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Experience from Drafting of National Allocation Plan for Second Period

National Allocation Plans (NAP) for second period were started at the beginning of 2006. This was time when first year of emission trading was in the past. EU Emission trading scheme (ETS) was tested and presented first results in 2005.

There is difference observed for data foreseen in NAP I (period 2005 - 2007) of Latvia and allowances allocated to operators in 2005: the average quantity of allowances in NAP I is higher than 2005 verified emissions. The main reasons of exceeded amounts are:

- The total figure of 7.695 Mt per year includes the allocations for existing installations and reserve that is not allocated to any of the installations and therefore cannot be assumed as allocated allowances. These will be left for new installations and are not reserved for any specific installation.
- Allocated allowances for existing installations is 4.197 Mt. The 2005 verified emissions were 2.85 Mt. One of the reasons of the increase is the overall development of Latvia during 2005 and forecasts for 2006-2012. The other reason is that some of the installations have been under reconstruction (like one of the largest installations – Latvenergo TES1) in 2004-2005 and therefore the 2005 verified emissions do not show the emissions for 2008-2012. Other reason is that early actions were taken into account for first period of emission trading.

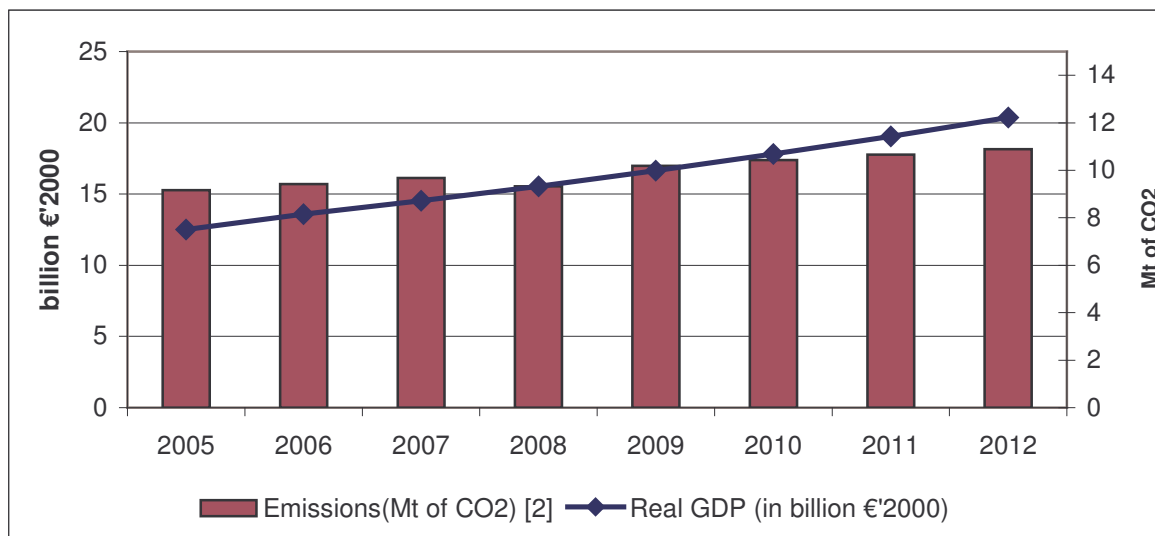


Fig.1. Growth of GDP and GHG emissions in Latvia



The methodology for calculations of allowances was taken from the 1st NAP and updated with actual information.

- Bottom-up approach

Each operator presented data and after some data processing number of allowances were calculated and proved.

- Grandfathering method

During preparation of NAP for second period Latvian team took into account proposal of EU ETS Monitoring and Verification guidelines, which advises do not use year 2005 as basic year for calculations.

Two approaches were used for selection of basic scenario: one for energy installations and different for industries.

Basic year were selected according to development of country, industrial branch or industrial enterprise itself. GDP growth influence increase of production (average growth 5,5% as it is presented in Figure 1.).

