing of AAU-amount – Budget code, Civil code

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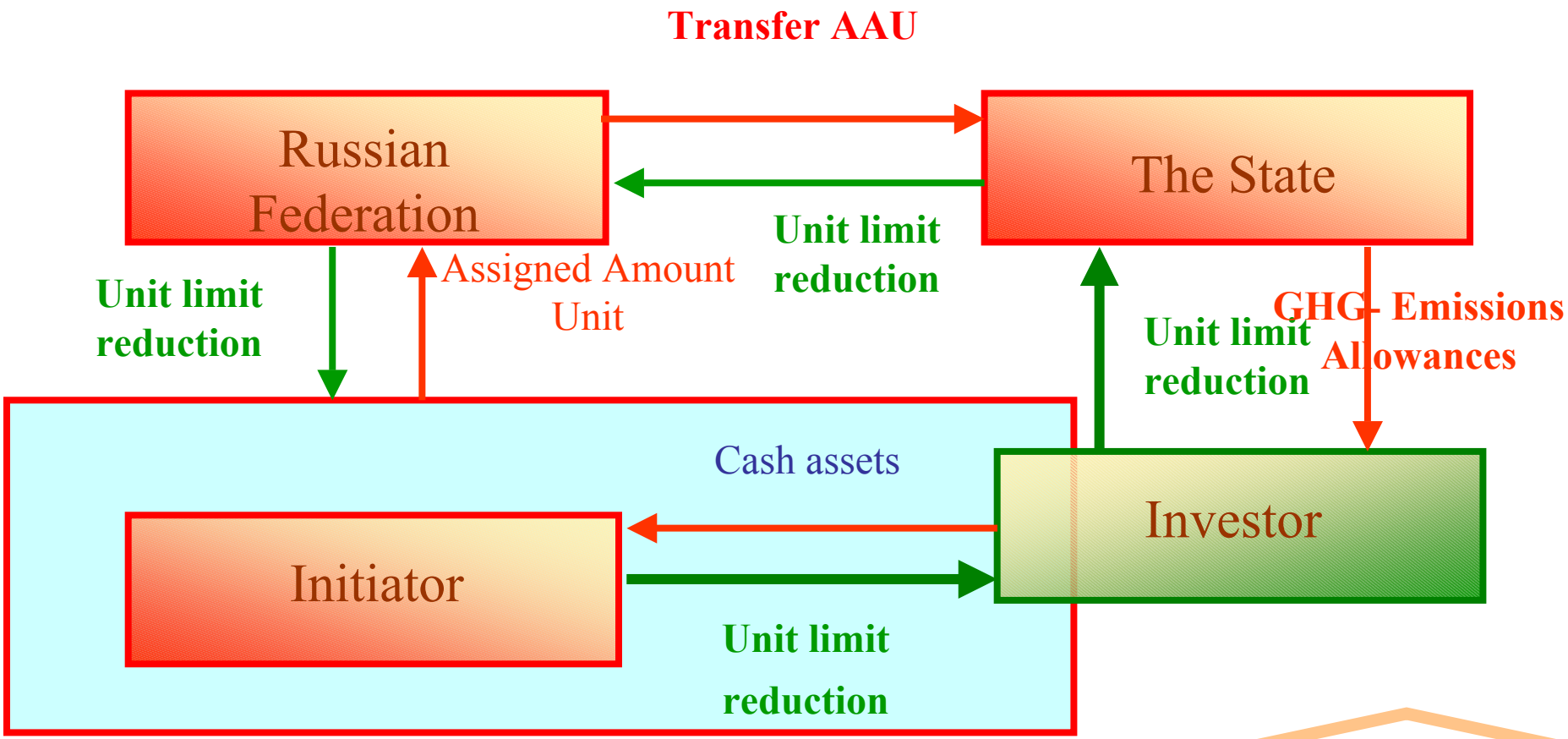
Article 6,17, EU directive and Russian emissions trading system



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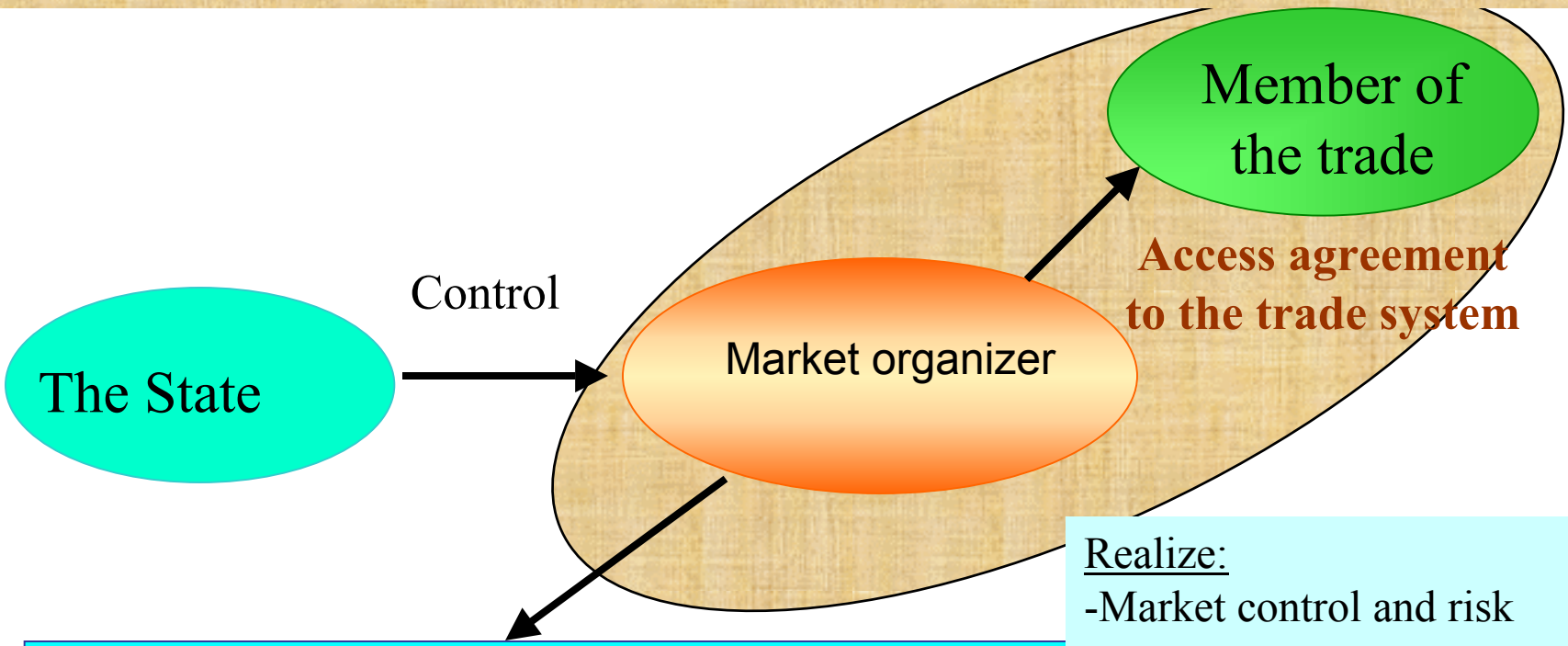
The scheme of building up the units limits



