**UKRAINE 2050 LOW EMISSION DEVELOPMENT STRATEGY**

**KYIV, November 2017**

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**LIST OF ABBREVIATIONS**

|  |  |
| --- | --- |
| **NPP** | nuclear power plant |
| **GDP** | gross domestic product |
| **RES** | renewable energy sources |
| **LULUCF** | land use, land use changes and forestry |
| **Catalogue** | Catalogue of directions and policies and LEDS measures |
| **IAC** | inter- agency commission on implementation  of United Nations Framework Convention on Climate Change |
| **IPCC** | Intergovernmental Panel on Climate Change |
| **IEA** | International energy agency |
| **OR** | oil reﬁnery |
| **OECD** | Organization for Economic Cooperation and Development |
| **GHG** | Greenhouse Gases |
| **VAT** | Value Added Tax |
| **PPP** | Purchasing Power Parity |
| **UNFCCC** | United Nations Framework Convention on Climate Change |
| **LEDS** | Low Emissions Development Strategy |
| **CPP** | co-generation power plant |
| **DSW** | domestic solid wastes |
| **FAO** | United Nations Food and Agriculture Organization |

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**SUMMARY**

Low emission development strategy (hereafter – LEDS) determines national stakeholders agreed vision on decoupling further economic and social growth of the State and its social development from the growth in greenhouse gases emissions (hereafter – GHG).

LEDS development has become Ukraine's ﬁrst experience in synergy approach application, as climate change problem solution requires signiﬁcant advances in the key sectors of economy and main components to human livelihood.

On the one hand, LEDS is based upon the national priorities for sustainable development and current sectoral strategies, while, on the other, it determines a potential pathway for economic development with due account of the goals for the state policy on emission reduction and GHG absorption.

At the national level, the LEDS is an instrument for public administration and shaping of climate responsible behavior of both businesses and citizens, while at the international level, it supports a global target on stabilization of GHG concentration in accordance to the scenario of global average temperature increase conﬁnement to well below 2°С of pre- industrial level.

Existence of LEDS is the basis for development and implementation of economic instruments used to support Ukraine's transition to low emission development, attraction of innovation technologies and international ﬁnancial resources.

LEDS is made of six sections.

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#### FIRST SECTION «Strategic vision of low emission future for Ukraine» brieﬂy describes the problems in Ukraine's economic development and approaches to solve them, as well as the LEDS's goal and objectives.

The LEDS goal is to determine strategic directions for Ukraine's economy sustainable development based on national priorities accordant transition to low emission growth trajectory.

***Strategy objectives:***

**Objective I.** Transition to energy system which envisions the use of energy sources with low carbon content, development of the sources of clean electricity and heat energy, increase in energy efﬁciency and energy saving in all sectors of economy and housing and utilities infrastructure facilities, stimulation of the use of alternative to oil motor fuels and transition of cargo and passenger carrying operations to more environmentally clean types of transport.

**Objective IІ.** Increase in the volumes of carbon absorption and uptake with the help of best climate change mitigation practices in agriculture and forestry.

**Objective IІІ.** Reduction in GHG emissions such as methane gas and nitrogen oxide predominantly associated with fossil fuel production, agriculture and waste.

*LEDS focuses on policies and measures which will be gradually implemented up to the mid of the current century СНВР and envisions their periodical review and adjustment.*

#### SECOND SECTION «Prerequisites to low carbon development» includes information on:

* Conclusions of IPCC - Intergovernmental Panel on Climate Change (hereafter IPCC), which justify the need in GHG reduction in order to maintain such status of climate system which will preclude growing in the risks for health and wellbeing of people and environment.
* Main goals of Paris Agreement, which aims to strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty, and the expected outcomes for Ukraine from this Agreement implementation.
* Dynamics in Ukraine's GHG emission for the period 1990 – 2015, including explanations of the speciﬁc features in their observed trajectory, as well as the main factors underpinning them. In particular, the GHG emissions in 2015 amounted to 323.36 million tons of CO2- equivalent, with the exception of sector «land use, changes in land use and forestry » (hereafter - LULUCF), which is by 66.4% lower than in the base 1990 year. If the LULUCF is included, the emissions in 2015 amounted to 308.64 million tons of CO2-equivalent, which is by 66.1% less compared to base year.
* Dynamics in Ukraine's average annual temperature deviations from climate normal over the period from 1961 – 2015, list of climate change impacts and substantial consequences.
* Ukraine's international cooperation and participation in climate change mitigation effort.

#### THIRD SECTION «Legislative and institutional foundations, » describes legislative framework supporting low emission development, speciﬁcally:

* Fundamental legislative acts on sustainable development, Ukraine EU Association, ratiﬁcation of Paris Agreement, Concept for the State Environmental Policy Implementation.
* Acts issued by the Cabinet of Ministers of Ukraine pertaining to the State policy on climate change.
* Energy Laws and Acts of the Cabinet of Ministers of Ukraine.
* Renewable energy and Energy Saving Laws and Acts of the Cabinet of Ministers of Ukraine.
* Laws and Acts of the Cabinet of Ministers of Ukraine, draft strategies for development of different climate related industries in Ukraine's economy.

Central Executive Body authorized to form and implement the State policy on climate Change is the Ministry for Ecology and Natural Resources of Ukraine. Inter-agency Commission on implementation of the United Nations Framework Convention on Climate Change (hereafter UNFCCC) is an advisory body for coordination of activities on different climate change related aspects.

#### FOURTH SECTION «Decarbonization of Energy in Ukraine» makes the key section of LEDS as the energy sector's share in total emissions of GHG amounts to 65%, and if taken together with GHG generated by the “Industrial processes sector,” the share totals at 82%.

According to 2015 data, carbon intensity of Ukraine's GDP is 1.9 times higher than the global ﬁgure, 2.4 times higher than that of the OECD countries and 3.3 higher than that of 28 EU member states. Over 1990-2015 the GDP's carbon intensity was going down, yet, under the current economic policy the pace of such reduction is not sufﬁcient.

According to Baseline (business as usual) scenario, which envisions that the characteristics for most of technologies that households apply in their use and consumption of energy resources and those applied throughout all the stages of goods and services production remain unchanged up to 2050, projections of GHG emissions in «Energy» and «Industrial processes» are the following:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2012\*** | **2015\*** | **2020** | **2025** | **2030** | **2035** | **2040** | **2045** | **20** | **50** |
| Emissions, million tons  *of СО2-equivalent* | **367** | **265** | **347** | **408** | **455** | **500** | **540** | **570** | **59** | **2** |
| Share of 1990 level, % | **44** | **31** | **41** | **48** | **54** | **59** | **64** | **68** | **7** | **0** |

*\* data of the National Cadaster of anthropogenic emissions from sources and absorption of greenhouse gases by absorbers in Ukraine over 1990-2015.*

In order to measure reduction in GHG emissions, identiﬁed and factored in were the policies and measures on de-carbonization of Ukraine's energy sector grouped by functional and sector principle. Of which, single out was those aiming at the energy sector decarbonization.

#### Energy efﬁciency

**Projections of GHG emissions in «Energy» and «Industrial processes» sectors under**

**«Energy efﬁciency» scenario.**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Scenario** | **Unit** | **2012\*** | **2015\*** | **2020** | **2025** | **2030** | **2035** | **2040** | **2045** | **2050** |
|  | Scenario  «Energy efﬁciency» | Million.  tons of  СО2  -equivalent | **367** | **265** | **294** | **335** | **344** | **363** | **406** | **429** | **448** |
| *%*  *of 1990*  *level* | **44** | **31** | **35** | **40** | **41** | **43** | **48** | **51** | **53** |

**Group of policies and measures in energy efﬁciency includes the following:**

1. Increase of energy efﬁciency in the buildings;
2. Promotion of private and public ﬁnancing of measures aiming at increase in energy efﬁciency;
3. Speciﬁc measures aimed at increase in energy efﬁciency in the use of electricity and heat energy and/or types of fuel in all sectors of Ukraine's economy;
4. Incentives to use energy efﬁcient technologies in agroindustry;
5. Incentives to use energy efﬁcient measures in the industry.

#### Renewable energy

**Projections of GHG emissions in «Energy» and «Industrial processes» sectors under**

**«Energy efﬁciency and renewable energy» scenario.**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Scenario** | **Unit** | **2012\*** | **2015\*** | **2020** | **2025** | **2030** | **2035** | **2040** | **2045** | **2050** |
|  | Scenario  «Energy efﬁciency and renewable energy» | Million.  tons of  СО2  -equivalent | **367** | **265** | **282** | **315** | **312** | **291** | **299** | **288** | **278** |
| *%*  *of 1990*  *level* | **44** | **31** | **33** | **37** | **37** | **34** | **35** | **34** | **33** |

**Group of policies and measures in renewable energy includes the following:**

1. Increase in output and consumption of electricity produced from renewable sources;
2. Environmentally sustainable production and extension in the use of biomass (biofuel);
3. Production of biogas and extension in its use for heat energy and electricity production;
4. Development of Ukraine's sectors international integration in the sphere of renewable energy.

#### Modernization and innovation

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**Projections of GHG emissions in «Energy» and «Industrial processes» sectors under**

**«Energy efﬁciency, renewable energy, modernization and innovation» scenario.**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Scenario** | **Unit** | **2012\*** | **2015\*** | **2020** | **2025** | **2030** | **2035** | **2040** | **2045** | **2050** |
|  | Scenario  «Energy efﬁciency, renewable energy, modernization and innovation» | Million. tons of СО2  -equivalent | **367** | **265** | **265** | **361** | **244** | **242** | **274** | **284** | **285** |
| *%*  *of 1990*  *level* | **44** | **31** | **31** | **31** | **29** | **29** | **32** | **34** | **34** |

The highest reduction in GHG emissions level will be attained by 2035, after that, the GHG emissions may show insigniﬁcant growth. Under this scenario, the share of GHG emissions shall amount to 34% of 1990 level, which is by one percentage point higher compared to the above presented scenario. Under the «Energy efﬁciency, renewable energy scenario» which does not include modernization and innovations, higher share of renewable energy sources was needed in the structure of energy resources production and consumption in the sphere of traditional generation, in particular.

#### Group of policies and measures in the sphere of modernization and innovation includes the following:

1. Increase in power plant operations;
2. Nuclear energy development;
3. Modernization and intellectualization of power grids;
4. Modernization of transport sector;
5. Development of highly efﬁcient cogeneration at local and regional level;
6. Support to energy accumulation technologies implementation;
7. Development of hydrogen generation.

#### Transformation of market and institutions

**Projections of GHG emissions in «Energy» and «Industrial processes» sectors under scenario «Energy efﬁciency, renewable energy, modernization and innovation, transformation of market and institutions»**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Scenario** | **Unit** | **2012\*** | **2015\*** | **2020** | **2025** | **2030** | **2035** | **2040** | **2045** | **2050** |
| Scenario  «Energy efﬁciency, renewable energy, modernization and innovation,  transformation of market and institutions» | | Million. tons of СО2  -equivalent | **367** | **265** | **265** | **259** | **242** | **236** | **264** | **265** | **261** |
| *%*  *of 1990*  *level* | **44** | **31** | **31** | **31** | **29** | **28** | **31** | **31** | **31** |

**Group of policies and measures in the sphere of transformation of market and institutions includes:**

1. Introduction of market mechanisms enabling reduction in GHG emissions;
2. Support to research and development and design and engineering works;
3. Promotion of more active engagement of communities into climate related policies and measures;
4. Disclosure of information on GHG emissions and absorption at the enterprise level;
5. Application of energy efﬁciency criteria in the state procurement process;
6. Training and upgrading the skills of professionals;
7. Enhancement of the program for public awareness of climate change consequences, climate change prevention and adaptation to climate change;
8. Enhancement of requirements to eco-design and labelling of energy related products;
9. Improvement of the organization of labor relations to stimulate, where possible, the use of remote working arrangements.

Modelling results show that in 2050 the GHG emissions in «Energy» and «Industrial processes» sectors (according to IPCC classiﬁcation) may be reduced to the level of 31-34% of 1990, or to 260-285 million t of СО2-equivalent, given that a wide set of low carbon policies and measures for low emission development of Ukraine are implemented,, which, in its turn, will lead to positive social and economic outcomes, in particular, additional growth in GDP and real households income.

#### FIFTH SECTION «Reduction of GHG other than CO2» describes policies and measures in three areas of activities, aimed at reduction of methane and nitrogen emissions, speciﬁcally:

1. **Reduction in the leaks in the process of extraction, processing, transportation and storage of fossil fuels includes the following policies and measures:**
   1. Reduction of leaks in gas sector;
   2. Reduction in leaks in the process of oil extraction, transportation and processing;
   3. Removal, use and recycling of coalmine methane from underground coalmines.

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#### Improvement of waste treatment includes the following policies and measures:

* 1. Reduction in the amounts of waste and prevention of waste generation;
  2. Conducting social advertising campaign aimed at reduction of domestic waste generation;
  3. Improvement of methods applied to waste treatment, promotion the repeated use and secondary recycling of waste;
  4. Improvement of wastewater treatment.

#### Activities in agriculture include the following policies and measures:

* 1. Improvement of the treatment process of animal origin byproducts;
  2. Optimization of agricultural crops fertilization systems.

#### SIXTH SECTION «Absorption of carbon and reduction in GHG emissions in the land use sector, change in the land use and forestry» describes the sector and its contribution to the balance of GHG emissions and absorption.

**List of policies and measures in the LULUCF includes the following:**

* 1. Optimization of land use structure, extension of space covered with forests, wood lines and green planting under enhanced interagency coordination;
  2. Betterment of business practices in the sector using the climate smart methods in agriculture and forestry;
  3. Development and implementation of national program for forestry development using the best international experience in this ﬁeld;
  4. Fostering replacement of energy intense produce (such items made of metal, concrete, plastic etc.) with produce made of wood, grown under sustained (balanced) yield forest management.

*Projections of GHG absorption by Ukrainian forests under different scenarios:*

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Scenario** | **Unit** | **2012\*** | **2015\*** | **2020** | **2025** | **2030** | **2035** | **2040** | **2045** | **2050** |
| «  ( | Business as usual» no change scenario) | Million. tons of СО2  -equivalent | **60** | **56,4** | **55,3** | **52,8** | **50,3** | **48,8** | **47,4** | **45,9** | **44,4** |
| *%*  *of 1990*  *level* | **95** | **89** | **87** | **83** | **79** | **77** | **75** | **72** | **70** |
|  | «Forward looking» Scenario | Million. tons of СО2  -equivalent | **60,0** | **57,6** | **56,4** | **54,6** | **52,8** | **52,2** | **51,6** | **51,0** | **50,4** |
| *%*  *of 1990*  *level* | **95** | **91** | **89** | **86** | **83** | **82** | **81** | **80** | **79** |
|  | «Forward looking with optimum forest cover» Scenario | Million. tons of СО2  -equivalent | **60** | **57,6** | **57,0** | **55,6** | **54,3** | **54,1** | **54,1** | **54,0** | **53,9** |
| *%*  *of 1990*  *level* | **95** | **91** | **90** | **88** | **86** | **85** | **85** | **85** | **85** |

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Due to speciﬁc features in the age structure of Ukraine's forests, it is expected that moving forward their absorption capacity will gradually decrease because of a declining growth in phyto-mass attributable to forest stands' natural aging processes.

