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Suggestions for an update of the Sida INEC-UUM commissioned report on support to Ukraine in the thematic priority area Environment and climate change (Feb 20, 2008)

*Please find below some comments on potential areas for an update of the Sida INEC-UUM commissioned report on support to Ukraine (and Belarus) co-authored by Karlberg, Nilsson and Carlsson (draft July 2005). The comments below are formulated at the request by Lars Eklund, Sida-INEC and written by Anders Ekbohm (Feb 20, 2008) at the Environmental Economics Unit (EEU), Department of Economics, Göteborg University as part of Sida-EEU's institutional collaboration on environmental economics and strategic environmental assessment in Swedish development cooperation.*

### **Introduction**

Since the Sida INEC-UUM report “Future Support Ukraine and Belarus” from 2005<sup>1</sup>, some important steps, regarding policy formulation and implementation in Ukraine, have been taken. These developments warrant an update of the INEC-UUM report. The INEC-UUM report builds on some official policy documents<sup>2</sup> which have been replaced by other more recent ones. Some new important policies and strategies have also been formulated by key organizations like the European Union/Commission, the United Nations’ Economic Commission for Europe, OECD/the International Energy Agency (IEA) which need to be considered. Moreover, the priorities formulated in the new Swedish Government’s Budget Bill also call for an update of the Report, in particular Sweden’s focus on environment and climate change, as one of three thematic priority areas, as well as the four focus areas: (1) climate change adaptation, (2) energy; (3) environment and security; and (4) water.

Generally, the report ought to be updated with respect to (i) the description of Ukraine’s environmental situation, (ii) Ukraine’s official national needs and priorities in the area of environment, (iii) the description of environment-related activities of international donors, and (iv) the areas for possible intervention. This is particularly important in view of the political and economic changes which have taken place in

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<sup>1</sup> Karlberg, Tina, Ingemar Nilsson and Sten-Åke Carlsson, 2005. “Future Support Ukraine and Belarus”, Sida INEC-UUM, Stockholm.

<sup>2</sup> E.g. the National report on the state of environment in Ukraine 1999, Ministry of Ecology and Natural Resources of Ukraine 2000, and the National Environmental Action Plan (NEAP) from 1998.

Ukraine, in the region and internationally since 2005. Here, the role played by Russia, EU, China and the US, respectively, are particularly important to consider.

Below are some suggestions on what an update may focus on. First and foremost, an update of the report ought to consider and build on Ukraine's new National Environmental Policy, published in 2007<sup>3</sup>. The Policy is very comprehensive and includes a Strategic Evaluation, a Strategic general assessment, Development Strategy and Key Recommendations. It has been formulated by Ministry for Environmental Protection of Ukraine and developed with assistance from UNDP/GEF. As part of the Policy implementation Ukraine is currently pursuing a "National Capacity Self-Assessment for Global Environment Management in Ukraine" under the auspices of UNDP. The new National Environmental Policy can be accessed at:

[www.undp.org.ua/?page=projects&projects=21](http://www.undp.org.ua/?page=projects&projects=21)

The National Environmental Policy contains a very large set of recommendations over activities, some of which are very large and demanding in terms of financing, staff capacity and other issues. It is thus of importance that Sida obtains a good picture and understanding of the key priorities set forth in this Policy. This may be obtained by critically reviewing the national policy recommendations, in dialogue with different resource persons, in Ukraine and outside. The update of the Sida INEC-UUM report ought to focus on the Policy's strategic evaluation, general assessment, and key recommendations and suggest implications for Sida in its support program.

Further, UN Economic Commission for Europe's (ECE's) Committee on Environmental Policy has completed its second **Environmental Performance Review** (2007) for Ukraine. ECE's Review is very comprehensive and essentially covers all environmental issues of relevance in Ukraine. For Sida's purposes it would be useful to assess this Review and build on its findings, conclusions and recommendations. The Review can be accessed at:

[http://www.unece.org/env/epr/epr\\_studies/Ukraine%20II.pdf](http://www.unece.org/env/epr/epr_studies/Ukraine%20II.pdf)

