



Република Србија

МИНИСТАРСТВО ПОЉОПРИВРЕДЕ И ЗАШТИТЕ
ЖИВОТНЕ СРЕДИНЕ

Твининг пројекат Европске уније

Успостављање система за мониторинг, извештавање и верификацију
неопходног за успешну имплементацију Система трговине емисијама ЕУ



EU Twinning project

Creation of a monitoring, reporting and verification system for the successful
implementation of the EU Emissions Trading System

Пројекат финансира
Европска унија
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Serbia's experiences with implementation process



Why and how?



- To ensure:
 - Systematic collection of data
 - Better policy planning
 - New business opportunities
 - Reduction of electricity price shocks
 - Preparedness of industry
- IPA 2012: “Creation of a MRV system for the successful implementation of the EU Emissions Trading System”



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Project's information



- Starting date: 16 September 2013
- Duration: 24 months
- Budget: 1M€ (IPA2012)
- Project led by France (ministry of sustainable developement), in cooperation with :
 - Germany (federal ministry of environment)
 - Austria (environmental protection agency)



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Project's scope



- Accelerate harmonization with and implementation of EU climate acquis through establishment of **~~the monitoring, reporting and verification (MRV) system~~** for the EU Emission Trading System (EU ETS)
- Components:
 - Necessary legal framework in place for the alignment with and implementation of the MRV aspects of the EU ETS Directive, including the M&R and A&V regulations
 - Institutional and procedural arrangements in place for the establishment and operation of MRV system for a future implementation of EU ETS
 - Strengthening of administrative and institutional capacity



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Current state



- Institutional MRV organization in place for the implementation of the EU ETS – *June 2014*
- Drafting of laws and by-laws – *on-going*
- Capacity building for public administration and RA for enterprises – *on-going*
- Long term strategy for the implementation of the EU ETS at the date of accession (transitional measures) – *on-going*



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INSTITUTIONAL ORGANIZATION



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Assumptions and Objectives



- National Working Group
- No one-fits-all model for competent authorities:
 - France : Ministry at the local level
 - Austria : Local authorities with the support of the federal environmental agency
 - Germany : Federal environmental agency
- No new institutions
 - But possibility to consider reorganization of existing institutions, if possible without increase of staff
- Lowest as possible administrative burden
- Simplicity for end-users (i.e. operators)



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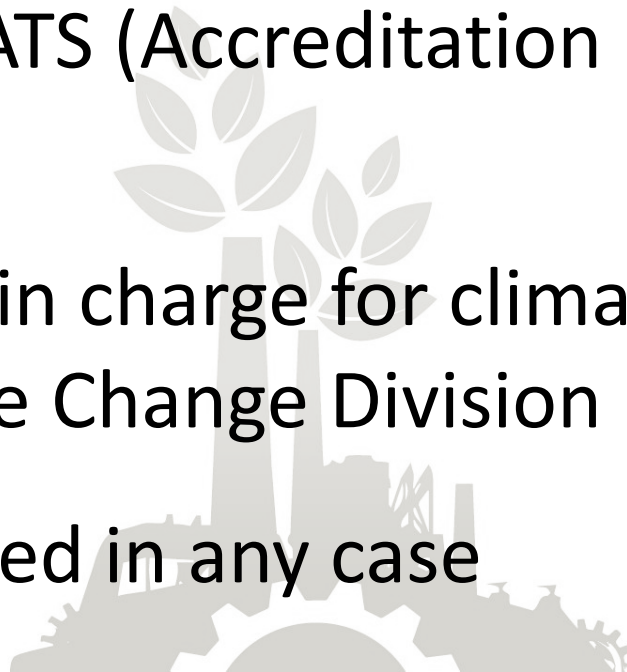
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First finding



- Clear role of ATS (Accreditation body of Serbia)
- CA - Ministry in charge for climate change issues/Climate Change Division
- Training needed in any case



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MONITORING, REPORTING AND VERIFICATION ASPECTS



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Possible options



- Decentralized approach (IPPC- like)
 - Local and provincial authorities involved
- Centralized approach
 - Centralization within the ministry
 - Centralization with SEPA
- Avitation as separate issue



