
Environment and Climate Regional Accession Network (ECRAN)

Report on Workshop
on Emission Trading
System (ETS)
Implementation and
Strategy Development

25-26 March 2015, Zagreb

ENVIRONMENTAL AND CLIMA REGIONAL NETWORK FOR ACCESSION - ECRAN

WORKSHOP REPORT

Activity No 3.3.3

**WORKSHOP ON EMISSION TRADING SYSTEM (ETS) IMPLEMENTATION AND
STRATEGY DEVELOPMENT**

25-26 MARCH 2015, ZAGREB, CROATIA



This Project is funded by the
European Union



A project implemented by
Human Dynamics Consortium

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LIST OF ABBREVIATIONS



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AER	Annual Emission Report
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ATS	Accreditation Body of Serbia
AVR	Accreditation and Verification Regulation
BAT	Best Available Techniques
BIH	Bosnia and Herzegovina
CAD	Civil Aviation Directorate of the Republic of Serbia
CEA	Croatian Environmental Agency
CIRCABC	Communication and Information Resource Centre for Administrators, Businesses and Citizens
EC	European Commission
ETS	Emission Trading System
EU	European Union
EUA	European Union Allowances
GHG	Greenhouse Gas
HAA	Croatian Accreditation Agency
ICAO	International Civil Aviation Organisation
IPPC	Integrated Pollution Prevention and Control
MP	Monitoring Plan
MRR	Monitoring and Reporting Regulation
MRV	Monitoring, Reporting, Verification
MS	Member State
NIM	National Implementation Measures
PRTR	Pollutant Release and Transfer Register
SEPA	Serbian Environmental Protection Agency
VR	Verification Report
WG	Working Group



I. Background/Rationale

The European Commission actively supports climate cooperation in the region of the Western Balkans and Turkey through the Environment and Climate Regional Accession Network (ECRAN). The Emissions Trading Working Group of ECRAN aims to provide the essential regulatory building blocks and to increase the technical capacity for a well-functioning future national or regional ETS system, which could be or is modelled in line with the EU ETS. This would pave the way for further cooperation and linking with the EU ETS.

The following results are expected for this Working Group:

- To improve technical understanding of the EU ETS implementing provisions in relation to monitoring, reporting, verification and accreditation (MRVA) in the beneficiary countries, among the target group of industry and aircraft operators, as well as the Competent Authorities and potential verifiers.
- To identify institutional, legal and procedural arrangements for a future national or regional ETS system, which could be modelled in line with the EU ETS.

An important element of the support provided by the ECRAN Emissions Trading Working Group is the formulation of national and/or regional ETS roadmaps. These roadmaps will serve as a best-practice document for the implementation of ETS modelled along the EU ETS. It will address the steps required towards the full implementation of ETS and identify the resources and competences needed to achieve such implementation. These roadmaps support the following implementation steps that EU Accession candidate countries need to take in the framework of their accession:

- Approximate, as far as possible, the legal and institutional requirements and take the preparatory steps towards the full implementation of the EU ETS Directive. This includes ensuring the necessary capacity building, informing stakeholders of the legal implications of the EU ETS Directive, and agreeing on a time-plan for implementation;
- Implement a system for the monitoring and reporting of greenhouse gas emissions, and for the verification of annual emission reports;
- Consider establishing an accurate accounting system (“registry”) for all allowances issued under their ETS. Considerations include a joint operation of registry with other (EU candidate and potential candidate) countries and the future inclusion in the Union Registry;
- Decide upon the method for allocation, in due understanding of the EU ETS Benchmarking Decision, carbon leakage list, and the approaches towards auctioning of allowances;
- Identification of participating installations and preparation of consultation process and capacity building for these future participants, if a EU candidate country’s accession is due before the end of the third trading period, the year 2020.

The workshop will cover Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003, establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC.



II. Objectives of the training

Workshop objectives

The following objectives are to be met:

- Support and speed up the preparation for and implementation of emissions trading in the EU Candidate countries and potential candidates;
- Strengthen the understanding of the institutional, legal and procedural arrangements identified for the implementation of a national or regional emissions trading system in the beneficiary countries modelled along the EU ETS;
- Exchange best practices in the implementation of emissions trading systems within the region, and between the EU Member State representatives and their counterparts in the beneficiary countries;
- Assess priorities and implementation requirements for the national and regional implementation roadmaps, including aspects of timing, resource planning, planning of legislative procedures, and planning of capacity building activities.

EU Member States have gained a wealth of experience in EU ETS implementation. The EU candidate countries and potential candidates can benefit from and build upon those lessons learned. The ETS Working Group therefore organises several seminars and workshops on ETS implementation and ETS strategy development. In these workshops and seminars experienced TAIEX and ECRAN experts will work together with their counterparts in the beneficiary countries on selected topics related to ETS implementation. Knowledge and expertise obtained at these seminars and workshops should result in an ETS implementation roadmap in which priorities are set for the implementation steps and the technical capacity needs of beneficiaries for these implementation steps.

Results/outputs

The expected results of the workshop are as follows:

- Insight in the approaches and experiences in EU ETS implementation in EU Member States and EU candidate countries and potential candidates;
- Better understanding of the required resources for the implementation of specific elements of an ETS system in conformity with the EU ETS requirements;
- Insights in the lessons learned, risks and bottlenecks of ETS implementation.



III. EU policy and legislation covered by the training

Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003, establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC.

EU emissions trading system (EU ETS) is a cornerstone of the European Union's policy to combat climate change and a key tool for reducing the industrial greenhouse gas emissions. The EU ETS was established under Directive 2003/87/EC and became operable as of 1 January 2005. Its aim is to achieve the cost-effective reduction of greenhouse gas emissions from industrial installations in the EU using an economic instrument that ensures that environmental objectives are reached in an economically efficient manner while providing for a flexible approach in reaching such objectives.

The EU ETS covers more than 11,000 power stations and industrial plants in all 28 EU Member States plus Iceland, Norway and Liechtenstein, as well as all flights from airlines operating in the EU or flying into and/or out of the EU.¹

The EU ETS works on the "**cap and trade**" principle, meaning that there is a "cap", or limit, on the total amount of certain greenhouse gases that can be emitted by the factories, power plants and other installations in the system, as well as originating from flights and aircraft within, entering or flying outbound from the EU. Within this cap, companies receive emission allowances which they can trade as needed. The cap/limit on the total number of allowances available ensures that they have a value. The cap for the year 2013 has been determined at 2,039,152,882 allowances, i.e. just under 2.04 billion allowances.

The cap will decrease each year by 1.74% of the average annual total quantity of allowances issued by the Member States in 2008-2012. However, to achieve the target of a 40% reduction in EU greenhouse gas emissions below by 2030, the cap will need to be lowered by 2.2% per year from 2021, compared with 1.74% currently.

Within the cap, companies receive or buy emission allowances which they can trade with one another as needed. If the emission exceeds the number of allowances received, the installation must purchase allowances from others. Conversely, if an installation has performed well at reducing its emissions, it can sell its leftover allowances. The installations can also buy allowances that are regularly auctioned from 1 January 2013 onwards. They can also buy limited amounts of international credits from emission-saving projects around the world. However, as from 2013 only emission saving projects from the so-called "Least Developed Countries" are eligible for use. The limit on the total number of allowances available ensures that they have a value.

After each year a company must first submit an emission report summarising the GHG emissions emitted during the year. This report should be based on the emission monitoring practice and procedures laid down in the approved Monitoring Plan, and the total emissions verified by an

¹ To allow time for negotiations on a global market-based measure applying to aviation emissions, the EU ETS requirements were suspended for flights in 2012 to and from non-European countries. For the period 2013-2016 the legislation has also been amended so that only emissions from flights within the EEA fall under the EU ETS. Exemptions for operators with low emissions have also been introduced.



accredited verifier. The next step is that the installation must surrender enough **allowances** to cover all its emissions in accordance with the verified emissions, otherwise penalties are imposed. If a company reduces its emissions to a level below the allowances received, it can keep the spare allowances to cover its future needs or sell the surplus to another company that is short of allowances. The flexibility that trading brings ensures that the emissions are cut where it costs least to do so.

Emissions can also be offset directly by buying and cancelling allowances.

The Directive currently applies to the following greenhouse gases and categories of activities, as listed in Annex I to the Directive:

- Carbon dioxide (CO₂) from:
 - power and heat generation;
 - energy-intensive industry sectors including oil refineries, steel works and production of iron, aluminium, metals, cement, lime, glass, ceramics, pulp, paper, cardboard, acids and bulk organic chemicals;
 - Commercial aviation.
- Nitrous oxide (N₂O) from production of nitric, adipic, glyoxal and glyoxalic acids;
- Perfluorocarbons (PFCs) from aluminium production.

EU ETS

Phase one of EU ETS was a three-year pilot period from 2005-2007, of 'learning by doing' to prepare for the phase two, when the EU ETS would need to function effectively to help ensure that the EU and Member States would meet their Kyoto Protocol emission targets. In phase one the EU ETS covered only CO₂ emissions from power generators and energy-intensive industrial sectors. Almost all allowances were given to businesses free of charge. The penalty for non-compliance was €40 per tonne.

