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Carbon Futures LLP
33 Station Road,
Budleigh Salterton,
Devon EX9 6RR England,
United Kingdom

Att.: JI Supervisory Committee

Date: 18 May 2012

Initial comments on review of the determination regarding the project design document (PDD) for “0285. Implementation of energy-efficient lighting system in the Donetsk Region with the use of Kyoto Protocol mechanism: replacement of incandescent lamps with energy-efficient ones at budget financed and social entities in the Yenakiive town (under Track 2)”

Dear Members of the JI Supervisory Committee,

On the 4th of May 2012 Carbon Futures LLP was informed that three JISC members requested a review of the JI project 0285 “Implementation of energy-efficient lighting system in the Donetsk Region with the use of Kyoto Protocol mechanism: replacement of incandescent lamps with energy-efficient ones at budget financed and social entities in the Yenakiive town (under Track 2)”.

Project participant Carbon Futures LLP has prepared the following response to the issues raised by these requests for review. First the reasons for requesting the review are listed, second our initial comments to the particular reason are provided and thirdly the proposed supplements to the PDD are included how we believe the issue can be closed.

Request for review (1):

It is claimed by the PP that the state funding for large-scale replacement of ICLs with CFLs in the public sector is not sufficient. However, no documentary evidence of this Investment barrier has been provided and determined by the AIE other than just a statement included in the PDD. Traceable and transparent information showing that the baseline was identified on the basis of conservative assumptions along with documentary evidence to back the claim as well as reasons for non-availability of funding could have been asked for by AIE during determination, in accordance with paragraph 44 (a) of the Guidance on criteria for baseline setting and monitoring ver03.

Initial comments by Carbon Futures LLP (1):

A JI specific approach with elements of an approved CDM baseline and monitoring methodology AMS-II.J (Demand-side activities for efficient lighting technologies), version 04 was chosen for setting the baseline of the project.

The additionality of the project was demonstrated in accordance with the paragraph 44(a) of the Annex I to the “Guidance on criteria for baseline setting and monitoring” version 03.

Section B.2. of the PDD provides the description of barriers to the project activity, namely investment barrier, technological barrier and other barriers.

The project participant provided an explanation to show that the project activity would not have occurred anyway due to at least one of the barriers according to the “Information on additionality (Attachment A to Appendix B of 4/CMP.1 Annex II)”.

The following documents are presented in Annexes to this letter as documentary evidence of investment barrier for this project:

- Annex 1. Ordinance of the Cabinet of Ministers of Ukraine # 1337-r “On Implementation of Measures to Reduce Electricity Consumption by Budget Institutions” translated in English
- Annex 2. The Letter # 01-17-1313/02 dated 14 May 2012 obtained from Yenakiive town council.
- Annex 3. The Letter # 774-01/13/4-12 dated 18 May 2012 obtained from State Agency on Energy Efficiency and Energy Saving of Ukraine.

Letters from Yenakiive town council and State Agency on Energy Efficiency and Energy Saving of Ukraine were received on the request of project coordinator, Innovation Center “Ecosystem”.

According to the presented documents the following clarifications are provided below:

- 1).** Yenakiive town council is a body of local authorities. According to clause 2 of Ordinance of the Cabinet of Ministers of Ukraine # 1337-r “On Implementation of Measures to Reduce Electricity Consumption by Budget Institutions” (hereinafter Ordinance), measures outlined in this Ordinance are advisory in nature for Yenakiive town council (please refer to Annex 1, clause 2).

2). According to the Letter # 01-17-1313/02 dated 14 May 2012 obtained from Yenakiive town council, budget deficit has not provided for and allowed short-term funding of the measures recommended by the Ordinance because of funding the priority directions and also because of the high price of energy-efficient lamps compared to incandescent lamps (hereinafter ICLs).

“Yenakiive energy saving program for 2011-2015” does not include measures on replacing ICLs with energy-efficient lamps (please refer to Annex 2).