Yet, if Ukraine's forest cover increases up to 19.4 % and progressive management solutions are implemented, in 2050 the volumes of GHG absorption by the forests will amount to 85% of 1990 level. Given appropriate implementation of other policies and measures in the LULUCF sector, the GHG emissions and absorption balance will reach 1990 level.

Being committed to achieving Paris Agreement goals and being guided by national priorities, Ukraine will ensure doing its best to achieve the indicative GHG emissions target of 31-34% by 2050, compare to 1990 level. This target is ambitious and fair in the context of Ukraine’s participation in the global response to the climate change threat.

Long term strategic planning is an iterative process; hence, this document should not be treated as ﬁnal. Ukraine is planning to review its strategy at least every ﬁve years in order to measure its progress, and to increase the level of its ambitions in accordance to national circumstances.

* + 1. **STRATEGIC VISION OF LOW CARBON FUTURE FOR UKRAINE**
  1. **Problems and challenges of Ukraine's sustainable development**

Transition of Ukraine's economy to low carbon trajectory is an important component to Government policy aimed to ensure its sustainable development, speciﬁcally, in the context of 2030 Global sustainable development goals.

Following the signing of the Association Agreement between Ukraine as one Party, and European Union, European Atomic Energy Community, and their member states, as the other Party (hereafter - EU Association Agreement) enhancement of competitiveness has been the main challenge for Ukraine's economic development. Main directions to resolve this problem include establishment of more favorable investment climate, stimulation of innovations, modernization of ﬁxed production assets, and creation of high technology jobs, raising the labor and production efﬁciency, and implementation of structural and institutional reforms.

Innovation-investment development model should become the foundation for extended social restoration, where the increase in the volumes of output produced and increase in its competitiveness are achieved not by means of additional use of resources, but mainly through intensive production factors, active use of new knowledge and materialized outcome of such knowledge. Added to this is the fact that negative trends that are observed in production sphere and include aging of ﬁxed assets, technological equipment, and loss of the most skilled staff etc., make it more difﬁcult for Ukraine's economy to get out of systemic crises. Therefore, resolute transition to innovation development model is the only solution to the crisis.

Ukraine needs high pace of GDP growth to overcome poverty and impoverishment of citizens, yet, it should be underscored, that a new development model should be – «green» restoration,

«green» growth, «green» development, which is based on the inﬂow of investments into renewable sources of energy, environmentally safe production, and «green» technologies.

#### Goals and objectives of Ukraine's low emission development strategy.

The LEDS goal is to determine strategic directions for Ukraine's economy sustainable development based on the national priorities accordant transition to low emission growth trajectory.

***Strategic vision of low carbon future is reﬂected in the LEDS objectives:***

**Objective I.** Transition to energy system which envisions the use of energy sources with low carbon content, development of the sources of clean electricity and heat energy, increase in energy efﬁciency and energy saving in all sectors of economy and at housing and utilities infrastructure facilities, stimulation the use of alternative to oil motor fuels and transition of cargo and passenger carrying operations to more environmentally clean types of transport.

De-carbonization of energy system shall bring about structural changes in the economy, primarily through reduced demand for fossil fuels, which will bolster investment opportunities for machine and equipment building and facilitate expansion of markets for new technology and incentives to further innovations.

**Objective IІ.** Increase in the volumes of carbon absorption and uptake with the help of best climate change mitigation practices in agriculture and forestry.

Policy of climate change prevention and mitigation in the sectors of land use and forestry requires strengthening of institutional and improvement of regulatory framework, speciﬁcally, with respect to retention and enhancement of climate protection function of forests and soils. Application of climate smart methods in agriculture and forestry will result in the increased volumes of carbon absorption and uptake.

**Objective IІІ.** Reduction in GHG emissions such as methane gas and nitrogen oxide predominantly associated with fossil fuel production, agriculture and waste.

In addition to reduction in GHG emissions, development and implementation of innovation technologies and production management methods in the above-mentioned spheres, will contribute to improvement in human health and reduce the level of environmental degradation.

In the process of Ukraine 2050 LEDS development the best global practices were taken into account, and the policies and measures were widely discussed by sectoral work groups, which included decision makers, representatives of academic and expert communities and public.

LEDS is focused on the policies and measures which will be gradually implemented up to the mid of the current century and envisions their periodic review and adjustment.

* + 1. **PRECONDITIONS OF TRANSITION TOWARDS LOW CARBON DEVELOPMENT**

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* 1. **Climate change combatting advantages**

According to IPCC Fifth Assessment Report, research on detection and establishment of the causes behind climate change have demonstrated that anthropogenic inﬂuence on global climate system is the main reason of its undeniable warming, which has been observed since 1950. Human inﬂuence has also resulted in substantial increase of regional temperatures at the continent and subcontinent levels. It is expected that the change in temperature distribution towards warmer regimes will also result in higher repeatability and intensity of extremely high temperature periods.

It is highly likely that from 2000 to 2100 increase in average global temperature of the air will amount from 2 to 5 °C and raising of sea level - from 0.6 to 1.2 meters with a possibility for signiﬁcantly higher growth. Climate change can make long-term economic growth impossible and will increase the risks for human livelihood security at global level. As its consequences, the climate change will include more frequent waves of heat, drought and other extreme weather phenomena, change in precipitation regime and exhaustion of ecosystems, which will substantially increase the risks to health and wellbeing of people and environment.

***Paris Agreement, in enhancing the implementation of the UNFCCC, aims to strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty, including by:***

* + - «Holding the increase in the global average temperature to well below 2°C above pre- industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre- industrial levels, recognizing that this would signiﬁcantly reduce the risks and impacts of climate change;
    - Increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production; and;
    - Making ﬁnance ﬂows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development».

***In Ukraine, achievement of optimum interrelationship (synergy) of Paris Agreement goals with Ukraine's national priorities will make it possible to:***

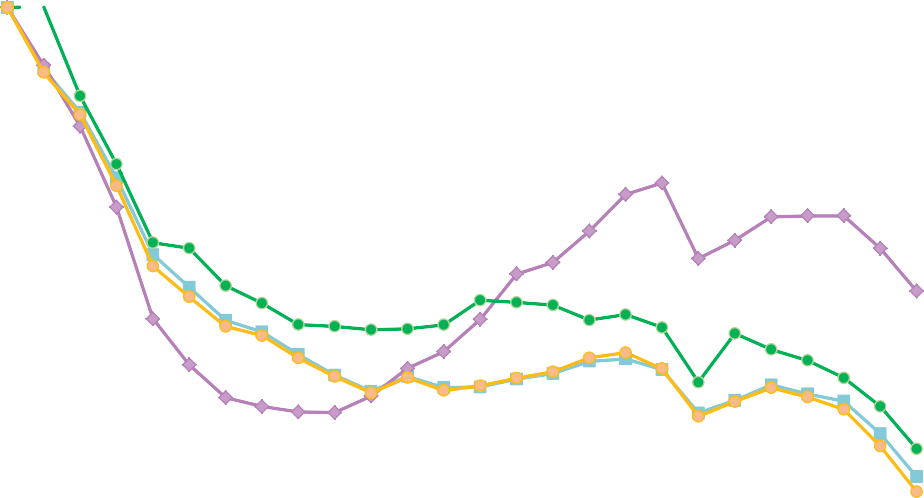
* + - Enhance the role of energy efﬁciency and general technological modernization of economy on the basis sustainable development;
    - Implement the renewable energy sources on broader and sounder basis;
    - Ensure interlink ages of the State policy in the climate change sphere with the strategies, policies, plans and programs in other spheres of economic and social development of the State;
    - Implement new economic instruments to ensure optimum way for Ukraine to make its national determined contribution into Paris Agreement;
    - Establish grounds to attract climate investments into Ukraine's economy;
    - Strengthen Ukraine's role in international climate change combatting efforts.

#### Greenhouse gas emissions

In Ukraine GHG emission in 2015 amounted to 323.36 million tons of CO2-equivalent, the exception is the sector of LULUCF, with its emissions by 66.4% lower than in the base 1990 year, and by 12.3% less than in 2014. Inclusive of LULUCF sector, emissions in 2015 totaled at 308.64 million tons of CO2-equivalent, which is by 66.1% less compared to base year, and by 13.2% less com- pared to 2014.

Such a reduction is mainly attributed to decrease in the use of energy resources due to decline in GDP, decrease in Ukraine's population number and lowering of social standards of life (ﬁgure 2.1).

950 **100%**



750 **80%**

550 **60%**

*GHG emissions, mln t of СО2-2equv-t*

350 **40%**

*Share of 1990.*

150 **20%**

-50 **0%**

-250 **-20%**

**1990**

**1991**

**1992**

**1993**

**1994**

**1995**

**1996**

**1997**

**1998**

**1999**

**2000**

**2001**

**2002**

**2003**

**2004**

**2005**

**2006**

**2007**

**2008**

**2009**

**2010**

**2011**

**2012**

**2013**

**2014**

**2015**

Total (without net absorption by LULUCF) LULUCF (net absorption)

Share of GHG emissions (total) in relation to1990 (right scale) GDP share to 1990 (right scale)

Share of TPES to 1990 (right scale)

Share of GHG emissions (Energy + Industrial processes) to 1990 (right scale)

*Figure 2.1.* ***Ukraine's economic, energy and climate performance over 1990-2015.***

***General trend of GHG emissions may be broken down into the following periods:***

1. Sharp drop in GHG emissions over 1990-1999, which is attributed to collapse of the Soviet Union and adjustment of Ukraine's economy to new environment. In addition to that, a signiﬁcant decline in GDP was also taking place;
2. Stabilization and restoration of economic growth over 1999-2008. This period is characterized by a relatively stable economic development and GDP growth. The trend of GHG emissions dynamics does not capture GDP growth, because taking place over this period are structural shifts in economy which increased the role of trade, services and ﬁnances in comparison to industrial output growth rate;
3. Decline and gradual restoration of GHG emissions over the 2008-2012. This period reﬂects severe effect of global ﬁnancial and economic crises. Particularly affected were export oriented industries such as – iron and steel industry, chemical industry, machine building, and industries related to them – such as electric grid industry and mining industry;
4. 2013-2015 – Ukrainian production sector, which generates 21-23% of GDP, demonstrated negative dynamics. Almost all industries reduced their volumes of output. Pharmaceutical was the only industry which demonstrated positive growth dynamics in its output;
5. Starting with 2016, owing to a number of structural reforms, Ukrainian economy has started its gradual growth.

***Given below are the factors producing adverse effects on the structure and dynamics in Ukraine's economy development:***

* + - Temporary annexation of the AR of Crimea and the city of Sevastopol' by the Russian Federation;
    - Military actions of Russian Federation in some areas of Donets'k and Luhans'k oblasts, which result in reduction of output in the region, worsening of conditions for attraction of external ﬁnancing and increase in the State Budget expenditures to fund the needs of defense sector and national security and rehabilitation of the ruined infrastructure.

According to ﬁndings of experts from the National Institute of Strategic Studies, secondary effects from internal political and economic shakeups, annexation of Crimea, the city of Sevastopol' and some areas in Donets'k and Luhans'k regions permeated most sectors of Ukraine's economy. In consequence, to that, current GDP misbalances are growing, volumes of industrial output, construction works, foreign trade and the amount of attracted and disbursed capital investments are decreasing.

СО2 is the heaviest GHG, its share over 1990-2015 amounted to 65-75%. The share of methane stays in the range of 21-33%, and that of N2O – 6-8% (ﬁgure 2.2 and ﬁgure 2.3).

