

PROSPECTS OF JOINT IMPLEMENTATION PROJECTS IN UKRAINE

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Article 6 of the Kyoto Protocol (Joint Implementation) provides for the creation of transferable GHG emission reductions through investment in projects aimed at climate change mitigation. Such projects should contain a justified reference to additionality of GHG emissions reduction, because Article 6 envisages "reduction in emissions by sources, that is additional to any that would otherwise occur". Thus the determination of the achieved emissions reduction requires the specification of a baseline to which the reduction would be additional. It means that for each potential JI project a bottom-up baseline scenario has to be developed in order to estimate what would most probably have occurred without the project.

Currently there are no strict rules for the definition of the project baseline. Widely formulated Article 6 is open for interpretation and decisions by project developers as to the methods for setting baselines. On the other hand, project-specific baselines require a lot of detailed information and are therefore expensive. It should be mentioned that the uncertainty surrounding project baselines, novelty and complexity of the JI mechanism and possibly high transaction costs do not create a strong incentive for project owners and developers to determine possible baselines. It is one of the reasons why the project baseline description is usually based on the current situation that would persist in the absence of the JI project. The other reason is insufficient experience of enterprises' staff in developing and preparing project documentation.

In order to develop and implement JI projects successfully a clearly defined institutional framework is needed. There is no official governmental entity in Ukraine for qualification and approval of projects meeting the JI requirements as yet. There is not a specialized national organization for promoting and preparing projects targeted at GHG emission reductions. The lack of institutional capacity hampers the identification and development of successful project proposals and information exchange among possibly interested entities and building up awareness of JI. Currently, projects are not being developed in Ukraine specifically for JI mechanism. This situation has developed not only because often enterprise's low awareness of this new possibility for attracting investments but also because there are unclear criteria for project identification, and eligibility for JI. Also such projects must meet the additionality principle (i.e. must be impracticable without JI financial contribution). Low cost of ERU's will be the factor that attracts potential investors. For example, Prototype Carbon Fund intends to identify projects where the cost of emissions reduction is of the order of \$1-3 per 1 ton of CO₂. It is evident that most projects with comparable estimated costs of emission reductions would be very cost-effective and economically attractive. As a result, the principle of additionality for such projects may be hardly applicable and problematic.

Estimation of project eligibility for the JI criteria can be based on the principle of additionality or the barrier approach. The current absence of ERU transfers as an established and common practice is deemed to be the main obstacle for JI activity as a whole. There are also a number of other internal barriers and risks in Ukraine that make even highly profitable projects potentially additional. The main barrier is the limited access to investment capital and its high cost.

Taking into account all the aforementioned aspects, it should be noted that the current state of affairs may be provisionally considered as a baseline scenario for the projects. The final baseline may be defined at the outset of the project, based on mutual agreement of the parties involved. The following study of the project by potential investors may require a more detailed analysis of the project baseline and substantiation of additionality approved by the government.

A secondary effect of the JI mechanism will be increased awareness of companies about JI advantages, and resulting need for capacity building and institutional strengthening related to project identification, description and economic and environmental analysis.

From the year 2000 the economy of Ukraine has started overcoming a crisis, the highest GDP growth rates in the world being observed. This growth occurs alongside with improvement of all main macroeconomic indicators, is accompanied with reduction in the level of inflation, continuous stabilization of the national currency and reduction in external debts of the country. Positive trends in the economy have favorable impacts on the investment climate in the country. The evidence of this is the fact that the rates of growth of capital investments at the expense of all funding sources take the lead over rates of growth of the production volume. Furthermore, there have been adopted lately several important legislative acts, including civil and land codes, which will promote further stirring up of investment activity.

INTERNATIONAL STANDARDS ISO 14000 AS A CONSISTENT, INTERNATIONALLY RECOGNIZED MODEL FOR ENVIRONMENTAL MANAGEMENT

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Environmental Management is a tool for an organization to keep aware of the interactions that its products and activities have with the environment and to achieve and continuously improve the desired level of environmental performance.

ISO 14000 is the package that ties the mandatory requirements into a management system which is made up of objectives and targets focusing on meeting and exceeding the mandatory requirements with a focus on prevention and