

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

continuous improvements. An organization may elect to comply with ISO 14001 as a model for an Environmental Management System.

Benefits of implementing an ISO 14001 Environmental Management System may include:

- enhanced compliance to legislation

- facilitated financial and real estate transactions, where environmental performance is a factor

- reduced costs associated with consumer audits

- ability to bid for contracts (protection or increase of market share)

- market forces (a real or perceived 'greening' of the marketplace)

- economic return from increased efficiency of resource use

- increased ability to adapt to changing circumstances.

Some organizations may choose to implement an ISO 14001 program but not seek registration. Senior management needs to provide a focus for the Environmental Management System by defining the organization's environmental policy. This policy must include, among other things, a commitment to continuous improvement, prevention of pollution and compliance with legislation and regulations. Next, an initial review of the organization's existing environmental program is needed. This review includes the consideration of all applicable environmental regulations, existing processes, documentation, work practices and effects of current operations. Once the initial review is completed, a strategic or implementation plan can be developed. Both in the initial review and on an ongoing basis, the organization's activities, products and services require evaluation to determine their interaction with the environment. Environmental issues such as noise, emissions, environmental impact, waste reduction and energy use must be identified. The identified impacts are then used as a basis for setting environmental objectives within the organization. Objectives of the organization need to be determined and specific targets set. After that the organization needs to implement the strategic plan.

Once the Environmental Management System is implemented, its progress needs to be continually measured and monitored. Routine auditing and review are the keys to continuous improvement. Where issue specific audits address regulatory compliance, site assessment or emissions, the Environmental Management System audits address effectiveness of the management system.

Periodic Environmental Management System audits are needed to determine if the Environmental Management System conforms to the requirements of ISO 14001, and that the program is implemented and is continuously improving.

The Environmental Management System must be integrated with the organization's other activities. If it is seen as a separate program, it will be difficult or impossible to maintain. An effective Environmental Management System is the consistent and systematic control of procedures or operations, products or services which can have a significant impact on the environment. It is obviously concerned with environmental performance, but what it is about is effective corporate management.

An organization which has effectively integrated an ISO 14001 Environmental Management System with its other business management systems is well on its way towards managing its processes with a view towards compliance, consistency and continuous improvement, and can accrue the accompanying benefits.

PRINCIPLES OF ECONOMIC EVALUATION OF ENVIRONMENTAL BENEFITS

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A taxonomy of environmental goods can be derived from three criteria: the opportunity cost of their consumption; property rights of the producer; property rights of the consumer.

Usually the goods are codified in a certain way depending whether these respective attributes are present: private goods, non-congestion goods; Open access, or commons; semi-public goods; pure public goods.

The failure of the market to supply public goods has led to environmental regulation, public supply of these goods, taxes on pollutants, and subsidies for the provision of public goods. Where the benefits of public goods are difficult to quantify, and in a framework of budgetary constraints for specific environmental programs (with cost minimization as a priority and where financial compensation has to be paid for rights foregone), then a cost approach to assessing priorities for environmental improvements is often appealing to regulators.

We start with the *effect on production approach*. Environmental regulation may influence the profitability of producers by constraining the production process, and hence either increasing their production costs or reducing their outputs. Where such regulation has an effect on the price and supply of goods it also impinges on the welfare of consumers. If this is the case then the impact of an environmental regulation can be measured by the value of the change in output it causes: this is known as the effect on production (EOP) approach. This approach can estimate the magnitude of both negative and positive impacts, e.g. the impact on fisheries of water pollution (negative), water quality improvement (positive), or the creation of a new reservoir (which might be positive or negative).

Also the following approaches have been considered: *the opportunity cost (OC) approach, the human capital (HC) approach, the dose-response (DR) techniques, the replacement cost, preventative, mitigatory expenditure and averting behavior approaches.*

Mitigatory and preventative expenditure create implicit prices for environmental amenities and biodiversity. People also undertake averting action to improve their environmental quality. People may purchase bottled water to avoid drinking from public water supplies or install water filtration systems in their homes. Similarly,