Develops the market infrastructure:
- Trading system;
- Payment system;
- Register of the Units Limits owners;
- National inventory of the GHG-emissions.

Realize:
- Market control and risk management;
- Information database.
- Guarantees to the State.

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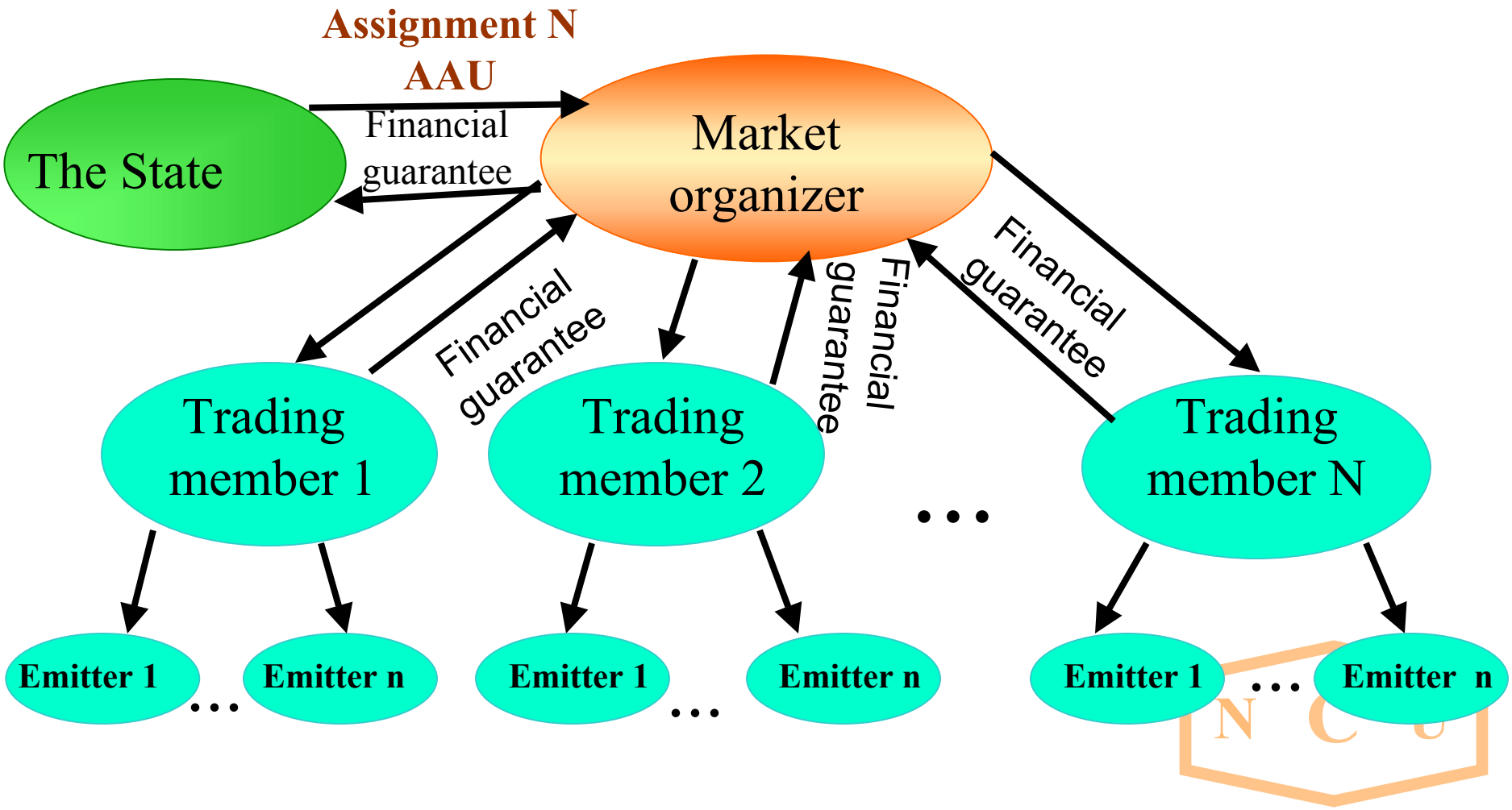
The scheme of cooperation of the State, Self Regulation Organization and the trade members.