1000

900

800

700

600

500

400

300

200

100

0

**1990**

**1991**

**1992**

**1993**

**1994**

**1995**

**1996**

**1997**

**1998**

**1999**

**2000**

**2001**

**2002**

**2003**

**2004**

**2005**

**2006**

**2007**

**2008**

**2009**

**2010**

**2011**

**2012**

**2013**

**2014**

**2015**

CO2 CH4 N2O

*Figure 2.2* ***GHG emissions over 1990-2015, million tons***

4% Waste

Energy



14% Agriculture

17% Industrial processes

65% Energy

Industrial processes Agriculture

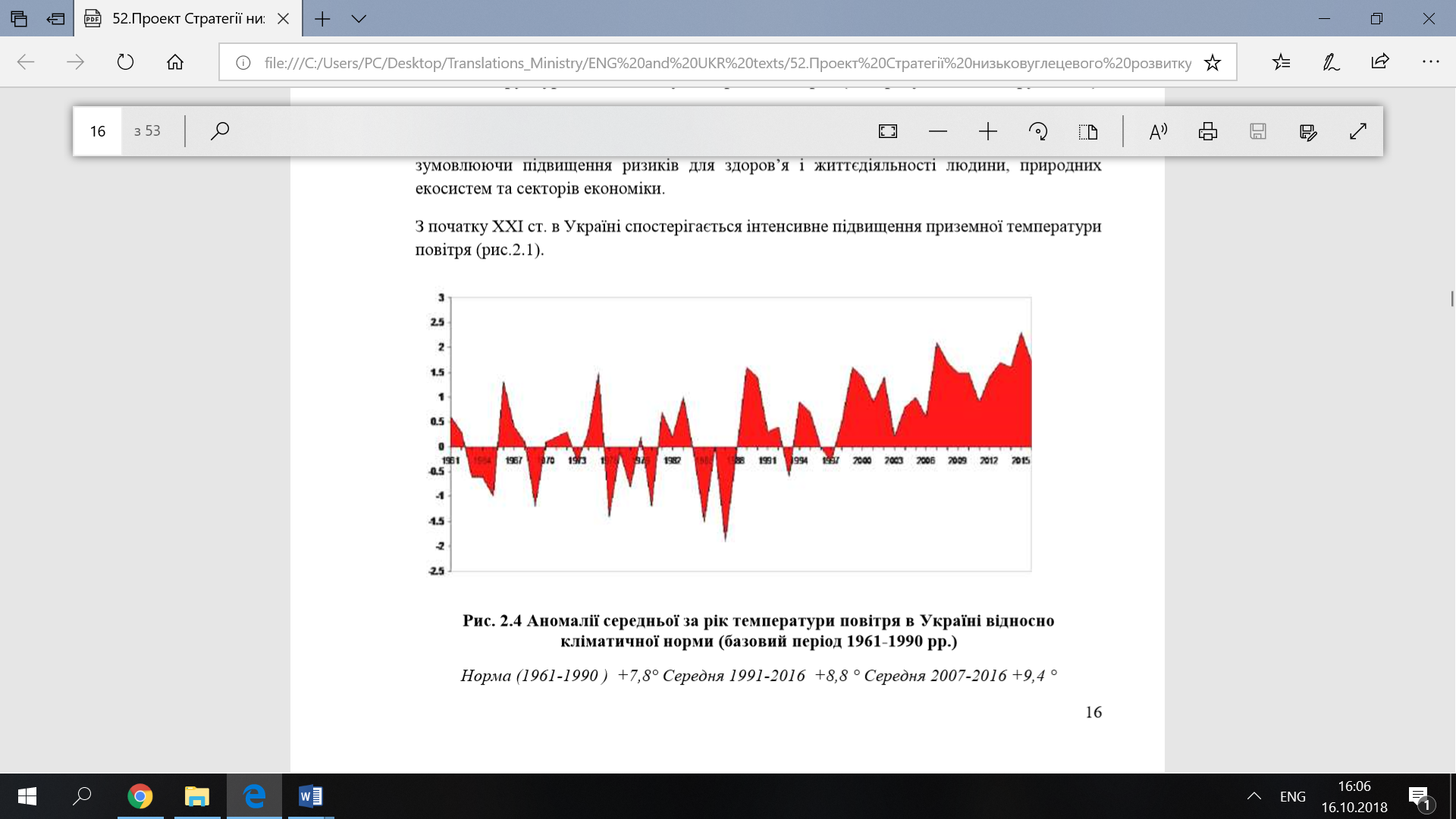
Waste

*Figure 2.3* ***Structure of GHG emissions by sector in 2015 (without LULUCF)***

#### Vulnerability to climate change

Over the course of recent decades climate conditions throughout Ukraine's territory have been changing substantially, bringing about increase in the risks to human health and livelihoods, natural ecosystems and economy sectors.

Since the beginning of ХХІ, century intense increase in surface air temperature is observed in Ukraine (ﬁgure 2.1).



*Figure 2.4* ***Anomalies of annual average air temperature in Ukraine in relation to climate norm (base period 1961-1990)***

*Norm (1961-1990) +7.8°C Average 1991-2016 +8.8 °C Average 2007-2016 +9.4 °C*

***Warming brings about:***

* Sudden changes in weather;
* Increased frequency and intensity of dangerous and natural hydro meteorological events during the warm season of the year (showers, thunders, rain squall, hail, long periods of heat - heat waves), and in cold season (heavy snowfalls, glazed frost, complex slush buildup);
* Increased frequency and intensity of droughts, and territories covered by them;
* Reduction in river ﬂows in the South and South East of Ukraine, increase in the intensity of river ﬂoods in the Western part of Ukraine (Subcarpathia and Transcarpathia), in particular, the Dniester basin, change in the intra-river structure of river ﬂows in Ukraine;
* Raise in the level of Black and Azov seas, which strengthens the processes of erosion, and stream bank erosion, which results in ﬂooding, saturation and soil salting in the coastal area.

***Substantial consequences of climate change include increased risks in relation to:***

* Human health, stemming from practically all manifestations of climate change;
* Signiﬁcant reduction in yields of major agricultural crops in consequence of dry weather phenomena and emergence of unseen earlier pests and pathogenic diseases of agricultural crops, and also due to other extreme weather phenomena;
* Exacerbation of problems with water supply in southern and south east regions which suffer from drought in summer, and where the residents are least provided with drinking water of appropriate quality;
* Intensiﬁed degradation of lands and desertiﬁcation due to high paced climate change;
* Decrease in productivity, viability and resilience of forests under signiﬁcant water stress,
* which increases the likelihood of ﬁres and outburst of mass epidemics of pests;
* Accelerated degradation of ecosystems;
* Accidents and unstable operation of electricity grids and district heating systems, other infrastructure facilities.

In the long-term perspective, adaptation to climate change in Ukraine shall be treated with the same degree of priority as climate change prevention and will include such aspects of policy planning and improvement as expansion of knowledge base, scientiﬁcally justiﬁed identiﬁcation of needs and expenses, implementation of innovation approaches and establishment of conditions favorable for attraction of external investments.

* 1. **International cooperation**

Combatting the climate change is a global challenge, which requires broad international cooperation, global consensus to which was reﬂected in the whole number of successively concluded international Agreements including UNFCCC, Kyoto Protocol, and Paris Agreement. Since the tools envisioned in the ﬁrst two Agreements have not helped to achieve substantial reduction in GHG emissions, 195 countries, including the most powerful economies, have concluded Paris Agreement, which came into effect on November 4, 2016.

According to the objective of holding the increase in the global average temperature to well below 2°C above pre-industrial levels, the Parties to Paris Agreement must balance the sources of GHG emission and absorption in the second half of the current century, or to reach actually net zero global GHG emissions by 2100.

LEDS objectives for Ukraine comply with global objectives of Paris Agreement and joint international actions will have critical importance to their achievement. In parallel to reducing the risks and climate change consequences international cooperation will contribute to signiﬁcant decrease in de-carbonization expenses and will provide economic opportunities for both individuals and enterprises.

***Brief description of Ukraine's participation history in the climate combatting processes is the following:***

* Party to Annex I to UNFCCC since 1997; Party to Annex В to Kyoto Protocol since 2004;
* First country in the world in joint projects implementation (250 projects), 47 million assigned amount units were issued under the green investment scheme over 2008-2012 in the framework of Kyoto Protocol;
* Active participant to negotiation process taking place in the framework of UNFCCC;
* Climate related obligations were determined in accordance to EU-Ukraine Association Agreement (2014);
* Party to Paris Agreement (2016).
  + 1. **LEGISLATIVE AND INSTITUTIONAL FRAMEWORK**

Sustainable development strategy «Ukraine – 2020» is the main political document declaring comprehensive strategic guidelines of Ukraine's prospective development. The Document was approved by Presidential Decree dated 12 January 2015 № 5/2015. This Strategy envisions reforms in energy sector, agriculture, housing and utilities sector, land reform and implementation of programs for energy independence, increase in energy efﬁciency, and environmental protection.

Association Agreement with EU, which became the part of National Legislation on September 16, 2014 after its ratiﬁcation by the Verkhovna Rada of Ukraine, envisioned gradual approximation of Ukraine's legislation to EU Laws and policies in energy efﬁciency, renewable energy, energy products taxation, waste treatment, and climate change, including implementation of GHG allowances trading scheme in accordance to Directive 2003/87/EU on establishment of greenhouse gas emission allowances trading scheme (ETS) within the Community.

The Verkhovna Rada of Ukraine ratiﬁed Paris Agreement on July 14, 2016 (Law of Ukraine № 1469-VIII). Even before this the Cabinet of Ministers of Ukraine by its Instruction dated 16 September 2015 № 980 approved the expected nationally determined contribution to this Agreement. It was declared that in 2030 the GHG emissions might not exceed 60% of 1990 emissions level. Further review of ambitiousness level of this contribution is envisioned to factor in Ukraine's social and economic development indicators. In addition to that, to improve the current climate policy the Cabinet of Ministers of Ukraine in its instruction dated 7 December 2016 № 932-р approved the Concept for Implementation of the State policy on Climate change up to 2030. The Concept determines the tasks in the following areas:

* strengthening the institutional capacity for development and implementation of state policy on climate change;
* prevention of climate change through reduction of anthropogenic emissions and increased greenhouse gas absorption to ensure gradual transition to low-carbon development of the country;
* Adapting to climate change, increasing the resilience and reducing the climate change related risks.

Action plan was developed to implement the Concept for implementation of the State policy on climate change up to 2030.

Tax on carbon dioxide from ﬁxed sources, which was introduced in 2011, is the current ﬁscal instrument to reduce GHG emissions (Article 243 Section VIІІ of the Tax Code of Ukraine). Concept for implementation of the State policy on climate change up to 2030 envisions reviewing its rate and administration procedure.

Ukraine's 2035 Energy Strategy: «Security, Energy efﬁciency, Competitiveness» approved by the Cabinet of Ministers Instruction dated 18 August 2017 № 605-r constitutes a fundamental element of gradual transition to low carbon development policy. Because of completing the tasks envisioned by Ukraine's 2015 Energy strategy, it is planned to:

* achieve more than twofold reduction in GDP energy intensity;
* Increase the use of renewable energy sources up to 25% of the total scope of primary energy supply.

Components to current climate change prevention policy include the following effective national plans:

* National Renewable Energy Action plan through 2020, approved by the Cabinet of Ministers Instruction dated 1 October 2014 № 902-р, envisions that by 2020 the share of energy produced from renewables shall amount to 11% of energy consumption mix;
* National 2020 energy efﬁciency action plan, approved by the Cabinet of Ministers Instruction of 25 November 2015 № 1228, which envisions to reach in 2020 the indicative energy saving target of 9% of the average ﬁnal domestic energy consumption.

Action plan to implement the EU Parliament and Council Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources, approved by the Cabinet of Ministers instruction of 3 September 2014 № 791-r, is geared to harmonization of Ukrainian and European legislation on the renewable energy sources (hereafter - RES). It is envisioned that sustainability criteria shall be developed for liquid and gaseous fuel, which is produced from biomass and used by transport vehicles, and for liquid fuel, which is produced from biomass and designated for energy use other than transport vehicles. Technical speciﬁcations to production and use of bio fuels and bio liquids are planned to be developed.

According to the Law of Ukraine «On Amending Some Laws of Ukraine on "Green Tariff” Establishment» (of 25 September 2008 № 601), effective in Ukraine is the «green" tariff which is applicable to purchase electricity produced by the facilities using alternative energy sources (except blast furnace gas and coke gas, and in case of hydro energy - only electricity which was generated by small hydropower plants).

To legally regulate the energy service related services the Verkhovna Rada of Ukraine passed the Law of Ukraine «On Introduction of New Investment Opportunities, guarantee to the Rights and Lawful Interests of Business Entities to Ensure Performance of a Full-Scale Energy Modernization » (of 9 April 2015 № 327-VIII, including amendments made in accordance to the Laws № 922-VIII of 25.12.2015; № 1980-VIII of 23.03.2017). In addition to that, respective changes were made into the Budget Code of Ukraine with regard to introduction of new investment opportunities, guarantee to the rights and lawful interests of business entities to ensure performance of a full-scale energy modernization, speciﬁcally, in the part that relates to deﬁnition of energy service contract as a long-term credit liability.

State construction codes SCN В.2.6-31:2016 «Heat insulation of buildings» were approved to ensure rational use of energy resources for the purposes of heating and cooling, and to meet the required sanitary parameters of indoor climate as well as to ensure long life of envelope structures in the course of their use. The said codes include requirements to energy efﬁciency and thermo technical characteristics of thermal insulation envelope for buildings and structures and their calculation procedure. SCN В.2.6-31:2016 are designated to be applied in doing design for the buildings and structures with heat, conditioning and cooling, in doing Greenﬁeld projects, modernization, thermal insulation and capital repairs.

On June 22, 2017 the Verkhovna Rada passed the Law of Ukraine № 2118-VIII «On Energy Efﬁciency in the Buildings» which aims to establish conditions enabling reduced energy consumption in the buildings in accordance to Directive 2010/331/EU of the European Parliament and of the Council “On the energy performance of building” as a part to implementation of ratiﬁed Treaty Establishing the Energy Community. The Law regulates establishment of mini- mum requirements to energy efﬁciency in the buildings, envisions introduction of certiﬁcation of energy efﬁciency and survey of engineering systems in the buildings. The Law also intends to regulate professional activity in the sphere of energy efﬁciency in the buildings.

The Law of Ukraine passed on 8 June 2017 envisioned establishment of Energy efﬁciency Fund, which is an important instrument to support energy efﬁciency initiatives. The said Fund complies with requirements of Directive 2012/27/EU of the European Parliament and of the Council as a part to implementation of ratiﬁed Treaty Establishing the Energy Community, and іs designated to stimulate and support measures aimed at increasing energy efﬁciency and energy saving mainly in residential sector buildings with due incorporation of respective national plans and for reduction in GHG emissions.

Already passed or modiﬁed Laws of Ukraine support measures, instituting low emissions development in different spheres, speciﬁcally:

* Law of Ukraine «On Natural Gas Market» (of 9 April 2015 № 329-VIII, with amendments introduced in accordance to the Law № 1541-VIII of 22.09.2016), which deﬁnes environmental protection, including energy efﬁciency, increased share of energy from alternative sources and reduction in GHG emissions as general public interest in the process of natural gas market operations.
* Law of Ukraine «On Electricity Market» (of 13 April 2017 № 2019-VIII), which envisions assignment by the Cabinet of Ministers of Ukraine of special obligations on market participants with regard to environmental protection, energy efﬁciency, increase in the share of energy produced from alternative energy sources and reduction in GHG emissions.
* Law of Ukraine «On Alternative Energy Sources» (of 20 February 2003 № 555-IV, in the version of 11.06.2017), which determines legal, economic, environmental and organizational basis for the use of alternative energy sources and fosters their more extensive use in the fuel and energy sector.
* Law of Ukraine «On Alternative Types of Fuel» (of 14 January 2000 № 1391-XIV, in the version of 24.11.2016), which envisions incentives to increase the share of alternative types fuels use up to 20% of the total scope of fuel consumption by 2020.
* Law of Ukraine «On coalﬁeld gas (methane)» (of 21 May 2009 № 1392-VI, in the version of 22.09.2016), which determines legal, economic, environmental and organizational principles for activities in the sphere of geological study of coal ﬁeld gas (methane), its extraction and removal in the course of degassing and further use as material and/or energy resource.