Non-availability of state funding for large-scale replacement of ICLs with compact florescent lamps (hereinafter CFLs) was checked by Carbon Futures LLP according to Yenakiive town local budgets for 2008, 2009 and 2010 years at the stage of requesting the host country approval. These documents could be submitted for consideration if necessary.

3). State Agency on Energy Efficiency and Energy Saving of Ukraine, as an executive body responsible for the formation and implementation of unified state policy on energy saving, in its Letter # 774-01/13/4-12 dated 18 May 2012 confirmed that the transition to the use of energy efficient lighting in budgetary institutions are made depending on the availability of budget funding for these purposes. It is mentioned that the main problem of energy saving luminescent lamps implementation in budget institutions is the lack of budget funding (please refer to Annex 3).

4). The baseline was identified considering the following conservative assumptions:

- It is stated in section B.3. of the PDD that project reduces emissions of CH₄ and N₂O from fuel consumption. However, these emissions are much smaller in comparison with than emissions of CO₂ and are excluded from the project to ensure that emission reductions are estimated in a conservative manner.
- The table D.5. in section D.1. of the PDD indicates the following: “To ensure a conservative approach, April, July, October, and February were chosen for monitoring. April, July, and October were chosen since these months are representative (mid-season) for spring, summer, and autumn. February was chosen as the winter representative month since this month has the longest light day duration in winter which allows making conservative estimation of GHG emission reduction”.

The presented documentary evidence of the investment barrier for the project shows non-availability of state funding for large-scale replacement of ICLs with CFLs in the public sector as well as reasons for this.

Thus in our opinion the provided information shows that the baseline was identified on the basis of conservative assumptions, that the project scenario is not a part of the identified baseline scenario and that the project will lead to reductions of anthropogenic emissions by sources.

Proposed supplements to the PDD (1):

- 1) Provide the reference in section B.2. of the PDD to the document “Information on additionality (Attachment A to Appendix B of 4/CMP.1 Annex II)” according to which project participant provided an explanation to show that the project activity would not have occurred anyway due to at least one of the barriers.
- 2) Indicate in section B.2. of the PDD the information that according to clause 2 of Ordinance measures outlined in this Ordinance are advisory in nature for Yenakiive town council.
- 3) Provide in section B.2. of the PDD the references to documentary evidence of investment barrier, namely:
 - The Letter # 01-17-1313/02 dated 14 May 2012 obtained from Yenakiive town council;
 - Yenakiive town local budgets for 2008, 2009 and 2010 years.

Request for review (2):

The PDD states that there is a country regulation “Ordinance of the Cabinet of Ministers of Ukraine # 1337-r. “On Implementation of Measures to Reduce Electricity Consumption by Budget Institutions” that calls for the gradual replacement of common ICLs with up-to-date energy efficient light sources requiring no change of lighting fixtures in the budget financed and social entities. This regulation should enforce the abovementioned actions from 2009 on. The PDD states that the enforcement of this ordinance is still very low and not supported by the state and for this reason, the current practice of using ICLs remains the common practice and most economically attractive scenario.

The PP has assumed that the facilities covered by the project activity would not have been converted to CFL lamps during the crediting period, as the cost of CFLs compared to that of the ICLs is prohibitive, and that the level of financing allocated to the town council is not sufficient to cover the cost of CFLs.

There are however a number of issues, that seem to have not been appropriately addressed:

- *the continuation of the usage of the ICLs does not comply with the local regulation (abovementioned) which imposes the phasing out of the ICLs and their gradual replacement by more energy efficient lamps;*

- *the investment barrier has been demonstrated based only on a qualitative comparison of costs of ICLs and CFLs and seems not to take into account the costs savings induced by the reduction of energy consumption nor the lifetime of the CFLs which according to the PDD is 8 times that of ICLs;*
- *the baseline scenario identification does not take into account the impact of the penetration rate of the CFLs in the Ukrainian market during the project's crediting period;*

Based on the above it could be concluded that the AIE failed to appropriately deal with paragraphs 20 (a) and 25 of the JI guidance on criteria for baseline setting and monitoring version 03.

