

# **Ministry of the Environment of the Republic of Estonia**



## **Estonia's Joint Implementation Guidelines**

Tallinn 2012

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**List of Abbreviations**

ERPA	Emission Reduction Purchase Agreement
ERU	Emission Reduction Unit
GHG	Greenhouse Gas(es)
Investor Country	Country purchasing, or receiving as a return on investments, ERUs that accrue from a JI project or sanctioning such purchases by legal entities
JI	Joint Implementation
JISC	Joint Implementation Supervisory Committee
LoA	Letter of Approval
LoE	Letter of Endorsement
MoE	Ministry of the Environment
MoEAC	Ministry of Economic Affairs and Communications
MoU	Memorandum of Understanding
PDD	Project Design Document
PIN	Project Idea Note
TGF	Testing Ground Facility
UNFCCC	United Nations Framework Convention on Climate Change

## **1. Institutional Framework**

Two ministries are involved in the activities of Joint Implementation as one of the flexible mechanisms of the Kyoto Protocol – the Ministry of the Environment (MoE) and the Ministry of Economic Affairs and Communications (MoEAC).

The main decisions are made in the MoE. The Environmental Management and Technology Department of the MoE is the UNFCCC Focal Point in Estonia. The designated JI Focal Point is Senior Officer Ms Karin Radiko in the Environmental Management and Technology Department as notified to the UNFCCC secretariat.

Letters of Endorsement (LoE-s) and Letters of Approval (LoA-s) are issued by the MoE. The issuance of LoA-s is coordinated with the relevant ministries (for example MoEAC) as regulated in the Governmental Order No 294 of 18.05.2006.

## **2. JI Procedure**

Estonia's JI procedure can be divided into two stages – applying for the LoE and applying for the LoA while the application for LoE is optional. Besides that Estonia has to have a Memorandum of Understanding (MoU) signed with the country from which the purchaser of emission reductions generated by the JI project (ERUs/AAUs) obtains the Letter of Approval.

Estonia has signed MoU-s with 5 countries – Finland, Austria, Sweden, Netherlands and Denmark. An Agreement on a Testing Ground for Application of the Kyoto Mechanisms on Energy Projects in the Baltic Sea Region agreement has been signed by the Ministry of Foreign Affairs.

The Project Idea Note (PIN) is submitted to the MoE. Applications for the LoE and PIN are analyzed by DFP and if it is decided to support the project as JI project LoE is issued by MoE.

Estonia accepts PINs in formats that have been approved by emission reduction purchasers in Estonian, English or in both languages when submitted. The language of the LoE to be issued depends on the language of the application received. There is no format for the LoE application. When issuing the LoE, emission reduction purchaser's procedure can be taken into account regarding declarations necessary to be included in the letter.

The application of LoE is optional and the project proponent can thus also directly apply for the LoA if determination report is available and submitted to MoE.

PDD has to be submitted in the form approved by the Joint Implementation Supervisory Committee (JISC) and has to be made publicly available for a 30 day commenting period through the UNFCCC secretariat. Determination has to be carried out either by the Accredited Independent Entity (<http://ji.unfccc.int/AIEs/List.html>) or Designated Operational Entity (<http://cdm.unfccc.int/DOE/list>). The draft ERPA has to be introduced to the MoE to show that emission reductions are sold at a reasonable price and the conditions are in compliance with the Estonian legislation.

Application for the LoA is accepted in both Estonian and English, there is no formal application form. Estonia does not have an approved LoA format. When issuing the LoA, the Investor Country's format can be considered acceptable. The LoA can be issued in English or in Estonian.

Estonia has met all eligibility requirements to implement Track 1. In order to implement JI project as Track 1 project, official request has to be submitted to DFP/MoE.

When preparing JI projects, the developers and emission reduction purchasers have to consider possible changes in the Estonian legislation, especially the Electricity Market Act and EU emission trading scheme regulations.

According to §121<sup>2</sup> (3) of the Ambient Air Protection Act verifiers accredited in Estonia can carry out verification for JI projects.

### **3. JI reserve in National Allocation Plan for 2008-2012**

The National Allocation Plan includes a JI reserve of **991 172 ERUs**. The reserve has been designed and prepared in accordance with Commission Decision 2006/780/EC. The reserve is established on the basis of greenhouse gas emission reductions from seven wind farms and one hydropower plant. The respective quantities were derived from Project Determination Reports and, if available, annual verification reports. All projects in the reserve have been issued Letters of Approval, and cause double counting in the EU ETS. Pursuant to Commission Decision 2006/780/EC, the number of EUAs, equivalent with the JI reserve, shall be deducted from the number of EUAs of electricity generators. The number of EUAs, equivalent with the JI reserve, are deducted from the EUAs of the Eesti and Balti power plants; the contribution of smaller electricity generators is considered insignificant for the purposes of avoiding the double counting. If possible, a number of EUAs, equivalent with the number of EUAs not used by the projects at the end of the trading period, will be transferred to the accounts of the two aforementioned power plants.

No additional reserve has been set apart for new JI projects. Developers of new projects can only implement JI projects which do not fall under the scope of Decision 2006/80/EC (do not cause double counting in the EU ETS). Establishment of new wind farms or hydropower plants as JI projects is not possible during this trading period.

### **4. Eligibility criteria**

Only projects complying with the following national criteria may be proposed and approved as JI projects:

- complying with valid legislation and energy policy of the Republic of Estonia,
- leading to a decrease in GHG emissions,
- not leading to transfer of pollution between environment compartments (air–water–soil),
- using best available technology — benefit for distribution of know-how and new technologies,
- possibility to monitor or estimate GHG reductions,
- cost efficiency is achieved with carbon financing,

Projects already realised cannot be approved as JI projects.

Priority areas for JI projects are as follows:

- utilisation of renewable energy sources (incl. among others grid-connected wind and hydro power),
- fuel-switch from fossil fuels to biomass at boilerhouses,
- combined heat and power production,
- improvement of energy production technology leading to higher efficiency or emission reduction,
- demand side management of energy consumption,
- energy savings in heating of buildings (insulation, regulation),
- energy savings in energy production and distribution,
- utilisation of waste industrial heat in existing installations,
- construction of collection systems for landfill gases in old landfills and use of energy thereof,
- animal waste management,
- resource management, waste recycling,
- implementation of industrial processes with higher energy efficiency.

Projects that cover other facilities and measures leading to the reduction of GHG emissions may also be submitted.

## **5. Additionality criteria**

Key issues that could be examined in assessing additionality include:

- Emission reductions or removals additional to any that could have occurred without the project;
- Projects presented in a strategy or a development scheme / programme are not considered as JI projects. However, the additionality can be demonstrated if emission reductions exceed the obligations presented in the scheme / programme or if the incentives for reaching the targets as set in the development scheme are not sufficient.

The ultimate decision on whether the project meets the additionality criteria is made by the AIE or DOE as part of the determination report.