In phase two from 2008 to 2012, three EEA-EFTA states – Iceland, Liechtenstein and Norway – joined the EU ETS. At the same time, the scope of the system was marginally widened through the inclusion of nitrous oxide emissions from the production of nitric acid by a number of Member States. The proportion of general allowances given away for free was lower than in the first trading period, i.e. set at 90%. The penalty for non-compliance was increased to €100 per tonne. Several Member States held auctions during phase two.

Croatia joined the EU-ETS at the start of Phase Three taking the number of countries in the EU ETS to 31. The third phase is significantly different from phases one and two and is based on rules that are far more harmonised between the Member States than before was practicable or possible. The main changes are:

- A single EU-wide cap on emissions applies, compared to 27 national caps in the 1st and 2nd trading period;
- Auctioning, and not free allocation, is now the default method for allocating allowances. In 2013 more than 40% of allowances will be auctioned, and this share will rise progressively each year;



- For those allowances still given away for free, harmonised allocation rules apply which are based on ambitious EU-wide benchmarks of emissions performance;

Commission Regulation (EU) No 601/2012 of 21 June 2012 on the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council

The so called Monitoring and Reporting Regulation (**MRR**) establishes the requirements for the monitoring and reporting of greenhouse gas emissions by installations in the scheme pursuant to Directive 2003/87/EC. These requirements are effective as from 1 January 2013, from the start of the third trading period. This Regulation builds on the previous Commission Decision establishing monitoring and reporting guidelines (MRG 2004) that were revised in 2006 and implemented through Decision 2007/589/EC². These guidelines were applicable during the second period of the scheme (2008 to 2012). The new Monitoring and Reporting Regulation No 601/2012 provides detailed technical interpretation of the requirements set out in Article 14 and in Annex IV to the Directive. It aims at establishing basic monitoring methodologies to minimise the burden on operators and aircraft operators and facilitate the effective monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC.

The Regulation sets out the following 10 Annexes:

- Annex I sets out the minimum content of the Monitoring Plan for installations and for aviation emissions, (Art 12(1));
- Annex II sets the tier thresholds for calculation-based methodologies related to installations (Art 12(1));
- Annex III sets out the methodologies for aviation (Article 52 and Article 56);
- Annex IV sets out activity-specific monitoring methodologies related to installations listed in Annex I of the ETS Directive (Article 20(2));
- Annex V established the minimum tier requirements for calculation-based methodologies involving category A installations and calculation factors for commercial standard fuels used by Category B and C installations (Article 26(1));
- Annex VI presents the reference values for calculation factors (Article 13(1)(a));
- Annex VII specifies the minimum frequency of analyses (Article 35);
- Annex VIII specifies the measurement-based methodologies (Article 41);
- Annex IX indicates the minimum data and information which need to be retained by installations and aircraft operators (Article 66(1));

² Decision 2007/589/EC is repealed as from 1 January 2013. However, the provisions of the Decision will continue to apply to the monitoring and reporting and verification of emissions and, where applicable, activity data occurring prior to 1 January 2013



- Annex X specifies the minimum content of the Annual Reports (Article 67(3)).

The MRR requirements are designed to ensure regular and precise monitoring and reporting of greenhouse gas emissions in the participating countries (i.e. the EU Member States and countries in the EEA plus Croatia).

The annual procedure of ensuring the proper monitoring, reporting and verification (MRV) of the emissions, as well as all processes connected to these activities, are known as the “compliance cycle” of the EU ETS.

- Industrial installations and aircraft operators covered by the EU ETS are required to have an approved monitoring plan, according to which they monitor and report their emissions during the year. In the case of industrial installations, the monitoring plan forms part of the approved permit that is also required.
- Once the year has ended, the installations and the aircraft operators have to draft an emission report in which they report their emissions that have been monitored and recorded according to the requirements and procedures specified in the approved monitoring plan.
- A crucial next step in the emissions trading compliance cycle is the verification of emission reports prepared by the operators. The objective of verification is to ensure that emissions have been accurately monitored and reported in full accordance with the requirements of the MRR and that reliable and correct emissions data are reported according to Article 14(3) and Annex IV of Directive 2003/87/EC. The data in the annual emissions report must be verified before **31 March each year** by an accredited verifier (for the requirements on the verification, see next section).
- Once verified, operators must surrender the equivalent number of allowances by **30 April of the same year**. Common rules for the monitoring and reporting of emissions, as well as for the accreditation of verifiers and the verification of annual emissions reports are important for ensuring the quality of the annually reported emissions and the credibility of the data.

The table below summarises the common timeline of the annual ETS Compliance cycle for emissions in year N as specified in the MRR.



Table - Common timeline of the Annual ETS Compliance cycle for emissions in year N as specified in the MRR

When?	Who?	What?
Not specified by MRR but common sense suggests before 31 December N-1	Competent Authority	Approve Monitoring Plan (aviation and installations) and issue permit (in case of installations)
1 January N		Start of the Monitoring period
By 28 February N	Competent Authority	Allocation of allowances for free (if applicable) into the Operator's account in the Registry
31 December N		End of the monitoring period ³
31 March N+1 ⁴	Verifier	Finalise the verification of the emission report and issue verification report to the operator
31 March N+1 ⁵	Operators	Submit the verified annual emissions report
31 March N+1	Operators/Verifier	Enter the verified emissions figure in the verified emissions table of the Union Registry
March – April N+1	Competent Authority	Subject to national legislation, possible spot checks of submitted annual reports. Require corrections by the operator if applicable.
30 April N+1	Operator	Surrender allowances (amount corresponding to verified annual emissions) in Registry system
30 June N+1	Operator	Submit report on possible improvements of the Monitoring Plan, if applicable ⁵
(No specified deadline)	Competent Authority	Carry out further checks on submitted annual emissions reports, where considered necessary or as may be required by national legislation;

³ Although usually not considered part of the compliance cycle, it may be useful to note that by 31 December the operator has to submit information about changes to the installation's capacity, activity level and operation, if applicable. This is a new element based on Article 24(1) of the CIMs. This notification is applicable for the first time in December 2012.

⁴ According to Article 67(1) of the MRR, competent authorities may require operators or aircraft operators to submit the verified annual emission report earlier than by 31 March, but by 28 February at the earliest.

⁵ There are two different types of improvement reports pursuant to Article 69 of the MRR. One is to be submitted in the year where a verifier reports improvement recommendations, and the other (which may be combined with the first, if applicable) every year for category C installations, every two years for category B, and every four years for category A installations. For categorisation, see Article 19 of the MRR. The CA may set a different deadline, but no later than 30 September of that year.



When?	Who?	What?
		require changes of the emissions data and surrender of additional allowances, if applicable (in accordance with Member State legislation).

Regulation (EC) No 765/2008 of the European Parliament and of the Council of 9 July 2008 setting out the requirements for accreditation and market surveillance relating to the marketing of products and repealing Regulation (EEC) No 339/93

This Regulation envisages the laying down of clear rules on the organisation and operation of accreditation, in the Member States, of conformity assessment bodies performing assessment of any substance, preparation or other product, transformed or not, to be placed on the Community market.

It is important to guarantee a high level of market surveillance in order to satisfy the requirements of protection of public interests such as health and safety in general, health and safety in the workplace, protection of consumers, the environment and security. These rules reinforce the existing system, without weakening existing instruments such as the General Product Safety Directive, which has on the whole been successful.

This Regulation provides a framework for European accreditation policy. For the first time it establishes a common legal basis for accreditation, therefore providing a comprehensive legal framework for regulating the organisation of accreditation within the European Economic Area (EEA) from 1 January 2010.

Whether voluntary or compulsory, accreditation is recognised as the last level of control of the suitability of conformity assessment services. Accreditation has no commercial purpose, since this would reduce its value and credibility.

Accreditation is characterised by the following:

- there is only one accreditation body per Member State;
- there is no competition between accreditation bodies and conformity assessment bodies;
- accreditation is carried out by a public authority;
- accreditation bodies operate on a not-for-profit basis and comply with the principles of impartiality and objectivity.

Where controls on products entering the Community market are concerned, the Member States provide their customs authorities with all the means necessary to ensure that the appropriate checks are carried out on the product's safety before it is released for free circulation. In the event of serious danger, assumed or actual, or in the absence of the necessary accompanying documents, the customs authorities must suspend release for free circulation of the product in question. The market surveillance authorities and the customs authorities cooperate to ensure effective control of product safety.