Additionality of the project is justified by the PP using a JI specific approach, on the grounds that financing has not been available to implement the government directives on using CFLs (investment barrier), as well as the additional training requirements for the disposal of CFLs (technological barrier), and that the project provides the additional supervision necessary to prevent CFL theft (other barriers). However, the PDD and the Determination Report do not refer to any evidence for the investment barrier. In other words, there is no data on the actual penetration of CFLs as a result of the national regulations.

Traceable and transparent information showing that the baseline was identified on the basis of conservative assumptions along with documentary evidence to back the claim as well as reasons for non-availability of funding could have been asked for by AIE during determination, in accordance with paragraph 44 (a) of the Guidance on criteria for baseline setting and monitoring version 03.

It should be noted that the project participants should also update the information on the enforcement of the Ordinance # 1337 in the other cities and locations in Ukraine throughout the crediting period of the project activity (annually) in order to justify that the project continue to not be a common practice.

Initial comments by Carbon Futures LLP (2):

- 1) It should be mentioned that the Ordinance would have to ensure the gradual replacement of ICLs with CFLs in public sector since 2009, but according to clause 2 of this Ordinance, these measures are advisory in nature for Yenakiive town council (please refer to Annex 1, clause 2).
The reasons that the current practice of using ICLs remains the common practice and most economically attractive scenario are more finance priority areas (wage payment, nutrition and medication supply, capital repairs in education and health institutions) and the high cost of CFLs compared to ICLs (please refer to Annex 2).
- 2) "Yenakiive energy saving program for 2011-2015" does not include measures on replacing ICLs with energy-efficient lamps. The lack of budget financing of these measures in Yenakiive town local budgets for 2008, 2009 and 2010 years demonstrates the continuation of the ICLs usage in the budget financed and social entities (see Annex 2; Yenakiive town local budgets for 2008, 2009 and 2010 years

could be submitted for consideration if necessary).

3) According to the Letter # 01-17-1313/02 dated 14 May 2012 obtained from Yenakiive town council, the costs savings induced by the reduction of energy consumption and the lifetime of the energy-saving lamps can not be spend on replacing the standart lamps with energy-efficient lamps in budget institutions of the town as the current budget deficit prohibits adequate financing even for the top-priority Yenakiive town areas (see Annex 2). Therefore, these issues were not included in demonstration of investment barrier.

4) Despite the gradual penetration of energy efficient lamps in the Ukrainian market, state funding of the large-scale replacement of ICLs with CFLs in the public sector is not sufficient (the reasons are listed above, please refer to Annex 2).

As for the enforcement of the Ordinance in other cities and locations in Ukraine, State Agency on Energy Efficiency and Energy Saving of Ukraine in its Letter # 774-01/13/4-12 dated 18 May 2012 confirmed that the transition to the use of energy efficient lighting in budgetary institutions is made depending on the availability of budget funding for these purposes. It is mentioned that the main problem of energy saving luminescent lamps implementation in budget institutions is the lack of budget funding (please refer to Annex 3).

Information concerning the enforcement of the Ordinance in other cities of Ukraine during the crediting period will be monitored annually by project participants in order to justify that the project continue to be not a common practice.

In the case of sufficient state funding of the large-scale replacement of ICLs with CFLs in the public sector baseline of the project will be revised.

Proposed supplements to the PDD (2):

1) Provide in section B.2. of the PDD the information concerning the enforcement of the Ordinance in other cities of Ukraine and penetration of energy efficient lamps in the public sector within the budget financing throughout the crediting period of the project activity.

2) To make adjustments in monitoring plan of the project (section D. of the PDD) concerning annual monitoring of the enforcement of the Ordinance in other cities of Ukraine during the crediting period by project participants in order to justify that the project continue to not be a common practice.

Request for review (3):

It is claimed by the PP that the state funding for large-scale replacement of ICLs with CFLs in the public sector is not sufficient. However, no documentary evidence of this Investment barrier has been provided and determined by the AIE other than just a statement included in the PDD. Traceable and transparent information showing that the baseline was identified on the basis of conservative assumptions along with documentary evidence to back the claim as well as reasons for non-availability of funding could have been asked for by AIE during determination, in accordance with paragraph 44 (a) of the Guidance on criteria for baseline setting and monitoring ver03.