As the heat energy, electricity energy or heat and electrical energy production depends a lot from the duration of heating season and as the share of district heating companies is high, the parameter that describes the best the operation of these installations was chosen. This parameter is the number of degree days. The average number of degree days (4221) of 2001, 2002 and 2004 was described the best by year 2001 and was therefore chosen as the base year for allocation of allowances for these energy installations.

- Calculation methodology

Calculation methodology for existing installations' number of allowances was the same as it was used during preparation of 1st NAP according EU ETS Monitoring and Reporting Guidelines. However calculation methodology for new installations is strengthening by use of data proved by experts or energy auditors and based on contracts with users.

Reason for need of more complicated methodology is connected with sad experience during 1st period of emission trading: unfortunately some companies found ETS as business without any efforts at all (no generation of energy = all allowances could be sold)..

- No early action provisions No early actions in 2nd period are proposed to take into account. Reason for this is connected with murdering of emission market. However base year 2001 for energy installations allowed to take early actions which were implemented in period from 2001 till today. GHG emission reduction potential

GHG emission reduction potential for energy installations is foreseen with growing through years: 2008 – 1%, 2009 – 1,5%, 2010 – 2%, 2011 – 2,5% and 2012 – 3%.

Results and structure of GHG emissions from sectors involved in ETS is presented in Figure 2. Total number of installations which are involved in period 2008 – 2012 are 96. Energy sector continues to play the role of main actor in 2nd NAP period. A

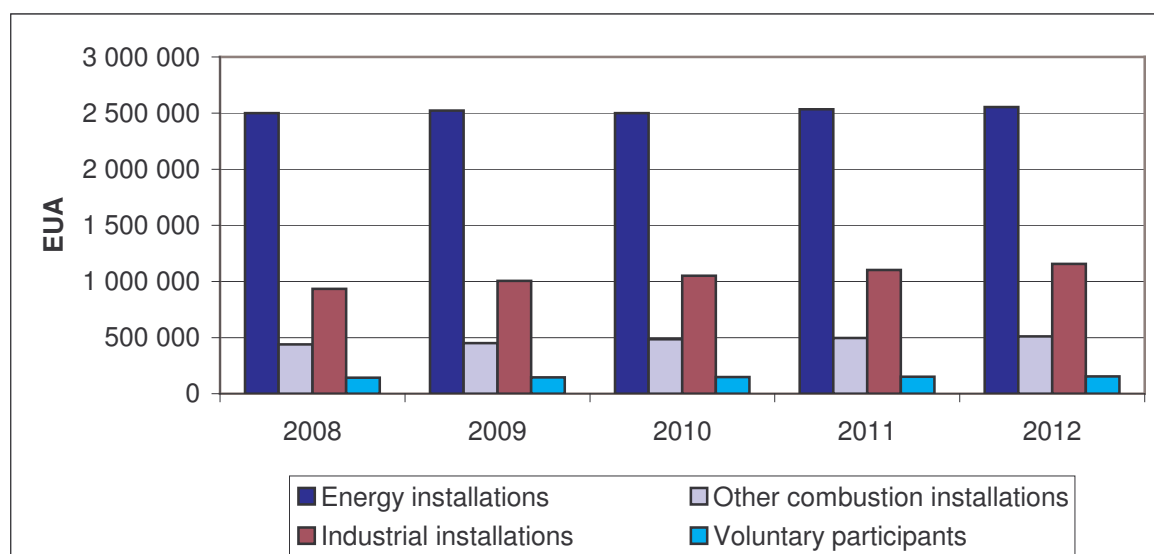


Fig.2. Structure of GHG emissions from sectors involved in ETS in period 2008 – 2012

Very important role are playing voluntary participants (number of installations 24). They are bringing emission trading idea for smaller installations and some of them are acting as champions of activity. Their interest is result of capacity building in Latvia.

Capacity building during preparation stage of first NAP demonstrated different attitude of persons involved in emission trading. 8 seminars and workshops were organized for ETS operators.

First year in emission trading emphasized some tendencies. Experience of activities of operators participated in emission trading was different. Some of them understood emission trading process deeply, some – still stayed in position that it is trading of dirty air and not interesting for them. First real influence on awareness started with process of verification. It means that capacity building is still one of the most important points to get success in emission trading.