Definition of the emissions limits for the single source

Emitter

Responsible for the control of the fixed limit, updated by the results of the financial year of the budget period based on activities emissions accounting system

Emissions source 1

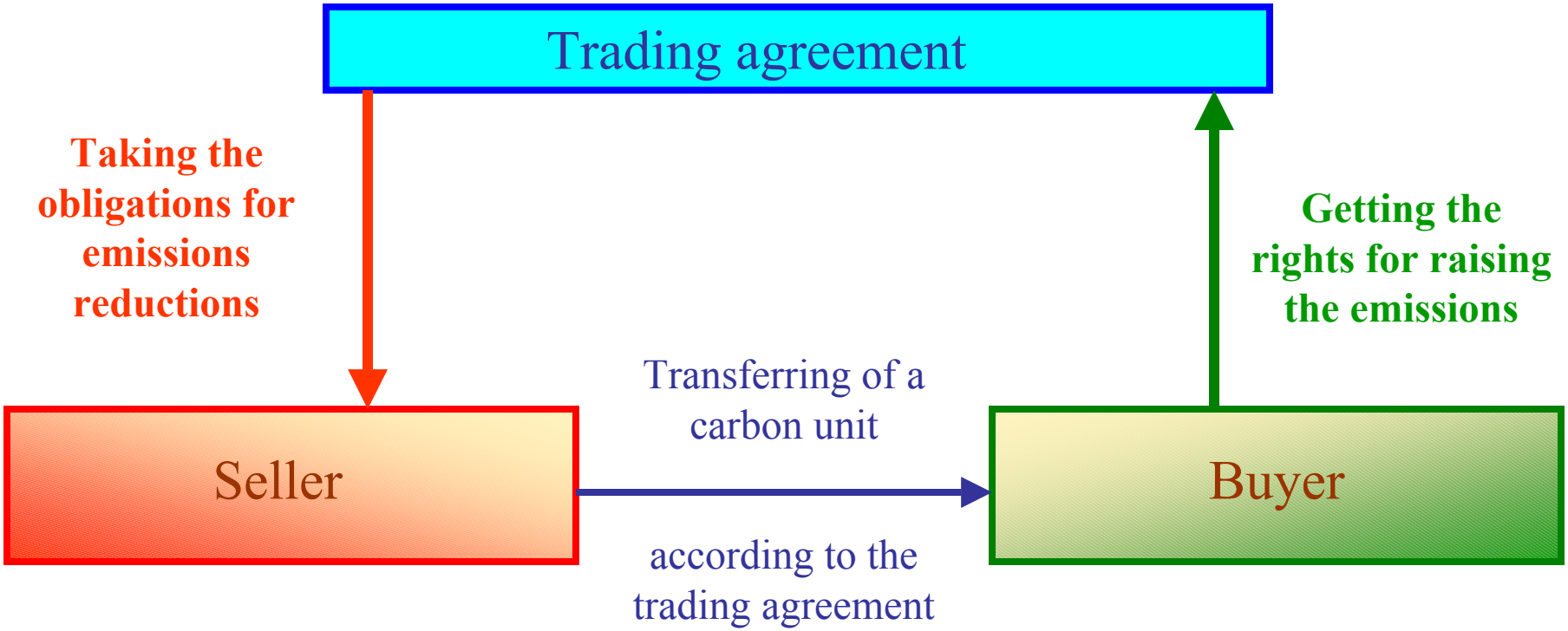
Emissions source 2

Emissions source N

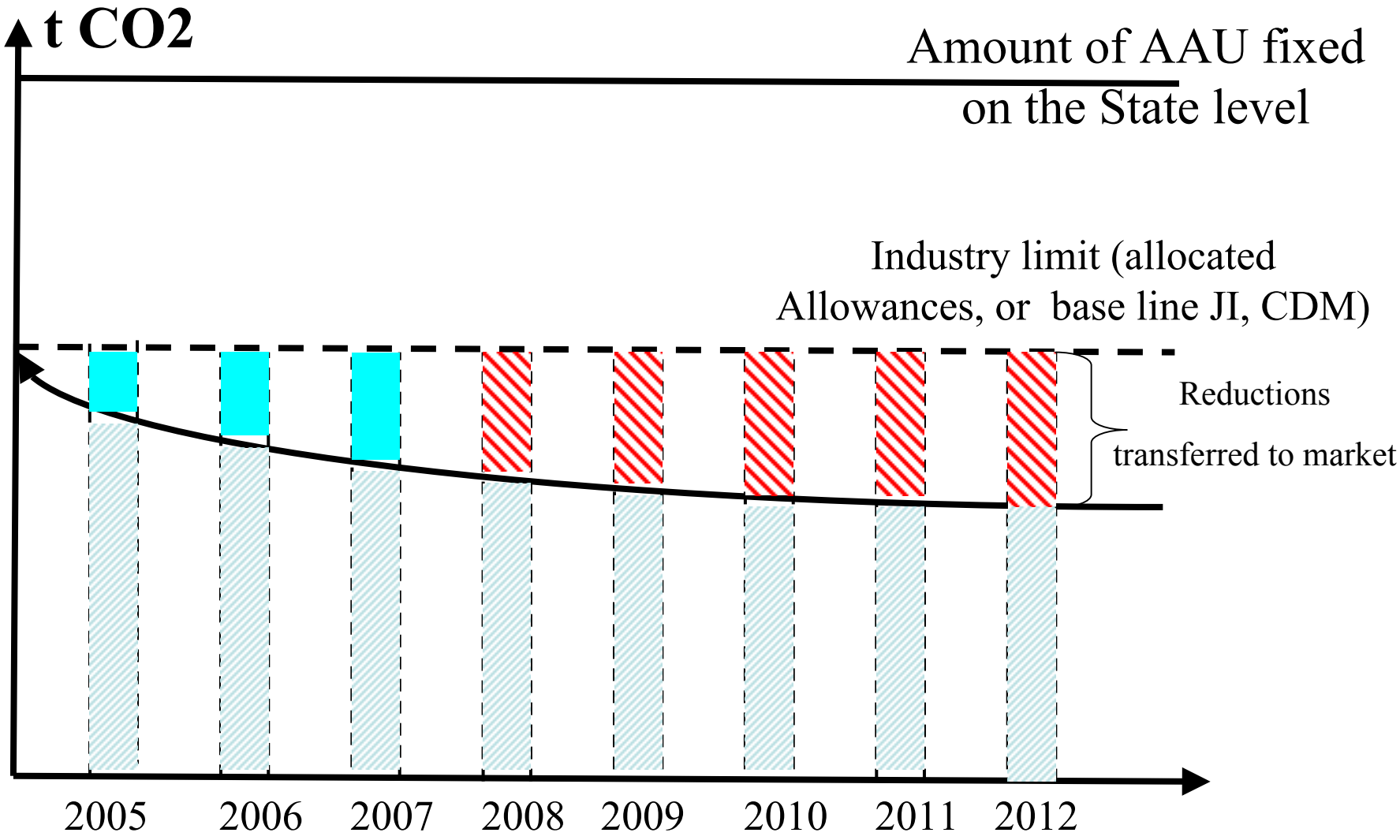
Automated monitoring and single branch methodologies