IV. Highlights from the training workshop

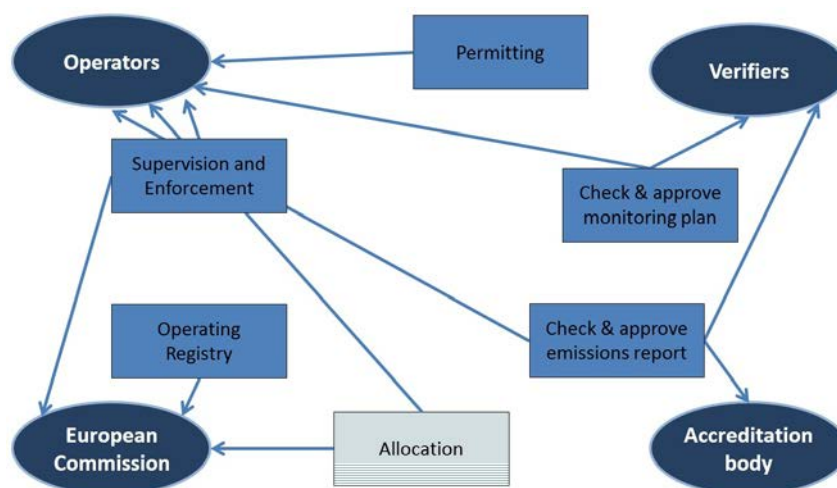
Day 1 – Wednesday, 25 March 2015, Zagreb

“Crash Course” on the EU ETS – Monique Voogt

- The EU’s Emissions Trading System (EU-ETS) is the first large greenhouse gas emissions trading scheme in the world, and also the biggest one. It was launched in 2005 to combat climate change and is a major pillar of EU climate policy. As of 2013, the EU ETS covers more than 12,000 installations in the industry and the energy sector plus over 1000 aircraft operators in 31 countries—all 28 EU member states plus Iceland, Norway, and Liechtenstein.
- Altogether the EU ETS covers around 50% of total greenhouse gas emissions from the 28 EU countries. While emissions trading has the potential to cover many economic sectors and greenhouse gases, the focus of the EU ETS is on emissions which can be measured, reported and verified with a high level of accuracy. The system covers emissions of carbon dioxide (CO₂) from power plants, a wide range of energy-intensive industry sectors and commercial airlines. The trading volume has increased from 94 million tonnes in 2005 to 7.9 billion tonnes in 2012, having a value of 56 billion euros.
- Under the 'cap and trade' principle, a maximum (cap) is set on the total amount of greenhouse gases that can be emitted by all participating installations. Within the cap, companies receive or buy emission allowances which they can trade with one another as needed. They can also buy limited amounts of international credits from emission-saving projects around the world. The limit on the total number of allowances available ensures that they have a value. Within this issue, several other issues must be taken into consideration: permitting, allocation, monitoring, reporting and verification (MRV), the EU Registry, inspection and enforcement.
- The EU ETS Directive 2003/87/EC has an aim to achieve significant reductions in greenhouse gas emissions with a view to reducing the influence of such emissions on the climate. The EU ETS is complemented with implementing legislation:
 - Commission Decision 2010/634/EU adjusting the Union-wide quantity of allowances to be issued under the Union Scheme for 2013 and repealing Decision 2010/384/EU;
 - Commission Regulation (EU) No 601/2012 on the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC;
 - Commission regulation (EU) No 600/2012 on the verification of greenhouse gas emission reports and tonne-kilometre reports and the accreditation of verifiers pursuant to Directive 2003/87/EC;
 - Commission Regulation (EC) No 1193/2001 opening tendering procedure No 40/2001 EC for the sale of wine alcohol for new industrial uses;
 - Commission Decision 2010/2/EU determining, pursuant to Directive 2003/87/EC of the European Parliament and of the Council, a list of sectors and subsectors which are deemed to be exposed to a significant risk of carbon leakage;
 - Commission Decision 2011/278/EU determining transitional Union-wide rules for harmonised free allocation of emission allowances pursuant to Article 10a of Directive 2003/87/EC of the European Parliament and of the Council;



- Commission regulation (EU) No 1031/2010 on the timing, administration and other aspects of auctioning of greenhouse gas emission allowances pursuant to Directive 2003/87/EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowances trading within the Community.
- A complete involvement in ETS considering each step with all the parties was described in detail, providing a proper scheme so the participants can easily understand the connections and correlations among the ETS actors which include operators, verifiers, accreditation body and EC.

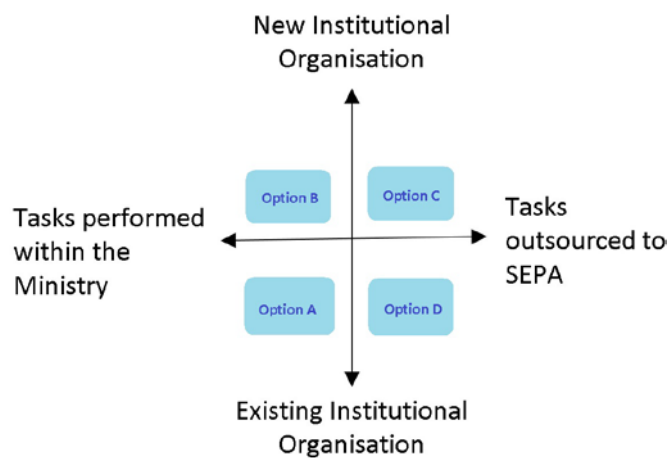


Serbia's Experience with Implementation Process – Danijela Bozanic

- The implementation project funded through IPA “Creation of a MRV system for the successful implementation of the EU Emission Trading System”, is aimed at ensuring:
 - Systematic collection of data;
 - Better policy planning;
 - New business opportunities;
 - Reduction of electricity price shocks;
 - Preparedness of industry
- The project started in September 2013 and it has duration of 24 months, with total budget of one million euros, ensured from the IPA 2012 fund. The project is led by Ministry of Sustainable Development of France in cooperation with German Federal Ministry of Environment and Austrian Environmental Protection Agency.
- The scope of the project is to accelerate harmonisation and implementation of EU climate acquis through establishment of the EU ETS. In this manner, it is necessary to establish a legal framework for the implementation of MRV aspects.
- The three EU countries that are cooperating on implementation of the EU ETS in Serbia have different models and approaches. Serbia will not establish a new institution to deal with this issue. However, there is a possibility to consider reorganising existing institutions without increase of staff. First findings at the beginning of the project indicated that the Accreditation Body of Serbia (ATS) has to have a clear role in the entire process.



- From the Monitoring, Reporting and Verification (MRV) aspects, there are two possible options for implementation:
 - Decentralised approach (IPPC like) with local and provincial authorities involved;
 - Centralised approach having centralisation either within the ministry or within Serbian Environmental Protection Agency (SEPA);
 - In each case, aviation is to be considered as separate issue.
- Conclusion was that preferable option was the centralised approach, since the decentralised approach carries a very high administrative burden. On the other hand, the Civil Aviation Directorate would be in charge for aircraft operators and will include technical cooperation with Eurocontrol, and will provide the link with the International Civil Aviation Organisation (ICAO). The Civil Aviation Directorate of the Republic of Serbia (CAD) had already been competent for environmental issues related to aviation.
- There are four options to implement centralised approach divided into four quadrants:



- **Option A** – Advantages of this approach is that it uses only existing institutions with good knowledge as well as synergies with other environmental policies. However, there is a lack of synergy with GHG inventories and no single desk approach;
- **Option B** – There is a single desk approach, but it is under jurisdiction of only one new organisation that needs to be set up, in this way lacking synergies with other environmental policies and GHG inventories;
- **Option C** – Advantage of this approach is that it has both single desk approach and synergies, while disadvantage is that a new organisation needs to be set up and SEPA (as an institution) has no empowerment to issue GHG permits;
- **Option D** – This approach has it almost all, a single desk approach in existing institutions, synergy with GHG inventory and supervision is much easier. However, the only disadvantage is that synergies with other environmental policies are lower.
- In case of the auctioning platform, out of two possible platforms (common and opt-out platform), the recommended option for Serbia is the use of a common auctioning platform, since it is less costly. Another recommendation from the coordinators is that the auctioneer is a public bank, if possible the same one as the National Administrator of the EU Registry. On the other hand, management of auction revenues needs to be flexible and traceable. The synthesis of the entire institutional framework of Serbia dealing with ETS implementation is shown on the following picture:



- There is a lack of staff in institutions dealing with EU ETS. Estimation is that around 10 additional full time jobs need to be opened in order to have fully functional system. Regarding operators, maximum 1 full time job may be required for larger installations.
- The report on the establishment of the institutional structure for the implementation of MRV for the implementation of ETS was adopted by the Government in September 2014. The MRV institutional set up includes all previously mentioned institutions SEPA, CAD, ATS, climate change division and surveillance and control sector of the Ministry of Agriculture and Environmental Protection, including the Ministry of Mining and Energy as a helpdesk for operators in the energy sectors.
- In the field of legislation, strong involvement from local legal experts is essential. Clear view on the implementation is needed before starting a draft of laws and by-laws. The first in line is the law on GHG emission reduction that includes four by-laws.
- There is still a lot of work to be done regarding capacity building. However, more than 150 industry representatives in the greatest three cities in Serbia (Belgrade, Nis and Novi Sad) were informed in order to prepare an accurate list of installations. Also potential verifiers and public administration have been trained. A new EU ETS dedicated website has been made, of which people were a little bit sceptical, but later on, it ended up to be the best solution for collecting and storing the data (www.ets-srbija.info).
- Transitional measures should be aimed at closing the gap towards the requirements of the EU ETS to smoothen implementation, from an administrative point of view. But on the other hand, from an economical point of view, in Serbia, transitional measures should lead to the highest reduction of GHG emission at the minimum cost before the date of accession.
- Overall, the preparation of the Serbian ETS has its advantages and disadvantages.
 - Advantages:
 - Preparation of Serbian operators for EU accession;
 - Preparation of Serbian administration for EU ETS management;



