

UNFCCC Secretariat  
Martin-Luther-King Strasse 8  
D-53153 Bonn  
Germany

Att.: JI Supervisory Committee

Your ref.

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Our ref.

.....

Date

18 May 2012

### **Initial response to request for review**

**“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 Torez town (under Track 2)”.**

Dear Members of the JI Supervisory Committee,

TÜV Rheinland appreciates the initiative of JISC members to clarify the issues raised in the requests for review submitted by three JISC Members concerning TUV Rheinland Group/TÜV Rheinland Japan’s determination of the project activity 0287 entitled “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 Torez town (under Track 2)”, Ukraine. With reference to this requests for review and in accordance with the “Procedures for Reviews Under the Verification Procedure Under the Joint Implementation Supervision Committee” we would like to provide the following initial response to the issues raised.

#### ***Investments barrier***

*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 investments barrier has been provided and determined by the AIE other than just statement included in the PDD.*

#### **TÜV Rheinland response**

Social entities covered by this SSC project are those of ordinary and specialized schools, kindergartens, hospitals, health centers, etc. Such entities in local towns like Torez are financed from regional budgets but not from country national budget. It means that referenced in PDD Ordinance of the Cabinet of Ministers of Ukraine No. 1337-r dated 16-th October 2008 does not have mandatory power for entities included into the project and financed through local budget. Cl. 2 of this Ordinance clearly states: “To recommend to the local governments to take measures outlined in this Ordinance....” (Encl.1).

TUV Rheinland determination team checked this situation during site visit via multiple meetings and interviews with local senior authorities referenced in the DR, namely:

- Mr. Viktor Antonov, Town mayor, Torez Town Council;
- Mr. Volodymyr Shevchenko, Deputy mayor, Torez Town Council;
- Ms. Olga Ivanchenko, Head of Economic Forecasting, Torez Town Council

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During these interviews it was confirmed that:

- Ordinance No. 1337-r has only recommendation power for local governments;
- There are no possibilities to allocate financial resources for lighting improvement from local budget;
- There are no plans for such allocation for coming years.

It was cross-checked with Torez town local budgets review for the years 2008, 2009 and 2010 which have been annexed to Project Participant - Torez town Administration request for LoA (Encl.2). It was confirmed that no budget resource have been foreseen for lighting improvement in social sphere of Torez town. Same is stated in a Letter received from Torez town administration on request of Carbon Futures/Ecosystem (Encl. 3). As stated in this letter the main reason for that is the fact that local budget distribution is prioritized to more vital areas requiring financing.

TÜV Rheinland determination team believes that this additional information proves initial statement concerning existence of financial barrier for implementation of the project without using JI scheme.

***Baseline conservative assumption***

*Traceable and transparent information showing that the baseline was identified on the basis of conservative assumption 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...*

**TÜV Rheinland response**

As stated in PDD, Table D.5 “To ensure a conservative approach, April, July, October and February were chosen for monitoring.” July is the month of vacations and holidays in a summer time and February is the longest daylight duration month in a winter season. Hence, this is conservative assumption.

In addition to that to ensure conservation assumption of baseline only CO<sub>2</sub> gas was taken into consideration when calculating baseline emission. N<sub>2</sub>O and CH<sub>4</sub> were not considered.

Question related to non-availability of budget funding was commented above.

***Compliance with local regulations***

*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.*

**TUV Rheinland response**

As was mentioned above Ordinance No. 1337-r of Cabinet of Ministers of Ukraine for social entities covered by the project and financed through local budgets has status of recommendations only (Encl.1, Cl.2). According to “Combined tool to identify the baseline scenario and demonstrate additionality”, v.03.0.1 consistency with applicable laws and regulations should not be considered when these regulations do not have legally-binding status.

***Investment barrier***

*The investment barrier has been demonstrated based only on a qualitative comparison of costs of the ICLs and CFLs and seems not to take into account the costs savings induced by the reduction of*

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energy consumption nor the lifetime of the CFLs which according to the PDD is 8 times that of ICLs.

#### **TÜV Rheinland response**

Investment barrier was already commented partly above. According to the letter submitted by Torez town Mayor on request of Project Participants (Encl. 3) saving in electricity costs and bulbs durability increase will be directed to cover more vital town needs. Hence, this savings are not and will not going to be submitted to improve efficiency of lighting in social area buildings. Letter of the Torez town Mayor clearly states that "However, such savings cannot be spend on replacing the standart bulbs with energy-efficient bulbs in budget institutions of the city as the current budget deficit prohibits adequate financing even for the top-priority Torez areas such as wage payment and medication supply, capital repairs in education and health institutions."(Encl. 3).

#### **Impact of CFL penetration rate**

*The baseline scenario identification does not take into account the impact of the CFLs in the Ukrainian market during the project period...In other words there is no data on the actual penetration rate of CFLs as a result of the national regulations.... It should be noted that the project participants should also update the information on the enforcement of the Ordinance No. 1337-r 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 be not a common practice.*

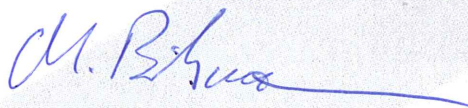
#### **TÜV Rheinland response**

As was mentioned above, project is oriented to improve lighting efficiency in one of the most suffering social area financed through the local budget. With reference to content of enclosed letters received from town administration (Encl.3) and State Agency on Energy Efficiency and Energy Saving of Ukraine (Encl.4) penetration of efficient lighting in this sector to any reasonable level in nearest future does not seem to be realistic. In this respect proposal is to include into verification process requirement to assess CFL's penetration in social sector of Ukrainian economy.