(Issuance of “carbon” passports to the sources)

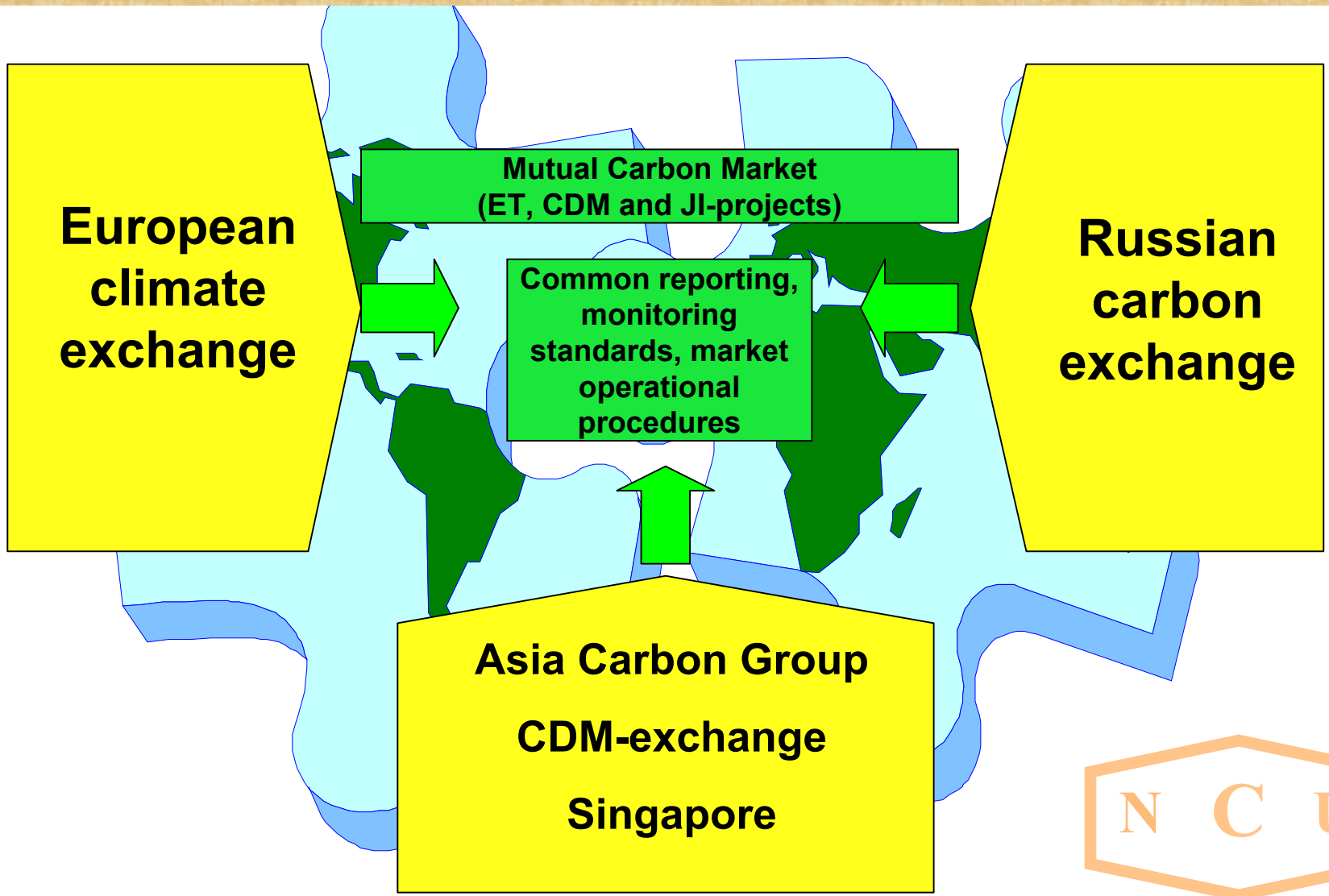
Carbon Units trading



The possible part of AAU on the market for the professional participants



Mutual European-Asia-Russian Kyoto Market



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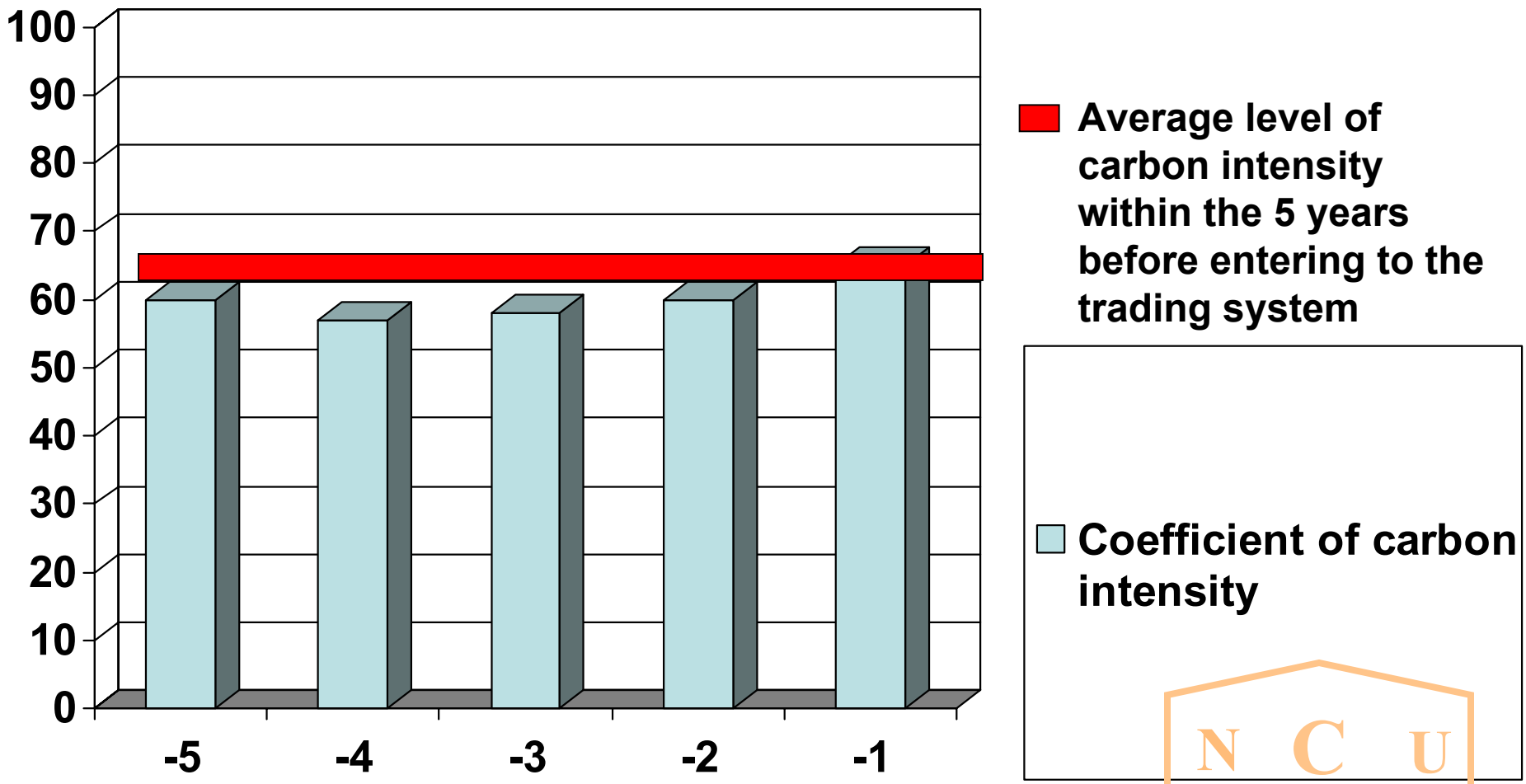
The order of definition of the emissions limits
(allocated Allowances)



Carbon intensity indicator and emissions limit for the emitter

Carbon intensity indicator of the source

$$K^C = \sum_{-1}^{-5} (V_{ghg} / V_{fl}) / 5, \quad \textit{where}$$

V_{ghg} – *the volume of greenhouse gases emissions of the source*

V_{fl} – *the volume of the factory load of the source*

Calculations are made by the results of 5 previous years

Emissions limit for the emitter

$$lim^{e} = \sum_{1}^{N} V_{fl1} \times K^C, \quad \textit{where}$$

V_{fl1} – *the volume of the factory load of the source by the year of the budget period*