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Preferable option



- Centralized approach (decentralized - very high administrative burden)
- Civil Aviation Directorate in charge for aircraft operator:
 - Technical cooperation with Eurocontrol
 - Link with ICAO negotiations
 - CAD already competent for environmental issues related to aviation



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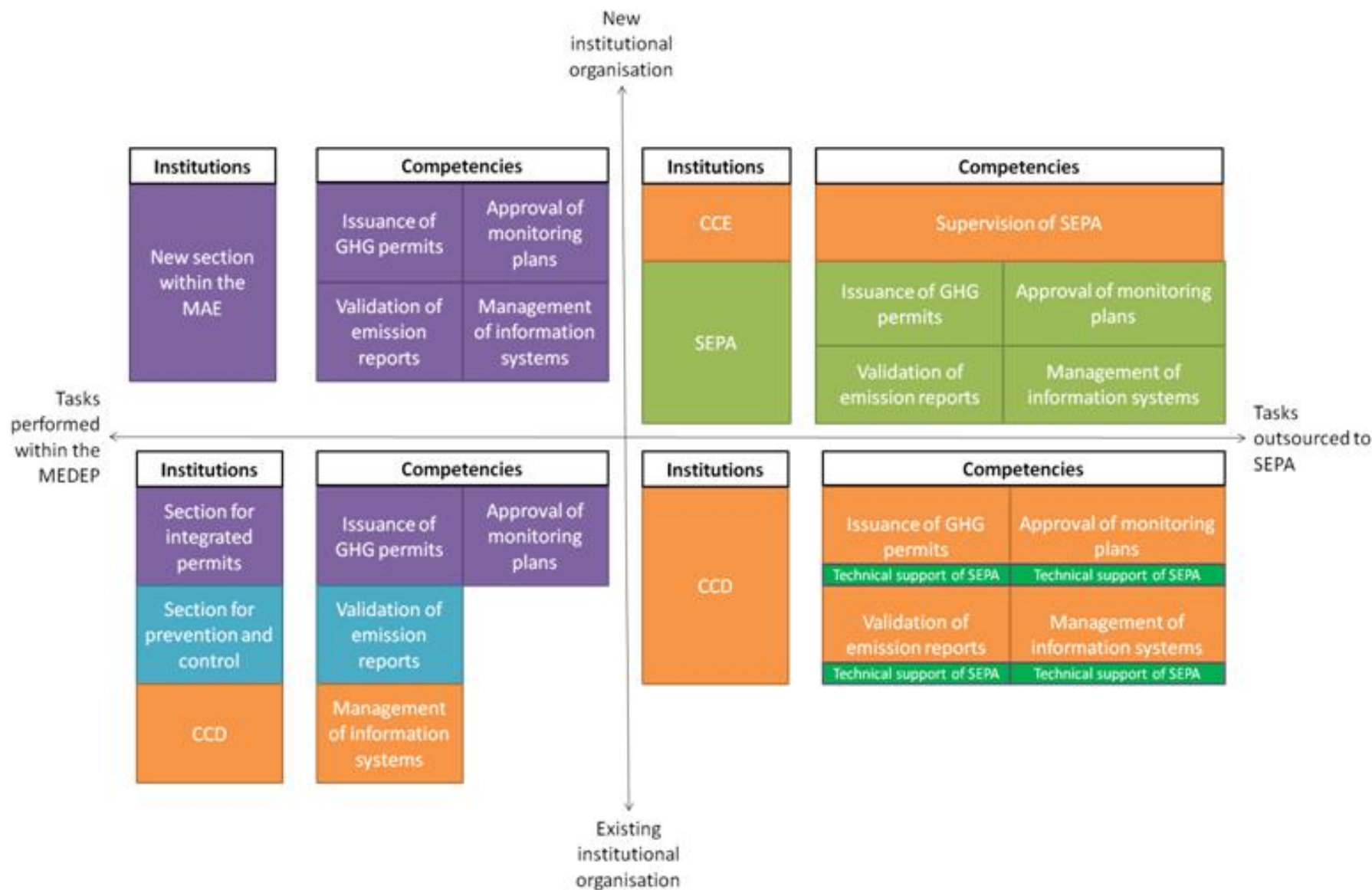
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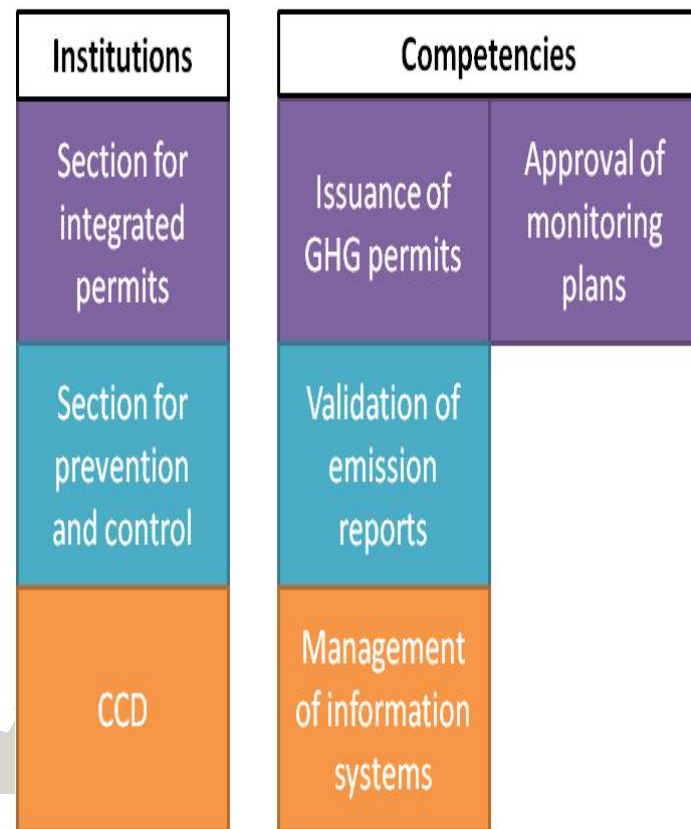
Centralized approach – options