EU/ European Commission has developed a **Country Strategy Paper** (CSP; 2007) for Ukraine covering the period 2007-2013. There is a need to assess the objectives, interventions and recommendations outlined in this Strategy. In addition EU has formulated a **Country Environmental Profile** (CEP) for Ukraine, published in 2006. There is a need to also assess the focus and priorities outlined in this document. The CSP and CEP can be accessed at:

[http://ec.europa.eu/external\\_relations/ukraine/docs/index\\_en.htm](http://ec.europa.eu/external_relations/ukraine/docs/index_en.htm)

Of special interest is EU's choice of transport, energy and environment ("infrastructure development") as priority sectors in the EU-supported National Indicative Program (NIP) for 2007-2010. Consequently, there is a need to follow up the implementation and potential role for Sweden in this Program.

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<sup>3</sup> Government of Ukraine, 2007. *National Environmental Policy of Ukraine: Strategic Evaluation and Recommendations*, Ministry for Environmental Protection of Ukraine and UNDP/GEF. (web-access at: <http://www.undp.org.ua/?page=projects&projects=21>)

## **Key Issues of Focus for Update of the Report**

### 1. EU accession and harmonization with EU environmental legislation

In February, 2005, the Council for Cooperation between Ukraine and the European Union approved the Ukraine-EU Action Plan. The plan covers a three-year period, and helps fulfilling the conditions defined by the Partnership and Cooperation Agreement. The Action Plan will stimulate and support Ukraine's efforts to further integrate into European economic and social structures, particularly through the mechanism of the EU-Ukraine Free Trade Zone after Ukraine acquires WTO membership. Implementing the Action Plan will help to significantly speed adaptation of Ukraine's legislation, norms, and standards to EU's. The plan's "Environment" section contains steps for: establishing and implementing smart management conditions in the environmental sphere, preventing degradation of environmental conditions and health protection, and establishing rational resource use in accordance with obligations from the World Summit on Sustainable Development in Johannesburg, 2002 .

In view of this and recent developments, it would be of importance to assess Ukraine's progress regarding harmonizing its environmental legislation to European Union's (environmental) legislation, and the performance and rate of success in the implementation of the first stage (2004-2007) of the *State Program for Adapting Ukrainian Legislation to EU Legislation*, in particular.

### 2. Nuclear Safety, Radioactive Contamination and Waste Management

Still, many forests, meadows, and pastures are critical in terms of radioactive contamination. Several initiatives to eliminate the Chernobyl catastrophe's consequences have been taken. However, they have not been carried through to their full completion. The most recent national program which was carried out from 1996-2000, lacked clearly defined priorities and the outcome was limited in terms of its budget. The result was that some necessary initiatives were not fully effective or complete. A new national program to minimize the impact of the Chernobyl catastrophe for 2002-2005, was approved in 2006 for extension until 2010. There is a need to *follow-up the performance and implementation of this program*. Specifically, major national plans and programs developed to attain policy implementation regarding nuclear safety, radioactive contamination and waste management, which qualify for an update of the INEC-UUM report, include (i) *the National Program for Radioactive Waste Management for 2007-12* and the (ii) *the National Program for Minimizing the Chernobyl Catastrophe's Consequences for 2006-10*.

### 3. Sustainable Energy Use and Energy Efficiency

Since the INEC-UUM report there has been some developments within Ukraine's energy sector which may be useful to review and draw conclusions from. Key policy activities include the International Energy Agency (IEA)/OECD's **Energy Policy Review** for Ukraine (2006). This is a key document for the development of Ukraine's energy sector for years to come. As part of the review process, OECD/IEA's Review

Team formulated a large set of recommendations for Ukraine's energy policy as a whole and for several sub-sectors. Hence it would be useful if the update assessed this Review and discussed the implications and potential role for Sweden/Sida in view of the Review's suggested energy sector priorities and recommendations. The Review can be accessed at:

[http://www.iea.org/Textbase/publications/free\\_new\\_Desc.asp?PUBS\\_ID=1819](http://www.iea.org/Textbase/publications/free_new_Desc.asp?PUBS_ID=1819)

Regarding **EU-support to Ukraine's energy sector**, the implementation of the Memorandum of Understanding of December 2005 on energy between EU and Ukraine is ongoing. The Memorandum builds on energy objectives outlined in the EU-Ukraine ENP (the European Neighbourhood Policy) Action Plan. A second progress report presented in September 2007 highlighted agreement on the terms of reference of the joint Commission-IAEA-Ukraine evaluation of the nuclear safety of the Ukrainian Nuclear Power Plants.