Initial comments by Carbon Futures LLP (3):

Please refer to "Initial comments by Carbon Futures LLP (1)".

Proposed supplements to the PDD (3):

Please refer to "Proposed supplements to the PDD (1)".

Carbon Futures LLP sincerely hopes that provided initial comments with presented documentary evidence and proposed supplements to the PDD completely, accessibly and transparently respond to all issues raised by JI Supervisory Committee.

Best Regards



Anthony Arman
Group Chief Executive
Carbon Futures

ANNEX 1

Translation from Ukrainian into English

/Coat of Arms of Ukraine/

CABINET OF MINISTERS OF UKRAINE

ORDINANCE
of the Cabinet of Ministers of Ukraine
of 16 October 2008 No.1337-r

“On implementation of measures to reduce electricity
consumption by budget institutions”

1. To transfer budgetary institutions to use energy efficient lighting equipment of mainly domestic production in buildings and areas of their location, in compliance with illumination sanitary standards the ministries, other central executive bodies, the Council of Ministers of the Autonomous Republic of Crimea, state regional administrations, Kyiv and Sebastopol City State Administrations shall provide:

obligatory usage of energy efficient lighting equipment on replacing the faulty incandescent bulbs (after completing the previously purchased stock) from 01 November 2008;

during the capital and maintenance repair of power management buildings and structures, install only energy efficient lighting approved by the State Sanitary and Epidemiological Service from 01 January 2009.

2. To recommend to the local governments to take measures outlined in this Ordinance so as to ensure a smooth transition during 2008-2009 for institutions funded from local budgets to the use of energy efficient lighting in buildings and areas of their location.

3. State Inspection on Energy Efficiency shall control the transfer of budget institutions to use energy efficient lighting in buildings and areas of their location.

Prime Minister of Ukraine Y. TYMOSHENKO


Ind. 37

15 травня 2012 року

Переклад даного документу з української мови на англійську виконано в Бюро перекладів «Альфа-Груп».

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Контактний номер телефону: (+38 044) 229 6239

Перекладач  Ткаченко Тетяна Олегівна


Диплом серії KB № 37385644, виданий Приватним вищим навчальним закладом «Український інститутом лінгвістики і менеджменту» 14.07.2009.

May 15, 2012

This document is translated from Ukrainian into English in “Alpha-Group”, Translation and Interpreting Agency.

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Translator  Tkachenko Tetiana Olegivna

Diploma Series KB No. 37385644 issued by Private higher education institution “Ukrainian Institute of Linguistics and Management” on July 14, 2009.





УКРАЇНА

**ЄНАКІЄВСЬКА МІСЬКА РАДА
ВИКОНАВЧИЙ КОМІТЕТ**

86430 м. Єнакієве, Донецької області, пл. Леніна 7, тел. (06252) 2-21-03. Факс (06252) 5-16-51

E-mail: ispolkom@wn.dn.ua

14.05.2012 № *Вх. 01-17-1313/02*
 На № *20-12/ЕС* від *07.05.2012*

Генеральному директору
 ЦД «Екосистема»
 Куруленко С.С.

Шановний Святославе Сергійовичу!

Відповідно до Вашого листа-запиту щодо реалізації проекту спільного впровадження «Впровадження енергоефективного освітлення в Донецькій області з використанням механізмів Кіотського протоколу: заміна ламп розжарювання на енергоефективні лампи в установах бюджетної та соціальної сфери м. Єнакієве» (далі – Проект), надаємо наступну інформацію:

Розпорядження Кабінету Міністрів України від 16 жовтня 2008 року № 1337-р «Про здійснення заходів щодо скорочення споживання електричної енергії бюджетними установами» носить рекомендований характер для органів місцевого самоврядування щодо переведення бюджетних установ на використання енергоефективних освітлювальних приладів. Дефіцит місцевого бюджету м. Єнакієве не дозволяє та не дозволяє на близьку перспективу фінансування рекомендованих Розпорядженням заходів у зв'язку з більш пріоритетними напрямками фінансування та високою вартістю енергозберігаючих ламп у порівнянні з лампами розжарювання.