Since the time of Paris Agreement ratiﬁcation legal framework for the related industries polices is gradually changing, as climate change prevention and adaptation hereto have bearings on practically all sectors of economy and human livelihood. A number of below listed Laws and other regulations, already passed or drafted, envision to incorporate certain climate change related policy provisions into sectoral strategies:

* Law of Ukraine «On Amending the Law of Ukraine «On Drinking Water and Drinking Water Supply» (of 18 May 2017 № 2047-VIII), which provisions aim to improve legal regulation of relations associated with waste water collection and to increase efﬁciency in the management of drinking water suppliers and water drainage entities.
* Draft of the National 2030 Strategy on Waste Management in Ukraine, which was developed with due regard to the Framework Directive № 2008/98/EU on wastes, Directive № 1999/31/EU on waste burial, Directive № 2006/21/EU on management of extractive industries. The goal of this strategy is to create efﬁcient waste management system based on innovation principles, which in the end should facilitate waste recycling of natural resources and recycling of wastes.
* Draft of Ukraine's National 2030 transport strategy, which aims to comprehensively incorporate global priorities in transport policy, speciﬁcally, it envisions to reduce GHG from mobile sources by 60% compared to 1990, increase in the share of electric transport and electro cars vehicles usage, and to increase alternative fuels use share.
* Draft Law of Ukraine «On Amending the Law of Ukraine «On the Main Foundations (strategy) of the State Environmental Policy of Ukraine through 2020», which extends the strategy up to 2030,and envisions, among other things, to broaden the Government tasks with respect to prevention of increase in agricultural lands and territorial expansion of buildup territories and infrastructure; increase in the forest covered space in Ukraine; establishment of conditions facilitating broad implementation of environmentally friendly and organic farming technologies.
* Draft Strategy 2022 for sustainable development and institutional reformation of Ukraine's forestry and hunting sector, which envisions, among other things, integration and intensiﬁcation of forestry and hunting sector contribution to climate change prevention and facilitation of environmental sustainability of Ukraine.
* Concept for the State heat supply policy implementation, which was approved by the Cabinet of Ministers Resolution of 18 August 2017 № 569-р, and aims to develop and determine the methods facilitating effective implementation of the state policy focused to ensure reliable provision of heat supply services, Ukraine's energy independence and security; reduce adverse effects on environment, improve ﬁnancial and economic situation of enterprises, to introduce transparent efﬁcient system of payments between consumer and service suppliers, and to establish conditions and incentives geared to attract investment in heat supply sector.

Ministry for Ecology and Natural Resources of Ukraine is the Central executive body authorized to form and implement the State climate change policy.

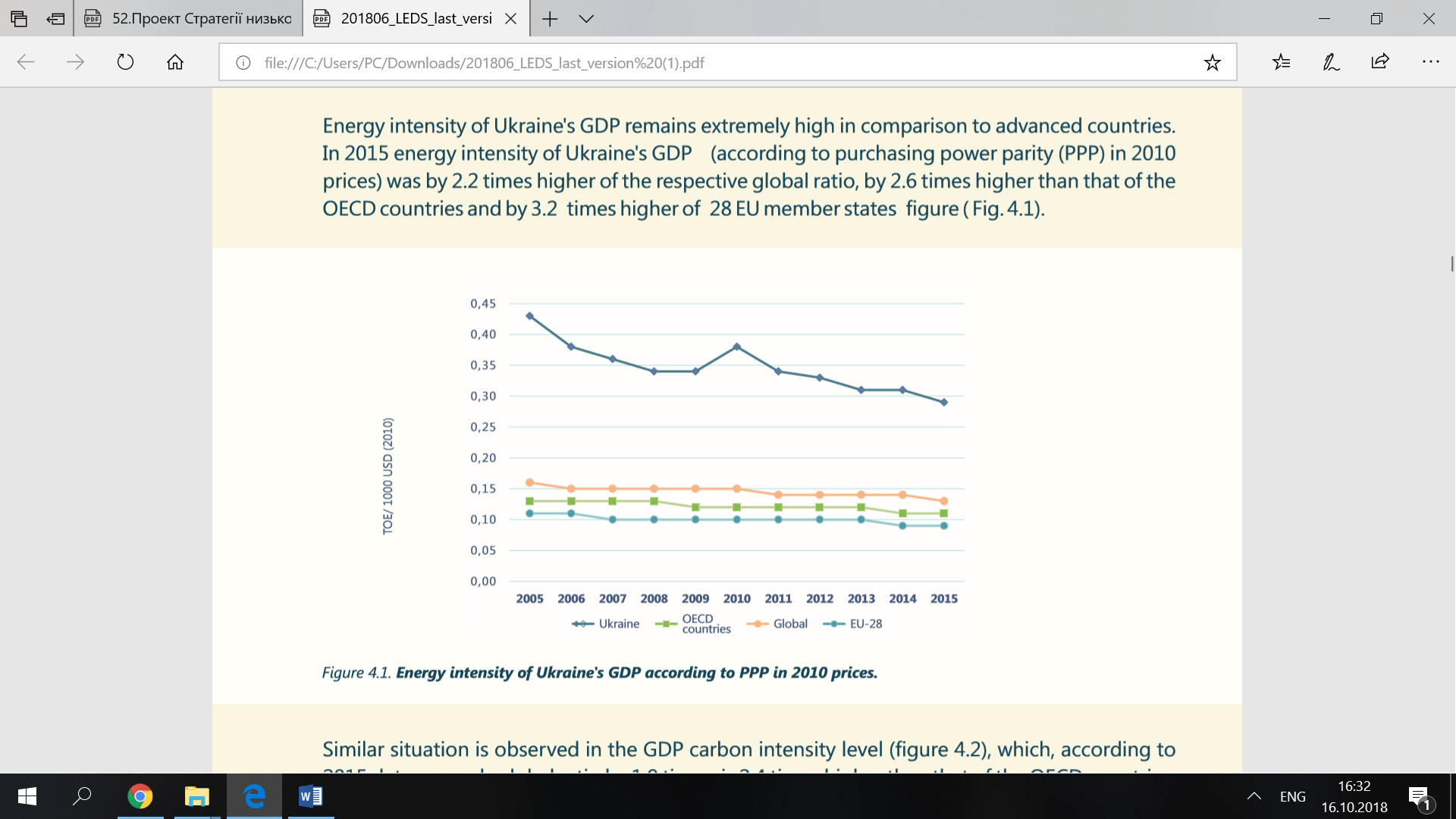
Operating as Advisory Coordination body is the Interagency Commission on UNFCCC implementation (IAC), which was created by the Cabinet of Ministers of Ukraine in 1999. IAC member- ship includes ofﬁcials at the level of Deputy Ministers of key ministries and other executive bodies, plus, subject to, Ukrainian parliament members, representatives of R&D institutions and NGOs.

In addition, Ukraine has established a practice for broad engagement of representatives from academic and expert community, public and business community into the Task forces drafting legislation as well as other strategic climate change related documents.

* + 1. **DECARBONIZATION OF UKRAINE'S ENERGY SECTOR**

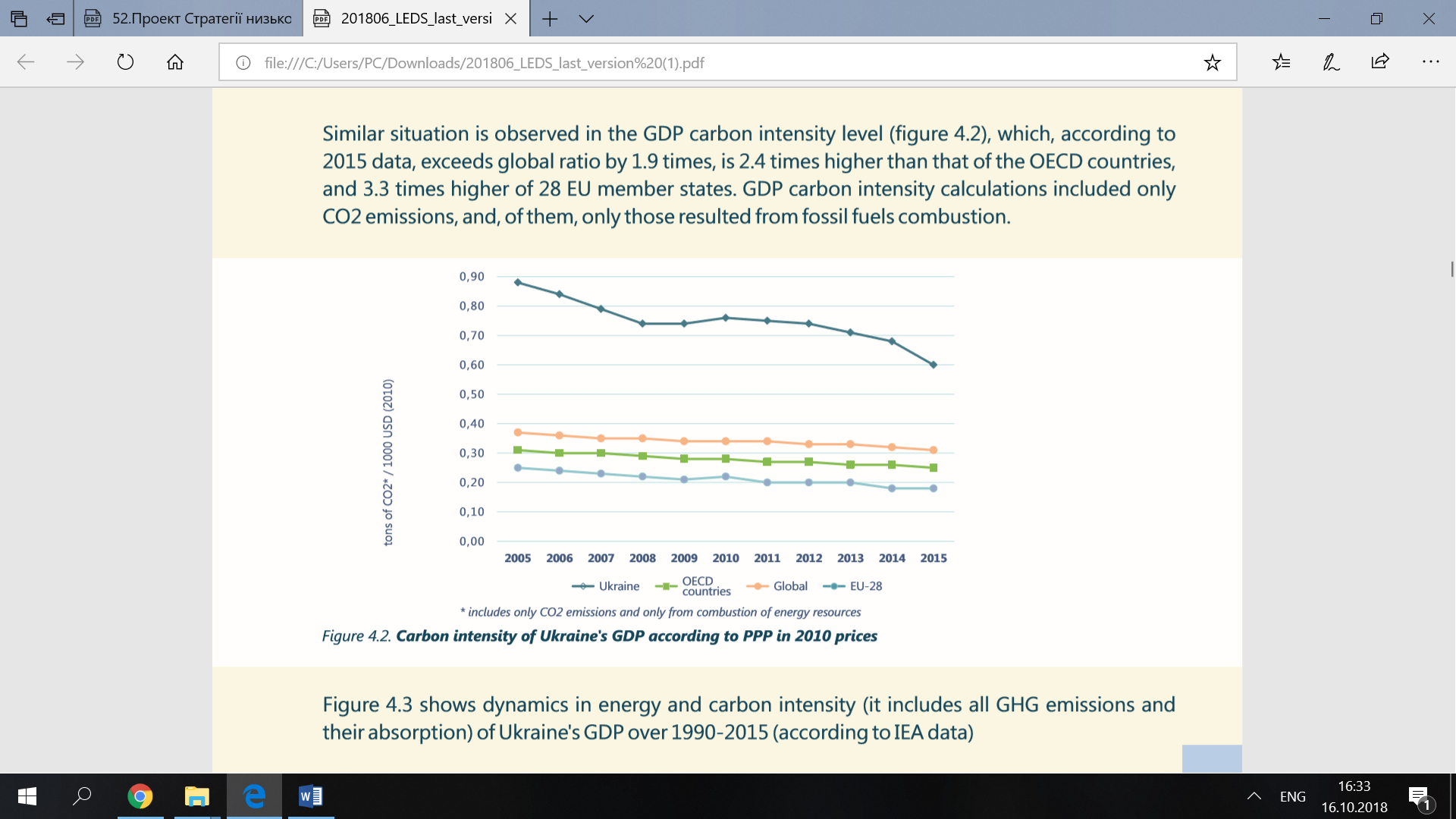
36

Energy intensity of Ukraine's GDP remains extremely high in comparison to advanced countries. In 2015 energy intensity of Ukraine's GDP (according to purchasing power parity (PPP) in 2010 prices) was by 2.2 times higher of the respective global ratio, by 2.6 times higher than that of the OECD countries and by 3.2 times higher of 28 EU member states ﬁgure (Fig. 4.1).



*Figure 4.1.* ***Energy intensity of Ukraine's GDP according to PPP in 2010 prices.***

Similar situation is observed in the GDP carbon intensity level (ﬁgure 4.2), which, according to 2015 data, exceeds global ratio by 1.9 times, is 2.4 times higher than that of the OECD countries, and 3.3 times higher of 28 EU member states. GDP carbon intensity calculations included only СО2 emissions, and, of them, only those resulted from fossil fuels combustion.



*Figure 4.2.* ***Carbon intensity of Ukraine's GDP according to PPP in 2010 prices***

*Figure 4.3* ***shows dynamics in energy and carbon intensity (it includes all GHG emissions and their absorption) of Ukraine's GDP over 1990-2015 (according to IEA data)***



*Figure 4.3.* ***Ukraine's GDP carbon and energy intensity over 1990-2015.***

De-carbonization process of Ukraine's energy sector is taking place, yet, under current economic and environmental policy, its pace is not sufﬁcient. For example, according to model generated estimates, in the absence of effective policy and de-carbonization measures in Ukraine's energy sector, the GHG emissions will continue to show constant growth and in 2050 may reach 70% of 1990 level, whereas in 2012 and 2015 they amounted to 44% and 31%, respectively. Underpinning such estimates is also the fact that over 1990-2015 the dynamics of total GHG emissions was be corresponding to the dynamics of GHG emissions in such sectors as «Energy» and «Industrial processes» according to IPCC terminology (Figure 2.1).

Table 4.1 presents current level of GHG emissions in «Energy» and «Industrial processes», and their projections according to Baseline (Business as Usual) scenario. This scenario is treated as hypothetic scenario, where the characteristics for most of the technologies in energy resources usage and household consumption, and also at any stage of goods or services production, stay unchanged by 2050, i.e. stay as they were as of 2012. It should be underscored, that technologies are replaced only when useful life of current capacities expires. The cost and efﬁciency of technologies replacing the outdated ones are compliant with modern level: with the time the cost is decreasing, while efﬁciency is growing. Calculation of GHG emissions according to such business as usual scenario is useful, as it enables to perform calculations under alternative scenarios, i.e. the effectiveness of measures and policies, which stimulate technological change in economy and result in its de-carbonization.

*Table 4.1*

***Projections of GHG emissions in «Energy» and Industrial processes»   
in accordance to baseline (business as usual) scenario***

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2012\*** | **2015\*** | **2020** | **2025** | **2030** | **2035** | **2040** | **2045** | **20** | **50** |
| Emissions, million tons  *of СО2-equivalent* | **367** | **265** | **347** | **408** | **455** | **500** | **540** | **570** | **5** | **92** |
| Share of 1990 level, % | **44** | **31** | **41** | **48** | **54** | **59** | **64** | **68** | **7** | **0** |

*\* data of the National Cadaster of anthropogenic emissions from sources and absorption of greenhouse gases absorbers in Ukraine over 1990-2015.*

In accordance to baseline scenario, under almost unchanged technical parameters of energy technologies, increase in GHG is taking place as growth in economy is assumed to take place primarily in consequence to restoration and growth in the industrial output. The model includes assumption that average annual GDP growth rates over 2016-2050 will amount to 4%, which means that by 2050 GDP will show a fourfold increase. Ukrainian population will shrink from 45.2 million of people in 2014, to 38.9 million in 2050. Over 2014-2050 oil and gas prices will grow by 35% and 60%, respectively. In addition, the Baseline scenario conditions do not envision enhanced environmental constraints.

Quantitative model calculations of GHG emissions reduction under Baseline scenario are performed with the help of economic-mathematical optimization model of energy ﬂows of Ukraine (model TIMES-Ukraine). This very model is also used to calculate reduction in GHG emissions when policies and measures on energy de-carbonization, included into Catalogue of policies and measures of low emissions development (hereafter Catalogue) are implemented. The Catalogue is based on best global practices and current legal framework and was put together through broad consultations with representatives of Government authorities, business Ukrainian and international experts, scientists and public.