Regarding the Government of Ukraine, the Ministry of Fuel and Energy has carried out some updates and performance reviews which may be of interest to assess to enhance Sweden's understanding of Ukraine's energy sector. Key documents include: Ministry of Fuel and Energy (2006a), Main Indicators of the Development of the Ukrainian Fuel and Energy Sector in June and the First Six Months of 2006, Ministry of Fuel and Energy, Kyiv; Ministry of Fuel and Energy (2006b), Performance Results of the Fuel and Energy Sector in 2005, can be accessed at: <http://mpe.kmu.gov.ua> or [www.kmu.gov.ua/control/en/publish/article?art\\_id=89307&cat\\_id=73007](http://www.kmu.gov.ua/control/en/publish/article?art_id=89307&cat_id=73007).

Moreover, in 2006 Ukraine's Government outlined its new **National Energy Policy**. In view of the importance of the energy sector for Ukraine's development, it is essential that also this Policy is reviewed and acted upon.

#### 4. Assess Progress regarding CO<sub>2</sub> Emissions Mitigation and Climate Change Adaptation

The Government of Ukraine has taken some important steps to address climate change since 2005<sup>4</sup>. In August 2005, the Government of Ukraine approved the *National Plan on Approaches for the Implementation of the Provisions of the Kyoto Protocol* to the UNFCCC. In February 2006 the Cabinet of Ministers approved regulation on evaluation, approval and implementation of projects intended to decrease the amount of anthropogenic greenhouse emissions according to the Kyoto Protocol. The regulation specifies the procedures for evaluation, approval and implementation of JI projects and issuance of endorsement and approval letters for them, as well as related organizational measures. In April 2006 the Cabinet of Ministers approved regulation on functioning of a national system of evaluation of anthropogenic emissions and absorption of greenhouse gases that are not regulated under Montreal Protocol on ozone-depleting substances. The regulation identifies measures to coordinate activities of various governmental bodies to deal, inter alia,

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<sup>4</sup> For instance, in 2005-2006 Ukraine signed memoranda of understanding on climate change issues and JI projects with Canada and the Netherlands and plans to sign other memoranda with Austria, France and Italy. There is a close cooperation on these issues with Japan to meet eligibility requirements to participate in international emissions trading. In May 2006 Ukraine signed a first emission purchase agreement with the Netherlands for a JI project of a total of 396,000 tons of CO<sub>2</sub> emission reduction during 2007-2012.

with GHG emissions inventories. However the body that would serve as a national inventory centre has not yet been identified.

In view of this and other measures, it is essential that an updated assessment of issues related to climate change (policy development, implementation) is carried out. One activity may be to assess GoU's report to UN Framework Convention on Climate Change (UNFCCC) on greenhouse gas emissions from Nov. 2005<sup>5</sup>. According to EU's assessments, Ukraine has the potential to become an important market for emission reduction projects under the Kyoto Protocol. The EC is currently providing support in this area on a regional basis and envisages follow-up measures under future assistance programs. Ukraine could also become a major supplier of renewable energy sources (biofuel).

A report of particular interest in the area of climate change-related investments is the World Bank publication "*Ukraine: Options for Designing a Green Investment Scheme under the Kyoto Protocol*" (2006), which may be considered in an update of the INEC-UUM report. It can be accessed at:

<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/UKRAINE/INUKRAINIANNEXTN/0,,contentMDK:21287333~pagePK:141137~piPK:141127~theSitePK:455681,00.html>

Finally, regarding proposals and recommendations to Sida, the issues outlined in the INEC-UUM report remain valid to address also in an updated report. These include (i) identification of projects with high leverage on the environment and on Ukraine's reform process, (ii) identification of areas where Swedish expertise has competitive edge; (iii) possible cooperation with donors and avoidance of "donor-crowded" areas; and (iv) low administration costs for Sida.

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<sup>5</sup> Can be accessed at: <http://unfccc.int/resource/docs/2005/arr/ukr.pdf>