За період 2011 року в результаті впровадження Проекту було досягнуто економії коштів за відповідною статтею бюджету. Але вони не можуть бути спрямовані на заміну ламп розжарювання на енергоефективні лампи в бюджетних установах міста у зв'язку з дефіцитом бюджету, який не дозволяє забезпечити фінансування навіть в найбільш пріоритетних для м. Єнакієве напрямках, таких як заробітна плата, харчування, медикаменти, енергоносії.

В місті реалізується Програма енергоефективності м. Єнакієве на 2011–2015 роки, в даній Програмі не передбачено заходи щодо заміни ламп розжарювання на енергоефективні лампи.

Проект, який ми здійснюємо сумісними зусиллями, носить ініціативний характер. Проект став можливим завдяки тому, що до нього залучені кошти інвестора.

Ми дуже сподіваємось на успішне завершення всіх процедур, пов'язаних з реєстрацією Проекту та надійне продовження процесу поставки енергоефективних ламп в установи бюджетної та соціальної сфери м. Єнакієве вдовж всього життєвого циклу проекту.

Ми щиро вдячні Вам та Carbon Futures за співпрацю та, в свою чергу, підтверджуємо готовність до сумлінного виконання своїх обов'язків в ході реалізації Проекту.

З повагою,

Перший заступник міського голови

Ю.Г. Сильванський

**/Coat of Arms of Ukraine/
UKRAINE**

EXECUTIVE COMMITTEE OF YENAKIIVE TOWN COUNCIL

7 Lenin sq., Yenakiive, Donetsk region, 86430. Phone No. +38(06252) 2-21-03

Fax No.+38 (06252) 5-16-51. E-mail: ispolkom@wn.dn.ua

Dated 14 May 2012 No. 01-17-1313/02
as per No. 20-12/ES dated 07 May 2012

ATTN: General Director
of Innovation Center “Ecosystem”
Kurulenko S.S.

Dear Svyatoslav Sergiiovich!

According to your letter on implementation of the joint implementation project “Implementation of energy-efficient lighting system in the Donetsk Region with the use of Kyoto Protocol mechanism: replacement of incandescent lamps with energy-efficient ones at budget financed and social entities in the Yenakiive town” (hereinafter referred to as the Project), we would like to provide the following information:

Ordinance of the Cabinet of Ministers of Ukraine No.1337-r dated 16 October 2008 “On implementation of measures to reduce electricity consumption by budget institutions” is a recommendation for local authorities regarding the transfer of budget institutions to use energy-efficient illumination. Yenakiive budget deficit has not provided for and allowed short-term funding of the measures recommended by the Ordinance because we have to fund the priority directions and also because of the high price of energy-efficient bulbs compared to traditional bulbs.

Within 2011 the Project implementation resulted in savings stipulated in the appropriate budget item. However, such savings can not be spend on replacing the standard bulbs with energy-efficient bulbs in budget institutions of the city as the current budget deficit prohibits adequate financing even for the top-priority Yenakiive areas such as wage payment, nutrition and medication supply, capital repairs in education and health institutions.

The city runs “Yenakiive energy saving program for 2011-2015”, which does not include measures on replacing standard bulbs with energy-efficient bulbs.

The project, implemented by our joint efforts, is a pivotal project. The project is possible only because of investors’ funds attracted to the project.

We are looking forward to successful completion of all procedures linked to registration of the Project and sustainable supply of energy-efficient bulbs for Yenakiive budget and social institutions within the project.

We sincerely thank you and Carbon Futures for cooperation and, in turn, reaffirm our commitment to the diligent performance within the Project.