Option A



- Pros
 - Existing institutions with good knowledge of enterprises
 - Synergies with other environmental policies
- Cons
 - No single desk approach
 - Lack of synergy with GHG inventories



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Option C



- Pros
 - Single desk approach
 - Synergy with GHG inventory and other emissions inventories
- Cons
 - New organization to be set up
 - No empowerment of SEPA to issue GHG permits

Institutions	Competencies	
CCE	Supervision of SEPA	
SEPA	Issuance of GHG permits	Approval of monitoring plans
	Validation of emission reports	Management of information systems



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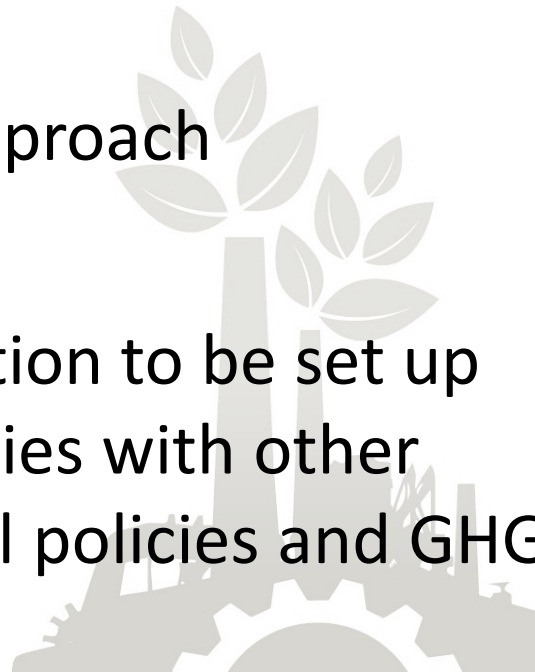
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Option B



- Pros
 - Single desk approach
- Cons
 - New organization to be set up
 - Lack of synergies with other environmental policies and GHG inventories



Institutions
New section within the MAE

Competencies	
Issuance of GHG permits	Approval of monitoring plans
Validation of emission reports	Management of information systems



