

Green Investment Schemes: Options and recent developments

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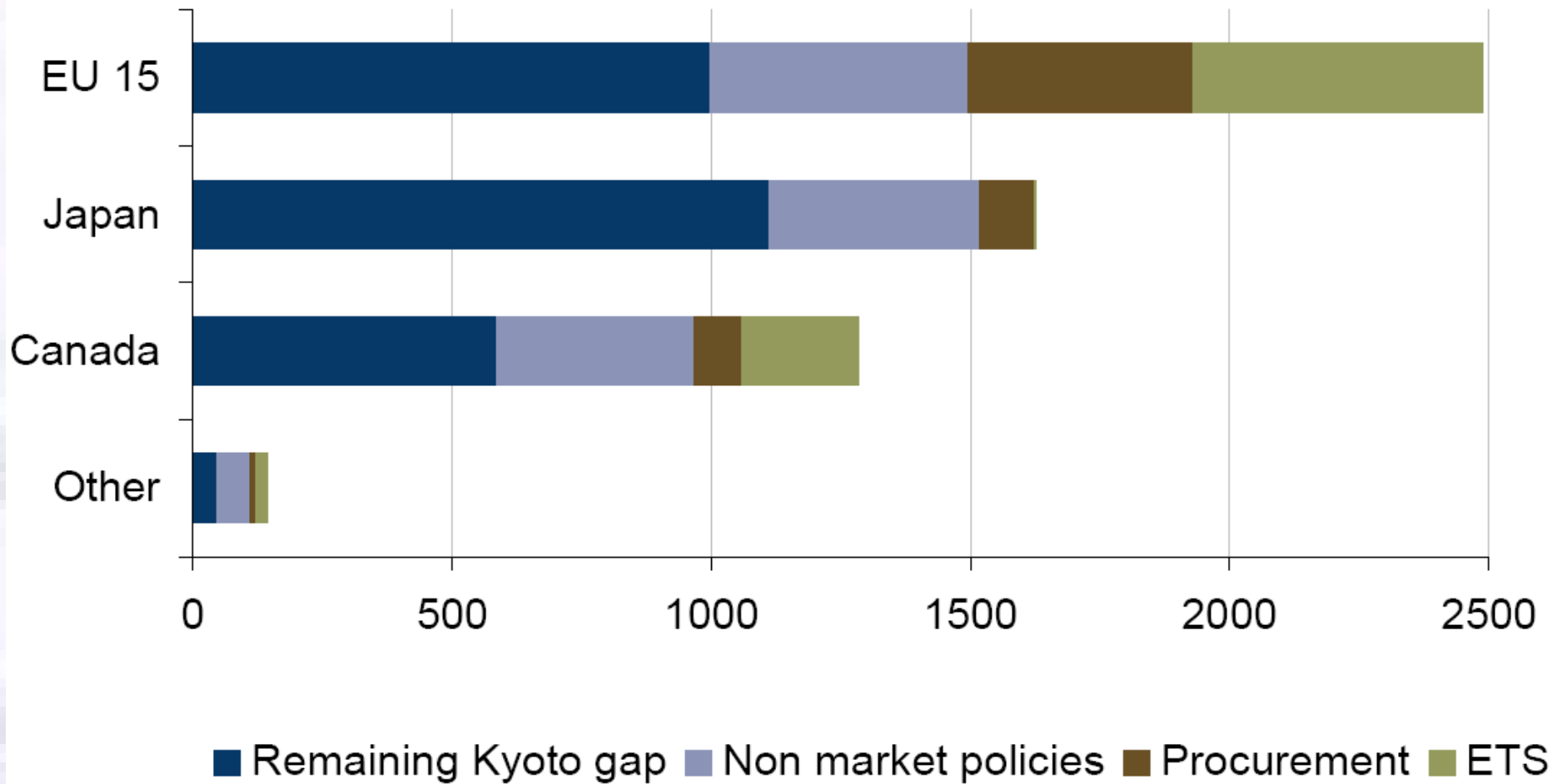
Flexible Mechanism of the Kyoto Protocol