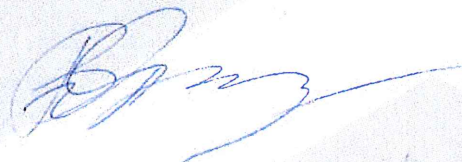
Submitting these comments and responses TÜV Rheinland hopes that all issues raised in a request for review are properly, correctly and adequately addressed and cleared with the support of additional explanations and documents presented as part of the project determination process.

Yours sincerely

Dr. M. Brinkmann  
TUV Rheinland  
AIE Technical Director




Dr. V. Yakubovsky  
TUV Rheinland Ukraine  
TCC Director



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**Enclosures:**

1. *Ordinance of the Cabinet of Ministers of Ukraine No. 1337-r of 16 October 2008 "On implementation of measures to reduce electricity consumption by budget institutions";*
  2. *Cover letter of Torez town administration dated 30/08/2011 No. 4/22-1083 with reference to local budgets for the Years 2008-2010;*
  3. *Letter of Torez town Mayor No.02-1231-22/3 dated 14/05/2012;*
  4. *Letter of State Agency on Energy Efficiency and Energy Saving of Ukraine No. 774-01/13/4-12 dated 18 May 2012.*
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## Enclosure 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 документа 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 КВ № 37385644, виданий Приватним вищим навчальним закладом "Українським інститутом лінгвістики і менеджменту" 14.07.2009.

May 15, 2012

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Translator  Tkachenko Tetiana Olegivna

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



## Enclosure 2

*Translation from Ukrainian into English*

/Coat of Arms of Ukraine/  
UKRAINE

### EXECUTIVE COMMITTEE OF TOREZ TOWN COUNCIL

3 Pionerska str., Torez, Donetsk region, 86600 Ukraine. Phone/fax No.+38(06254)3-22-46

Dated 30 August 2011 No.4/22-1083

**ATT: State Environmental  
Investment Agency of Ukraine**

Re: documents submission for  
a letter of approval

Please find hereby the list of documents (as shown) required for a letter of approval for 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 TOREZ town".

List of documents:

1. Statement.
2. Project Design Documents for the joint implementation project to get a letter of approval by the owner of the premises the joint implementation project will be run: 1 copy in Ukrainian on 44 pages, 1 copy in English on 38 pages.
3. Letter clarifying absence of debts.
4. Fiscal balance in 2008.
5. Fiscal balance in 2009.
6. Fiscal balance in 2010.
7. Power of Attorney.
8. Decision of Town Council, ownership documents for the premises.
9. A copy of the letter of endorsement.
10. Determination report, copy in English on 71 pages
11. Determination report, copy in Ukrainian on 75 pages
12. Form of determination report on joint implementation, copy in English on 4 pages
13. Form of determination report on joint implementation, copy in Ukrainian on 4 pages
14. Electronic medium: 1 CD.


**Torez City Mayor**


*/Signature/*

**/Official seal:**

Ukraine \* Torez Town Council of Donetsk region  
Identification code 04052838/



18 травня 2012 року  
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## Enclosure 3

*Translation from Ukrainian into English*

/Coat of Arms of Ukraine/  
UKRAINE

### EXECUTIVE COMMITTEE OF TOREZ TOWN COUNCIL

3 Pionerska str., Torez, Donetsk region, 86600 Ukraine. Phone/fax No.+38(06254)3-22-46

Dated *14 May 2012* No.02-1231-22/3

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

**Dear Svyatoslav Sergiiovych!**

According to your letter No.21-12/EC dated 07 May 2012 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 Torez town" (hereinafter referred to as the Project), we would like to provide the following information:

1. 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. Torez 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.

2. 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 Torez areas such as wage payment, nutrition and medication supply, capital repairs in education and health institutions.

3. The city runs "Torez energy saving program for 2011-2015", approved by the Torez City Council decision No.VI/6-213 dated 08 April 2011 (hereinafter referred to as the Program).

The program stipulates replacement of standard bulbs with energy-efficient bulbs in budget and social institutions of the city. Yet due to insufficient budget financing the implementation of such measures may be done only using the investors' funds.

In 2011 the standard bulbs were replaced with energy-efficient bulbs in budget institutions of the city. The project was possible only because it received some of the investors' funds.

We are looking forward to successful completion of all procedures linked to registration of the Project and sustainable supply of energy-efficient bulbs for Torez 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.

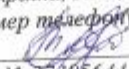
Sincerely yours,

First Deputy Mayor


/Signature/

V.V. Shevchenko

Executed by Ivanchenko O.G.  
Phone No.+38(06254)3-03-46

15 травня 2012 року  
Переклад даного документу з української мови на англійську виконано в Бюро перекладів «Альфа-Груп».  
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## Enclosure 4

*Translation from Ukrainian into English*

*/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

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