Dynamic General Equilibrium Model with extended energy block was used to estimate the social and economic outcomes of Ukraine's energy decarbonization policies and measures implementation. Uniﬁcation of the said two models was performed through application of the same assumptions regarding economic growth rate, in particular, aggregated GDP growth rate.

#### Energy de-carbonization policies and measures

In the Catalogue policies and measures were grouped by function and sector, of which targeting de-carbonization are the following trends:

1. **Energy efﬁciency** – includes policies and measures which aim to increase efﬁciency in the use of energy resources and energy saving accompanied with enhanced quality in energy services and energy resources supply;
2. **Renewable energy** – includes policies and measures which aim to support and stimulate the renewable energy development in Ukraine;
3. **Modernization and innovation** – include policies and measures which aim to modernize the ﬁxed assets used in traditional energy (energy resources generation, transition and consumption) and implementation of innovation technologies (such as smart networks, industrial production and use of hydrogen etc.);
4. **Market transformation and institutions** – includes business measures, which directly or indirectly affect structural shifts in economy and in goods and services markets; regulatory and management practices at the national and sector level; standards and codes; public awareness measures; policy on education, science and technology development.

*For each of the above given group developed are the GHG reduction scenarios based on full implementation of respective policies and LEDS measures.*

#### Energy efﬁciency

Implementation of policies and measures which aim to increase efﬁciency in the use of energy resources and energy saving accompanied with enhanced quality in energy services and energy resources supply will enable to cumulatively reduce GHG emissions over 2012-2050 by 3 677 million tons of СО2-еequivalent compared to Baseline scenario. The growth pace in GHG emissions will show substantial reduction compared to Baseline scenario. According to «Energy efﬁciency scenario, » in 2050 the share of GHG emissions will amount to 53% of 1990 level (table 4.2).

*Table 4.2*

***GHG emission projections in «Energy» and «Industrial processes»   
according to Baseline and Alternative scenario***

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Scenario** | **Unit** | **2012\*** | **2015\*** | **2020** | **2025** | **2030** | **2035** | **2040** | **2045** | **2050** |
| **Baseline scenario** | | Million tons of СО2  -equivalent | **367** | **265** | **347** | **408** | **455** | **500** | **540** | **570** | **592** |
| %  of 1990 level | **44** | **31** | **41** | **48** | **54** | **59** | **64** | **68** | **70** |
| **Scenario**  **«Energy efﬁciency»** | | Million tons of СО2  -equivalent | **367** | **265** | **294** | **335** | **344** | **363** | **406** | **429** | **448** |
| %  of 1990 level | **44** | **31** | **35** | **40** | **41** | **43** | **48** | **51** | **53** |

*\* Data of the National Cadaster of anthropogenic emissions from sources and absorption of greenhouse gases absorbers in Ukraine over 1990-2015.*

#### LEDS policies and measures in energy efﬁciency

1. ***Raising energy efﬁciency in the buildings***

|  |  |  |
| --- | --- | --- |
| **№** | **Policy /measure** | **Description of policy /measure** |
| **1** | Planning and implementation of thermal insulation of housing stock | To prepare and implement plans for thermal insulation of buildings with due account for climate and local speciﬁcities with proper compliance to energy efﬁciency requirements and thermal technological characteristics of envelope structures. |
| **2** | Promotion of energy efﬁciency in design and construction of residential and public buildings | To adopt and ensure compliance with stricter building standards in order to raise energy efﬁciency in doing new construction projects, modernization, thermal insulation of residential and public buildings. |
| **3** | Monitoring energy performance of residential and public buildings | To prepare energy passports including assessment of energy performance in order to measure how much fuel and energy resources was used on heating, cooling, ventilation, hot water supply and lightning in residential and public buildings |
| **4** | Creating enabling conditions for increase in the number of buildings with close to zero energy consumption | To set standard requirements to reaching close to zero energy consumption in construction of new and modernization and technical re-equipment of the already existing building |
| **5** | Introduction of National system for technical regulation of «green construction» | To set standard requirements to buildings and settlements design to meet the environmental criteria |
| **6** | To adopt "Government sets example approach " | Budget funded institutions, and public authorities of national, regional and local level must set an example in energy efﬁciency by their compliance with requirements on carbon neutrality and publicity about their energy consumption |

1. ***Promotion of private and government funding on energy efﬁciency measures***

|  |  |  |
| --- | --- | --- |
| **№** | **Policy /measure** | **Description of policy /measure** |
| **1** | Expansion of public - private partnership in ﬁnancing of energy efﬁciency measures | To create the prerequisites required to facilitate the use of innovation mechanisms in ﬁnancing of measures aiming to improve energy performance of buildings (for example, credit guarantees to private capital, credit guarantees to stimulate energy efﬁciency agreements, transfers, subsidized loans and targeted credit lines, systems of multilateral funding), which reduce energy efﬁciency projects risks. |
| **2** | Support to ESCO mechanism and it use to raise energy efﬁciency | To create the prerequisites required to facilitate high scale mobilization of private investments for energy efﬁciency purposes, substantial reduction in energy expenses in public and communal sectors of Ukraine's economy, and also to mobilize private investments to increase energy efﬁciency at the state and communal facilities such as schools, universities and colleges hospitals etc., including establishment of legal grounds to develop energy service contracts mechanisms for budget funded institutions, comprising an option of entering into long-term sales contracts to budget funded institutions of heat energy produced from alternative energy sources. |

1. ***Increase in energy efﬁciency in the use of electricity and heat energy and/or fuels in all sectors of economy***

|  |  |  |
| --- | --- | --- |
| **№** | **Policy /measure** | **Description of policy /measure** |
| **1** | Introduction of  cogeneration  installations at the new and already operational  energy generation  entities. | To establish conditions required for equipment of the new and already operational energy generating entities with highly efﬁcient cogeneration installations in order to use the waste heat, resultant from electricity generation and supply it to consumers |
|  | Introduction of market | To establish competitive environment allowing |
| **2** | mechanism enabling consumer access to | consumers to freely choose suppliers of different types of energy or fuels in order to save energy resources |
|  | energy suppliers | and\or ﬁnancial resources |
|  | Facilitation the increase | To introduce incentives for communally owned |
|  | in efﬁcient use of | enterprises to increase efﬁciency in their use of natural |
| **3** | natural gas at the heat generation sources in communal energy | gas at the already existing and /or modernized boiler plants. |
|  | sector |  |

1. ***Promotion of energy efﬁcient technologies in agriculture***

|  |  |  |
| --- | --- | --- |
| **№** | **Policy /measure** | **Description of policy /measure** |
|  | Introduction of farming | To stimulate modernization of the already existing and |
|  | technologies which aim | introduction of new modern equipment at agricultural |
|  | to reduce fossil fuel | enterprises, for example, to convert diesel using |
| **1** | consumption | agricultural machinery to biofuel or hybrid technology; to introduce automatic operating width technology used by the farm machinery with the help of GPS |
|  | Promotion of increase in | To establish conditions enabling the implementation of |
|  | energy efﬁciency in | energy efﬁcient technologies for deep processing of |
| **2** | agricultural produce and foods production | agricultural produce in food and processing industry |
|  | process |  |

1. ***Promotion of energy efﬁcient measures in production sector***

|  |  |  |
| --- | --- | --- |
| **№** | **Policy /measure** | **Description of policy /measure** |
| **1** | Increase in resource efﬁciency of production sector output | To stimulate the production sector enterprises to reduce their speciﬁc utilization of the raw and energy resources in the course of industrial output production |
| **2** | Lowering the share of carbon intense energy resources use by production sector | To stimulate the production sector enterprises to reduce their speciﬁc utilization of carbon intense energy resources |

#### Renewable energy

Substantial intensiﬁcation of renewable energy sources will make a signiﬁcant contribution to energy efﬁciency measures, which aim to de-carbonize the energy sector. In particular, modeling results show, additional - in contrast to “Energy efﬁciency” scenario - reduction of GHG emissions by 2430 million tons of СО2-equivalent could be achieved cumulatively over the 2012- 2050 period, compared to Baseline scenario. Thus, the share of GHG emissions will amount to 33% of the 1990 level, which will not signiﬁcantly exceed the 2015 level (table 4.3).

*Table 4.3*

***Projections of GHG emissions in «Energy» and «Industrial processes»   
according to Baselines (Business as usual) and alternative scenario***

**0**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Scenario** | **Unit** | **2012\*** | **2015\*** | **2020** | **2025** | **2030** | **2035** | **2040** | **2045** | **2** | **50** |
| Baseline scenario | Million tons of СО2  -equivalent | **367** | **265** | **347** | **408** | **455** | **500** | **540** | **570** | **5** | **92** |
| %  of 1990 level | **44** | **31** | **41** | **48** | **54** | **59** | **64** | **68** | **70** | |
| Scenario  «Energy efﬁciency and renewable energy» | Million tons of СО2  -equivalent | **367** | **265** | **282** | **315** | **312** | **291** | **299** | **288** | **2** | **78** |
| %  of 1990 level | **44** | **31** | **33** | **37** | **37** | **34** | **35** | **34** | **33** | |

*\* Data of the National Cadaster of anthropogenic emissions from sources and absorption of greenhouse gases absorbers in Ukraine over 1990-2015.*

#### LEDS policies and measures in renewable energy

1. ***Increase in generation and consumption of energy from renewable sources***

|  |  |  |
| --- | --- | --- |
| **№** | **Policy /measure** | **Description of policy /measure** |
| **1** | Introduction of standard for RES portfolio or ecological portfolio | RES standard will require electricity generating companies to supply a certain ﬁxed percentage of electricity from renewable source (sources) |
| **2** | Overcoming the barriers on the way to renewable energy development | Existing institutional and market barriers include price distortions, market's inability to appreciate social good of renewable sources and social costs of fossil fuel technologies, insufﬁcient information, institutional barriers when connecting to the grid, high operational costs for small projects, and high ﬁnancing costs |
| **3** | Pre-investment preparation of industrial platforms for renewable energy facilities in the framework of PPP | The measure shall follow the following algorithm: government funded contracts are concluded on competitive basis with design bureaus for them to perform initial project preparations and platform search, pre-construction preparation of platforms, and infrastructure construction. After that, investment projects with the pre-set parameters are implemented. The investor refunds the money spent on initial project preparations. |
| **4** | Promotion the consumer purchase of environmentally clean energy | To introduce green certiﬁcates system in order to stimulate clean energy generation and supply |
| **5** | Promotion of generation and energy consumption from RES by entities of all forms of ownership (incorporation) in agriculture and forestry | It is envisioned to encourage introduction of practices and use of equipment contributing to reduction in GHG emissions in production of agricultural produce and foods owing to increased output and use of RES, including, installation of solar or wind energy devises; use of hydroelectricity generators for irrigation purposes, in particular; increased use by enterprises of biomass of their own production and biofuel; extending the energy audit programs |
| **6** | Joint combustion of biofuel and fossil fuel at the new and already operating power plants | It is envisioned to encourage joint combustion of biomass at the new and already operating power plants, using fossil fuel, in order to reduce the GHG emissions and use of fossil fuel in general. |

1. ***Sustainable production and expansion in the use of biomass (biofuel)***

|  |  |  |
| --- | --- | --- |
| **№** | **Policy /measure** | **Description of policy /measure** |
| **1** | Increase in sustainable production of biomass for energy supply purposes | To increase in the scope of biomass coming from agriculture and forestry (wood substance, wood wastes, wastes coming from agricultural crops and agricultural produce processing; energy crops) to be used in heat and electricity generation and as fossil fuels replacement. |
| **2** | Development and implementation of biomass conversion technologies | To increase the pace for development of new biomass conversion technologies as well as the market for such technologies in order to receive biofuel of the ﬁrst and second generation |
| **3** | Expansion in the use of solid household wastes as biomass, and also biomass of park and garden waste for the purposes of heat and electricity generation | To increase the scope of biomass coming from solid household wastes and garden and park wastes, which is suitable for heat and electricity generation, ﬁrst, to meet the needs of small towns and territorial communities. |
| **4** | Production of liquid and gaseous fuel from the raw materials coming from agriculture and forestry | To increase the output of bioethanol, biodiesel and/or other types of liquid or gaseous biofuel from the raw material coming from agriculture and forestry in order to replace ﬁxed and mobile use of fossil fuel |
| **5** | Production of liquid and gaseous fuel from solid household wastes | To stimulate the use of SHW biomass for production of liquid or gaseous biofuel (gasiﬁcation, pyrolysis) and its ﬁxed and mobile use. |

43

1. ***Biogas production and expansion of its use for heat and electricity production purposes***

|  |  |  |
| --- | --- | --- |
| **№** | **Policy /measure** | **Description of policy /measure** |
| **1** | Biogas production from animal origin by- products and other by- products coming from agro industrial complex | To promote the development of agricultural activities which aim to reduce the methane emissions from animal wastes by way of installation of reactor for manure fermentation, and also emissions from primary and secondary agricultural products |
| **2** | Generation of energy from biogas coming from SHW landﬁlls | Stimulation the collection and use of landﬁll gas for the purposes of energy generation and incentivizing the use of anaerobic fermentation reactors to produce biogas from organic components of SHW |
| **3** | Generation of energy from biogas coming from waste water | Stimulation the installment of methane tanks and turbines at the already operating and new waste treatment facilities |

1. ***Ukraine's international cooperation in renewable energy***

|  |  |  |
| --- | --- | --- |
| **№** | **Policy /measure** | **Description of policy /measure** |
| **1** | European integration | Harmonization of legislative and regulatory acts of Ukraine with EU Legislation on promotion the use of energy generated from renewable energy sources |
| **2** | International cooperation | Facilitation of further development of Ukraine's cooperation with international (global, regional and national) institutions in the spheres directly or indirectly related to renewable energy development. Cooperation with International Renewable Energy Agency (IRENA) enabled Ukraine to get access to best global RES related practices. |

#### Transformation of market and institutions

Transformation of market and institutions indirectly promote transition of Ukraine's economy to low carbon pathway. Policies and measures in this area include business measures, regulatory and management practices at the national and sectoral level, standards and codes, public outreach measures, development of education, science and production of proprietary technologies.

Transformation of market and institutions indirectly promote transition of Ukraine's economy to low carbon pathway. Policies and measures in this area include business measures, regulatory and management practices at the national and sectoral level, standards and codes, public outreach measures, development of education, science and production of proprietary technologies.