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Option D



- Pros
 - Single desk approach
 - Existing institutions
 - Synergy with GHG inventory
 - Easier supervision
- Cons
 - Lower synergies with other environmental policies

Institutions	Competencies	
CCD	Issuance of GHG permits	Approval of monitoring plans
	Technical support of SEPA	Technical support of SEPA
	Validation of emission reports	Management of information systems
	Technical support of SEPA	Technical support of SEPA

Option recommended



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TRADING ASPECTS



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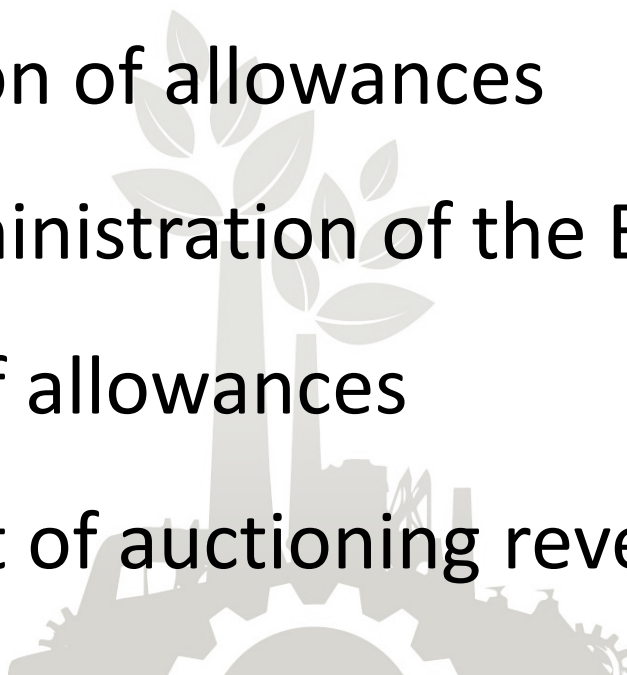
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Carbon market management



- Free allocation of allowances
- National administration of the EU Registry
- Auctioning of allowances
- Management of auctioning revenues



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Free allocation



- Technical work (assessment of baseline data)
- Strong coordination with the European Commission (notification of implementation measures) and the national administrator of the EU registry
 - Recommended option: Ministry (CDD) with the technical support of SEPA



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National administrator of the EU registry



- Possible options:
 - EU ETS Competent Authority
 - Outsourcing
- Key requirements:
 - Know-Your-Customers checks – common job in banking sector
 - Capacity to issue invoice and charge customers - not easy for the Ministry or even impossible for SEPA
- Recommended option:
 - Outsourcing to a public bank (National Bank of Serbia or Komercijalna banka)



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Auction platform



- Auctioning platform
 - Common Auctioning Platform
 - Opt-out
- Recommended option:
 - **Common auctioning platform**, as it is less costly



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Auctioneer



- Key requirements:
 - Clearing and settlement system in place
 - Target2Account
 - IT Infrastructure, electronic workflows and internal quality management system in place
 - Supervision by the government (Ministry of Finances)
- Recommended option:
 - A public bank (if possible the same as the National Administrator of the EU Registry)



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Management of auction revenues



- Key requirements:
 - Flexibility,
 - Traceability
 - Multiannual financing
- Recommended option:
 - **Serbian Environmental Fund**
- Rationale:
 - Existing fund under the supervision of the Ministry of Finances
 - Broad objectives (versus other existing fund like the Energy Efficiency Fund for example)



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Synthesis



Administrative burden (1/2)



Institution	Estimated number of additional man-days	Estimated number of additional full time job equivalent	Comments
MAE / Climate change division	380	≈ 2	Estimation does not include time need for the establishment of NIMs (≈ 80 man-days), a one-shot exercise necessary for free allocation
SEPA	624	≈ 3	
CAD	42	< 1	
MAE / Department for prevention and control	225	≈ 1	Involvement of environmental inspectors may be higher when starting the system, but should decrease over time.
ATS	70	< 1	
National administrator of the EU registry	-	Min. 3	Administration of the EU registry requires permanent availability of staff. Therefore, a minimum of 7 persons involved part-time on the registry is recommended
Auctioneer	81	< 1	