- Provision of additional revenues to support investment in low carbon technology prior and during EU accession – until 2028;
 - Disadvantages:
 - No sufficient number of Serbian actors to provide a demand-supply equilibrium, nor liquidity;
 - Legislative and administrative burden;
 - Legal uncertainty at EU level, joining EU ETS after EU accession must be approved by all EU MS.
- Also, as the insufficiency of market players could be potentially resolved, the legislative burden for the administration may increase. Assuming to impose Best Available Techniques (BAT) as a legislative constraint to be implemented by the installations, it could minimise direct costs of the national budget, but on the other hand it may be time-consuming, it may maximise the risk of carbon leakage and will provide no incentives for the installations to comply with the new rules.
- There is also an opportunity for voluntary agreements between the administration and installations falling under the scope of the EU ETS for voluntary actions for the latter to reduce their GHG emissions.
- When talking about CO₂ taxation in Serbia, there is a debate on whether it should be introduced or not. The biggest issue is that it will significantly increase energy prices, which the country is slowly striving for, but on the other hand it could evoke mass protests. Also, it is still questionable whether it can be ensured that sources from CO₂ taxes will be spent for GHG reduction measures. However, positive things must also be considered:
 - Generating money to reduce GHG;
 - Raising awareness on ETS;
 - Finding most cost efficient measures at early stage.
- The Impact Analysis is currently on-going, since it is not yet sure whether the CO₂ tax for ETS sector will be full CO₂ tax, or CO₂ tax considering benchmarking (with or without Article 10c).

Exercise 1 – Current Implementation Status and Needs of the Beneficiary Countries

Time was allocated for the in-group discussion and country presentations. The following impressions and conclusions were elaborated:

Croatia

- Croatia implemented part of the EU ETS even before accession, with the main aim to learn prior to accession;
- On the day of accession (1 January 2013) all elements were in place. The biggest challenge was the legislative framework at the start of the trading period, since there was a need of transposition in the Croatian legislative framework. Capacity was a big challenge: only few people were dealing with that.
- At the day of accession, all EU ETS legislation was applied immediately;
- Croatia had a great support from colleagues from other MS;
- Another challenge was the cross-sectoral coordination among the ministries



Serbia

- For Serbia a large challenge is that there is no date of accession, so working on the EU ETS is working on something ahead of uncertain planning;
- The level of knowledge and the level of awareness on EU ETS is a big challenge. Even if in advance you think you understand it well, the experiences show that each time you learn something new and you conclude that prior you had not fully understood all dimensions.
- It is necessary to start ASAP in order to prepare industry and to ensure certain sustainability of the economy of the country. Waiting until the moment that there is a date of accession will surely make it much more difficult.

Turkey

- Turkey has implemented the Monitoring and Reporting Regulation in 2012 and has prepared the regulation for Accreditation and Verification, which is expected to be published in 2 months' time
- 700 installations have submitted their monitoring plan; a total of approximately 1500 is expected. Earlier estimates were much higher, which illustrates the difficulty of identifying the installations.
- One of the biggest challenges is that the Ministry has a lack of staff: only 5 persons are working on ETS;

Kosovo*

- Kosovo* regards itself at the very starting point of implementation. A complicating factor is that Kosovo is not a United Nations member and has not signed the Kyoto Protocol. This gives additional political challenges as authorities need to be explained why climate change policy and ETS is important.
- The Ministry is trying to involve other relevant institutions. Implementation of climate legislation has started, but preparation of ETS legislation has not yet started.
- Kosovo* is currently working on the GHG inventory;
- Furthermore Kosovo is preparing the overall Climate Change strategy. Targets will not be set yet.

Bosnia and Herzegovina

- 135 IPPC installations have been identified. It yet has to be determined which of those will be ETS installations.
- Preparations on ETS implementation are in an early stage; focus is now given to other parts of the Climate Changes strategy such as the adaptation strategy;
- An additional challenge is that there are independent political regions and entities, which adds another layer of decision making to the system;
- One of the larger challenges is the coordination between the different entities. In the BIH constitution decisions have been made on which level all the regulation will be implemented. At the state level, coordination and harmonisation is defined. Several strategies and documents have been prepared. So all in all this is challenging, but going well;

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence



- BIH emphasises that being located between Croatia and Serbia they have an excellent position to learn from these two and “copy” the relevant laws and implementations.
- Mr. Csikos pointed out the similarity with the Belgian regulatory framework and that learning from their experiences can be very useful for preparing the further implementation in BIH.
- Ms. Bozanic added that the choice to determine who will be the competent authority as well as the choices how to set this up was time consuming. She recommended a thorough preparation, including a detailed cost-benefit analysis for this.

Formal Yugoslav Republic of Macedonia

- FYR of Macedonia has worked on the implementation of ETS on a project basis. This is going well: the guideline has been prepared, further the legal acts are in progress, the format for the monitoring plans have been prepared, the list of installations (around 40) is available and an action plan has been formulated for the next steps;
- The biggest challenge at the moment is the ownership. There is no certainty yet on the period after the project period has ended and there is no clarity yet on who will be the competent authority.

Albania

- Albania looks at its economy and the energy and climate challenges from the perspective of energy consumption. Albania itself largely has clean energy production, but is importing a large share of its energy from other countries which comes from non-renewable sources;
- 7 large plants have been identified but their energy consumption and related GHG emissions are relatively easy to identify;
- Focus of new legislation is the energy efficiency law. A green and white certificate system is being implemented.
- Ms. Voogt added that the ETS is a system from the production side, taking into account not only emissions from energy combustion but also process emissions. Nicolas adds that this is the more complicated part of the ETS.

Montenegro

- Ministry of Sustainable Development and Tourism (MSDT) works on guidelines for operators, and they informed the operators about it. They furthermore work on the national strategy for Climate Change;
- MSDT has a small amount of ETS plants, which makes the implementation quite specific. The large aluminium plant is responsible for around 25% of the country’s emissions.
- Mr. Csikos suggested that given the small amount of plants and the large share of emissions in one plant it could have been considered to link up to neighbouring countries for some elements of the system, such as a shared registry system.

Institutional set-up and Capacity Building for ETS in Croatia – Melita Zdilar



- Institutional set-up in Croatia started in 2008 with the decision on the competent authority which is the Ministry of Environment and Nature Protection. The first step was the determination of the number of installations which perform activities according to Annex I of the ETS Directive. The permitting on GHG emission on national level for the second period of trading has been applied from 2010 to 2012. In the same period, Monitoring and Reporting on emissions from installations was performed.
- The Croatian Environmental Agency (CEA) collected data for National Inventory reports according to the Pollutant Release and Transfer Register (PRTR) Directive, and made a decision on ETS requirements for the annual emission report. The CEA also performed the assessment of monitoring plans. According to the MMR, Member States shall ensure that their competent inventory authorities have access to:
 - data and methods reported for activities and installations under Directive 2003/87/EC - to ensure consistency;
 - data collected through the reporting systems on fluorinated gases in the various sectors - Regulation (EC) No 842/2006;
 - emissions, underlying data and methodologies reported by facilities under Regulation (EC) No 166/2006 – PRTR;
 - data reported under Regulation (EC) No 1099/2008.
- There are now new requirements for implementation of ETS legislation for the 3rd period of trading. Since 1 January 2013, there is a free and partly free allocation of emissions of industrial plants joining the EU ETS. The auctioneer for Croatia is the Environmental Protection and Energy Efficiency Fund. Croatia is included in the central auctioning platform in Leipzig.
- From 1 January 2013, Croatian installations included in the EU ETS do not pay a fee on CO₂ emissions to the Environmental Protection and Energy Efficiency Fund. Therefore, the Air Protection Act stipulates a payment of 95% of the funds generated by selling emission allowances at auction to the special account of the Fund and 5% to the state budget.
- The National Accreditation Body in Croatia is the Croatian Accreditation Agency (HAA). In 2014 and 2015, five verification bodies in Croatia performed the verification of Annual Emission Reports (AER) out of which three were accredited by HAA and two by foreign Accreditation Bodies.
- Regarding capacity building in Croatia, within the Ministry of Environmental and Nature Protection, two directorates are dealing with ETS, the Directorate for climate activities, sustainable development and protection of soil, air and sea, where four person are working, and the Directorate for Inspection Affairs employing two people. In the CEA, four and sometimes five employees are dealing with ETS. The competent authority for ETS in Croatia is the Ministry of Environmental and Nature Protection, dealing with the legal framework, cooperation, and reporting, permitting and other communication with stakeholders. CAE is the national administrator of the Union Registry, approving MPs and AERs, as well as providing support for the operators.
- Croatia has faced a lot of challenges on their way towards ETS implementation, some of which include lack of human resources and inter-sectoral cooperation, economic crisis, lack of awareness and knowledge, training of experts and many more. However, they have managed to pass the obstacles and continue on their way. Some of the lessons that they had learned and that other countries in the accession process can consider at their advantage are the following:
 - Determine, provide and accept technical and financial support;



- Importance of team work and a positive attitude;
- Accurate determination of the goals and means of implementation, including technical and IT support;
- Establishment of the horizontal and vertical, flexible procedures in competent authorities;
- Constant involvement in EC policy developments;
- Importance of the participation at the relevant meetings and workshops organized by the EC.