*Table 4.4*

***Projections of GHG emissions in «Energy» and «Industrial processes»   
according to Baselines (Business as usual) and alternative scenario***

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Scenario** | **Unit** | **2012\*** | **2015\*** | **2020** | **2025** | **2030** | **2035** | **2040** | **2045** | **2050** |
| Baseline scenario | Million tons of СО2  -equivalent | **367** | **265** | **347** | **408** | **455** | **500** | **540** | **570** | **592** |
| %  of 1990 level | **44** | **31** | **41** | **48** | **54** | **59** | **64** | **68** | **70** |
| Scenario «Energy efﬁciency and renewable energy, modernization  and innovation» | Million tons of СО2  -equivalent | **367** | **265** | **265** | **361** | **244** | **242** | **274** | **284** | **285** |
| %  of 1990 level | **44** | **31** | **31** | **31** | **29** | **29** | **32** | **34** | **34** |

*\* Data of National Cadaster of anthropogenic emissions from the sources and absorption by absorbents of GHG in Ukraine over 1990-2015*

#### LEDS policies and measures in modernization and innovation

1. ***Increase in the power plants efﬁciency***

|  |  |  |
| --- | --- | --- |
| **№** | **Policy /measure** | **Description of policy /measure** |
| **1** | Support to modernization of power plants already in operation | To ensure modernization of power plants already in operation to facilitate their full or partial transition to fuels with lower or zero GHG emissions level, introduction of incentives /removal of barriers |
| **2** | Increase in decommissioning pace of inefﬁcient TPPs | To quicken decommissioning pace of inefﬁcient energy blocks at TPP |
| **3** | Introduction of incentives, provision of support or establishment of requirements to fossil fuel based advanced technologies | To promote the development of new technologies, which will include enforcement and/or incentives for the use of advance technologies by TPP using non-renewable energy sources (coal to start with). Enforcement envisions to ensure that all or a certain part of coal using power plants would apply certain technology, such as IGCC[[1]](#footnote-1), CCSR[[2]](#footnote-2). Incentives would include direct subsidies and/or assistance with mobilizing of funding for new technologies implementation, and/or long-term purchase agreements on TPP products or services |

1. ***Nuclear energy development***

|  |  |  |
| --- | --- | --- |
| **№** | **Policy /measure** | **Description of policy /measure** |
|  | Retention of an | To perform repeated licensing/improvement of |
| **1** | important role of the nuclear energy as a low carbon energy source. | characteristics/ enhancement in the efﬁciency of the already operational NPP under conditions of strict compliance with safety ratios, and also creation of effective mechanism for accumulation by nuclear plant |
|  |  | operating organization (operator) of resources required |
|  |  | to ﬁnance the works on nuclear blocks |
|  |  | decommissioning. |
|  |  | To stimulate development of new technologies, such as |
|  |  | small module reactors, to facilitate optimum |
|  |  | replacement of NPP capacities which will be |
|  |  | decommissioned after 2030. |

1. ***Modernization and intellectualization of electricity grids***

|  |  |  |
| --- | --- | --- |
| **№** | **Policy /measure** | **Description of policy /measure** |
|  | Modernization and | To stimulate and support implementation of programs |
| **1** | intellectualization of electricity transmission system and distribution | which will aim to achieve higher efﬁciency in the transmission and distribution systems. |
|  | networks to reduce |  |
|  | losses at electricity |  |
|  | transmission lines |  |

1. ***Modernization of transport industry***

|  |  |
| --- | --- |
| **№** | **Policy /measure** |
| **1** | Promotion the use of transport vehicle which may use different types of motor fuels (for example, petrol and gas or use biofuel and bio component additives), electric, hydrogen cars, cars using fuel cells, as well as public electric transport development |
| **2** | Promotion or introduction of requirements to producers of transport vehicles using combustion engines to increase efﬁciency and environmental friendliness of traditional transport vehicles |
| **3** | Incentivizing Ukrainians to reduce the share of their use of outdated cars. To create advantages for old cars scrappage. For example, provision of rewards, introduction of car vouchers etc. |
| **4** | Increase the number of high-speed trains used to carry the same as before number of passengers by railways, it should be underscored, that due to optimized routes and less time required to reach destinations point the park of such trains will be smaller compared to conventional trains |
| **5** | More efﬁcient planning of public transport network and routes, which among other things, include better logistics, minimized number of trafﬁc jams in the cities etc. Improvement of transport system management technologies, including smart system implementation. |
| **6** | Introduction of inter -mode load carrying transport technologies. Policy which aims to improve railway infrastructure and infrastructure of inland water ways to promote wider use of railways and water transport |
| **7** | Stimulation of modernization the water and river ports in order to incentivize implementation of more energy efﬁcient technologies, and take energy saving measures throughout the entire technological chain |

1. ***Development of highly efﬁcient cogeneration at local and regional level***

|  |  |  |
| --- | --- | --- |
| **№** | **Policy /measure** | **Description of policy /measure** |
| **1** | Development of highly efﬁcient cogeneration | Increase in general fuel usage efﬁciency and reduction in GHG emissions under combined generation of heat and electricity by TPP at local and regional level |

1. ***Support to energy accumulation technologies implementation***

|  |  |  |
| --- | --- | --- |
| **№** | **Policy /measure** | **Description of policy /measure** |
|  | Support to energy | To support development and implementation of energy |
| **1** | accumulation technologies implementation | accumulation technologies by way of subsidies, tariff compensation and other ﬁnancial incentives |

1. ***Development of hydrogen production technologies***

|  |  |  |
| --- | --- | --- |
| **№** | **Policy /measure** | **Description of policy /measure** |
| **1** | Development of hydrogen production technologies | Provision of incentives on development and implementation of hydrogen production technologies and efﬁcient technologies for storage of electricity in the form of hydrogen |

#### Transformation of market and institutions

Transformation of market and institutions indirectly promote transition of Ukraine's economy to low carbon pathway. Policies and measures in this area include business measures, regulatory and management practices at the national and sectoral level, standards and codes, public outreach measures, development of education, science and production of proprietary technologies.

Implementation of these policies and measures will enable additional reduction in GHG emissions by 267 million tons of СО2-equivalen. On the whole, compared to Baseline scenario, the scope of GHG emissions reduction will amount to 7438 million tons of СО2-equivalent (cumulatively for 2012-2050 period), which will enable to stabilize GHG emissions at the 2015 level or at 31% of the 1990 level (table 4.5).

*Table 4.5*

***Projections of GHG emissions for «Energy » and «Industrial processes»   
in accordance to Baseline and Alternative Scenario***

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Scenario** | **Unit** | **2012\*** | **2015\*** | **2020** | **2025** | **2030** | **2035** | **2040** | **2045** | **2050** |
| Baseline scenario | Million tons of СО2  -equivalent | **367** | **265** | **347** | **408** | **455** | **500** | **540** | **570** | **592** |
| %  of 1990 level | **44** | **31** | **41** | **48** | **54** | **59** | **64** | **68** | **70** |
| Scenario «Energy efﬁciency and renewable energy, modernization  and innovation, Market transformation and institutions» | Million tons of СО2  -equivalent | **367** | **265** | **265** | **359** | **242** | **236** | **264** | **265** | **261** |
| %  of 1990 level | **44** | **31** | **31** | **31** | **29** | **28** | **31** | **31** | **31** |

*\* Data of National Cadaster of anthropogenic emissions from the sources and absorption by absorbents of GHG in Ukraine over 1990-2015*

#### LEDS policies and measures in modernization and innovation

1. ***Implementation of market mechanisms allowing for reduction in GHG emissions***

|  |  |  |
| --- | --- | --- |
| **№** | **Policy /measure** | **Description of policy /measure** |
| **1** | Implementation of emission trading system | Policy on implementation of market mechanism allowing for reduction in GHG emissions at its ﬁrst stage envisions to implement the system for monitoring, reporting and veriﬁcation of GHG emissions at installation level, and to establish emission trading system at the second stage |
| **2** | Improvement of GHG emissions taxation system and targeted use of the revenues obtained | To develop and implement the new ﬁscal instruments applied to GHG emissions reduction, and to update taxation system for carbon emissions or fossil fuel energy consumption |

1. ***Supporting research and development and project design works***

|  |  |  |
| --- | --- | --- |
| **№** | **Policy /measure** | **Description of policy /measure** |
|  | Support to research and | To create prerequisites required for implementation of |
|  | development, R&D | advanced technologies in fossil fuel use, including, |
| **1** | products, demonstration projects and promotion of | integrated gasiﬁcation in combined cycle (IGCC), carbon capture, storage and recycling (CCSR); advance |
|  | advance technologies | technology on coal dust, technology of circulating |
|  | implementation | ﬂuidized bed (CFB) |
| **2** | Support and expansion of innovative research and development and project design works | To increase funding on R&D and project design works which aim to:  develop the next generation technologies and to support the “green” energy companies;  prepare and implement the measures, which  contribute to increased absorption and uptake of  carbon by terrestrial absorbents in forestry and  agriculture |
|  |  |
|  |  |
|  |  |

1. ***Promotion of more active use of communities in the LEDS related policies and measures***

|  |  |
| --- | --- |
| **№** | **Policy /measure** |
| **1** | Establish conditions required for development and passage by local executive authorities and local self-governance bodies of comprehensive and sustainable action plans on energy efﬁciency including clear cut goals, engagement of citizens into the process of such plans development and implementation, and providing proper information to general public about the contents of such plans and their expected results |

1. ***Disclosure of information on GHG emissions and GHG absorption at enterprise level***

|  |  |  |
| --- | --- | --- |
| **№** | **Policy /measure** | **Description of policy /measure** |
|  | Public reporting on  GHG emissions and absorption thereof at  enterprise level | Regular publication of information from emission  sources and absorption thereof |
| **1** |
|  |

1. ***Application of energy efﬁciency criteria in the public procurement process***

|  |  |  |
| --- | --- | --- |
| **№** | **Policy /measure** | **Description of policy /measure** |
| **1** | Application of energy | Establishment of conditions allowing for procurement  by government authorities of goods and services with  high level of energy efﬁciency and due account for cost efﬁciency, economic feasibility, technical speciﬁcation and competition compliance |
| efﬁciency criteria in the |
| public procurement process |

1. ***Training and skill upgrade for professionals***

|  |  |  |
| --- | --- | --- |
| **№** | **Policy /measure** | **Description of policy /measure** |
|  | Educational and skill  training for energy  management professional | Development the training and skill upgrade system  for energy management system professionals  through government certiﬁcation program, industry associations and educational institutions |
|  |
| **1** |
|  | Provision of education  and skill training for customers, designers and contractors who implement modern technologies in energy efﬁciency,  RES and alternative fuels | Establishment of preconditions as to provision of the  appropriate number of designers, and construction specialists with the level of skill allowing them to install and integrate required technologies in the sphere of  energy efﬁciency and renewable energy sources. |
| **2** |
|  |
|  |

1. ***Extension of awareness raising program on climate change outcomes, climate change prevention and adaptation thereto***

|  |  |
| --- | --- |
| **№** | **Policy /measure** |
| **1** | To carry out awareness raising campaign to promote broad understanding by Ukrainian citizens of climate change problem, climate change prevention actions and adaptation thereto (including such co beneﬁts as clean air and citizens health). |

1. ***Improvement of requirements to eco design labelling of energy related products***

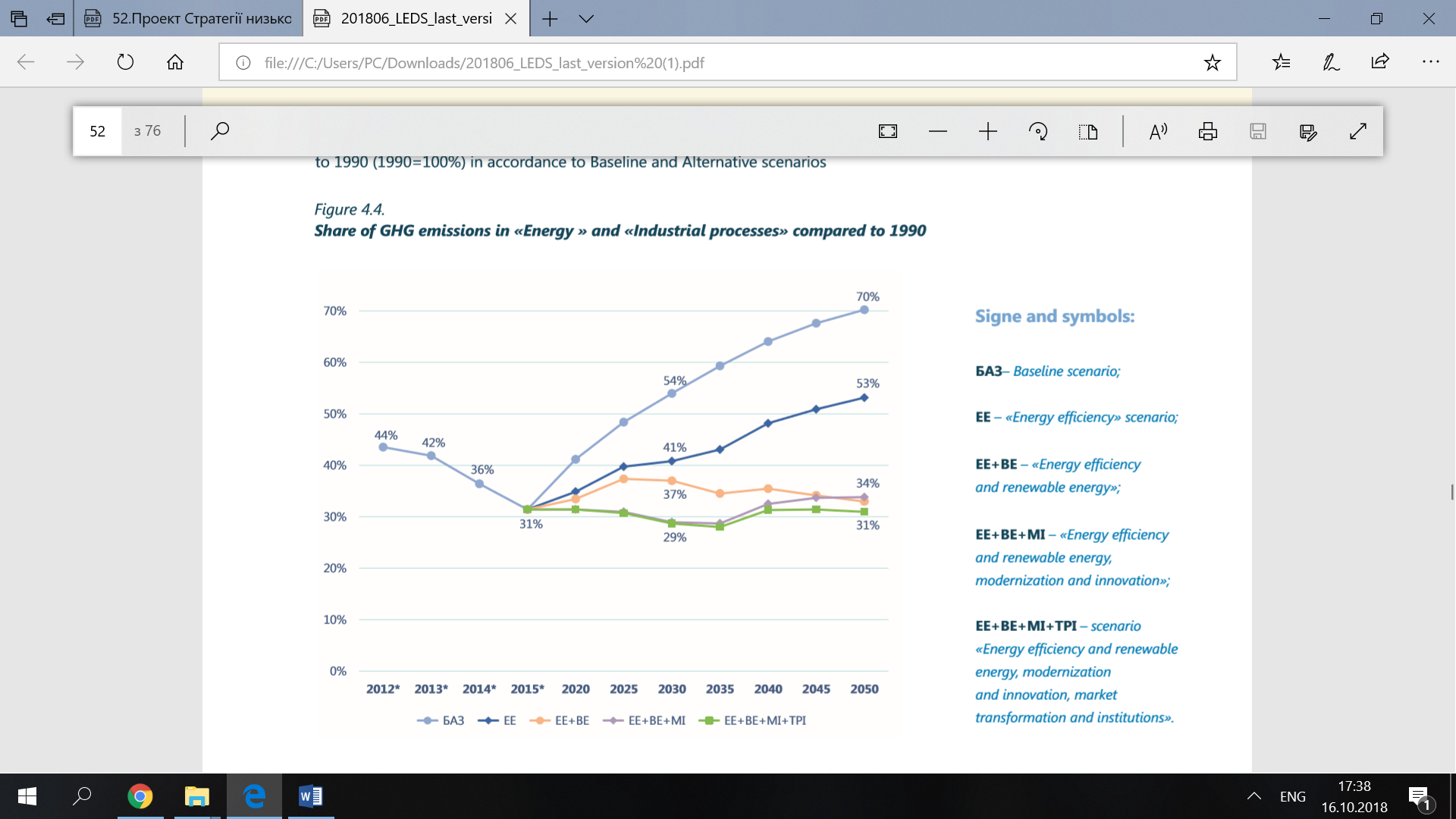
|  |  |  |
| --- | --- | --- |
| **№** | **Policy /measure** | **Description of policy /measure** |
| **1** | Implementation of Eco design for products | To give priority to products with the highest energy saving potential. Eco design establishes minimum requirements, while energy labelling informs buyers on energy and environmental characteristics |

1. ***Improvement the organization of labor relations to encourage, where possible, the use of remote work.***

|  |  |  |
| --- | --- | --- |
| **№** | **Policy /measure** | **Description of policy /measure** |
| **1** | Improvement the organization of labor relations | To create conditions favorable to improvement the organization of labor relations at the national and local level in order to reduce the need for employees travel by transport vehicles |

Figure 4.4 shows projected dynamics in GHG emissions for «Energy» and «Industrial processes» in comparison to 1990 (1990=100%) in accordance to Baseline and Alternative scenarios

*Figure 4.4.* ***Share of GHG emissions in «Energy » and «Industrial processes» compared to 1990***



*\* Data of National Cadaster of anthropogenic emissions from the sources and absorption by absorbents of GHG in Ukraine over 1990-2015*

#### Model assessment of social and economic outcomes

Assessments of economic outcomes of low carbon policies and measures show that their implementation is characterized with generally positive macroeconomic effects (Figure 4.5). Boosted investment processes is the main factor that triggers quality changes, which in turn, result in the raised efﬁciency in production owing to lower speciﬁc consumption of energy resources. Increased efﬁciency in technology and production processes contribute to additional cumulative growth in the goods and services output (6%) and GDP (13%) by 2050.

