

SUMMARY OF RECENT DEVELOPMENTS ON EMISSION TRADING IN LITHUANIA

Lithuania is committed to the mitigation of global climate change and therefore to reducing its emissions from greenhouse gases (GHG). It has ratified the UN Convention on Climate Change (UNFCCC) and its Kyoto Protocol, with a reduction commitment of 8% for the period 2008-2012. Since May 2004, Lithuania is a Member State of the European Union, and as such also bound by the Union's policies on climate change.

Table 1: GHG emissions: 1990-2001

| GHG emissions (MTCO ₂ e) | 1990 | 2002 | % change (1990-2001) | Kyoto target |
|-------------------------------------|------|------|-------------------------|--------------|
| Lithuania | 51.5 | 20.2 | -60.8% | -8.0% |

The Lithuanian National Allocation Plan (NAP) for the period of 2005-2007, developed under the Article 9 of the Directive 2003/87/EC, was notified to the Commission on 6 May 2004. In December 2004, the European Commission accepted unconditionally Lithuanian NAP.

Lithuanian NAP accepted without further changes required, following amendments by Lithuania in early December 2004. All companies qualify for trading. Compared to the notified plan, Lithuania has *inter alia* reduced the total number of allowances by 3.9 million over the trading period, and adapted the access rules to the new entrant reserve. Allowances distributed to 93 installations.

Table 2: Number of allowances to be allocated in 2005-2007

| | | |
|---------------------------|------------|-------|
| Distributed at no cost | 34 404 544 | 93,5% |
| Distributed by an auction | 551 825 | 1,5% |
| Reserve for new entrants | 1 839 815 | 5% |
| Total | 36 796 184 | 100% |

Allowances are distributed separately between the following industries:

- Cement and lime production;
- Glass, brick and ceramic production;
- Oil processing;
- Industrial enterprises, that burn fuel in order to generate energy for their own needs, paper production enterprises;
- Electricity generation and sale;
- Heat generation and sale.

For installations in the energy sector benchmarking is used. The comparative pollution benchmark depends on the type of enterprise:

- ☐ The electric power planned to supply from condensed power stations;
- ☐ The electric power planned to supply from co-generation power stations with no possibility to burn natural gases;

- The electric power planned to supply from other existing co-generation power stations;
- The heat planned to supply when there are no possibilities to burn natural gases;
- The heat planned to supply when there are possibilities to burn natural gases.

Early action

When allocating allowances to different enterprises the quantity of allowances issued to each of them is not specifically adjusted in view of its previous actions – investments into pollution reduction measures made prior to that date.

Since allowances are allocated to electric power and heat energy generating enterprises under equal emission benchmarks used for the installations of different groups, those electric power and heat energy generating enterprises that have made prior investments into pollution reduction and whose relative emissions are lower than the determined emission benchmark will be in a more favourable situation.

Clean technologies

When allocating allowances to new market entrants, the quantity of allowances shall correspond to the benchmarks for pollution emissions from clean technologies that correspond to the best available technologies as defined in Directive 96/61/EC.

New entrants

5% of the allowances allocated for the period 2005 to 2007 will be transferred to the reserve intended for new market entrants. Allowances from reserve will be granted to new market entrants by applying benchmarks to one installed power unit (MW; t of production per day and so on). The quantity of allowances granted to newly introduced installations will be established taking into consideration the emissions of the installations conforming to the features of the best accessible technologies. Allowance to emit GHG is issued by Regional Environmental Departments as a constituent of Integrated Pollution Prevention and Control Permit.

JI market

It is planned to host Joint Implementation projects in sectors or installations not covered by the trading scheme such as for example, green energy projects (as wind power plants, hydropower plants, small (below 20MWth biomass plants, etc) or fuel conversion projects (below 20MWth).