Implementing ETS in Croatia – Tomislav Glusac

- Croatia implemented the project “Capacity Development related to Climate Policies in Croatia” together with Dutch Competent Authority (NEA) in 2009. During this project, two workshops were organised, two site visits to installations and one visit to NEA in Netherlands.
- Competent authorities in Croatia regarding ETS are:
 - Ministry of Environment and Nature Protection;
 - Croatian Environmental Agency (CEA);
 - Croatian Accreditation Agency (HAA).
- The Croatian Environmental Agency is the central information system of the country for coordination and reporting of ETS. It is also in charge for MRV and Union Registry. The Croatian Accreditation Agency is dealing with accreditation of verifiers. All information regarding ETS in Croatia can be found on CEA website (<http://www.azo.hr/>). On this site, documentation and tools for monitoring and reporting of greenhouse gas emissions from installations and aircraft operators can be found, including documents and reports for MRV and Union Registry.
- The entire scheme of EU ETS in Croatia was presented and briefly described. Time was devoted for the Monitoring Plan and its amendments. Any special issues regarding the Monitoring Plan and MRR in general, needs to be approved by the Committee for Technical Issues that includes staff from:
 - Ministry of Environmental and Nature Protection;
 - Croatian Environmental Agency;
 - Ministry of Economy (Energy Department);
 - State Office for Metrology;
 - The Institute of Economics;
 - Croatian Accreditation Agency;
 - Faculty of Chemical Engineering and Technology.
- In 2014, Croatia sent Report according to Article 21 for the first time, and also participated in Compliance review in the country for the first time. Croatia is a member of Task Force Monitoring and Reporting and Task Force Accreditation and Verification. Authorities are also using Communication and Information Resource Centre for Administrations, Businesses and Citizens (CIRCABC) for data exchange.
- However, Croatia experienced problems on their EU ETS road. Most frequent problems included terminology, specifying uncertainties, and fluctuation of responsible people and extensive legislation. So the country turned to clear written procedures in an electronic form, in order to reduce paper work and provide efficient search.
- The following problems occurred in cases of approving AERs and VRs:



- Not established e-reporting, that caused formal incompleteness;
- Difficulties with foreign verifiers because of different approaches in their countries;
- Not sufficient time provided for checking all AERs and VRs before the deadline for validation in the Union Registry – only one month.
- Regarding the Croatian part of Union Registry, there are 58 operators in the country. There is one trading account, 1 aircraft operator holding an account and six verifier accounts.

Day 2 – Thursday, 26 March 2015, Zagreb

Exercise 2 – Questions regarding EU ETS Implementation

- The session was dedicated to discussing the questions that the beneficiary states had prepared on implementation of emissions trading. The entire audience participated in a brainstorm session and the following points were highlighted:

1. How to ensure institutional cooperation?

- In Serbia there is no problem in cooperation between the Ministry of Environment and the Ministry of Energy (from the point of the Ministry of Environment). A Ministerial Working Group was established and is increasing cooperation between the ministry, relevant agencies as well as the energy companies. The active cooperation is facilitated by the fact that there is a unit in the Ministry of Energy that deals with environmental matters and climate change in the energy sector. Communication on ETS with other Ministries is less frequent and takes more effort. It is strongly advised to involve other Ministries at an early stage; to build capacity within the Ministries.
- Legal requirements and international Treaties do support the active communication between Ministries. For example the Energy Community Treaty could provide a positive stimulant to get the Ministry of Energy dealing with these issues.
- In Slovenia ETS was introduced in 2003. The institutional cooperation was strongly facilitated by the fact that there was one integrated Ministry of Environment, Spatial Planning and the Energy Sector. Also the cooperation with the Ministry of Transport (for the aviation sector) ran very smoothly, as a result of good personal contacts. Communication with other ministries took more effort.
- Data is often a good means of communication. Presenting the data to other Ministries helps to ensure they are well informed and is a means to ask them for their feedback.

2. The structure of training

- Training is required for various stakeholders, including competent authorities, other relevant Ministries and their agencies, verifiers, and the accreditation body. Guidelines



for training are available on the EC website. It is recommended to use real examples where possible.

- The first thing to do in training is to ensure a common understanding of the system and then to support and help parties in practical matters. An example is the drafting of the monitoring plan. Supporting the industry to do the drafting as well as training the competent authority to understand the information included. Verifiers also have to be trained. Of course they are responsible to develop their own expertise, but a Ministry could hold an awareness meeting for those that are already familiar with auditing and verification.
- The Croatian experiences with verifiers did not start immediately but as of 2013. In the first stage an accreditation procedure was not established. In that phase the Ministry looked at the education and background of verifiers and obtained confirmation on their verification abilities. In addition workshops were organized to provide some kind of training. As of 2013 accreditation of verifiers was required by the EU ETS legislation, so then the National Accreditation Body took up this part.
- Nicolas Debaisieux adds that when the EU ETS started no party had ETS verification expertise, so that had to be developed. Now verification companies have been established, some of which now have 10 years of experience. Still new verifiers are entering the market and the knowledge gap has to be closed. The Competent Authority can organize trainings and start with issuing certificates to acknowledge their expertise. Also foreign companies can start on new markets and hire local people that are trained to do verification in their country.
- Other examples largely vary. The UK and the Netherlands for example organized trainings and meetings with the verifiers for certain sectors, especially for the sectors where needs were the highest. Germany follows another route and mainly relies on strong inspections and enforcement structures.

3. Is accreditation Obligatory?

- Since phase 3 of the EU ETS accreditation is obligatory. The rules for Accreditation and Regulation are laid down in the EU Regulations 600/2012 and 765/2008.

4. Verification of the first annual GHG report

- Validation of monitoring reports takes quite some time, but is essential to obtain good quality emission reports. Estimates on the time needed for this vary. In Croatia 3 persons worked during one month to validate 56 monitoring plans. In Slovenia it took half a year to validate 400 monitoring plans. Monitoring plans often go back and forth between the operator and the competent authority until the plan is approved. Such a back-and-forth is not possible for emission reports. These reports need to be verified by external verifiers and are then sent to the competent authority for a final assessment. Communication between operator and competent authority in this phase should all be in a written format.

5. Questions on the cap of GHG emissions and allocation



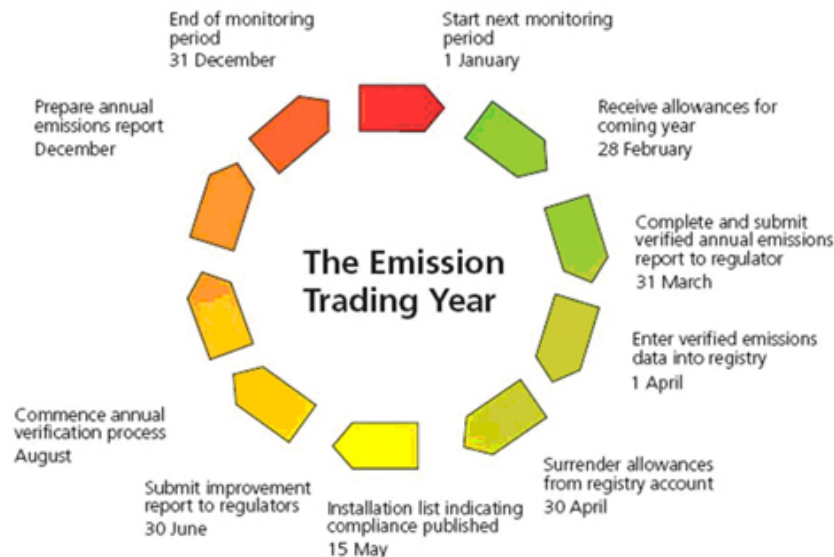
- For the EU ETS the cap on the maximum amount of GHG emissions at EU level is set by the European Commission. Cap setting at national level is no longer allowed as of phase 3. Then each country has to submit its NIMS: the national implementation measures in which it is calculated how much allowances each installation would require. To establish the NIMS an extensive amount of rules is formulated, including benchmarks that determine for each type of installation how much allowances may be allocated. Once the total amount of requested allowances has been checked and approved the Commission sums all requests and if needed a correction factor is applied to ensure the total equals the cap.
- The leading allocation measure is auctioning. All energy companies under EU ETS have to buy their allowances on the market or at an auction. Industry operators still receive a part of their allowances for free, but this share is decreasing.
- To calculate the requested amount of allowances a baseline has to be decided upon. Installations can choose either the average of the years 2005-2008 or the average of the years 2009-2010.

