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

Emissions source – industrial object (production unit) carrying out emissions
Article 17 of Kyoto protocol

1. Intergovernmental agreement

Agreed amount of AAUs

The Buyer State

Russian Federation

Financial assets
Article 6, 17 and EU-ETS Directive

Russian Federation

Emitter

The state

Investor

JI Supervisory committee UNFCCC

AAUs

Financial assets

ERU

ERU

5. Approval

GHG-Emissions Allowances

5. Approval
**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
Article 6.17, EU directive and Russian emissions trading system

Diagram:
- Russian Federation
- The State
- Investor
- Cash assets

- Assigned Amount Unit
- Unit limit reduction
- Transfer AAU
- GHG Emissions Allowances
- Unit limit reduction
- Unit limit reduction

- Initiator
- Unit limit reduction
The scheme of building up the units limits

The State

Market organizer

Member of the trade

Access agreement to the trade system

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

Develops the market infrastructure:
- Trading system;
- Payment system;
- Register of the Units Limits owners;
- National inventory of the GHG-emissions.
The scheme of cooperation of the State, Self Regulation Organization and the trade members.

The State

Assignment N
AAU

Financial guarantee

Market organizer

Trading member 1

Trading member 2

Trading member N

Emitter 1

Emitter n

Emitter 1

Emitter n
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

Automated monitoring and single branch methodologies
(Issuance of “carbon” passports to the sources)
Carbon Units trading

Trading agreement

Seller
Taking the obligations for emissions reductions

Transferring of a carbon unit according to the trading agreement

Buyer
Getting the rights for raising the emissions

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

- **t CO2**
- Amount of AAU fixed on the State level

Industry limit (allocated Allowances, or base line JI, CDM)

Reductions transferred to market

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

Average level of carbon intensity within the 5 years before entering to the trading system

Coefficient of carbon intensity
Carbon intensity indicator of the source

\[ K^C = \sum_{-1}^{-5} \left( \frac{V_{ghg}}{V_{fl}} \right) / 5, \quad \text{where} \]

- \( V_{ghg} \) – 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**

\[ \text{lim} \ e = \sum_{1}^{N} V_{fl1} \times K^C, \quad \text{where} \]

- \( V_{fl1} \) – the volume of the factory load of the source by the year of the budget period
- \( K^C \) - Carbon intensity indicator of the source
Monitoring system

Monitoring center

Technological center

Requirements for organization of automated emissions accounting

Measurer 1 (Supplier of commercial information)

Measurer 2 (Supplier of commercial information)

Measurer N (Supplier of commercial information)
GHG-emissions monitoring

Unified system of emissions accounting

Regional supplier of the commercial information

Information transfer

Market participants

Information transfer

Market

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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.
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.
World market currency

The State 1

Unit limit reduction

ERU

transfer AAU

The State 2

Unit limit reduction

Subsidiary Unit limit reduction

Cash assets

Emitter

Unit limit reduction

Emitter

Emitter
Global Carbon Market – source world ecological market

Russian carbon exchange

European climate exchange

Common reporting, monitoring standards, market operational procedures

Asia Carbon Group
CDM-exchange
Singapore

American climate exchange

N C U