



TECHNICAL ASSISTANCE TOWARDS THE IMPLEMENTATION OF THE NEW PARIS CLIMATE AGREEMENT



**EDITION N:2**

# **ETS**

## **Newsletter**



The project is funded by the European Union

This newsletter contains a selection of news items and capacity building activities on the topic of emissions trading, with a focus on the EU Emissions Trading System.

The newsletter is provided in the framework of and with assistance from the European Union in the framework of the “Technical Assistance towards the Implementation of the New Paris Climate Agreement”.

The contents of the publication are the sole responsibility of the Consortium implementing the project and can in no way be taken to reflect the views of the European Union.

# The RIPAP

The Regional Implementation of Paris Agreement Project (RIPAP) aims to support beneficiary countries in the Western Balkan and Turkey with the implementation of the Paris Agreement.

The project will run from August 2017 until October 2018. Work is supported by DG Climate Action and DG NEAR.

The beneficiary states are:

- Albania
- Bosnia and Herzegovina
- Kosovo\*
- The former Yugoslav Republic of Macedonia
- Montenegro
- Serbia
- Turkey.

The two main purposes of the project are:

1. To support the beneficiaries to build their capacity for the implementation of the 2015 Paris Agreement and low emissions development strategies and
2. To support regional cooperation through the exchange of information, best practices, experience and awareness-raising between IPA beneficiaries.

The project contains 3 main components:

1. Awareness of relevant staff working in the beneficiary countries on the outcomes and provisions of Paris Agreement improved.
2. Upgrades of national GHG monitoring and reporting practices supported.
3. Strengthening the monitoring, reporting, accreditation and verification (MRV) requirements targeted at: operators, authorities and verifies under the EU ETS.

Each of the components will organise various capacity building activities, ranging from high-level political meetings to organisation of technical workshops and from knowledge exchange via an online portal to issuing of newsletters. This second edition of the ETS newsletter is a deliverable in *Component 3*.

\* This designation is without prejudice to positions on status, and it is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence



# Regional ETS developments

## Preparing for ETS in Montenegro



In the scope of the RIPAP project a study visit to Slovenia was organised to support Montenegro to prepare for implementation of ETS.

Representatives of the Ministry, of the Environmental Protection Agency and of key operators were informed on organisational choices, lessons learned and best practices in managing the EU ETS in Slovenia.

Montenegro ratified the Paris Agreement on 20 Dec 2017. A further important step forward is the planned adoption of the Law on Climate Protection.

The next training need identified is on the development of a monitoring plan for greenhouse gas emissions in the scope of the EU ETS.

## Next phase of ETS implementation in Turkey



With the end of the first phase of the PMR programme in sight (June 2018) the Turkish Ministry of Environment and Urbanization secured follow-up funding for the second phase.

Phase 2 aims at preparing Turkey in terms of legal, institutional and technical aspects towards piloting the suitable carbon pricing mechanism after 2020.

In June 2017 an IPA project started to support formulating strategies and actions towards low carbon development in Turkey.

The project activities aim to support implementation of the Paris Agreement as well as of harmonization to EU climate change legislation.

More information is available at: <http://www.lowcarbonturkey.org/>, [www.pmrtrkiye.org](http://www.pmrtrkiye.org)

# EU ETS developments

## Phase 4 revision

On November 9th, 2017 a political agreement was reached on the revision of the EU ETS for phase 4. The agreement includes:

- Reduction of the cap with 2.2% per year from 2021 (now 1.74%)
- Emission reductions outside of EU ETS are no longer valid for compliance (from 2021)
- Bringing 24% of the surplus of allowances in the Market Stability Reserve (2019-2023)
- Limiting the validity of allowances in the Market Stability Reserve that are above the auction volume of the previous year (from 2023)
- Updating the sectoral benchmark levels used to determine free allocation to reflect technological progress; reductions ranging from 0.2% to 1.6% per year
- Phasing out free allocation for less exposed sectors (from 2026)
- Support the clean energy transition via three low-carbon funding mechanisms: the Innovation Fund, the Modernisation fund and the continuation of the Article 10c derogation.



## Continuation “intra-European scope” for aviation

Another EU political agreement reached was to continue the geographical scope of the EU ETS for aviation limited to intra-European flights until at least end of the year 2023.

This was agreed to allow for the global system to offset emissions from aviation CORSIA to become fully operational. The EC will actively monitor this development and where needed revise the coverage of emissions from aviation under the EU ETS.



## Quick guides on MRV requirements

To support efficient and effective operation of the EU ETS the European Commission has published an extensive amount of guidance on various aspects of MRV regulations, including templates and exemplars.