A model for a roadmap towards successful ETS Implementation – Nives Nared

- The presentation was based on the roadmap for EU ETS implementation in a short period of time (six months). In order to make this happen, Ms Nared put emphasis on two main questions:
 - Who is who? – institutional and organisational structure (Competent Authority, operators, verifiers, accreditation, inspectorate);
 - Who does what? – Identification and division of key responsibilities.
- But before deciding who is who in the organisation, it is important to clarify why is ETS implementation done at first place. First, it improves the environment and thus provides better health conditions, especially with implications to air quality. Second, it raises competitiveness, and provides a concrete measure to implement climate and energy policy
- First in line of needed action for transposition and implementation is preparation and adaptation of legislation. EU legislation needs to be transposed however, not all of the regulations are directly applicable at the beginning. It is important not to just copy/paste the legislation but to adapt it to local circumstances. In the preparatory phase of legislation drafting, it is recommended to identify and include installations, and to provide capacity building trainings for the employees of installations.
- For a Competent Authority, it is important to communicate and coordinate with other national authorities, such as ones responsible for anti-money laundering and crime. Adequate information technology needs to be designed in order to connect to EU registry.
- In accordance with the rules set out in the Benchmarking Decision, all Member States have carried out a preliminary calculation of the number of free allowances to be allocated to each installation in their territory and have notified these so-called National Implementation Measures (NIM) to the Commission. This includes data gathering and verification.
- Communication between competent authority, national accreditation body and verifiers is obligatory, but prior to this, both verifiers and the accreditation need to pass proper training.



- Next topic discussed was the compliance cycle. Before starting of the trading period, allocation of European Union Allowances (EUA) needs to be performed, along with monitoring plan approval and GHG permit. Afterwards, the GHG emission monitoring can start after which the Verified Annual Emissions Report is submitted (reported emissions needs to be in compliance with the monitoring plan). The entire compliance cycle was presented on the following scheme:



- Industry has its obligations as well, that include:
 - Prepare monitoring plan in order to get GHG permit approved;
 - Monitor and prepare report with verified data on emissions;
 - Surrender allowances to EUA;
 - Inform competent authority of any changes to the installation that would influence GHG emissions.
- As noted on many cases and examples, ETS has its complexity, especially when preparing it in short period of time. As Ms Nared suggests, the best approach in this case would be the 'learning by doing' approach, since it can foster and improve implementation process through better communication among the stakeholders. Knowledge can be obtained from cases from other countries, especially during training sessions and workshops that are essential for implementation. In short, it is necessary to keep repeating until the goal is achieved.

Twinning on the Implementation of EU ETS in Serbia – Nicolas Debaisieux

- Referring to the presentation of Ms. Bozanic regarding Serbia's path of ETS implementation, Mr. Debaisieux, a French expert working with Serbian Government, presented the twinning project on the implementation of the EU ETS in Serbia. As previously mentioned, the project started in 2013 with the duration of 24 months, funding from IPA funds (one million euros). The project is led by French Ministry of Sustainable Development in cooperation with Germany and Austria.
- Two-year period is challenging for the implementation process, especially considering the following issues:



- For the appropriation of the system for the establishment of relevant institution, additional nine months might be needed, the same case is with the trainings and capacity building;
- Drafting laws and bylaws might require more than provided (+/- 12 months), including the consideration of transitional measures towards the EU ETS.
- Having broad scope of ETS, two different tracks have to be considered in the case of implementation and that is MRV implementation in short-term, and implementation of trading aspects in long-term. Transitional measures are essential, however, even that the link to GHG inventory is not essential it can be useful for transitional measures.
- Regarding political implications in Serbia, key political questions should be solved shortly such as institutional organization, ETS Aviation, transitional measures and free allocation. The establishment of National Climate Change Committee was planned; this is highly recommended.
- There are eight thematic WGs in the institutional organization of EU ETS implementation. More than 20 experts from EU MS have been involved in the project. Accreditation Body of Serbia (ATS) needs to have a clear role for the market oversight. However, as mentioned earlier, some minor problems occur because of the usage of different models in experts' countries of origin. So far, five mission of various experts were performed, having two major objectives:
 - Assessment of the impact of the EU ETS (SUDES project provides a good basis in Serbia);
 - Assessment of possible measures to converge to the EU ETS.
- Study visits are also important for the process of implementation. One study visit has been organized while three others are scheduled. Planning of a study visit should be established at the inception phase of the project, and it is always better to have several study visits for smaller groups. Recommendation is that one half of the planned visits are done at the beginning of the project, and up to nine targeted visits are foreseen, covering each of the ETS issues (permitting, monitoring, reporting enforcement, IT, aviation activities, registry and auctioning, accreditation of verifiers, and market oversight). Other activities included in the project are establishment of GHG inventories (2x2 weeks missions by 4 MS experts) and providing guidelines for the implementation of the EU ETS including financial model and planning (2x1 week missions by 3 MS experts).
- Mr. Debaisieux provided participants with general recommendations for proper EU ETS implementation:
 - Implementation takes at least four years to be implemented properly;
 - Early accurate monitoring and reporting means easier implementation afterwards;
 - Have a strategic view of the implementation for both transitional measures and synergy with other climate policies;
 - Have in consideration a multi-project approach;
 - Most of all, be positive, since implementing EU ETS is about improving efficiency and competitiveness

***EU ETS Road mapping and the Broad Picture – Imre Csikos**

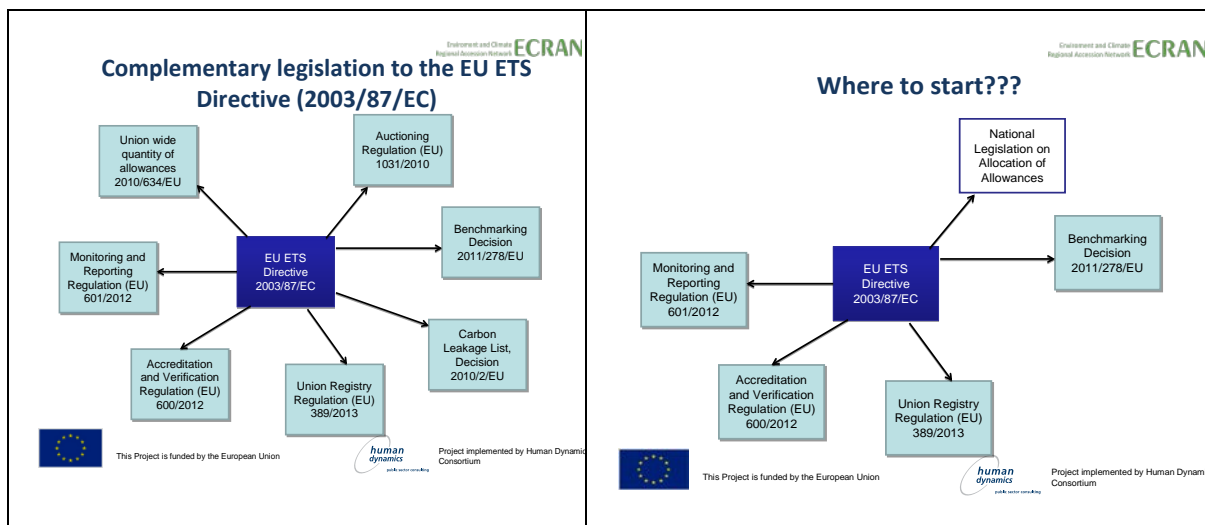
A discussion on the potential steps towards full ETS implementation for beneficiary countries was outlined. The following steps were addressed:



- Step 1. Prepare an ETS Implementation Plan to determine:
 - Required tasks, costs and associated staffing
 - Identify the list of activities (operators of stationary installations of Annex I and Aircraft operators)

- Step 2. Designate the Competent Authority to implement/regulate:
 - Auctioning (decide to work with own or existing platform)
 - Issuing of permits and allowances
 - National Implementation Measures (NIMs)
 - Monitoring, reporting, verification, accreditation
 - Registry work (Union Registry)
 - Organise internal and external information streams including public access to information

- Step 3. Develop necessary legislation :
 - MRVAV legislation and permitting legislation was already prepared by Turkey, but needs some supplements (as regards unreasonable costs, inclusion of aviation etc.)
 - Following that start developing legislation that regulates allocation and issuing of allowances (NIMs); Registry functioning; Transfer, surrender and cancellation of allowances; Use of credits (accept only credits from LDCs and not from nuclear installations and not from LULUCF and not from large hydropower); Auctioning (own platform or existing platform); Public participation and access to information.



- Step 4: Determine Capacity Building requirements for implementation:
 - For Authorities
 - For operators!
 - Information campaigning to explain in simple terms to general public

- Step 5: Assess the following:
 - Installations that are considered carbon leakage prone
 - Installations that may receive emission allowances for free (based on efficiency benchmarking)



- Step 6. Consider Monitoring, Reporting, Verification and Accreditation as a first step:
 - Prepare Guidance Materials (use the existing guidance and templates)
 - Develop an IT based system (electronic reporting) (recommended for large market!)
 - Establish Accreditation body to accredit verifiers

- Step 7: Learn the actual trading
 - Consider as a first step to use monopoly money (to learn)
 - Establish a National Registry (modelled along the requirements of the Union Registry so that linking with the ITR through the EUTL is possible)
 - Consider national or regional trading

- Step 8. Set up compliance structures:
 - Inspectorates to check verified emission reports
 - Ensure secure trading through national registries
 - Training of inspectorates

MRV (Monitoring, Reporting and Verification) is the backbone of the EU-ETS. It requires: (1) Precise, well-defined requirements on the monitoring, reporting and verification of emissions; (2) Adherence by the aircraft operators to the basic principles of MRV, i.e. Completeness; Consistency and Comparability; Transparency; Accuracy; Integrity of Methodology; Continuous Improvement; (3) A well-defined structure and format for the monitoring, reporting and verification of emissions and (4) Each actor in the Compliance Cycle plays its role as required and is aware of its own responsibility.