- International Emissions Trading (IET), Art. 17 of the Kyoto Protocol is one of three flexible mechanisms (beside JI/CDM)
- Credits generated under one of these flexible mechanisms can be used by industrial countries to meet their Kyoto obligations

International Emissions Trading

- „Annex-I countries“ can trade part of their emissions budget known as *Assigned Amount Units (AAUs)*, which will be allocated to the signatory states in the Kyoto period (2008-2012)
- Transfer of AAUs without real emissions reductions (transfer of „hot air“)

Kyoto Gap



IET needed to fill the gap

- CDM and JI alone will be unable to fill the compliance gap
- Japan, Canada and Western Europe need IET to comply with the Kyoto Protocol

Most SEE countries have a surplus of AAUs

CO₂ emissions in 2004 and projections for 2010 compared to the Kyoto target

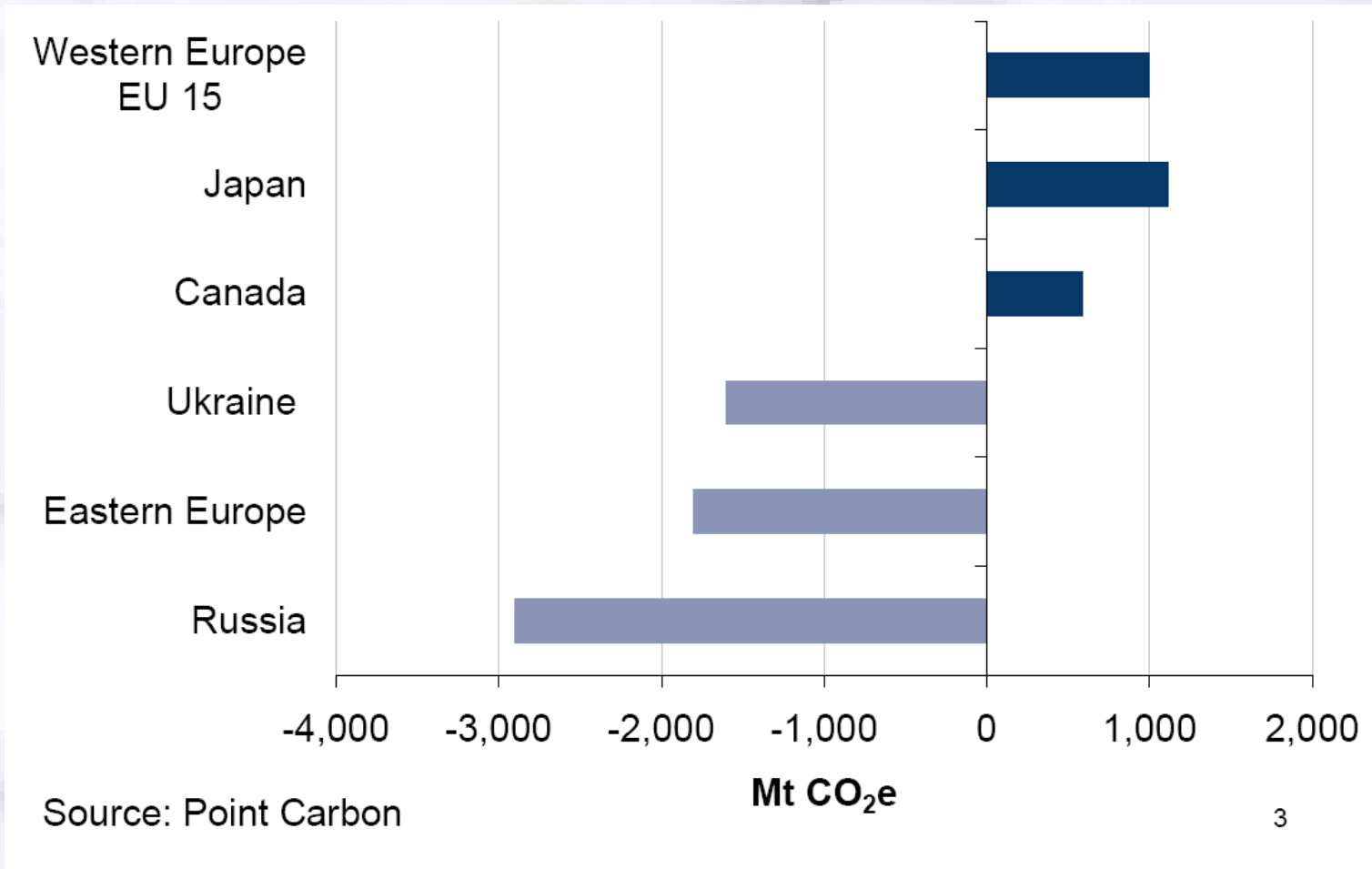
	Change from base year* to 2004 (%)	Baseline projections 2010, mtCO ₂ eq		Difference to target, in 2010 mtCO ₂ eq		Reference
		Low	High	Low	High	
Poland**	-34%	429	502	-21%	-7%	Armentos & Michaelowa 2002
Hungary***	-28%	84	88	-27%	-24%	Hu NC'4
Czech R***	-21%	137	154	-22%	-12%	CZ NC'4,UNFCCC
Slovakia***	-32%	54	56	-20%	-15%	Sk NC'4
Estonia**	-38%	17	17	-55%	-55%	Armentos & Michaelowa 2002
Latvia***	-53%	5	5	-21%	-17%	La NC'4,UNFCCC
Lithuania**	-44%	22	27	-53%	-42%	Li NC'3&4,UNFCCC
Slovenia***	8%	19	20	0	7%	SI NC'4