Sincerely yours,
First Deputy Mayor

/Signature/

Executed by Lukianova Olena Oleksandrivna. Phone No.+38(06252)2-23-32




15 травня 2012 року

Переклад даного документу з української мови на англійську виконано в Бюро перекладів «Альфа-Груп».

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May 15, 2012

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Translator  Tkachenko Tetiana Olegivna

Diploma Series KB No. 37385644 issued by Private higher education institution "Ukrainian Institute of Linguistics and Management" on July 14, 2009.



**ДЕРЖАВНЕ АГЕНТСТВО
З ЕНЕРГОЕФЕКТИВНОСТІ
ТА ЕНЕРГОЗБЕРЕЖЕННЯ
УКРАЇНИ**
(Держенергоефективності
України)

пров. Музейний, 12, м. Київ, 01601,
тел.: (044) 590-59-60; 590-59-74
факс (044) 590-59-61, 590-59-75

**Генеральному директору
Інноваційного центру «Екосистема»
Куруленку С. С.**

01032, вул. С. Петлюри, 28, оф. 501,
м. Київ.

Шановний Святославе Сергійовичу!

Державне агентство з енергоефективності та енергозбереження України розглянуло Вашого листа від 07.05.12 № 15-12-CFL/ЕС щодо надання інформації про стан виконання розпорядження Кабінету Міністрів України від 16.10.08 № 1337-р «Про здійснення заходів щодо скорочення споживання електричної енергії бюджетними установами» та існуючі економічні механізми і програми впровадження енергоефективного освітлення, та повідомляє.

За отриманою інформацією від центральних та місцевих органів виконавчої влади у підпорядкованих бюджетних установах заходи щодо заміни ламп розжарювання на енергоефективні здійснюються в залежності від наявності бюджетного фінансування на зазначені цілі.

На сьогоднішній день головною проблемою щодо впровадження енергозберігаючих люмінесцентних ламп освітлення в бюджетних установах є відсутність достатнього бюджетного фінансування.

Щиро дякуємо, шановний Святославе Сергійовичу, за небайдуже ставлення до проблем енергозбереження та енергоефективності та вагомий вклад у розбудову сфери ефективного використання енергетичних ресурсів.

З повагою
Голова

М. Пашкевич

Кисимес М. В.
590-54-10

/Coat of Arms of Ukraine/

**STATE AGENCY ON ENERGY
EFFICIENCY AND ENERGY
SAVING OF UKRAINE**

Address: 12 Muzeinyi provulok,
Kyiv, 01601 Ukraine
Phone No.(044) 590-59-60; 590-59-74
Fax No.(044) 590-59-61 590-59-75

**ATT: General Director of Innovation
Center "Ecosystem"
Kurulenko S.S.**

Address: 28 S. Petliura str., office 501,
Kyiv, 01032 Ukraine

Dear Svyatoslav Sergiiovich!

State Agency on Energy Efficiency and Energy Saving of Ukraine has considered your letter No.15-12-CFL/EC dated 07 May 2012 to provide information on the status of implementation of the Ordinance No.1337-r dated 16 October 2008 of the Cabinet of Ministers of Ukraine "On implementation of measures to reduce electricity consumption by budget institutions" as well as the existing economic mechanisms and the implementation program of energy efficient lighting, and reports the following.

According to information received from central and local executive bodies the measures to replace incandescent lamps with energy efficiency ones in subordinate budget institutions are made depending on the availability of budget funding for these purposes.

Today the main problem of energy saving luminescent lamps implementation in budget institutions is the lack of budget funding.

Dear Svyatoslav Sergiiovich, we are grateful for your not indifferent attitude to the problems of energy saving and energy efficiency as well as your significant contribution to development of the efficient use of energy resources.

Sincerely yours,
Head

/Signature/



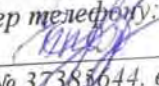
Executed by Kysymes M.V.
Phone No.590-54-10

18 травня 2012 року

Переклад даного документу з української мови на англійську виконано в Бюро перекладів «Альфа-Груп».

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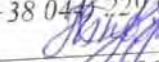


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