K^C - *Carbon intensity indicator of the source*

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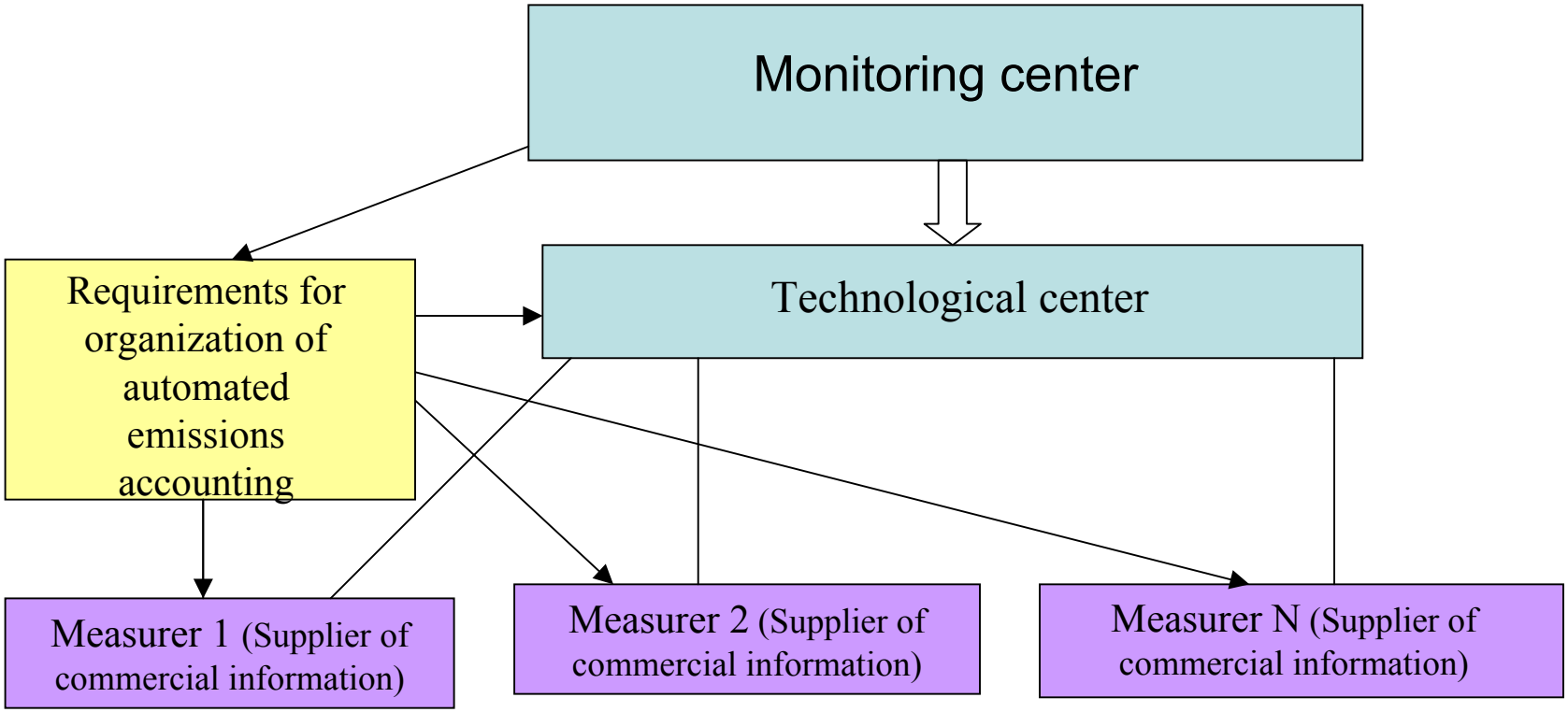
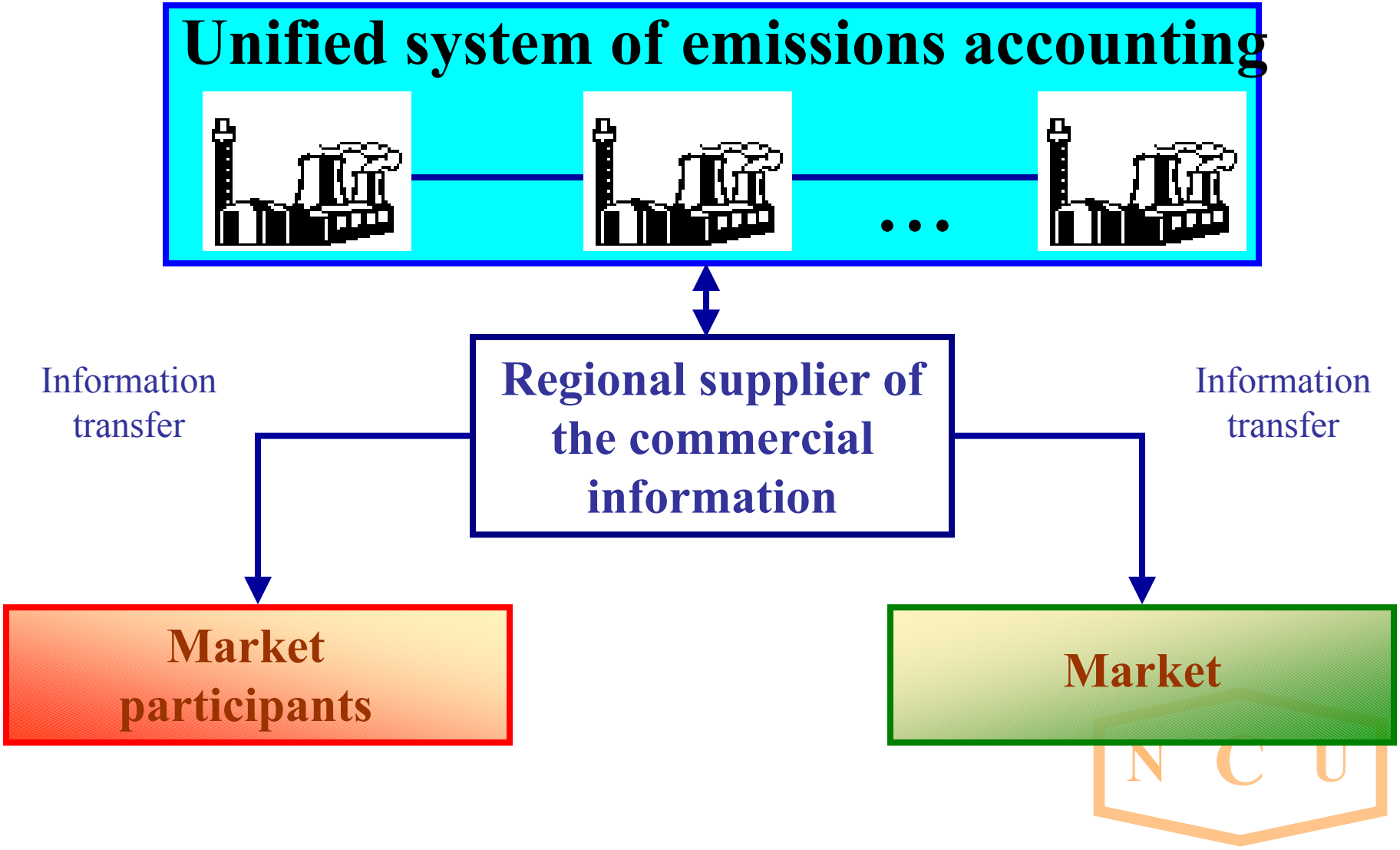
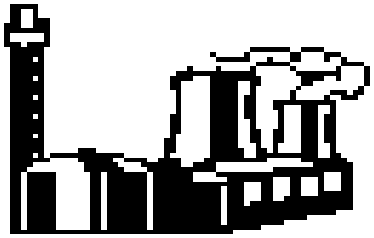
Monitoring system



GHG-emissions monitoring



Requirements for emitters to enter the market



Ecological passport of the GHG-emitting enterprise includes :

1) GHG-emissions baseline - emissions level for the latest reporting year,

2) Coefficient for calculation of GHG-emissions regarding the unit of consumed fuel.