To further assist use of guidance quick guides have now been published that provide a step-by-step list of actions with links to the relevant regulation and guidance. The quick guides are available at: <http://bit.ly/2FNWeUH>

# Global ETS developments

## Draft legislation Ukrainian ETS published



Ukraine published a draft legislative package on its ETS system on 9 January 2018. This includes the draft law on monitoring, reporting and third-party verification (MRV) of GHG emissions and the list of activity types subject to ETS. The provisions and scope of the Ukrainian ETS are based on the requirements of the EU ETS, facilitating the future linking of the systems. The draft legislative package is available (in Ukrainian) at: <http://bit.ly/2B9gLzp>

## Chinese national ETS



On 19 December 2017 China's national ETS was officially launched. At first the system will apply to approx.. 1700 larger power plants, representing about 1/3 of China's national CO2 emissions. Plants will need to have their CO2 emissions monitored, reported and verified. Trading in allowances is planned to be added to the system later.

The European Commission has supported EU-China cooperation on ETS in a 3-year project (€ 3.5M) in 2014-17 and recently started a follow-up 3-year project (€ 10M) for 2018-21.

## EU and California increase cooperation on ETS



Photo courtesy: Audiovisual Service, European Commission

On 7 November 2017 the EU and California agreed to step up cooperation on ETS. They agreed to hold regular political and technical dialogues on the design and implementation of their carbon markets. The agreement also includes more intensive cooperation on zero-carbon transportation. More information is available at: <http://bit.ly/2hOgfjp>

## Kazakhstan's ETS relaunched



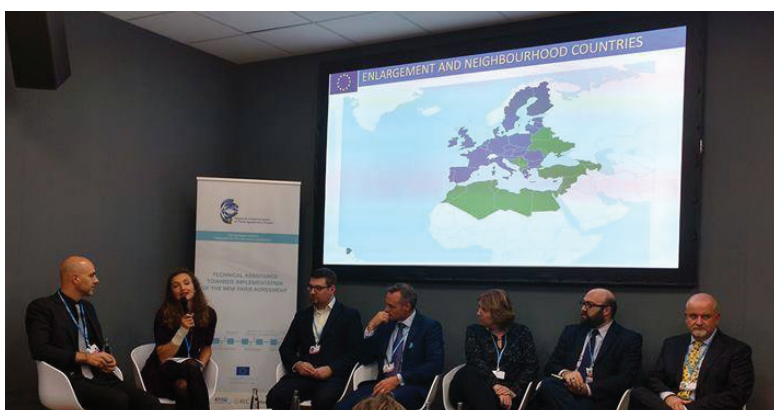
Photo courtesy: Audiovisual Service, European Commission

Kazakhstan relaunched its national ETS on 1 January 2018, after a two-year suspension. The third phase runs for 3 years (2018-2020) and covers 225 installations. It has an extended scope (now also including chemicals, cement and other production sectors) and a 5% reduction in GHG emissions by 2020 (from 1990 levels). Allocation of allowances is based on updated sectoral benchmarks. More information (in Russian) is available at: <http://bit.ly/2EPzpyC>



# Events and conferences

## COP 23



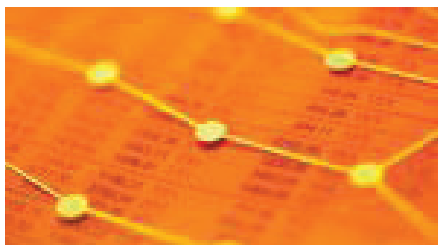
The RIPAP project was presented at the 23rd Conference of the Parties (COP 23).

On 9 November 2017 the EU organised a special side event in its EU Pavilion entitled 'The Innovative approaches to MRV: the EU experience in the Enlargement and Neighbourhood countries'.

The RIPAP team presented its approach to sustained capacity building on MRV in the Western Balkan and Turkey. The presentation included examples of earlier training and a schedule for

planned training. The presentation is available on the RIPAP website: [www.ripap.eu](http://www.ripap.eu)

## Compliance Conference



*Photo courtesy: Audiovisual Service, European Commission*

On November 7 and 8th the European Commission organised the 8th EU ETS Compliance Conference.

Over 100 stakeholders met to discuss the latest developments in EU ETS MRV with their peers and exchange national experiences.

Presentations and conference proceedings are available on:

[https://ec.europa.eu/clima/events/8th-eu-ets-compliance-conference\\_en](https://ec.europa.eu/clima/events/8th-eu-ets-compliance-conference_en)

## Consultation Innovation Fund open



Revenues from the sales of 450m EU ETS allowances will be used to endow the EU's Innovation Fund. The Innovation Fund will support demonstration of activities in carbon capture and storage, renewable energy and low-carbon innovation in industry.

Consultation on the proposed design of the fund is open. Views can be submitted via a survey available on:

[https://ec.europa.eu/clima/consultations/public-consultation-establishment-innovation-fund\\_en](https://ec.europa.eu/clima/consultations/public-consultation-establishment-innovation-fund_en)





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