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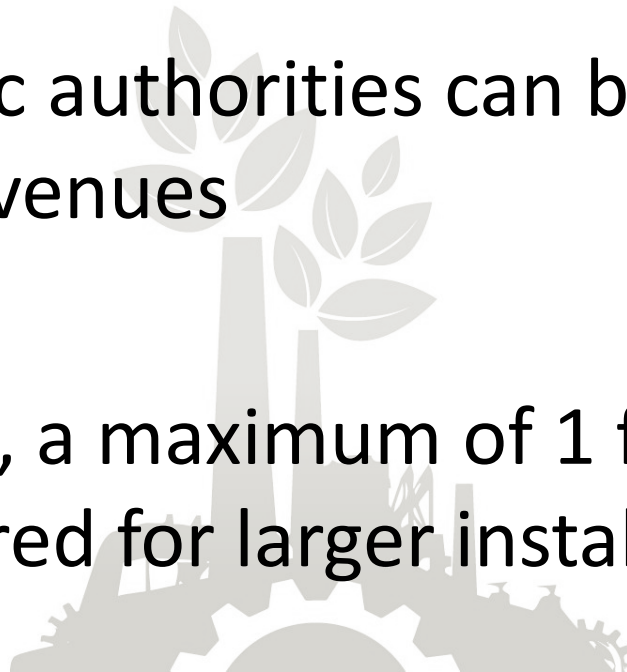
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Administrative burden (2/2)



- Cost for public authorities can be covered by auctioning revenues
- For operators, a maximum of 1 full-time job may be required for larger installations



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MRV Institutional set up



- Report on establishment of institutional structure for the implementation of MRV for the implementation of ETS – adopted by the Government (September 2014)
- CA – MAEP/ Climate change division
- Serbian Environmental Protection Agency (SEPA) - technical support
- Civil Aviation Directorate (CAD) - technical support
- Sector for surveillance and control MAEP – on request
- Accreditation Body of Serbia (ABS) - accreditation of verifiers
- MME – helpdesk for operators in the energy sector



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LAWS AND BY-LAWS



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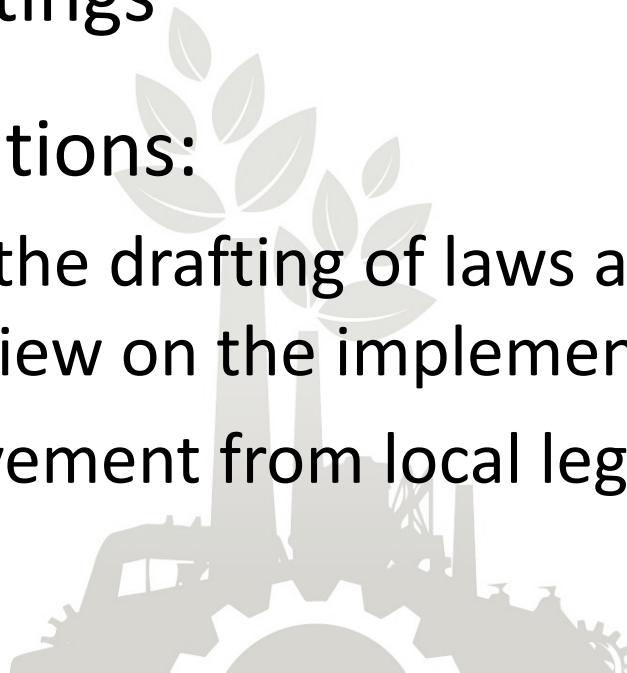
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First remarks



- Bilateral Meetings
- Recommendations:
 - Not starting the drafting of laws and by-laws too early: clear view on the implementation is needed
 - Strong involvement from local legal experts essential



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Legal framework



- Law on GHG emission reduction - MRV of GHG emissions plus transitional measure (firstly called Greenhouse Emission Trading Act)
- 4 by-laws
- Objective:
 1. MRV of GHG emissions - 2017 at the latest
 2. Implementation of the full system - 3 different options