Enhanced productivity and increased output have positive affect on real income of households. It is expected that by 2035 additional increase in household consumption can amount to 8% and will reach 13% by 2050.

14

13,0 13,3

11,8 12,1

10,3 10,6

8,6 9,0

6,7 7,1

5,7

4,4

4,8

4,8

5,3

4,1

3,3

2,2

2,3

1,6

1,6

0,4 0,4

0,9

0,7 1,0

1,0

12

10

8

6

4

2

0

**2018 2019 2020 2025 2030 2035 2040 2045 2050**

Output Household incomes GDP

*Figure 4.5.* ***Macroeconomic assessments of energy de-carbonization (percentage of Baseline scenario)***

At the industry level, the start of low carbon development policies and measures implementation will bring about moderate structural shifts, which will be manifested in the increased share of services, and, construction - as the main suppliers of investment products - and also in the shares of some processing industries, notably, chemical and metal industry (Figure 4.6.) Slowdown in goods, and services output growth rate should characterize the industries related to fossil fuels extraction and processing.

**20**

**10**

**0**

**-10**

**-20**

**-30**

**-40**

Distribution of gas

Coal mining

products

Hydrocarbon extraction

Coke production

Agriculture

Electric power sector

Construction

Transport

Metallurgy

Wood processing

Trade

Non-energy minerals

Chemical industry

Public administration

Food industry

Healthcare

Education

Oil

2020 2050

*Figure 4.6.* ***Changes in the goods and services output by the industry (percentage baseline scenario)***

Overall, de-carbonization of Ukraine's energy sector will result in positive social and economic outcomes. Speciﬁcally, it is expected that GDP and real income of household will show additional growth. Under increase in total goods and services output, the share of economic activities with high gross value added will be growing at the industry level. Reduced scope of fossil fuels consumption will contribute to increased level of national energy security and lowered import dependency.

In 2050, given the policies and measures of Ukraine's energy sector de-carbonization are implemented, GHG emissions in «Energy» and «Industrial processes» will be expected to stay within 31-34% of 1990 level or 260-285 million tons of СО2-equivalent.54

4

* + 1. **REDUCING NON-CO2 EMISSIONS**

58

In 2015 methane emissions in Ukraine amounted to 62.7 million tons of СО2- equivalent, which is by 67.1% lower than in 1990. The largest sources of СН4 (61%) emissions are coal mines, as well as the processes of oil and natural gas extraction, transportation, storage and consumption. In agriculture emissions amount to 21%, in wastes treatment sector to 18%.

Nitrogen oxide emissions in 2015 totaled at 37.21 million tons of СО2- equivalent, which is by 43.3% lower compared to 1990. Producing over 85% nitrogen oxide emission agriculture is a prevailing source of such emissions in Ukraine.

* 1. **Reducing leaks in the fossil fuel extraction, processing, transportation and storage**

1. ***Reducing leaks in gas sector***

|  |  |  |
| --- | --- | --- |
| **№** | **Policy /measure** | **Description of policy /measure** |
|  | Reduction of leaks in  gas extraction with the help of new methane capture technologies | To implement new methane capture technologies at  different technological stages of extraction process can reduce methane emissions by 2.5% |
| **1** |
|  | Reduction of leaks in  natural gas  transportation process  through modernization of Ukraine's gas  pipelines system | To introduce innovations and technologies to reduce  technical and process design related losses at Ukraine's  gas pipeline system, and, in consequence, to that, to  reduce GHG emissions in the process of natural gas transportation in the main and distribution gas  pipelines. |
|  |
|  |
| **2** |
|  |

1. ***Reducing leaks in oil extraction transportation and processing***

|  |  |  |  |
| --- | --- | --- | --- |
| **№** | **Policy /measure** |  | **Description of policy /measure** |
| **1** | Reducing leaks in oil extraction transportation and processing | To prevent oil evaporation losses in oil and oil products production, storage and transportation, and also at oil reﬁneries through implementation of respective innovations and technologies | |

1. ***Removal, usage and recycling the coalmine methane from underground coal mines***

|  |  |  |
| --- | --- | --- |
| **№** | **Policy /measure** | **Description of policy /measure** |
|  | Removal, usage and  recycling the coalmine methane from underground coal mines | To promote geology study, extraction and use of coal  ﬁelds methane, degassation and recycling of methane, in particular, installation of cogeneration plants |
| **1** |

Ukraine's oil processing industry is characterized by exacerbated manifestation of crises in the market due to reduced production of oil, decrease in import of essential raw materials and low depth of raw materials processing (only at the level 55%) due to outdated equipment and substantial worn out of production facilities. Ukraine needs to update its technological support in oil reﬁneries to 93% level of oil processing.

* 1. **Improvement of waste treatment**

In this sphere, the policy aims to create preconditions, which will enable to increase the share of SHW utilization, to maximize their re-introduction in economy as secondary resources. Through waste generation reduction programs, this policy will facilitate reduction in the scope of waste from residential, commercial and administrative sectors. Decreasing generation of waste immediately at the source of its original generation helps to reduce the GHG emissions from both waste burial, and from upstream production processes along manufacturing chain. In addition, GHG emissions associated with SHW transportation will be reduced.

1. ***Reducing the scope of waste and prevention of waste generation***

|  |  |
| --- | --- |
| **№** | **Policy /measure** |
| **1** | Drafting regulations introducing extended responsibility of producers of goods with expiration date (packaging, medicine, electric home appliances, tires, cars, etc.) |
| **2** | Development and implementation by local executive authorities and local self- governance bodies of solid household wastes treatment |
| **3** | Implementation of ﬁnancial and economic mechanism to develop the SHW treatment infrastructure and services, namely, VAT exemption, and customs duties privileges enabling to bring into Ukraine the sort of equipment, which is not produced in Ukraine. |

1. ***Social advertising campaigns which aim to reduce SHW generation***
2. ***Improvement the SHW treatment methods, promotion of recycling and utilization***
3. ***Improvement of waste water treatment***

|  |  |  |
| --- | --- | --- |
| **№** | **Policy /measure** | **Description of policy /measure** |
| **1** | Reduction in waste water generation | To introduce new water consumption and waste water reduction technologies, carry out public awareness campaign to reduce water consumption |
| **2** | Improvement of waste water and waste water sludge treatment | To apply new technologies and management methods to improve waste water and sludge treatment |
|  | Expansion of district waste water treatment capacities to enable them to provide services to the areas which are not yet covered with such services | To establish prerequisites required to expand district wastewater treatment infrastructure (pipeline system, pumping stations, and puriﬁcation facilities) to the areas, which currently are not yet covered by such systems. |
|  | Spreading out or expansion the regenerated water usage | To establish prerequisites required to expand district waste water treatment infrastructure (pipeline system, pumping stations, puriﬁcation facilities) up to “regenerated water” safety level and delivery, in order to use such water for watering of lawns, sport ﬁelds, and agricultural lands or to meet other not drinking water needs. |

* 1. **Agriculture**

*Methane and nitrogen oxide are main GHG emissions produced by Ukraine's agriculture. Their sources include digestive fermentation by grazing animals - CH4; cleaning, collection and usage of manure - CH4 and N2O, agriculture used land – N2O, which comes from application of nitrogen containing fertilizer (nitrogen fertilizer, manure, plant residues).*

Energy efﬁciency and renewable energy polices and measures for agriculture are presented in Section 4.1

#### LEDS policies and measures in agriculture

1. ***Improvement of animal origin co-products treatment process components***

|  |  |  |
| --- | --- | --- |
| **№** | **Policy /measure** | **Description of policy /measure** |
| **1** | Drafting nationally acceptable recommendations on animal feeding practice improvement | To draft and implement recommendations on energy value increase in feeding staff which will result in smaller amount of feed staff conversion into methane. Usage of speciﬁc natural or synthetic additives will also contribute to higher digestibility of feeding staff and will inhibit methane output |
|  | Promotion the  implementation by  agricultural enterprises  of all ownership (incorporation) forms of  the improved  technologies for manure  disposal, storage and use | Incentives will be provided mostly to small and mid-size  agribusinesses for them to introduce advanced manure  treatment technologies such as fermentation, avoidance  of contact with air in storage process, blending to reduce the loss of nutrition substances, application of  advanced methods of ﬁeld manuring which preclude  manure dusting or spreading on the surface, and,  hence, reduce N2O, emissions) |
|  |
|  |
| **2** |
|  |
|  |
|  |

1. ***Optimization the system of agricultural crops fertilization***

|  |  |  |
| --- | --- | --- |
| **№** | **Policy /measure** | **Description of policy /measure** |
| **1** | Enhancement efﬁciency in the use of fertilizers | To implement scientiﬁcally justiﬁed technologies in application of fertilizers and other chemical substances, which will help to reduce N2O emissions, because nitrogen surplus that was ﬁxated by plants may either go to subterranean waters and/or emitted into air. |
| **2** | Rational water use in agricultural lands | Incentivizing more efﬁcient use of water by implementing best practices in prevention of washing out of nitrogen from the surface and subsequent N2O emissions into air. |

* + 1. **CARBON SINK BY LAND USE LAND USE CHANGE AND FORESTRY SECTOR**

**6.1. Land use and forestry sector and its contribution to GHG balance**

Ukraine occupies the territory of 60354. 9 thousand hectares or 0.4% of the Earth surface, of which the land amounts to 57928. 5 thousand hectares. Ukraine owns 8.7% of the world stock of black soil, 2.3% of cropland (8th in the world) and 2.2% of basal area under cereal crops. Agricultural use lands take almost 70% of Ukraine's territory, forests and other lands, covered in woods and bushes vegetation - 17.6%, and settlement land constitute 4.2%. Fig. 6.1 shows the structure of Ukraine's land resources.

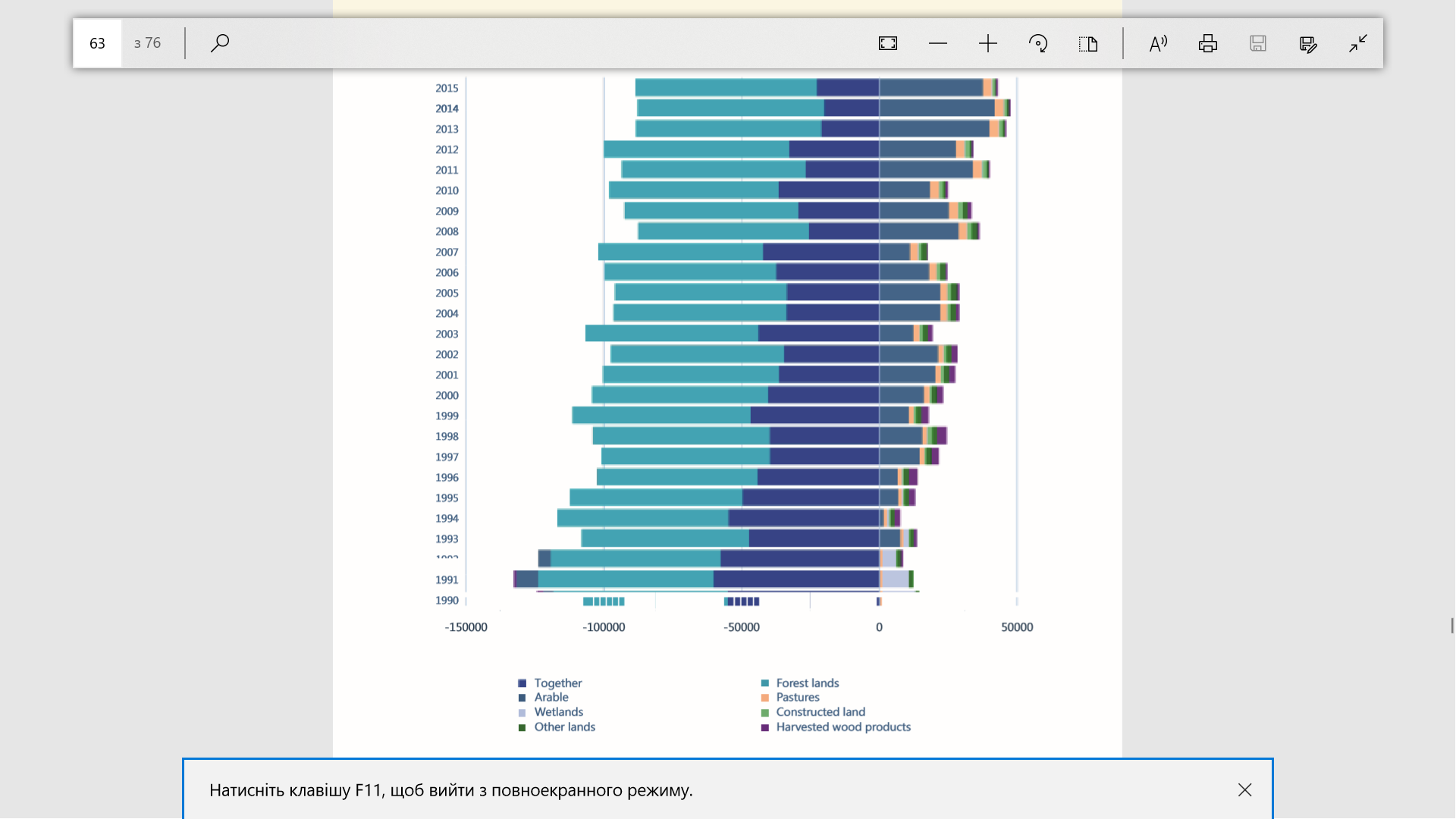


*Fig. 6.1* ***structure of Ukraine's land resources (percentage) in 2015*** *(according to the data of Geocadastre of Ukraine)*

Forests is the main sink of GHG emissions in LULUCF sector. According to the State register of Ukraine's forests, the total territory of forest resource is 10.8 million hectares including reclamative afforestation. Prevailing in Ukraine is the State form of forest ownership; about 87% of forests are managed by State entities and organizations. The sector's speciﬁc feature includes imbalanced land usage structure, excessive ploughness of territory, and low level of forest cover of the territory (average forest cover in Ukraine amounts to 15.9%, while that in European countries is 37%).