Exercise3 – General Needs for further Capacity Building in Beneficiary Countries

Croatia

- Ms. Miljenka Klicek from Croatian Inspectorate started by showing a big book of national laws and bylaws that have been formulated in Croatia from 2007 till today, and that form the legal basis for inspections. The main law is the Air Protection Law.
- Inspection in Croatia works on the basis of an annual plan. Croatia has in total 68 inspectors; for base laws, as well as laws on air and environmental protection. For ETS inspections each inspector is responsible for a certain number of operators in its own geographical area. These inspectors usually also do IPPC inspections. This is rotated among the inspectors to prevent 'blindness'. One coordinator conducts the full coordination of all activities among the inspectors.
- The main items that the inspector checks are the monitoring plan and the annual emissions report. Checks are made if the plans and reports are submitted to the competent authority and whether the emission report is verified. Besides, checks are made on the proper opening of a trading account and whether the compliance is checked. Most non-compliance is found when comparing CO₂ emissions reporting to annual emissions.
- Inspectors have tools for enforcement, but fortunately to date these were not needed. Minor non-compliances have occurred, after which the operator received a fixed time period within which the non-compliance has to be resolved.
- After each inspection the inspector writes a report and submits this to the government. Inspection reports are publicly available via the website.



- The timeframe for inspections includes: announcing inspections approximately a week before the actual inspection, half a day to one full day for inspections, and 7 days to correct minor non-compliances.

In a second working session the beneficiaries from Albania, BIH, Kosovo*, the former Yugoslav Republic of Macedonia, Montenegro and Turkey were asked to formulate a timeline for the implementation of ETS in their country. Experts from Croatia and Serbia, as well as the international experts were asked to support the beneficiaries. All countries provided a detailed planning schedule and further items were discussed with the entire group. The presentation of country timelines were followed by a presentation from Imre Csíkos with his views on a possible time path for the implementation of ETS in the beneficiary states, including some indications to how ECRAN can further support the implementation. Below some specific elements of the country presentations are highlighted.

Albania

- Albania will need a working group to define the targets for energy efficiency improvements and greenhouse gas emission reductions;
- The first working group has been defined, including representatives from the 3 ministries and working together to identify responsibilities;
- When barriers are identified, they would organise a workshop to identify qualified persons and to provide good examples to secure good quality of the ETS process;
- In a next phase this needs to be followed up with drafting legislation to transpose and implement the EU ETS?.

Bosnia and Herzegovina (BIH)

- BIH estimates it will need 3 years for the full implementation plan, while currently it estimates to have a total of five years available till the implementation needs to be finalised.
- BIH has already worked on the inventory of greenhouse gas emissions for 2000-2013;
- In a next phase they will need to focus on identifying the competent authorities for ETS implementation. This will need TAIEX support;
- In the next phase the operators will need to be identified, on the basis of the registries in the country;
- Next an accreditation body will have to be set up. A national accreditation organisation exists, so the accreditation body for the ETS could be done under this organisation;
- Once these steps are taken, operators will need to be educated via trainings and workshops;
- A final element mentioned is the preparation and adoption of a roadmap, which is seen as the most difficult step for BIH and would need further support from international experts;

Turkey

- Turkey has adopted its Monitoring and Reporting regulation, and the adoption of the regulation on accreditation and verification is expected in the next two months.



- An important next step is to establish an online system for reporting and preparing guidelines for verification;
- Training and examination is needed for the verifiers;
- In April 2016 the first verifier emission report is expected to be submitted to the Ministry;
- Turkey plans the full implementation of ETS by 2017, which is 5 years after the first legislation was completed in 2012;

Montenegro

- Montenegro has provided a full detailed implementation plan, starting in 2015 with the institutional set up. Implementation is expected to be relatively simple compared to other countries, as there are only 4 installations in the country and greenhouse gas emissions have already been monitored;
- After completing the institutional set-up the schedule includes training for operators and verifiers starting in 2015. In the second part of 2015 monitoring plans are scheduled to be prepared, after which the plans can be validated at the end of 2015.
- The schedule continues with issuing of GHG permits in 2016, and during the year 2016 the monitoring and accreditation of verifiers;
- Verification of monitoring reports is expected to start early 2016, after which the allocation can be conducted and an institution can be nominated for auctioning.
- In this plan all implementation steps are finalised at the end of the year 2017.

Kosovo*

- Kosovo* plans that it will start the actual implementation of ETS in 2017. The first step will be to prepare the legislation;
- The plan for the year 2018 then contains writing the action plan on implementation and identification of installations;
- The plan for the year 2019 includes establishment of the accreditation body, and capacity building for inspectors, verifiers and operators;
- In 2020 the verifiers will be accredited and allocation can take place. The operators can then prepare and submit their monitoring plan;
- In this plan the full implementation would be completed in the year 2021.

The Former Yugoslav Republic of Macedonia

- The Former Yugoslav republic of Macedonia has already implemented many steps to prepare the ETS but the project on this implementation will be closed very soon;
- Current focus of attention in the project is to finalise the legislation that has been initiated and to prepare the use of a software system to exchange all information on GHG emissions and reporting;
- The main challenge is the institutional set up as currently only 1 person is employed at the Ministry to implement the ETS;
- The implementation plan aims at finalising the legislation by 2020.



V. Evaluation

Reference is made to Annex IV for the detailed evaluation.

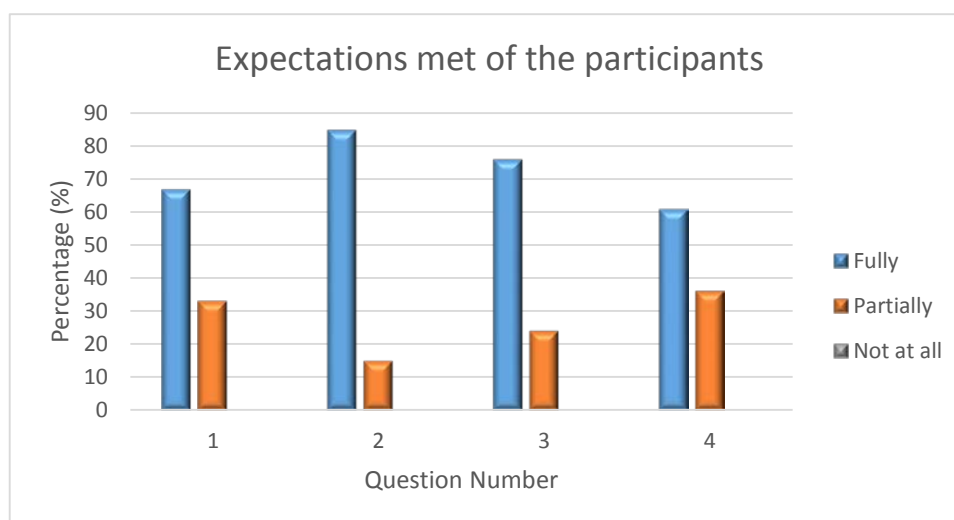
In the evaluation of the workshop most participants indicated that they have achieved a better understanding of the institutional, legal, and procedural arrangements identified for the implementation of a national or regional ETS (85% fully and 15% partially).

In addition, the majority of the participants indicated they have obtained detailed knowledge on the approaches and experiences in EU ETS implementation in EU Member States and Beneficiaries (67% fully and 33% partially).

As regards the quality aspects of the workshop such as presentations, facilitators, and logistics, more than 90 % of the evaluation scores obtained the marks 'excellent' to 'good'. The remaining (up to 10%) scored 'average' or 'acceptable'.

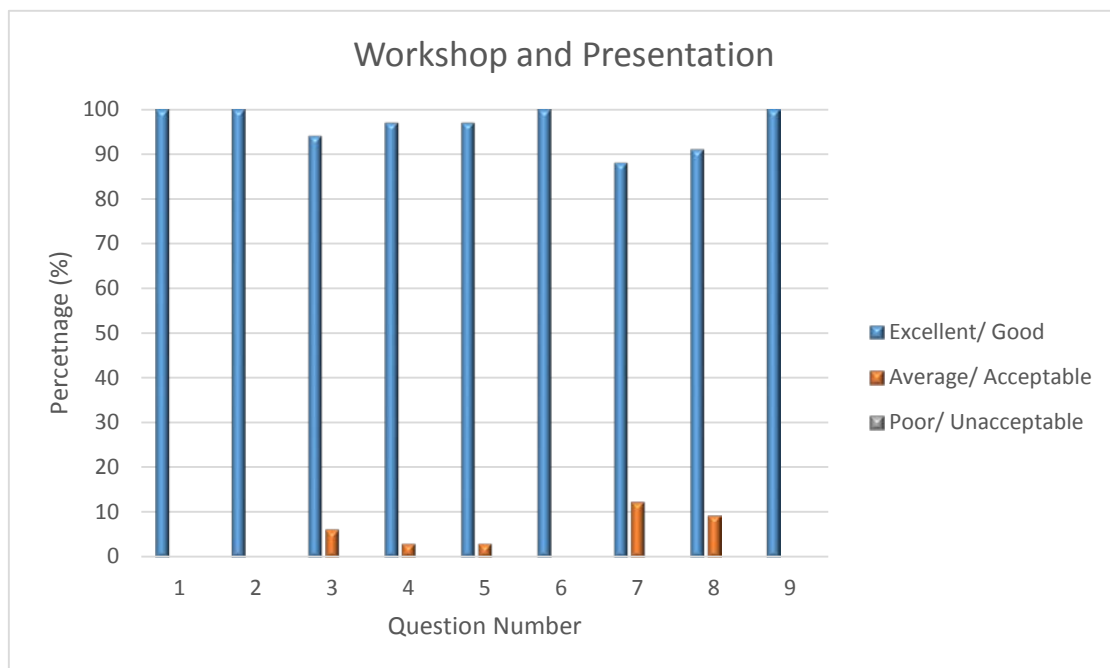
EXECTIONS OF PARTICIPANTS

1. Participants have obtained detailed knowledge on the approaches and experiences in EU ETS implementation in EU Member States and Beneficiaries.
2. Achieved better understanding on institutional, legal, and procedural arrangements identified for the implementation of a national or regional ETS.
3. Achieved better understanding of the required resources for the implementation of specific elements of an ETS system in conformity with the EU ETS requirements.
4. Participants obtained better understanding of risks and bottlenecks of ETS implementation.