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CAPACITY BUILDING



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Capacity building



- More than 150 industry representatives informed in Nis, Novi Sad and Belgrade – list of installations
- Potential verifiers informed
- Public administration trained



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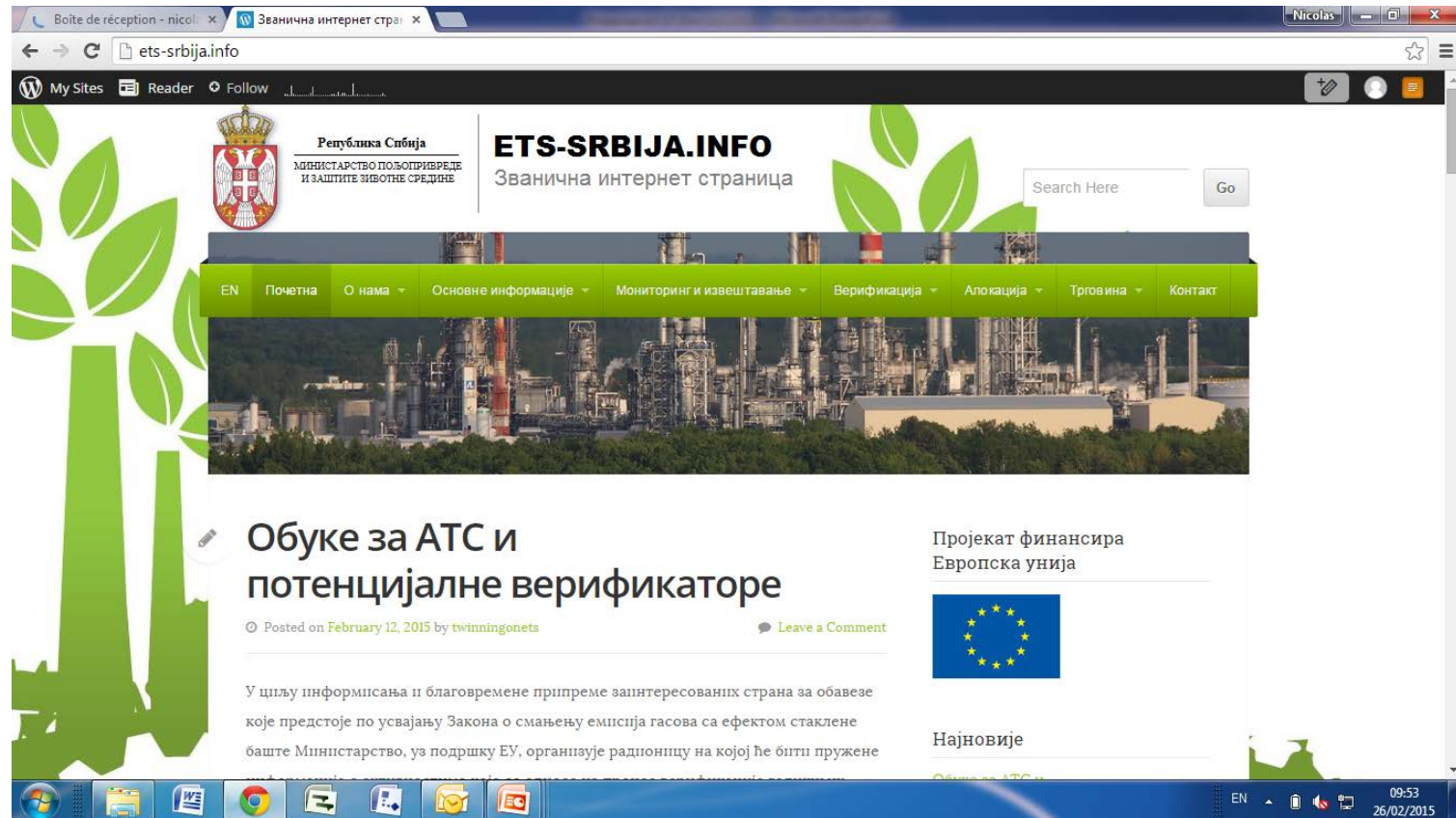
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LONG TERM STRATEGY – TRANSITIONAL MEASURES