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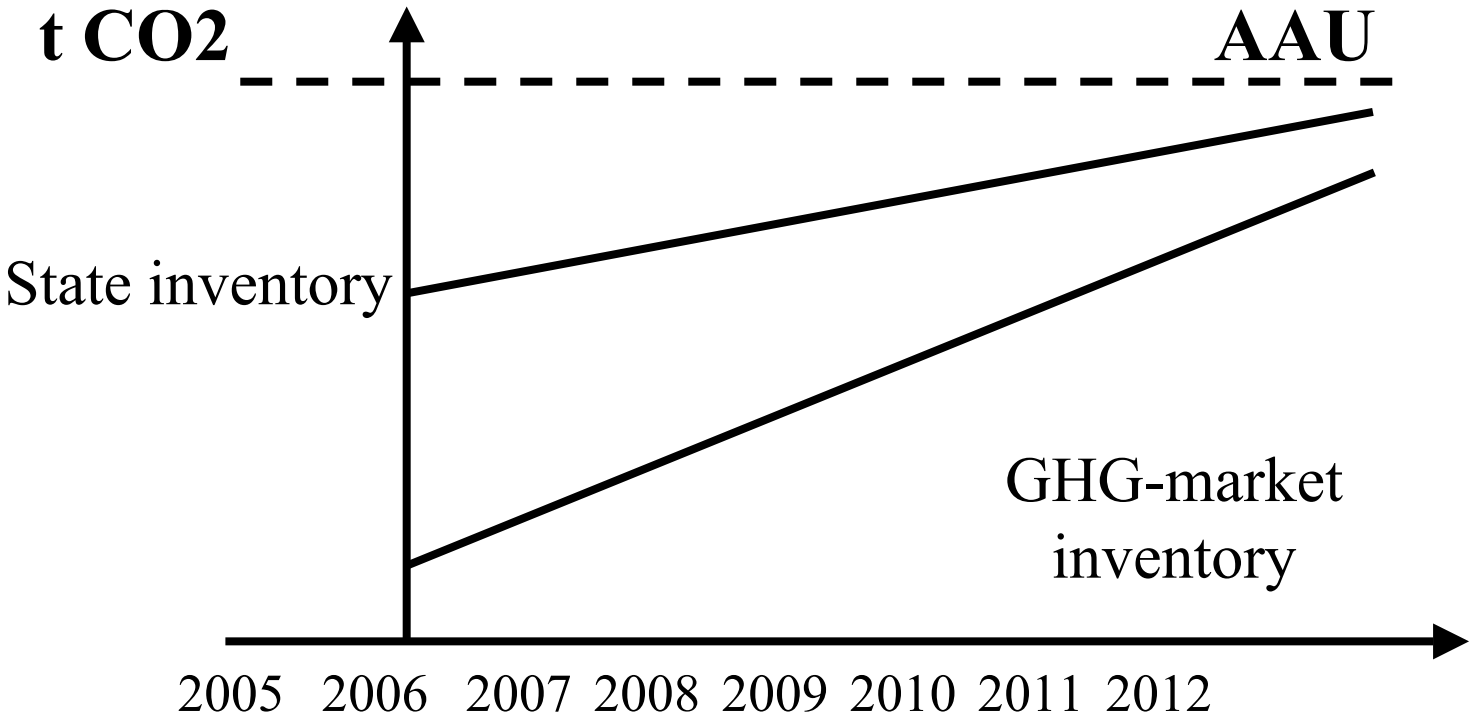
GHG-emissions inventory



✓ State inventory - statistics reports of industry branches (fuel balance, fuel and energy losses data, etc.)

✓ Market inventory - electronic system (devices) of GHG-emissions measuring at the enterprises that enter the market.

The unit limit reductions

- ✓ Issued for standardized volume of AAUs .
- ✓ Is valid during 1 year (at the end of the year is cancelled).
- ✓ Seller of the unit limit takes the obligations and buyer gets the rights for the corresponding emissions (due to the trading agreement)
- ✓ Is a Blank form document.