WORKSHOP AND PRESENTATION

1 The workshop achieved the objectives set
2 The quality of the workshop was of a high standard
3 The content of the workshop was well suited to my level of understanding and experience
4 The practical work was relevant and informative
5 The workshop was interactive
6 Facilitators were well prepared and knowledgeable on the subject matter
7 The duration of this workshop was neither too long nor too short
8 The logistical arrangements (venue, refreshments, equipment) were satisfactory
9 Attending this workshop was time well spent



ANNEX I – Agenda

Day 1 – Wednesday, 25 March 2015

Topic: ETS implementation and ETS strategy development				
Venue: Hotel Panorama, Zagreb, Croatia				
Start	Finish	Topic	Speaker	Sub topic/Content
08:30	09:00	Registration and coffee		
09:00	09:15	Formal opening, word of welcome	Representative of the host country	<i>(To be discussed with the local ECRAN representative)</i>
09:15	09:30	Round of introductions	All participants	
09:30	10:00	The role and ambitions of the roadmaps	Monique Voogt, ECRAN	<ul style="list-style-type: none"> Responsibilities wrt ETS implementation and the need for a prepared approach The role of a roadmap and possible follow-up actions Ambitions for this workshop and formulation of follow-up missions
10:00	10:45	Status update in the beneficiary countries	Representatives of the beneficiary countries	<ul style="list-style-type: none"> Current status on the national systems, legislation in place, set up of the (future) competent authorities Current priorities in the implementation process
10:45	11:00	Coffee Break		
11:00	11:45	Serbia's experiences with implementation process	Danijela Božanić, Head of Climate Change Division, Serbian Ministry of Agriculture and Environmental Protection	<ul style="list-style-type: none"> Ensuring compliance with the ETS requirements Setting up institutional arrangements and capacity - practical insights Planning of implementation; resource planning
11.45	12.30	Group discussion	Representatives of the beneficiary countries	<ul style="list-style-type: none"> Main lessons learned from the Serbian experiences Needs assessment for other beneficiary states Identification of further joint capacity building



12:30	13:45	Lunch Break		
13:45	14:05	Institutional set-up and capacity building for ETS	Melita Zdilar, Ministry of Environmental and nature protection	<ul style="list-style-type: none"> Requirements for institutional set-up Capacity requirements and time planning
14:05	14:30	Implementing ETS in Croatia	Milena Grgić, Croatian environmental protection agency	<ul style="list-style-type: none"> Choices made on implementation Lessons learned
14:30	15:00	A model for a roadmap towards successful ETS implementation	Nives Nared, Ministry of Agriculture and the Environment, Slovenia	<ul style="list-style-type: none"> Reasons for roadmap and overview of actions needed A roadmap model, chapter-by-chapter Personal experiences and lessons learned
15:00	15:15	Coffee Break		
15:15	16:15	A national roadmap for ETS implementation (first working session)	Representatives of the beneficiary countries	Working session, supported by ECRAN experts
16:15	16:30	Conclusions and wrap-up 1 st day / outlook 2 nd day	Monique Voogt, ECRAN	

Day 2 – Thursday, 26 March 2015

Topic: ETS implementation and ETS strategy development				
Venue: Hotel Panorama, Zagreb, Croatia				
Start	Finish	Topic	Speaker	Sub topic/Content
08:30	09:00	Registration		
09:00	09:15	Opening and agenda	Monique Voogt, ECRAN	
09:15	10:00	First experiences from the	Representatives of the beneficiary countries	<ul style="list-style-type: none"> Identification of main challenges and unclarities Sharing first thoughts and suggestions



		formulation of roadmaps		
10:00	10:30	Cross-country learning and sharing	Representatives of the beneficiary countries	
10:30	10:45	Coffee Break		
10:45	11:30	Institutional capacity building in practice: the IPA project in Serbia	Nicolas Debaisieux, French ministry of Ecology and Sustainable Development	<ul style="list-style-type: none"> • Overview of capacity building activities organised • Approach and support provided • Project results, main challenges and lessons learned
11:30	12:45	A national roadmap for ETS implementation (second working session)	Representatives of the beneficiary countries	Working session, supported by ECRAN experts
12:45	13:45	Lunch Break		
13:45	14:15	The value of training missions	Monique Voogt, ECRAN	<ul style="list-style-type: none"> • The concept of training missions within ECRAN • Illustration on potential missions and identification of main values • Requirements for a successful training mission
14:15	15:00	Further steps towards a complete roadmap	Representatives of the beneficiary countries	<ul style="list-style-type: none"> • Identification of main needs for further capacity building within the ECRAN framework • Formulation of training missions (where relevant) • Planning further completion of national roadmap
15:00	15:15	Summary of the seminar and wrap-up	Monique Voogt , ECRAN	



ANNEX II – Participants

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ANNEX III – Presentations (under separate cover)

Presentations can be downloaded from:

<http://www.ecranetwork.org/Events/61>



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ANNEX IV – Evaluation

Statistical information

1.1	Workshop Session	Regional Workshop on Emission Trading System (ETS) Implementation and Strategy Development
1.2	Facilitators name	As per agenda
1.3	Name and Surname of Participants (evaluators) optional	As per participants' list

Your Expectations

Please indicate to what extent specific expectations were met, or not met:

My Expectations	My expectations were met		
	Fully	Partially	Not at all
1. I have obtained detailed knowledge on the approaches and experiences in EU ETS implementation in EU Member States and Beneficiaries.	■■■■ ■■■■ ■■■■ ■■■■ ■■ (67%)	■■■■ ■■■■ ■ (33%)	
2. I have better understanding on institutional, legal, and procedural arrangements identified for the implementation of a national or regional ETS.	■■■■ ■■■■ ■■■■ ■■■■ ■■■■ ■■■■ ■■ (85%)	■■■■ (15%)	
3. I have now better understanding of the required resources for the implementation of specific elements of an ETS system in conformity with the EU ETS requirements.	■■■■ ■■■■ ■■■■ ■■■■ ■■■■ ■■■■ ■■ (76%)	■■■■ ■■■■ (24%)	
4. I have obtained better understanding of risks and bottlenecks of ETS implementation.	■■■■ ■■■■ ■■■■ ■■■■ ■■■■ ■■■■ ■■ (61%)	■■■■ ■■■■ ■■ (36%)	

Workshop and Presentation



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Please rate the following statements in respect of this training module:

Aspect of Workshop	Excellent	Good	Average	Acceptable	Poor	Unacceptable
1 The workshop achieved the objectives set	 (63%)	 (37%)				
2 The quality of the workshop was of a high standard	 (70%)	 (30%)				
3 The content of the workshop was well suited to my level of understanding and experience	 (70%)	 (24%)	 (6%)			
4 The practical work was relevant and informative	 (61%)	 (36%)	 (3%)			
5 The workshop was interactive	 (82%)	 (15%)	 (3%)			
6 Facilitators were well prepared and knowledgeable on the subject matter	 (76%)	 (24%)				
7 The duration of this workshop was neither too long nor too short	 (64%)	 (24%)	 (9%)	 (3%)		
8 The logistical arrangements (venue, refreshments, equipment) were satisfactory	 (76%)	 (15%)	 (6%)	 (3%)		
9 Attending this workshop was time well spent	 (79%)	 (21%)				

Comments and suggestions



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I have the following comment and/or suggestions in addition to questions already answered:

Workshop Sessions:

- I would like session for inspection;
- Good prepared and done;
- Need some example of trading GHG emission;
- I notice that Croatia and Serbia weren't satisfied for the ETS (???);
- Thank you so much with everything. I think this working is a good experiment for us;
- More technical information and examples needed to explain 3-4 types of industries. This to be from industry point of view.

Facilitators:

- Very good and interesting;
- Excellent;
- Excellent;
- No comment;
- OK.

Workshop level and content:

- Workshop for inspection with "best practices" across EU MS will be very useful;
 - Little advanced for some participants;
 - OK;
 - Very good level and content of workshop;
 - Was at good level;
 - Shorter and more concrete presentations needed from guests. Break every 50 minutes.
-