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Objectives



- From an administrative point of view:
 - Transitional measures should be the closest as possible to the EUETS to smoothen implementation
- For an economical point of view
 - Transitional measures should lead to the highest reduction of GHG emissions at the minimum cost before the accession



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Domestic ETS (2/3)



- Pros :
 - preparation of the Serbian operators for EU accession (functioning with carbon price, preserving their competitiveness, no state aid issue)
 - preparation of the Serbian administration (life example of the management of the EU ETS)
 - additional revenues to support investment in low carbon technology prior and during EU accession (until 2028)



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Domestic ETS (3/3)



- Cons :
 - no sufficient number of Serbian actors to provide a supply-demand equilibrium (1 operator installations emit 40 Mt out of the total 50 Mt for the EU ETS perimeter for Serbia), neither liquidity
 - important legislative and administrative burden, unadapted to the small size of the system
 - legal uncertainty on EU level: joining the EU ETS after EU accession must be approved by all EU Member States, future structural reforms may undermine the purpose of the domestic ETS



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Multilateral ETS



- Assumptions and Pros are same as for the domestic ETS
- Cons :
 - if the insufficiency of market players could be potentially resolved through linking with other non-EU ETS systems, the legislative burden for the administration may be increased
 - even less consistent with a upcoming entry of Serbia in the EU
 - Time consuming and uncertain process



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Imposing BAT scenarios



- Assumptions :
 - using existing baseline scenarios and Best Available Technologies assumptions as a legislative constraint (new national/regional laws) to be implemented by the installations that will fall under the scope of the EU ETS.
- Pros :
 - minimize cost (direct) for the national budget
- Cons :
 - no incentive ensured for the installations to comply with the new rules
 - maximizing risk of carbon leakage
 - no flexibility
 - time consuming



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Voluntary agreements



- Assumptions :
 - 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
- Pros :
 - minimize cost (direct) for the administration
- Cons :
 - few chances to obtain any result at all as no incentive/constraint for the installations to follow the agreement



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CO2 TAX



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Taxation



PRO

- generating money to reduce GHG (energy efficiency, renewable energies, fuel switch etc.)
- raising awareness on ETS (e.g. current additional costs for EPS ≈ 200 Mio. € annually)
- starting to find most cost efficient measures at an early stage (consider time for building new energy installations etc.)

CONs & Questions

- (significant) increase of energy prices
- How to ensure that money is spend for GHG reduction measures? (earmarking)



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Scope: ETS sectors only?



PROs

- lower number -> lower administrative burden
- focusing on those who probably be most likely able to implement reduction measures
- focusing on those only who have to be ETS ready

CONs

- no incentives in other sectors (traffic, agriculture,...)
- GHG reductions only in ETS sector
- lower potential for generating money



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Scope: Non-ETS sectors too?



PROs

- broader incentive for reduction of GHG
- potential for generating more revenues

CONS

- higher administrative effort because of more companies under the scope
- risk to loose sight of becoming ETS ready
- perhaps more impact on generalities life



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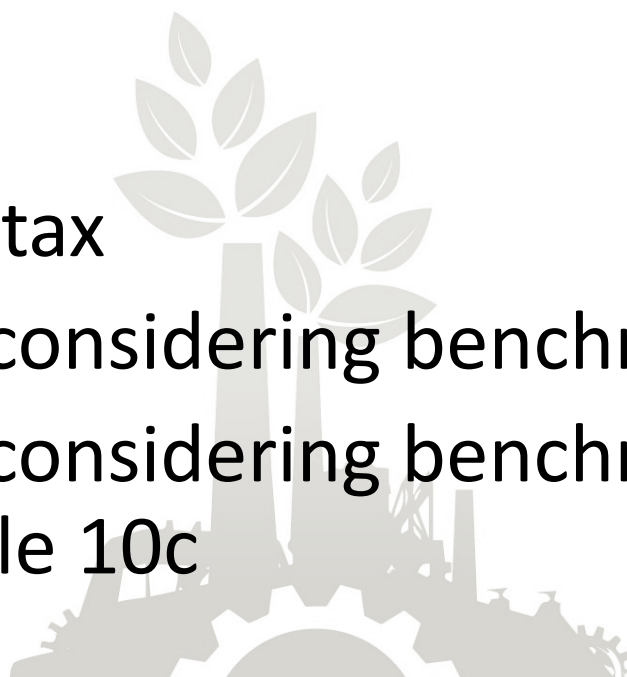
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Recommended option