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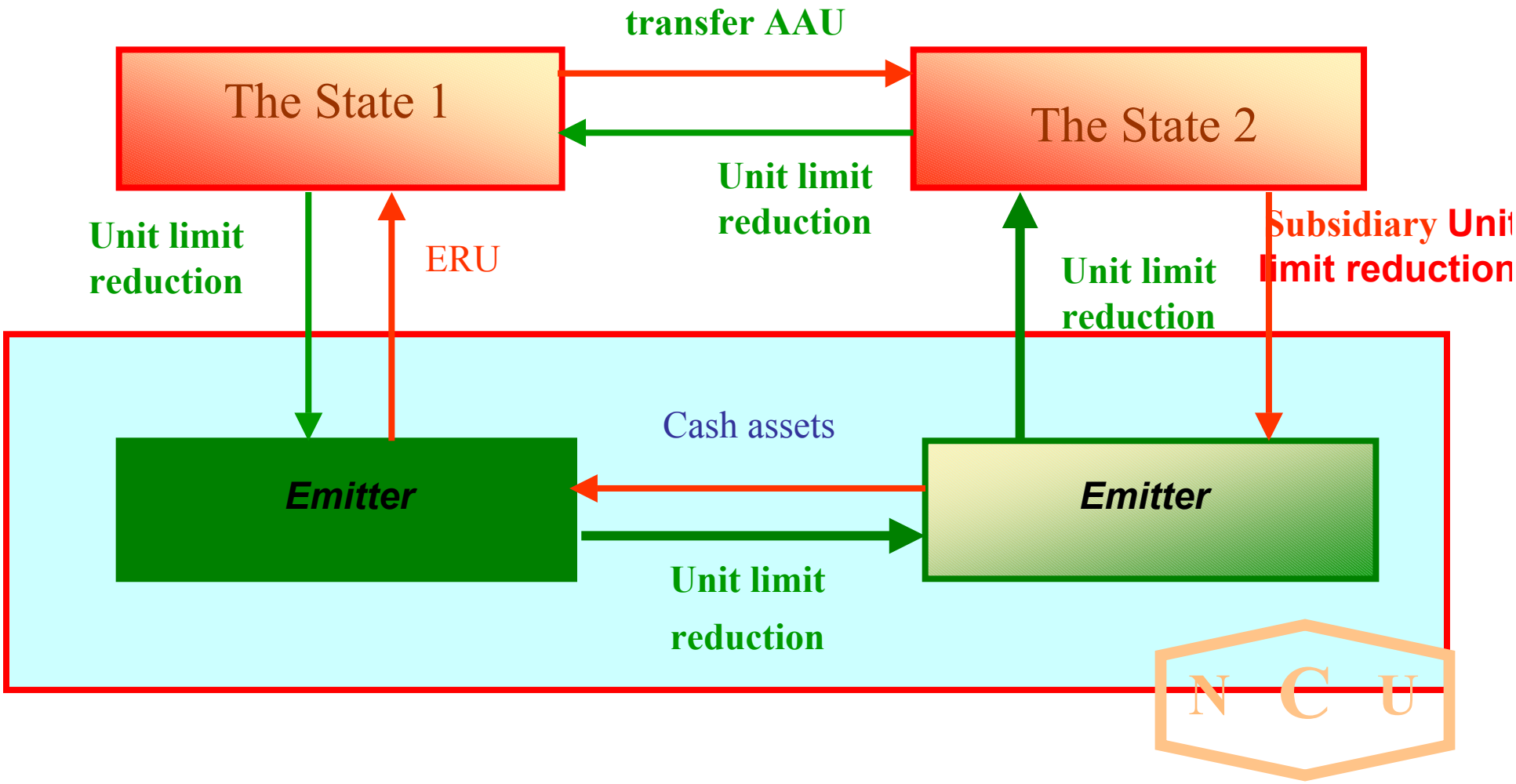
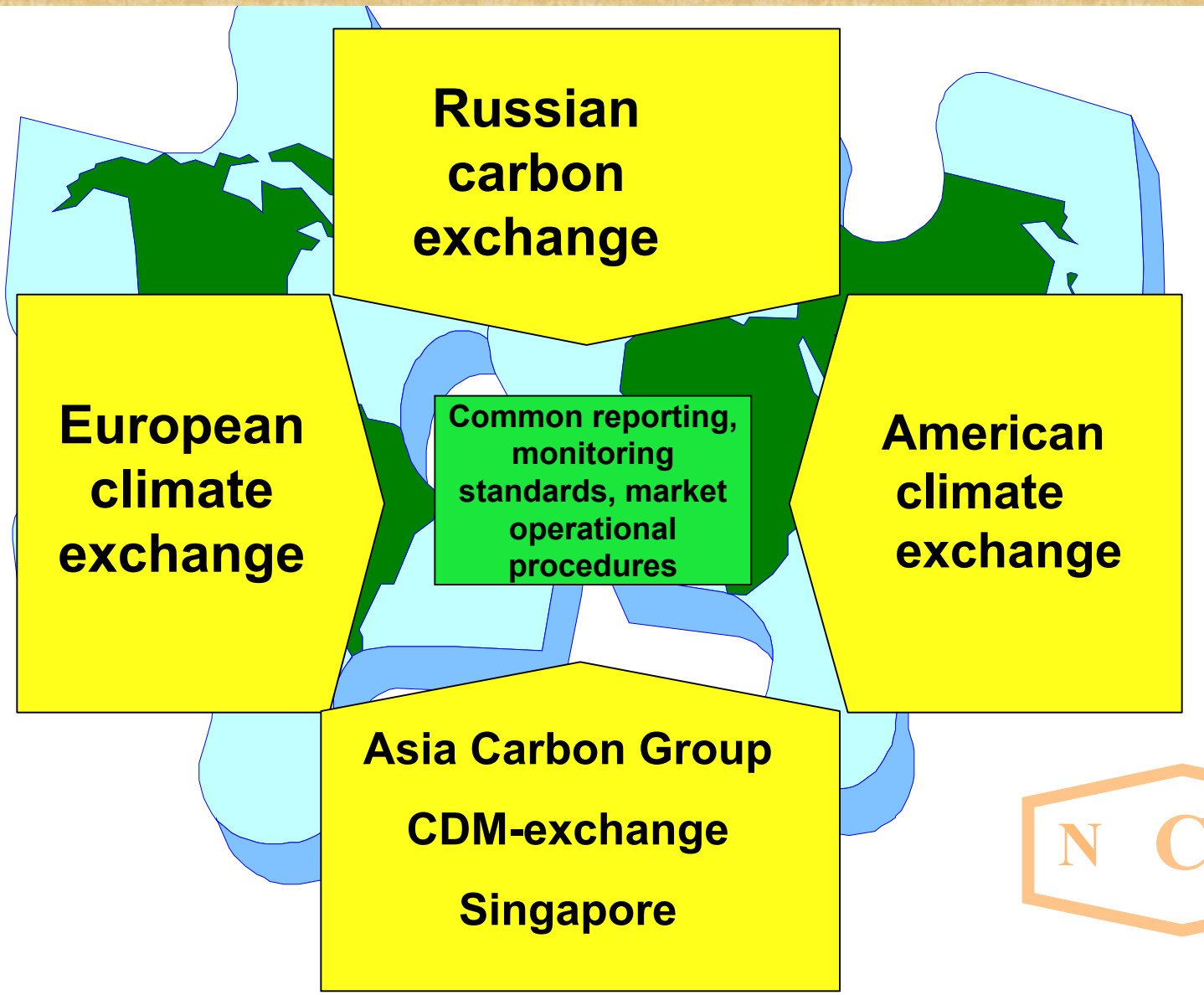
World market currency



Global Carbon Market – source world ecological market



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