Change to base year calculated from IEA Key world energy statistics 2006.

Base years other than 1990: Hu (average of 1985-1987); Po (1988); and SI (1986)

** without LULUCF, *** including LULUCF

AAU supply and demand



Green Investment Scheme (GIS)

- To ensure the environmental benefits from trading surplus AAUs, AAUs are „greened“ *if the proceeds of the sale of AAUs is invested in emission reduction projects and programs.*
- All industrial countries agreed to buy only green AAUs, but there is no definition of what is green

Pros of GIS compared to JI

- Major opportunity of GIS: no formal rules – entirely flexible (⇨ architecture depends on the agreement between the selling and buying parties)
- Much broader spectrum of project types possible
- Price likely to be cheaper than in JI/CDM

Cons of GIS compared to JI

- Environmental integrity
- GIS may involve complex institutional arrangements
- Possible lack of institutional capacity to deal with GIS in host countries

Options für GIS (1)

- **Hard Greening**
AAU is greened when the reduction measures financed through the proceedings of the sale have generated one unit of emissions reductions
- **Soft Greening:**
Involves projects in which GHG emissions reductions can not be quantified (e.g. capacity building, awareness rising...)

Options für GIS (2)

- Project or Policy based:
Implementation of policy based activities (e.g. development and introduction of energy efficiency standards and labelling)

Status of GIS in Central and Eastern Europe

- GIS schemes are currently set up by Latvia, the Czech Republic, Hungary, Romania, Bulgaria, the Ukraine and Belarus
- In Russia GIS has no priority at the moment

Who may be the first buyers?

- Japan, Spain, the Netherlands, Finland and Austria expressed interest in GIS
- First deals expected within the next months

What is Joanneum Research doing on GIS?

- GIS and Land Use
- Analysing options for Austria to close its Kyoto gap with GIS (Taking into consideration also export chances of Austrian companies).
- Analyzing the factors that influence the price of green AAUs