- CO2 TAX FOR ETS sector
- Possibilities:
 - Full CO2 tax
 - CO2 tax considering benchmarking
 - CO2 tax considering benchmarking and article 10c
- Impact analysis on-going



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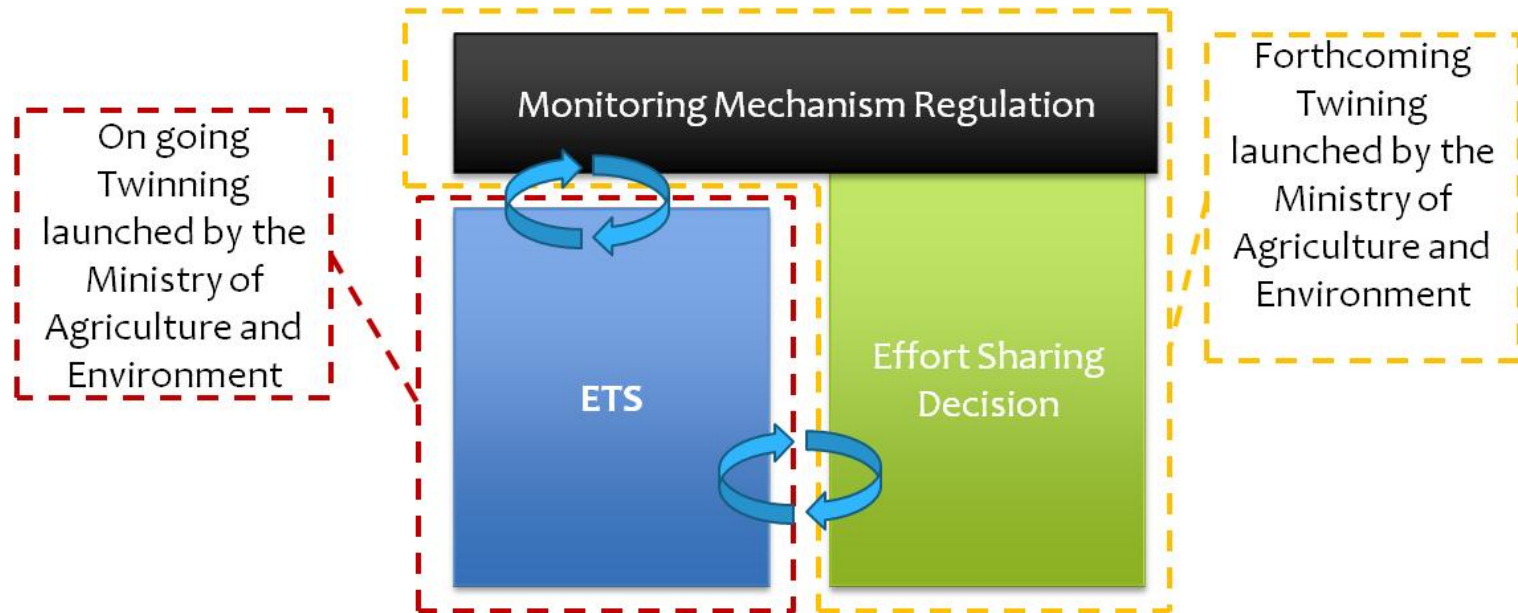
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In general



- EU policy



+ Sectoral measures (CO₂ and cars, CO₂ and vans, F-Gasses, Fuel quality directive, CO₂ labeling for cars)



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Climate change division

*Ministry of agriculture and environmental
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Republic of Serbia



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ENVIRONMENT AGENCY AUSTRIA