LULUCF sector contribution to total emission/absorption balance is positive. According to National Cadaster of anthropogenic emissions from sources and absorption of greenhouse gases absorbers over 2015 in Ukraine the sector absorbed about 5% of the total GHG emissions. In absolute terms, for the period 2010 - 2015 the level of absorption in the sector stayed within the range of 13-30 million t СО2 equivalent per annum.

Forestlands are net GHG absorbers - on average for the period 2010-2015 the scope of GHG absorption by forests amounted to 65.5 million t of СО2 equivalent per annum. GHG emissions in the sector were mostly coming from croplands, pastures, wetlands, settlements and other lands. The scope of GHG emissions from croplands on average totaled at 38.8 million t СО2 equivalent per annum (Fig. 6.2).



*Fig. 6.2.* ***Dynamics in C02 emissions and absorption (million tons) in LULUCF sector over 1990-2015 (source: NIR-2017)***

*\* 1990-2015 data of the National Cadaster of anthropogenic emissions from sources and absorption of greenhouse gases absorbers*

#### Low carbon policies and measures in land development and forestry

Forest cultivation, sustainable forestry and reduction in the loss of forest cover are the most appropriate activities to increase GHG emissions absorption in LULUCF sector. Of agricultural practices, the optimum includes non-exhaustive farming, cattle grazing and organic soil restoration. Ukraine's speciﬁc feature include imbalanced land usage structure, excessive ploughness of territory, and also low level of forest cover of the territory (average forest cover in Ukraine amounts to 15.9%, while that in European countries is 37%).

Within the territories of cities and other inhabited localities, the total area of green planting of all types as of 01.01.2015 amounted to 652, 1 thousand hectares.

Ukraine belongs to the group of countries with the highest share of agricultural lands in its total area of – 70.8% as of 01.01.2015, including agricultural arable lands – 68.8%, pastures and hey ﬁelds– 13.0%.

#### LEDS policies and measures in LULUCF sector

1. ***Optimizing the land use structure, increase in the forest area, wood lines and green plants, enhancement of interagency coordination***

*Policies and measures aim to:*

* + - reduce cropland in the land use structure;
    - increase the area of lands covered with forest vegetation, to create new forests (afforestation) and to timely restore the forests (reforestation);
    - Rationally place forests and declarative afforestation, which constitute ecological carcass in the landscape, and restore ﬁeld protection strips and other types of declarative afforestation;
    - to take stock of green vegetation in the inhabited localities, assess their status and carbon sequestration;
    - to green the inhabited localities, which implies to incentivize measures of support and improvement the status of trees and plants in residential areas of inhabited localities, to increase plants density in urban environment via creating of public and curtilage gardens, green roofs, and to plant different types of vegetation to enable sequestration and uptake of accumulated carbon;
    - to enhance interagency coordination, in particular, among forestry, agriculture etc.

1. ***Improvement the practices of economic activities in LULUCF sector based on climate friendly methods of farming and forest management - Climate Smart Agriculture, Climate Smart Forestry***

*Policy and measures aim to:*

* + - implement and support best practices of farming and forest management, which take due account of climate change and aim to prevent carbon take out from soils in agrocoenosis, increase the level of forest productivity and resilience, to preserve and accumulate carbon in forest phytomass and soil;
    - to improve conservation and protection of forests and conservation areas, green vegetation in the inhabited localities, conservation of ﬁeld protection forest strips and other reclamative afforestation to store the accumulated (sequestered) carbon;
    - to introduce economic incentives of land user (owner) to rationally use and protect agricultural lands;
    - to combat degradation of agricultural lands and desertization, including via conservation of low productive and technologically polluted lands;
    - to improve methods of agrotechnical regulation of carbon content in soil, which means promotion implementation of innovative agrotechnology, geared towards preservation and improvement of fertility, non-alkalic cultivation and rotation of crops; to lower mechanical impact on the soil;
    - to support measures which aim to transform low productive agricultural lands into lands with permanent plantation cover, such as meadow/pasture, garden or forest where the carbon content in the soil and/or biomass will increase;
    - to reduce the rate of agricultural lands transformation into build-up lands, as this will help to uptake carbon in the soil of such land and also keep their carbon sequestration potential.

1. ***Development and implementation of national forestry development program with the engagement of the best international experience***

National Forestry development program will include the following components: policy and strategy (set of the national and regional forest policy, goals and ways to achieve them, assignment of responsibilities, connectivity with other sector policies in the sphere of land use and climate change); legislation (laws which will enable policy implementation, regulatory frame- work); institutions (organizations for decision making preparation and implementation – forest administrations, civic organizations, professional association and NGO, R&D institutions, educational institutions and media); information, communication and research (stock taking and monitoring of forests, forest information system, collection, exchange and dissemination of information on forests, including information on climate change and vulnerability; research of biophysical, social and political aspects related to forest problems and climate change; reports to national and international organizations; communication and awareness raising work for interested groups and general public); competence (knowledge and experience, which make it possible to efﬁciently respond to climate change produced challenges in forestry and ability to efﬁciently resolve the tasks related to planning, management and economic activities); ﬁnancial mechanisms (mechanisms which are used to ﬁnance forestry, mechanisms for attraction, management and allocation of ﬁnancial resources; and control mechanisms).

1. ***Promotion of replacement of energy intense products made of metal, concrete, plastic etc. With products made of wood grown under sustainable (balanced forestry).***

Implementation of such policy promotes the use of wood in which the absorbed carbon is conserved for such wood usage period. In addition to that, the policy will also contribute to reduction of GHG emissions in other sectors inconsequence to energy intense products being replaced with products made of metal, concrete, plastic with wooden products.

To efﬁciently implement forestry potential as regards lows carbon development applied shall forestry methods which factor in the climate change in accordance to Climate Smart Forestry.

Key elements to this concept of forestry include the following:

* + - application of «triune» approach - absorption (sink), sequestration (deposing) and replacement;
    - establishment of new political incentives;
    - due account of regional (local) speciﬁc features of forests in the process of climate prevention measures implementation and adaptation thereto;
    - interaction in solving the climate change problems and other challenges (such as development of bio economics, food safety, rural areas, recreation, tourism, biodiversity);
    - synergy in climate change prevention and adaptation thereto.

#### Projections of GHG emissions absorption dynamics under different scenarios of Ukraine's forestry sector development

Projections of GHG emissions absorption dynamics under different scenario of Ukraine's forestry sector development are based on the outcomes of international project SCEFORMA «Scenario analysis of forestry management in Check Republic, Hungary, Poland and Ukraine».

Analysis of Ukraine's forestry sector development scenarios was performed with the help of the model of European Forest Institute EFISCEN based on processing information for each forest plot, which is included in the database of the State Forest Agency of Ukraine «Forest Fund of Ukraine». General modelling scheme included assessments of the following:

* + - Natural growth in forest stand;
    - Natural growth in forest stand;
    - Scope of wood substance, harvested in course of cutting (main use, care felling and forest sanitation felling);
    - Losses of wood substance due to adverse factors such (ﬁres, pests, diseases etc.);
    - Forest regeneration (forest restoration and afforestation);

The scope of GHG absorption in the forests is projected based on two main scenarios of Ukraine's midcentury forestry development - «business as usual, » scenario developed on the basis of expert modiﬁcation of previous and modern trends in economic and social development, and

«forward looking scenario» which envisions achievement of forestry and natures protection activities targets in accordance to government strategies deﬁned priorities and programs. The third, additional scenario, made it possible to estimate the scope of GHG absorption in the process of forest cultivation (afforestation) in the area of million 1.4 hectare, which, given the “forward looking” scenario implementation shall by 2050 ensure increase in Ukraine's forest cover up to 19.4% and approximate it to optimum level. The State Forest Service of Ukraine set up the above presented scope of forest cultivation and forest cover targets in the course of drafting «Ukraine forests 2010-2015 State program. »

«Forward looking scenario, » envisioned support to protection, environment protection and recreations functions of forests, introduction of improved forest management regime (implementation of close to nature forestry, changes in the ages of ﬁnal felling operations, roll out of target forest calculation etc...). According to «forward looking» scenario, the forest areas intended for nature protection, recreation and safeguard purposes is increased, yet they are not fully excluded from wood usage. Final felling operations (or forest restoration fellings) shall be restricted by higher felling age, conservation methods and technologies and reduced cutting areas. It should be underscored, that the felling areas increase gradually. Such a strategy is justiﬁed given additional beneﬁts provided by protection, recreational and environmental functions of forests. If «forward looking» scenario is implemented, because of forest cultivation (afforestation) it is expected that the area of forest covered lands will gradually increase from 15.9% to 17%.

Dynamics in the GHG absorption scope in Ukrainian forests was calculated in accordance to above-mentioned scenarios. Calculations includes determination of carbon sequestration in forest phytomass, dead wood substance forest litter vegetation (without including carbon in forest soil, as it is assumed that under unchanged land use, the lands which are permanently covered with forest vegetation retain stable stock of carbon.)

According to «business as usual» scenario, by 2050 a gradual decrease in phytomass growth in the forests is expected mostly due to the age change in forest structure, which will bring about a gradual decrease in the GHG absorption level. It is expected that by 2050 the annual GHG absorption level will decrease by 26% compared to 2012 and will amount to about 44.4 million t СО2 per year (Table 6.1).

*Table 6.1*

***GHG absorption projections in Ukrainian forests according to «business as usual» scenario***

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Scenario** | **Unit** | **2012\*** | **2015\*** | **2020** | **2025** | **2030** | **2035** | **2040** | **2045** | **2050** |
| «Business as usual» scenario | Million tons of СО2  -equivalent | **60** | **56,4** | **55,3** | **52,8** | **50,3** | **48,8** | **47,4** | **45,9** | **44,4** |
| %  of 1990 level | **95** | **89** | **87** | **83** | **79** | **77** | **78** | **72** | **70** |

Implementation of «forward looking» scenario will contribute to improvement in the forest age structure on account of new forests creation and optimization of forestry system (differentiation of felling ages, reduction in the area of clear-felling operations and increase in the area of selective and gradual felling in ﬁnal felling, improvement in forests security and protection from pests, diseases and ﬁres). According to «forward looking» scenario forest cultivation will be performed at the area covering around 690 thousand hectares, which will enable to increase Ukraine's forest cover up to 17%, as per the Law of Ukraine dated 21 December 2010, № 2818-VI «On Foundations (Strategy) of the State Environmental Policy of Ukraine for the Period through 2020».

Implementation of «forward looking» scenario will enable to gradually by 2030 adjust forest age structure even though it may take about 50 more years to reach the optimum age structure. According to this scenario biomass growth, as is the case of «business as usual» scenario, will also decrease due to objective reasons related to dynamics in the age structure of forests, yet the decrease will not be substantial. Decreased growth in phytomass will result in reduced annual GHG absorption levels in forest phytomass by 16% compared to 2012. In 2050, СО2 absorption is projected to reach 50.4 million t per annum (Table 6.2).

*Table 6.2*

***GHG absorption projections in Ukrainian forests according to «business as usual» scenario***

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Scenario** | **Unit** | **2012\*** | **2015\*** | **2020** | **2025** | **2030** | **2035** | **2040** | **2045** | **2050** |
|  | «Forward looking» scenario | Million tons of СО2  -equivalent | **60,0** | **57,6** | **56,4** | **54,6** | **52,8** | **52,2** | **51,6** | **51,0** | **50,4** |
| %  of 1990 level | **95** | **91** | **89** | **86** | **83** | **82** | **81** | **80** | **79** |

*Additional estimates for GHG absorption level were made under the following assumptions:*

* + - Achievement of 19.4% of forest cover in Ukraine;
    - Implementation of «forward looking» scenario (forest cultivation at the area of 690 thousand hectare) with parallel afforestation in the area of 1.45 million hectares, as per Forest Cultivation Strategy in Ukraine, drafted in 2015 as a part to FAO Project «Consolidation of Ukraine's Forest Policy».

Additional forest cultivation will enable to increase GHG absorption level by 3.5 million t of СО2- equivalent, and further on the absorption level at forest cultivation lands will increase owing to phytomass growth in the newly created forests. Given that «forward looking scenario with optimum forest cover, » is implemented, the scope of GHG absorption will stabilize after 2035 at the level of 85% of 1990 (Table 6.3).

*Table 6.3*

***GHG absorption projections in Ukrainian forests according to «forward looking» scenario***

***with approximation to optimum forest cover scenario in forest cultivation (afforestation) in Ukraine***

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Scenario** | **Unit** | **2012\*** | **2015\*** | **2020** | **2025** | **2030** | **2035** | **2040** | **2045** | **2050** |
| «Forward looking» scenario with optimum  forest cover | Million tons of СО2  -equivalent | **60** | **57,6** | **57,0** | **55,6** | **54,3** | **54,1** | **54,1** | **54,0** | **53,9** |
| %  of 1990 level | **95** | **91** | **90** | **88** | **86** | **85** | **85** | **85** | **85** |

Given proper implementation of other policies and measures in LULUCF sector, with quantitative assessment of their impacts on GHG emissions dynamics being complicated due to uncertainty of input parameters, GHG emissions absorption balance will correspond 1990 level.

1. IGCC (Integrated Gasiﬁcation Combined Cycle or in Ukrainian Integrated combined gasiﬁcation cycle (ICGC) – is a steam and gas plant with gasiﬁcation of coal which is used to convert coal into syngas [↑](#footnote-ref-1)
2. CCSR – (Carbon Capture and Storage Ready) – technology for carbon catching, storage and recycling. [↑](#footnote-ref-2)